

LESSON-12

NATURE OF PLANNING, SIGNIFICANCE OF PLANNING, TYPES OF PLANNING

Overview of The Lesson

Planning is a rational action mixed with a little of forethought. It is seen everywhere. In a business, planning is the primary of all managerial functions as it involves deciding of future course of action. Thus, planning logically precedes the execution of all managerial functions.

Planning is the process of deciding in advance what is to be done, where, how and by whom it is to be done. Planning as a process involves anticipation of future course of events and deciding the best course of action. Thus, it is basically a process of 'thinking before doing'. All these elements speak about the futurity of an action. Koontz and O'Donnell have defined planning in terms of future course of action. They state " that Planning is the selection from among alternatives for future courses of action for the enterprise as a whole and each department within it.

Objective

- Nature Of Planning
- Significance Of Planning
- Limitation of Planning
- Requirements Of A Good Plan

Nature Of Planning

The nature of planning can be highlighted by studying its characteristics.

They are as follows:

- (a) **Planning is a mental activity.** Planning is not a simple process. It is an intellectual exercise and involves thinking and forethought on the part of the manager.
- (b) **Planning is goal-oriented.** Every plan specifies the goals to be attained in the future and the steps necessary to reach them. A manager cannot do any planning, unless the goals are known.
- (c) **Planning is forward looking.** Planning is in keeping with the adage, "look before you leap". Thus planning means looking ahead. It is futuristic in nature since it is performed to accomplish some objectives in future.
- (d) **Planning pervades all managerial activity.** Planning is the basic function of managers at all levels, although the nature and scope of planning will vary at each level.
- (e) **Planning is the primary function.** Planning logically precedes the execution of all other managerial functions, since managerial activities in organizing, staffing, directing and controlling are designed to support the attainment of organizational goals. Thus, management is a circular process beginning with planning and returning to planning for revision and adjustment.
- (f) **Planning is based on facts.** Planning is a conscious determination and projection of a course of action for the

future. It is based on objectives, facts and considered forecasts. Thus planning is not a guess work.

- (g) **Planning is flexible.** Planning is a dynamic process capable of adjustments in accordance with the needs and requirements of the situations. Thus planning has to be flexible and cannot be rigid.
- (h) **Planning is essentially decision making.** Planning is a choice activity as the planning process involves finding the alternatives and the selection of the best. Thus decision making is the cardinal part of planning.

Significance Of Planning

According to G.R. Terry, "Planning is the foundation of most successful actions of all enterprises." An enterprise can achieve its objectives only through systematic planning on account of the increasing complexities of modern business. The importance and usefulness of planning can be understood with reference to the following benefits.

- (a) **Minimizes uncertainty.** The future is generally uncertain and things are likely to change with the passage of time. Planning helps in minimizing the uncertainties of the future as it anticipates future events.
- (b) **Emphasis on objectives.** The first step in planning is to fix the objectives. When the objectives are clearly fixed, the execution of plans will be facilitated towards these objectives.
- (c) **Promotes coordination.** Planning helps to promote the coordinated effort on account of pre-determined goals.
- (d) **Facilitates control.** Planning and control are inseparable in the sense that unplanned actions cannot be controlled. Control is nothing but making sure that activities conform to the plans.
- (e) **Improves competitive strength.** Planning enables an enterprise to discover new opportunities, which give it a competitive edge.
- (f) **Economical operation.** Since planning involves a lot of mental exercise, it helps in proper utilization of resources and elimination of unnecessary activities. This, in turn, leads to economy in operation.
- (g) **Encourages innovation.** Planning is basically the deciding function of management. Many new ideas come to the mind of a manager when he is planning. This creates an innovative and foresighted attitude among the managers.
- (h) **Tackling complexities of modern business.** With modern business becoming more and more complex, planning helps in getting a clear idea about what is to be done, when it is to be done, where it is to be done and how it is to be done.

Limitations Of Planning

Although planning is a primary function of management and facilitates various other management functions, it has many barriers and limitations. Some of them are explained below:

- (a) Costly process.** Planning is a costly process as time, energy and money are involved in gathering of facts and testing of various alternatives.
- (b) Rigidity.** Planning restricts the individual's freedom, initiative and desire for creativity as it strictly adheres to -pre-determined -policies and Programmes.
- (c) Limited scope.** The scope of planning is said to be limited in the case of organizations with rapidly changing situations.
- (d) Influence of external factors.** The effectiveness of planning is sometimes limited because of the external social, political, economical and technological factors which are beyond the control of the planners.
- (e) Non-availability of data.** Planning needs reliable facts and figures. planning loses its value unless reliable information is available.
- (f) People's resistance.** Resistance to change hinders planning. Planners often feel frustrated in instituting new plans, because of the inability of people to accept them.

Requirements of a Good Plan

An effective and sound plan should have the following features:

- (a) Clear objective** The purpose of plans and their components is to develop and facilitate the realisation of organizational objectives. The statement on objectives should be clear, concise, definite and accurate. It should not be coloured by bias resulting from emphasis on personal objectives.
- (b) Proper understanding.** A good plan is one which is well understood by those who have to execute it. It must be based on sound assumptions and sound reasoning.
- (c) Flexible.** The principle of flexibility states that management should be able to change an existing plan because of change in environment without undue extra cost or delay so that activities keep moving towards the established goals. Thus, a good plan should be flexible to accommodate future uncertainties.
- (d) Stable.** The principle of stability states that the basic feature of the plan should not be discarded or modified because of changes in external factors such as population trends, technological developments, or unemployment.
- (e) Comprehensive.** A plan is said to be comprehensive when it covers each and every aspect of business. It should integrate the various administrative plans so that the whole organization operates at peak efficiency.
- (f) Economical.** A plan is said to be good, if it is as economical as possible, depending upon the resources available with the organization.

Types Of Planning

Planning is of several kinds depending upon their nature. The various types of plans are as follows:

- (a) Financial and non-financial planning.** Financial planning relates to the monetary aspect of the concern. On the other hand, non-financial planning relates to the physical resources of the concern.
- (b) Formal and informal planning.** A planning in black and white is known as formal planning. Informal planning is only thinking about it and nothing more.
- (c) Short-range and long-range planning.** Short-term planning relates to a period of less than one year. It is to accomplish objectives in the near future. Medium-term planning covers a period of over one year but less than three years. A planning between three to five years is known as long-term planning.
- (d) Standing and ad hoc planning.** Standing plans are permanent in nature and are meant to be used over and over again. They ensure quick decision and action whenever need arises. On the other hand, ad hoc plans are generally for specific matters and are prepared only when some need arises.
- (e) Administrative and operational planning.** Planning is generally done at various levels of management like top level, middle level, and lower level. Administrative planning associates with middle level managers and provides guidelines to operational planning. On the other hand, operational planning associates with lower levels of management and deals with actual execution of operations. Top level planning is concerned with fixing of objectives.