

FUNCTIONS OF MANAGEMENT

PLANNING — It is the basic function of mgt. Planning is the process of deciding on activities to attain these objectives. It is also a process of preparing for change and coping with uncertainty by formulating future courses of action. The basic purpose of planning is to reduce the risk of uncertainties, and to initiate a coordinated effort within the organisation for the purpose of organisational success.

Peter Drucker defined Planning as a is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectation through organised, systematic feedback.

The Six P's of Planning

1. **Purpose.** An effective planning system requires a clear understanding of the organisation's purpose. What are the reasons for the organisation's existence? Is it to increase profit or increase market share or generate more employment or introduce more products, etc? This purpose must be clear and elaborate.
2. **Philosophy.** Philosophy incorporates the fundamental beliefs as to how the organisation's purpose is to be achieved. For long term survival and growth, a philosophy of ethical conduct must be adopted. For example, General Motor's philosophy is based upon profitability through quality, service and ethical behaviour. IBM's philosophy was to elevate the level of the salesman to an executive, etc.
3. **Premise.** This involves the strengths and weaknesses of the organisation and its knowledge and assumptions about its environment. By forecasting and other methods, the management can make some conclusions about the environment trends and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.
4. **Policies.** Policies are general guidelines or constraints that aid in managerial thinking and action. In a typical organisation, there are production policies, financial policies, accounting policies, marketing policies, personnel policies, than the philosophy and form a basis for planning and necessary operational actions.
5. **Plans.** Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as to how to reach the objectives and also at what stage the progress is at a given time.
6. **Priorities.** A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, etc. must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources.

The most widely accepted functions of mgt was given by Koontz and O'Donnell as: planning, organising, staffing, directing and controlling.

Reasons for Planning

1. **Planning is essential in modern business.** The growing complexity of the modern business with rapid technological changes, rapid changes in consumer tastes and growing tough competition necessitates orderly operations not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

2. **Planning is related to performance.** It can be expected and there is evidence to support the hypothesis that companies that engage in formal planning consistently performed better than those with no formal planning, and improved their own performance over a period of time. The performance was measured by such factors as return on investment, sales volume, growth in earnings per share, etc. (Thune et. al. 1972).

3. **Planning puts a focus on objectives.** The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. This ensures maximum utility of managerial time and efforts.

4. **Planning anticipates problems and helps in the smooth flow of operations.** Since planning is involved in forecasting the future, it needs of the organisation are anticipated in advance, the proper acquisition and allocation of resources can be planned thus minimizing wastage ensuring optimal utility of these resources.

5. **Planning is necessary to facilitate control.** Since plans are made to achieve objectives, periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in the following ways (Boone et. al 1981):

(a) Establish advanced warning of possible deviations from the expected performance. The deviations in production, sales, profits, etc. may come to light during periodic investigations and remedial action can be taken.

(b) Provide quantitative data. There may be provision in plans to compare the actual performance, in quantitative terms, concerning production of sales, with industry statistics or market forecasts.

6. **Planning helps in the process of decision-making.** Since planning specifies the actions and steps to be taken in order to accomplish organisational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules, etc. are clearly laid down (Asthana and Misra, 1983).

CHARACTERISTICS OF GOOD PLANNING

A good plan can be identified by certain characteristics. Some of these characteristics are given below:

1. A good plan is based upon clear, well-defined and easily understood objectives. General objectives like improving morale or increasing profits are ambiguous in nature and do not lend to specific steps and plans. If possible, objectives must be quantified for the sake of simplicity.

2. It should be simple

3. It should be clear

4. It should be comprehensive

5. It should be economical

6. It should be flexible

7. It should establish standards

8. It should be balanced

2. A good plan must be simple and comprehensive. It should be simple so that all employees can grasp its significance and it can be easily put into operation. It should be detailed enough so that it covers all aspects of the operations that are necessary to achieve objectives.
3. It should be well-balanced, but flexible. A good plan should be well-balanced so that the existing resources are properly utilized for all functions and that short-term gains are not at the cost of long-term gains and vice-versa. Similarly, it should be flexible enough to incorporate any changes in these resources, if necessary.
4. Every plan should be time-bound. Even though planning is an attempt to anticipate the future, the time period allowed for achieving goals should be reasonable. Long-range planning has more uncertainties built into it due to difficulty in correctly anticipating events for a longer period of time. Hence, the time period covered should be reasonable and reasonably stable.
5. The plans should involve participation by subordinates. Planning should not be an exclusive responsibility of top management. Subordinates will not be responsible if a plan is imposed upon them. Also, subordinate participation generally ensures the sincere and serious effort on their part to make the plan successful.

Contributions and Benefits of Planning

The contributions or benefits of planning are as stated below:

1. Planning gives managers some purpose and direction. Since planning is future oriented, it forces managers to look beyond the present. Also it creates a unity of purpose, since the objectives are formally expressed and the methods and procedures to obtain these objectives clearly defined.
2. Proper planning helps in the process of motivation. If plans are properly communicated to all levels of the organisation, then everyone can feel involved in carrying them out. When people get involved, their sense of belonging increases and thus they are highly motivated.
3. Planning provides a framework for decision making. Knowing the organisational objectives and the methods to achieve these objectives eliminates ambiguity in the decision making process. Also planning provides for feedback, periodic evaluation of programs and indication for any deviation so that corrective action can be taken, hence making the decision making process a little easier. Also systematic planning requires an understanding and evaluation of many variables that influence events, hence it is highly unlikely that an important variable would be overlooked which could adversely affect either the decision process or the operation.
4. Proper planning results in proper and effective utilisation of organisational resources. Since planning involves the identification of such resources for optimum utility, there is no waste or minimum waste of resources. This will also reduce unproductive work, idle time for workers, downtime for machines, which would logically result in minimum cost of operations.
5. Since accurate forecasting of future events is an integral part of effective planning, it reduces the elements of risk and uncertainty. Also, since planning is done in advance of actions, it prevents hasty judgements and haphazard decisions and results in disciplined thinking.

6. It improves the competitive strength of the company in two ways. First, since the operations are planned in advance, the company is able to take its time in shopping around for best and competitive rates for raw materials, equipment and parts and for human resources. Secondly, proper planning gives the company an advantageous edge if it decides to make changes in its line of products, or expansion in plant capacity or changes in methodology (McFarland) etc. Studies have shown companies with formal planning system have performed significantly better overall, than those with informal planning or no planning (Krager, 1973).

7. Formal planning forces managers to examine all areas of the organisation from all angles and efficiently coordinate the activities of all these areas. Without this process these managers may ignore or overlook some critical aspect due to time pressures or other factors thus affecting the outcome of the efforts negatively (Camilius, 1975).

8. Planning provides performance standards and standards for measuring the progress of the organisations. Well developed plans can aid the controlling process. By establishing advanced warning of possible plan deviation, remedial action can be taken if these deviations occur. Performance standards and performance appraisal methods assist in the development of human potential and an equitable reward system. Thus it can be a good training ground for future managers and career-oriented executives.

STEPS IN PLANNING

Planning can be considered as a series of sequential steps. These steps are:

1. Establish and define clearly the central and overall objectives of the organisation. A well-defined objective can make the difference between success and failure of an enterprise.
2. Determine your current position relative to your objectives. Make an assessment of your strengths and weaknesses.
3. Develop forecasts and future conditions. In order to effectively plan, it is important and necessary to forecast as accurately as possible, the future trends that will affect the company's standing and operations.
4. Preparation of derivative plans. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company, to support the formal plan.
5. Implement plan and evaluate its results. The success of the plan would depend upon how effectively the plan is implemented.

PROBLEMS AND LIMITATIONS IN PLANNING

There are situations in which sometimes even well-designed plans fail to bring the desired results. There are some established reasons as to why plans fail. Some of these reasons are based upon K.A. Ringbakk (1970). These are:

1. Corporate planning is not integrated into the total management system. The top management fails to identify and associate properly the formal planning with the central concept of the organisation's mission.
2. There is a lack of understanding of the different steps of the planning process. The management may not be knowledgeable or skilled in understanding all steps of the planning requirements.

1. Develop objectives
2. Develop tasks to meet these objectives
3. Determine resources needed to implement tasks
4. Create a timeline
5. Determine tracking and assessment methods
6. Finalize plan
7. Distribute to all involved in the process.

3. Management at different levels in the organisation has not properly contributed to planning activities. Since all strategic planning is generally formulated and conducted at top management level, the middle management and lower management which is closer to the operations may not understand all aspects of planning and thus may not be able to contribute some necessary key factors as inputs.
4. Poor information and inadequate inputs may have formed the basis for planning. Since reliable data and information is the backbone of formal planning, such information may not be available or procurable. Poor information may also be due to faulty forecasting or poor judgements.
5. In starting formal planning, too much is attempted at once. Due to excitement and emotional expectations, the plans may be implanted too quickly and with too high expectations.
6. The management is not always willing to cancel or modify poor plans. A poor plan may adversely reflect on management's ability and understanding, and hence they may be unwilling to accept that the plan was poorly formulated, thus their unwillingness to modify it.
7. Resistance to change by organisational members.
8. Lack of contingency plans.