

# PLANNING AS A FUNCTION OF MANAGEMENT



# Problems to learn

1. Essence of planning.
2. Stages and principles of planning.
3. Target: concept and requirements.
4. Types of targets.
5. Types of plans.



# 1. Essence of planning

**Planning** is the process of making and evaluating a set of interdependent decisions in anticipation of certain activities in the future, provided that the desired future state will not be achieved without certain actions, and it is likely that the corresponding actions will lead to a favorable result in an optimal way.

**Planning** is one of the most complex and time-consuming types of intellectual activity.



# 1. Essence of planning

A **plan** is a management decision made in advance, before the start of action, and planning is a management function, it is an activity for making preliminary decisions. In order to achieve a certain result by a set date, it is necessary to determine what to do and how, therefore, decisions must be made in advance.

**Planning** is a continuous process of establishing or clarifying and concretizing the development goals of the entire organization and its structural divisions, determining the means to achieve them, the timing and sequence of implementation, distribution (identification) of resources.





Characteristics of Planning Function

## Planning Is Goal-Oriented Purposeful

Planning determines both long term and short term goals of an organisation. It not only decides the objectives but also chooses the ways and means of achieving them.

Thus, management planning examples is purposeful as the whole process aims at achieving goals most effectively and efficiently. The planning function of management has no meaning until it contributes to the achievement of objectives.

## Primacy Of Planning

It is also called a basic or primary planning function of management because it lays down the base for other functions. All other management functions are performed within the framework of plans. Thus management planning examples precede other functions which are also termed as the primacy of planning.

## Planning Is Pervasive Or Universal

It is required in every [organisation](#), whether business or non-business, profit or non-profit, military, club, school or hospital, etc. Planning needs to be done whenever any human activity takes place.

Management planning examples is also required at all levels of management like top-level plans for the overall organisation, middle-level plans for their respective departments and the lower level for day to day planning.

## Planning Is Continuous

Planning is continuous as it goes on without any break or gap in an organisation till the end of its life. Managers cannot stop planning throughout the lifetime of the organisation.

Once the plans are made for a particular time, they are reviewed, revised and corrections are made leading to re-planning. Thus the management planning examples cycle is never-ending in which plans are made, implemented and replanned.

## Planning Is Futuristic

Planning is called looking ahead because it is done in advance for a future period. It involves predictions for which forecasting techniques are used. Management planning examples includes looking into the future, analyzing it and deciding a future course of action beforehand.

For an example of planning in management process, an annual sales plan is made based on an estimate of future sales.

## Planning Involves Choosing From The Alternatives

Management Planning examples involves making decisions because managers face many alternatives options when they make plans. For this, they identify the most suitable option. Plans won't be needed if there were not many choices available. Once a choice is made, detailed plans are made to implement it.

## Planning Is A Mental Exercise

Since management planning examples require the application of mind and thinking skills it is termed as a mental exercise. It is an intellectual exercise for which managers need mental abilities such as imagination, reasoning, judgement, forecast etc. It requires logical and systematic thinking rather than guesswork.

# 1. Essence of planning

## Major planning goals:

1. Ensuring the purposeful development of the organization as a whole and its structural divisions.
2. Perspective orientation and early recognition of development problems. The plan outlines the desired future state of the object and provides for measures aimed at supporting favorable trends or curbing negative ones.
3. Coordination of activities of structural divisions and employees of the organization. Coordination is carried out as a preliminary coordination of actions in the preparation of plans and as a coordinated response to emerging obstacles and problems in the implementation of plans.
4. Creation of an objective base for effective control. The availability of plans allows for an objective assessment of the enterprise's activities by comparing the actual values of the parameters with the planned ones according to the "fact-plan" principle.
5. Stimulus (motivation) of labor activity of workers. Successful fulfillment of planned targets, as a rule, is an object of special stimulation and a basis for mutual settlements, which creates effective motives for the productive and coordinated activities of all participants.
6. Information support of employees of the organization. The plans contain important information for each participant about the goals, forecasts, alternatives, terms of resource and administrative conditions for the work.

# 1. Essence of planning

The planning function answers three basic questions: where are we currently, where do we want to go, how are we going to get there?

1. **Where are we currently located?** To do this, it is necessary to have complete and reliable information about the results of the current activities of the organization. Such information can be obtained through the implementation of the control function. It is necessary to assess the strengths and weaknesses of the organization in such areas as: finance, marketing, production, research and development, human resources. All this is done with the aim of determining what the organization can realistically achieve.

# 1. Essence of planning

2. **Where do we want to go?** In evaluating the opportunities and threats in the organization's environment, it is necessary to determine what the organization's targets should be and what might prevent the organization from achieving those targets. When determining the direction of movement, the implementation of development forecasts for various time periods is of great importance.

**Forecasting** is a prediction on a scientific basis. Without directly carrying out the functions of planning, it provides the necessary scientific analysis of the factors influencing the development of the organization to perform this function. Planning and forecasting should not be confused. Forecasting determines the most general indicators of prospective economic development, reveals trends and alternative ways of this development. One of the most important tasks of forecasting is to determine the positive and negative factors that will affect economic processes during the forecast period. This allows planners to choose the best alternatives.

# 1. Essence of planning

**Forecasting** is a process that precedes planning. It provides advisory material, but not a solution, and this is its main difference from planning. A plan, on the other hand, always contains an element of a decision; as a rule, it is linked by balance, is of a directive nature, and necessarily has a rigidly fixed deadline, regardless of the social system.

The forecast should solve a number of problems.

# 1. Essence of planning

The first main goal of the forecast is the correct formulation of the problem itself (which is akin to the tasks of the “know” link), which is to be solved in the future. This conclusion follows from one of the important principles of system analysis, which states that it is possible to look for the right answer only to the right problem. The other options just don't make sense.

The second goal is to identify possible alternative solutions to the problem.

The third goal is to give the most complete list of positive and negative factors that will influence the solution of the problem in the future.

The fourth goal is to give all the above information to the persons responsible for making a particular decision.

When predicting, no specific decisions and actions are taken to eliminate the problem. The purpose of the forecast is purely informational, which, with a certain degree of conventionality, can be formulated as follows: the forecast must give answers to the questions - what can happen and under what conditions.

# 1. Essence of planning

3. **How are we going to do it?** It is necessary to decide what exactly the employees of the organization should do in order to achieve the achievement of organizational goals. When answering this question, one should choose one of several options for achieving the goal, the least expensive, both in terms of resources and time, for the enterprise.

Thus, **planning** is one of the ways in which management ensures the unified direction of the efforts of the employees of the organization towards the achievement of its overall goals.

## 2. Stages and principles of planning

In the process of executing the planning function, regardless of the type of plan, the manager implements the following steps:

1. At the first stage, one should decide on the direction of the organization's activities, formulate a target and determine the difference between the current state at the time of planning and the desired state of the organization.
2. At the second stage, a plan is developed. This stage provides analysis of various options for achieving the target, assessment of alternatives for their implementation, predicting positive and negative consequences for the organization, and making a planned decision.
3. At the third stage, the employees of the organization are informed about the planned tasks, targets, deadlines for the upcoming period.

## 2. Stages and principles of planning

For the first time the principles of planning were formulated by A. Fayol. He proposed five basic planning principles: the principle of unity, participation, continuity, flexibility and accuracy. Further, with the development of management, these principles were transformed into the following:

1. The unity of scientific, technical, social and economic targets of the development of the organization. This principle is reflected in the composition of the target parameters for planning the organization's activities, the types of plans being developed, and in the criteria for evaluating planning decisions.
2. Scientific validity and optimality of solutions. It is ensured by the use of modern information technologies, progressive procedures and methods for the implementation of production processes, the use of methods of optimal planning, experiments, optimization of planning decisions, building integrated systems for preparing and processing data.

## 2. Stages and principles of planning

3. Dominance of strategic aspects in planning. Orientation to separate results requires the mandatory use of specific forms of strategic planning in the enterprise and the subordination of all other types of operational planning to it.
4. The complexity of planning. Means a systemic linkage of milestones developed at the enterprise plans.
5. Resource balance of plans. It is implemented by drawing up material, labor, financial and other balance sheets in all areas and at all levels of the enterprise.
6. Flexibility and elasticity of planning. Means the requirement for a dynamic response of plans to deviations in the course of work or changes in internal or external factors, as well as the ability to maintain the necessary reserves and provide for planned alternatives.
7. Planning continuity. The implementation of the principle finds its fullest expression in the concept of rolling planning, in which, thanks to periodic extensions, long-term coarse calculations are combined with short-term detailed planning.

### 3. Target: concept and requirements

The target is usually understood as the ideal or desired state of the control object, the achievement of which is the goal of management activity.

Large organizations have not one but many targets that usually complement and support each other. These targets should be openly proclaimed by top management. Achieving targets should be useful to the organization, each of its members individually, as well as those who cooperate with it - business partners, authorities and society as a whole.

At the same time, the real result of human activity, as a rule, does not coincide with the intended target, since various deviations can always occur in the process of moving towards it. The targets of the organization change under the influence of external conditions of its activities, equipment and technology, changes in the views of management. Such a reorientation largely ensures its survival. The organization's targets are affected by the current situation.

# 3. Target: concept and requirements

As part of the management of the organization, the targets perform the following functions:

1. Reflect the philosophy of the organization, the concept of activity and development, and therefore, ultimately determine the structure of the organization and its management. Suffice it to recall that subdivisions are created primarily in accordance with the main areas of activity.
2. They reduce the uncertainty of the current activities of both the organization and the individual, becoming guidelines for them in the world around them. They help to concentrate on achieving the desired results, resist momentary impulses and desires, and regulate their own behavior. This helps to act faster, achieving the intended with minimal cost.
3. They form the basis of criteria for identifying problems, making decisions, monitoring and evaluating performance, material and moral incentives for employees.
4. Contain a challenge, rally people around them, encourage them to voluntarily take on difficult duties and make every possible effort to fulfill them.
5. Officially proclaimed goals serve as justification in the eyes of the public for the necessity and legitimacy of the existence of this organization.

### 3. Target: concept and requirements

The targets of the organization are subject to certain requirements:

- 1) specificity and measurability, expressed not only in qualitative, but also in quantitative indicators. As a result, the assessment of the process of achieving them, their perception by people, and coordination are facilitated, and therefore conflicts are reduced.
- 2) the reality for these conditions, the resource endowment of the organization, which is assessed in the process of drawing up planned budgets and allocating resources, otherwise people will lose confidence in the management and the organization as a whole;
- 3) flexibility, ability to transform in accordance with the changing conditions of the organization;
- 4) recognition by staff as personal goals: since goals are usually achieved as a result of the joint activities of people, they should be known, understandable, close to most members of the organization;
- 5) verifiability is due to the need to assess the degree of achievement of goals and provide appropriate incentives for people.

### 3. Target: concept and requirements

To assess the target and its elaboration, a SMART test is used. The name of the test is formed by the first letters of English words denoting the following criteria for assessing the goals of the project. To check the compliance of the project objectives with these criteria, you should answer the questions given in the table.

#### SMART Goal Setting

<b>S</b>	Specific: Define a clear, specific goal.
<b>M</b>	Measurable: Make sure you can track progress.
<b>A</b>	Attainable: Create a goal that is realistic.
<b>R</b>	Relevant: Ensure your goal aligns with the organization.
<b>T</b>	Time-bound: Assign a target date to keep accountable.

## 4. Target types

The targets of the organization can be classified as:

1. By sources: external targets that take into account the needs of the social community within which the organization operates; internal targets - the targets of the organization, focusing on the satisfaction of its needs.
2. In terms of complexity: simple; complex targets, which in turn are broken down into subtargets.
3. In order of importance: strategic targets are focused on solving promising large-scale problems that qualitatively change the face of the organization (taking a leading position in its field of activity); tactical targets reflect the individual stages of achieving strategic targets (overhaul ultimately aims to bring the equipment to the standard indicators of its operation). Tactical targets are operational (goals of the annual plan) and operational (current tasks).

## 4. Target types

4. By duration: long-term targets (over five years); medium-term (from one to five years); short-term (up to one year). Short-term targets are characterized by much greater detail and concretization of the necessary actions than long-term targets, and in themselves they are sub-goals on the way to the implementation of long-term ones.

5. By content: technological; economic; production; administrative; marketing; scientific and technical; social. Examples of economic goals are strengthening the financial stability of the organization, increasing the profitability of work, increasing the market value of equity capital. Production goals may consist in increasing the output of a certain volume of goods and services, improving their quality, increasing production efficiency, and reducing costs. Administrative goals include, for example, the achievement of high manageability of the organization, reliable interaction between employees, good discipline, and coherence in work. Marketing goals are associated with the conquest of certain sales markets, attracting new buyers, customers, extending the life cycle of goods and services, achieving leadership in prices, etc. Scientific and technical goals are fixed on the creation and introduction into production of new product samples and the improvement of existing ones, bringing them to the level of world standards. Social goals focus on creating favorable conditions for workers (increasing the level of wages, raising their educational and qualification level, establishing social partnership relations, providing people with high-quality medical care, etc.).

## 4. Target types

6. In terms of priority: necessary goals, the achievement of which is decisive for the position of the organization, unit or individual employees; aspirational goals, the implementation of which allows to improve the state of affairs and create additional guarantees of stability.
7. By focus: on the final result, for example, the release of a certain volume of products; for the implementation of a particular activity, for example, advanced training; to achieve a certain state of the control object - the reconstruction of the enterprise.
8. By the form of expression: goals characterized by quantitative indicators (for example, the release of a certain volume of products); goals that are described qualitatively (for example, achieving a favorable moral and psychological climate in a team that cannot be measured by anything).
9. From the point of view of the features of interaction: indifferent towards each other (indifferent); competing; complementary (complimentary); mutually exclusive (antagonistic); matching (identical).
10. By level: mission; corporate; specific goals.

## 4. Target types

The **mission** creates in others an idea of the destination; social responsibility to society and its employees; preferences, values, principles, culture; the most attractive areas of activity. All this ensures the harmony of the interaction of the organization with the internal and external environment, helps to determine positions and interests in relation to different social groups.

The mission reflects specific goals - general and specific, strategy development, distribution of resources at various organizational levels. The mission guides the current activities of managers. Thus, the mission gives direction to the movement of the organization, taking into account internal and external conditions. It is formed and honed over the years, rarely changes. The mission is formulated in strategic planning. The formulation of the mission is influenced by factors: historical traditions, competitive advantages and threats, the existing potential of the organization, the opinion of partners, authorities, the views of top management.

## 4. Target types

On the basis of the mission, general goals are determined (usually 4-6), which reflect the most important areas of the organization's activities as a whole and can be integral and functional. The former are associated, for example, with achieving its sustainability, ensuring the required level of profitability, profit, sales, access to foreign markets, etc.; the second - with individual specific aspects of the organization's work: finance, marketing, personnel work, and are also tasks for the relevant departments.

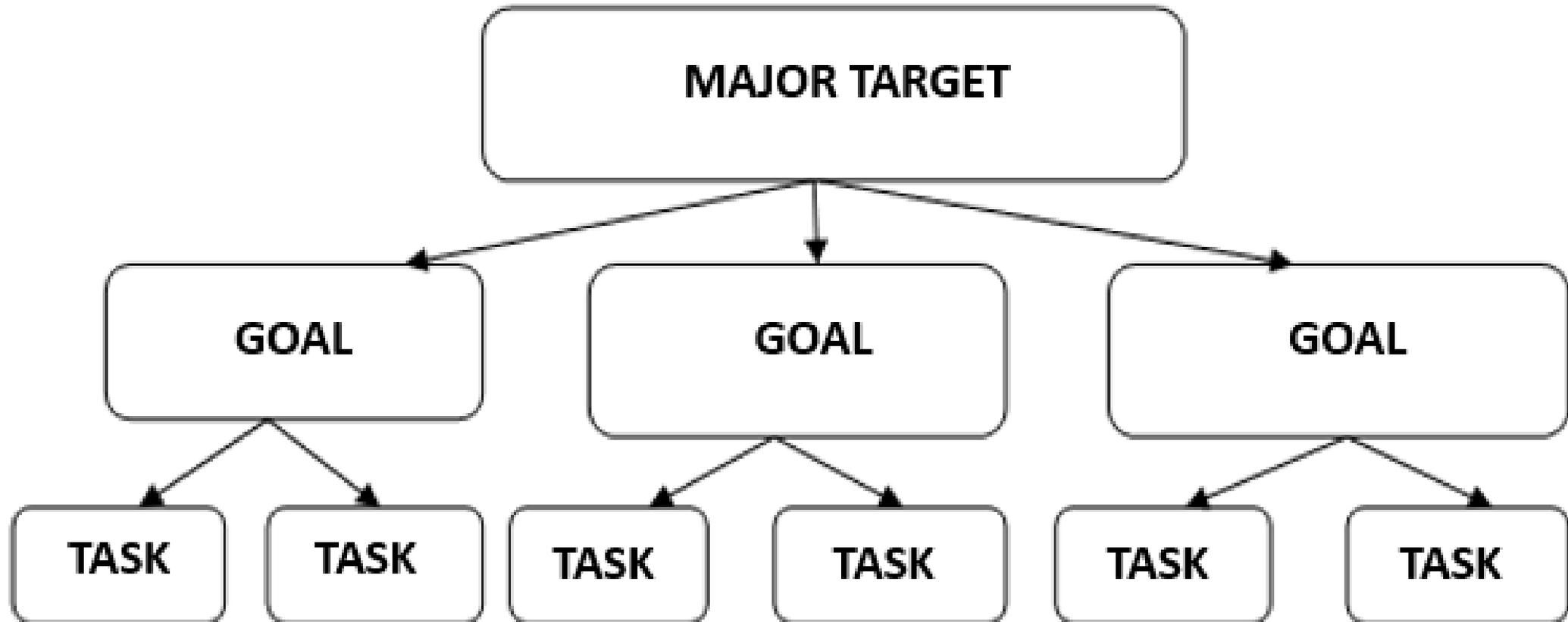
Specific goals are developed in each unit and determine the main directions of its activities in the light of the implementation of their general goals. Usually, they cover medium and short-term periods and are necessarily expressed in quantitative terms, forming the basis of plans. Since specific goals reflect the interests of relatively independent units, they inevitably come into conflict with the general ones. In this regard, there is a need for their mutual linkage in the interests of achieving maximum corporate results.

## 4. Target types

The process of forming goals, depending on the characteristics of the organization, can occur both centrally and decentralized. In the first case, their common orientation within the organization is ensured, but then the goals are imposed on the lower levels of management, which can cause resistance from the performers. In the second case, these problems are removed, but there are difficulties associated with the coordination of goals, directing them in a single direction. Constant changes in the external and internal environment of the organization lead to the fact that the goals have to be adjusted or revised. Some organizations do this as changes accumulate; others - depending on the specific situation, systematically, based on monitoring trends.

As a result, the organization develops a certain system of goals, as well as a mechanism for its constant updating. Within its framework, the goals are streamlined and balanced. A goal system is often represented as a tree.

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# 5. Plan types

**Planning** is a formal process and a schedule to complete work.

Every organization has to prepare a plan to achieve a predetermined objective in time. Plans may be prepared either for a short period or a long period and may be prepared by the top-level management or subordinate-level management. Generally, there are seven types of plan or planning:

- Corporate plan
- Tactical plan
- Operational plan
- Single-use plan
- Standing use plan
- Specific plan
- Flexible plan

# 5. Plan types

## Corporate Plan

A corporate plan is a long-term plan prepared by the top-level management. It gives the reason for the existence of the organization. It clearly defines the objectives of the organization and the strategy to achieve defined objectives. The strategy involves a clear explanation of how to achieve the defined objectives. There is a high degree of uncertainty in a strategic plan.

## Tactical Plan

The tactical plan is prepared by the middle-level management. It is consistent with the corporate plan. It is the sub-division of the corporate plan to be implemented in the practical field. The divisional managers identify the priority of the activities and prepare plans on the basis of the priority of work. They focus on allocating resources on the basis of programs. It is prepared to perform divisional or departmental activities like production, finance, marketing, personnel, etc.

## Operational Plan

The lower-level management prepares this operational plan. It is consistent with the tactical plan. It is a specific action plan for each and every activity of the unit. It involves the schedule of each unit of work to implement a tactical plan. It concentrates on the best use of available resources.

## 5. Plan types

A **single-use plan** is prepared for a specific purpose in a non-programmed situation. It is prepared for non-repetitive activities or as its name suggests for single use only. After completion of a defined objective, such a plan becomes worthless. Examples of such plans are project program and budget. Single-use plan types are:

- Programs – Programs are the plan made for achieving special objectives. These are the concrete types of plans prepared with a definite objective to accomplish a certain specific activity. Program is a mixture of procedures, policies, rules, assigned works, and elements necessary for operating the group activity smoothly. For example, the introduction of a new product in the market.
- Budget – Budgets are the forecasting of the expenditure estimated for future plans. Costs can be controlled and regulated with the help of budgets. A budget is a standard on the basis of which the actual performance of people, departments, etc is measured.

# 5. Plan types

## Standing Use Plan

A standing use plan is prepared for programmed decision-making situations in an organization. This plan gives broad guidelines for repetitive activities. Such a plan once developed will be implemented in the organization to achieve organizational objectives in different situations.

Examples of such plans are objectives, rules, policies, procedures, and strategy. A brief explanation to standing use plan types as:

- Objectives – The first important of planning is to lay down the objectives. Objectives represent the end of all other activities of management are directed. Objectives are the goals, aims, or purposes that organizations wish to achieve over varying periods of time.
- Strategy – Strategy is the determination of basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to achieve goals. Strategies are used to maintain a business institution viable to meet the competitive situations.

# 5. Plan types

## Standing Use Plan

- Policies – A policy is the verbal, written, or implied overall guidelines that supply the general limits and direction in which managerial action takes place. Policies provide guidelines in the decision-making process. Policy as a general statement of understanding lays down the limits under which decisions are to be made and thereby assures consistent and unified performance.
- Procedures – Procedure prescribes the methods through which work to be performed. It specifies a chronological sequence for handling activities. It lays down the specific manner in which a particular activity to be performed. It is a series of detailed steps indicating how to accomplish a task.
- Rules – A rule is a prescribed guide for conducting an action. The rules provide the conditions of handling the work. Rules signify some kinds of regulations and permit no discretion in their application. A rule requires specific and definite action with respect to a situation.

# 5. Plan types

## Specific Plan

A specific plan is developed for a particular department or unit about the activities to be performed. Members of an organization are clear about the task to be performed and resources to be used. All clearly stated plans are specific plans.

## Flexible Plan

A flexible plan is changeable on the basis of time and situation. It is not specific in terms of procedures and allocation of resources. Such a plan only provides guidelines to the members. The members can modify such plans on the basis of their facility and requirement.

# 5. Plan types

The implementation of plans involves the use of a management pyramid. While top management and investors shape the vision, mission, and goals of the organization, functional managers, or business administrators, are responsible for drawing up specific plans for functional areas.

**Policies and procedures** are components of formal planning. A policy is a general guide for action and decision making by the people of an organization.

A **procedure** is a pre-designed description of the sequence of actions for making a decision in a particular type of situation.

**Rules** define exactly what must be done in a specific, single situation.

**Budgets** are a tool for dynamic management of input and output resource flows in order to balance them.

**Tasks** are prescribed work, a series of tasks, or a piece of work that must be completed in a specified manner within a specified timeframe.