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Planning and Decision – Making

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Abstract:

Plans give the organization, its objectives and set up the best procedure for reaching them. Plans become the guides by which (1) the organisation obtains and commits the resources required to reach its objectives, (2) members of the organisation carry on activities consistent with the chosen objectives and procedures, and (3) progress toward the objectives is monitored and measured so that corrective action is taken if progress is unsatisfactory. The first step in planning is the selection of goals for the organisation. Objectives are established for the sub units of the organisation, its divisions, and departments and so on. Once the objectives are determined, programmes are established for achieving them in a systematic manner. In selecting objectives and developing programmes, the manager considers their feasibility and whether they will be acceptable to the organisation's managers and employees.

Key words: *guides, objectives, procedures, subunits, achieving, feasibility*

1. Introduction

According to Stoner and Freeman (1989), planning is the art of thinking prior to action. Planning is every manager's job. Before managers can organize, lead or control, they make plans that give purpose and direction to the organisation – deciding on what needs to be done, when and how it needs to be done, and who is to do it. Plant managers plan how their facilities are going to be used, how many of what products to make and when to make them. Marketing managers plan how to introduce products, what distribution channels to use and how to price the products. Even financial managers plan how to structure the debt and equity of the firm and how to budget and spend resources.

The need for planning exists at all levels and actually increases at higher levels where it has the greatest potential impact on the organisation's success. Upper level managers generally devote most of their planning time to the distant future and the strategies of the entire organisation. However, Alan (1991) says that managers at lower levels plan mainly for their own subunits for the shorter term. Variations in planning responsibilities depend also on the organisation's size and purpose and on the manager's specific function or activity. Thus a multinational company would be more concerned with planning for the distant future than would a local retailer since its operations around the world may well be more complex. Some organisations, e.g. mining companies, make long range commitments because of their particular purposes and objectives. On the other hand, a bookstore might concentrate on seasonal or annual goals. Still other types of organisations strike a balance between short and long term planning responsibilities.

2. Background to the Study

Managers who develop plans but do not commit themselves to action are simply wasting time because ideas that are not accompanied by definite ways to utilize them have no practical effect. Ivancevich (1992) says that planning is a process that does not end when a plan is agreed upon since plans must be implemented. Moreover, at any time during the implementation and control process, plans may require modification to avoid becoming useless or even damaging. Replanning can sometimes be the key factor leading to ultimate success.

An important aspect of planning is decision – making which is the process of developing and selecting a course of action to solve a specific problem. Decisions must be made at many points in the planning process. Managers must decide which predictions in such areas as the economy and the actions of competitors are likely to be most accurate. They must analyze organizational resources and decide how to allocate them to achieve goals, most effectively.

According to Scharf (1991), organisations that have operated for a long time in stable environments tend to lose flexibility and thus find change difficult or impossible. Managers must frequently monitor relevant environmental factors so that the organisation can adapt to new situations as quickly as possible so that they should manage surprises before they occur. To do this, managers must

establish ongoing processes to collect data on the organisation's internal functioning in order to maintain fresh information on its efficiency and the attitudes of personnel. Whatever information comes from data collection processes must be regularly compared with previously established standards or benchmarks of performance. Serious divergences from these benchmarks should sound an alarm so that corrective action can be taken.

3. Four Basic Steps in Planning

Planning is a fundal process and can be condensed into four basic steps that can be adapted to all planning activities at all organizational levels exhibited in Figure 1.

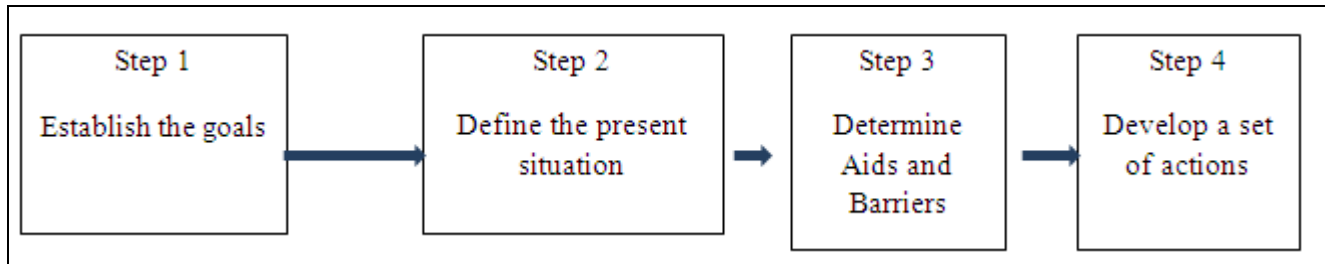


Figure 1: Four Basic Steps in Planning

3.1. Establish a Goal

Planning begins with decisions about what the organisation or subunit wants or needs. Without a definition of goals, organisations spread their resources too broadly. Stoner and Freeman (1989) say that identifying priorities and being specific about aims enable organisations to focus their resources effectively. Goals are an indispensable part of planning. Because goal setting is the essential first set in planning, managers who are unable to set meaningful goals will be unable to make effective plans.

3.2. Define the Present Situation

How far is the organisation or the subunit falling short of its goals? What resources are available for closing the gap? Only after the current state of affairs is analysed, can plans be drawn up to change future progress. Open lines of communication within the organisation and between its subunits provide the information, especially financial and statistical data necessary for this second stage.

3.3. Identify Aids and Barriers

What factors in the internal and external environments can help the organisation reach its goals? What factors might create problems? It is comparatively easy to see what is taking place now, but the future is never clear. Although difficult to do, anticipating future situations, problems and opportunities is an essential part of planning.

3.4. Develop a Course of Action

The final step in the planning process involves developing various alternative courses of action, evaluating these alternatives and choosing the most suitable (or at least the most satisfactory) alternative. This is the step in which decisions about future actions are made and during which the guides for effective decision-making are most relevant.

The fourth step is not necessary if, after examining current trends, the manager predicts that the plan already in effect will carry the organisation or subunit to its desired goal. In such a case, the manager usually monitors progress under the old plan closely and reacts quickly if it deviates from expectations. Most of the time, however, someone is engaged in planning because present conditions are not meeting goals and expectations. In such cases, a new plan is to be developed.

4. Research Methodology

Methodology is defined in two ways. In one form, the methodology is identical to a research model employed by the researcher in a particular project, including basic knowledge related to the subject and research methods and the framework employed in a particular context (Lathor, 1992). In this sense, every investigation has a distinct approach and every researcher employs his/her approach which might vary from study to study. Another definition relates to the nature of the approach to a theoretical and more abstract context and perceives it in conjunction and mutually exclusive theoretical principles (Westhuizen and Abrahams, 2002).

The approach is a guide or a way which is determined not by the research model but rather by paradigm. The approaches that result from this definition are qualitative and quantitative. This study applies a qualitative approach. Qualitative approach studies things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring them. Qualitative research involves the use and collection of a variety of empirical materials – case study, life story, personal experience, introspective, interview, interactional and usual texts that describe routine and problematic moments and meaning in individuals' lives.

5. Sources of Data and Sampling

Two sources of data collection were employed and these were secondary and primary sources. Secondary sources included relevant text books, academic journals and publications by firms. The primary sources involved the use of well-structured questionnaires administered on 200 randomly selected respondents from Sun Hotel to ascertain whether or not organizational plans are formulated by all employees. The plans that Sun Hotel uses are a product of all workers through a Works Council. A Works Council is made up of workers' and management's representatives. All the 200 respondents reported that their plans were each time discussed and agreed on, in Works Council meetings.

6. Link between Planning and Controlling

Planning has been described as an analytical and decision – making process that ends when a specific plan is developed. Plans are implemented through detailed actions aimed at realising specified objectives. Stoner and Freeman (1989) say that it is at this action – taking stage that planning moves into another function – controlling.

7. Controlling

It can be defined simply as the process of ensuring that actions conform to plans. Controlling cannot take place unless a plan exists, and a plan has little chance of success unless some efforts are made to monitor its progress.

8. Budgeting

It is the most common link between planning and controlling. Majers (1990) says that a budget is almost always a key part of the planning process because it guides decisions about allocating resources toward the attainment of goals. A well-planned budget harmonizes an organisation's strategy and structure, its management and personnel, and the tasks it needs to accomplish. Overturning a budget is frequently an early signal that activities are not proceeding as planned. Excessive expenditures may be due to inadequate planning to changed conditions or to other unforeseen events. When budget overruns become too large, the entire plan may need to be revised. In some organisations, planning and controlling are also linked by the process of employee participation in planning. When employees participate in establishing goals, they are more likely to control their own activities in order to make sure that the goals are met.

Although planning and controlling are linked, there are advantages in keeping the two functions formally separated. Separation emphasizes the importance of each as it encourages employees to take control seriously and to ensure that relevant activities are not neglected or performed haphazardly. Such separation may on occasion lead to disputes between planners and controllers over how well the control system is functioning, but a strong controller will play a key role in maintaining the integrity of the system.

9. Conclusion

Planning is the first step in managing an organization and can be seen as the manager's most fundamental responsibility at all levels. Planning involves four basic steps and these are establishing goals, determining aids and barriers to goal achievement and developing courses of action. Single use plans are established for unique situations while standing plans provide standardized responses to recurring situations. Planning and controlling are closely linked. Without planning, there can be no controlling. To ensure that performance conforms to plans, progress must be monitored and corrective action taken when necessary.

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