

PERSONALITY

"Personality is like a tree and reputation like its shadow. The shadow is what we think of it. The tree is the real thing."

— Abraham Lincoln

"We boil at different degrees."

— Ralph Waldo Emerson

Learning Objectives

After studying this chapter, you should be able to:

- Define personality and state what determines personality.
- Discuss the theories of personality.
- State how personality develops from its infancy to maturity.
- Explain the ways personality influences individuals' behaviour in organisations.
- Scan the personality traits the Indian managers exhibit.

Personality of an individual also affects human behaviour. Personality is the sum total of an individual's psycho-physical systems that determine his/her behaviour in a given environment/situation. Personality differs from person to person depending on their varying psycho-physical aspects. For example, we find in our day-to-day life that some people are quiet and passive, while others are loud and aggressive in their behaviours. Therefore, understanding human/employees behaviour in organisations in a better way underlines the need to understand personality in its various aspects. What exactly personality is? What do determine an individual's personality? How do the theories of personality help us understand and predict human behaviour in a given situation? The aim of this chapter is to attempt to answer these questions.

5.1 CONCEPT OF PERSONALITY

There may be so many personalities as many persons. Hence, there is no consensus what personality is. Personality means different things to different people. To some, it means one's charm, dress and attractiveness, to others, it means a unitary mode of response to life situations.

The English word 'personality' has been derived from the Latin word *per sonare*. It means 'to speak through'. Originally, the term denoted the masks worn by the actors in the ancient Greek dramas. In this way, personality is used in terms of physical attractiveness. However, perceiving personality in terms of external appearance is in narrow sense. Personality includes something more. Let us go through some definitions on personality that will help us understand personality in a proper and better sense.

According to Hilgard et al., "Personality may be understood as the characteristic patterns of behaviour and modes of thinking that determine a person's adjustment to the environment."

In the opinion of Ruchl, "Personality can be described as how he understands and views himself, and his pattern of inner and outer measurable traits".

Allport has defined personality as: "the dynamic organisation within the individual of those psycho-physical systems that determine his unique adjustment to his environment."

Thus, it reflects from above definitions that personality includes both internal and external aspects of a person. Here, external aspects relate to one's height, weight, facial features, colour and other physical aspects and traits. One's attitude, values, learning etc. are the examples of internal aspects of personality. Of more importance to organisational behaviour are internal aspects of personality.

Now, personality can be defined as the sum total of ways in which an individual reacts and interacts with other and environment. In other words, personality is an organised behaviour of an individual to react to a given stimulus in a set manner. This is most often in the form of consistent response to environmental stimuli.

(An individual's personality is influenced by the personal life and where he/she is working.) We now, therefore, turn our attention to this aspect of personality.

5.2 DETERMINANTS OF PERSONALITY

In this section, we shall try to probe into what determines an individual's personality. Is the personality predetermined at birth itself? or is it the result of individual's interaction with one's environment? Strictly speaking, there is no clear-cut answer to this question. Different thinkers have listed different determinants of personality. For example, McClelland⁴ has categorised them into four fundamental theories – (i) Traits, (ii) Schema, (iii) Motives, and (iv) Self Schema. There are others—Scott and Mitchell⁵, who have classified personality determinants into heredity groups and cultural factors. However, the various determinants of personality are broadly classified into three groups, namely, (i) Heredity, (ii) Environment, and (iii) Situation. These are now discussed in seriatim.

Heredity

(Heredity refers to those factors that were determined at conception.) Thus, heredity refers to biological factors. (Heredity is the transmission of the qualities from the parents to the children) through a biological mechanism lying in the chromosomes of the germ cells. (Physical stature, facial attractiveness, temperament, sex, muscle composition and biological rhythms are the examples of heredity characteristics) that are generally influenced by who one's parents are⁶.

Besides, studies on job satisfaction⁷ also lend credibility to the argument that heredity surely plays a role in determining one's personality. Research has proved that individual job satisfaction remains remarkably stable over time. Not only that, job satisfaction tends to remain stable even when employers or occupations change.

Environment

The environment, i.e., one's early conditioning, the family norms, friends and social groups exerts pressures on one's personality formation. Culture establishes the norms, attitudes and values that are passed along from generation to generation. Thus, a cultural consistency is created over time. Evidences are available to believe that the cultural environment in which people are raised plays a major role in shaping personality. For example, in India, children learn from an early age the values of hard work, frugality and family closeness. The Indian culture expects different behaviours from males and females.

Home environment generated to a child also exerts important influence in shaping his/her personality. For example, children reared in orphans or in unstimulating homes are much more likely to socially and emotionally maladjusted than their counterparts raised by parents in a warm, loving and stimulating environment⁸. Research studies⁹ have also revealed that parents have more effect on the personality development of their children as compared to other members of the family. Besides parents, siblings (brothers and sisters) also influence shaping of personality. Elders serve as models for youngsters.

The continuous impact of different social groups called, **socialisation process**, on an individual also affects his/her personality development. The socialisation process starts with the initial contact between a mother and her new infant. They, in fact, gradually come into contact with the social groups outside home/family such as peers, school friends, and the members of the work group. The socialisation process is, thus, not confined to early childhood, rather it takes place throughout one's life. Organisation itself also contributes much to socialisation. On the whole, this socialisation process influences one's personality development.

Situation

No doubt, both heredity and environment are the primary determinants of personality. But, there is a third factor also, i.e., the situation, that influences the effects of heredity and environment on personality. In practice, an individual's personality does change depending on the situation. This is because the different demands of the different situations call forth different aspects of one's personality. As an example, the same person while facing an employment interview and while enjoying picnic with his/her friends in a public park behaves quite differently depending on two different situations.

Situation, in fact, exerts an important pressure on the individual to behave in a particular manner. In certain cases, how one will behave is not determined by what kind of person one is, but by in which kind of situation one is placed. There may be, for example, a worker whose personality history suggests that he had need for power and achievement. But, when the same worker is placed in a highly bureaucratised work situation, may feel frustrated and behave apathetically or aggressively. This clearly indicates that his personality changed under changed situation.

However, it is difficult, if not impossible, to state the exact impact of various types of situations exert on one's personality. Nonetheless, it can safely be mentioned that certain situations are more relevant than others in influencing

personality.¹⁰ Hence, personality needs to be looked at situational context, not in isolation.

5.3 TYPES OF PERSONALITIES

As stated earlier, there are so many personalities as many are persons. Personalities differ in traits. A trait is any distinguishable, relatively enduring way in which one individual differs from another. Though behavioural researchers have attempted to identify the personality traits, the 16 traits reported by Cattell¹¹ are generally accepted ones. These are listed in the following Table 5.1

Table 5.1: Sixteen Primary Traits of Personality

1. Reserved	vs	Outgoing
2. Less Intelligent	vs	More Intelligent
3. Affected by Feeling	vs	Emotionally Stable
4. Submissive	vs	Dominant
5. Serious	vs	Happy-Go-Lucky
6. Expedient	vs	Conscientious
7. Timid	vs	Venturesome
8. Tough-Minded	vs	Sensitive
9. Trusting	vs	Suspicious
10. Practical	vs	Imaginative
11. Forthright	vs	Shrewd
12. Self-assured	vs	Apprehensive
13. Conservative	vs	Experimenting
14. Group-Dependent	vs	Self-Sufficient
15. Uncontrolled	vs	Controlled
16. Relaxed	vs	Tense

Groups of above traits serve as basis for classifying personalities into types. Based on these groups, following are the main types of personalities:

1. Introvert and Extrovert Personalities
2. Type A and Type B Personalities
3. Judging and Perceptive Personalities

Let us discuss what each of these types means.

Introvert Personalities: Introvert is one of the two basic orientations of people. Persons with introvert orientation are primarily oriented to the subjective world. Such people look inward and experience and process their thoughts and ideas within themselves. They also avoid social contacts and initiating interaction with other group mates, withdrawn, quiet and enjoy solitude. People with introvert personality are found more inclined to excel at tasks that require thought and analytical skill.

Extrovert Personalities: Simply speaking, extroverts are just contrary to introverts. Extroverts are friendly, sociable, lively, gregarious, aggressive and expressing their feelings and ideas openly. Accordingly, they are more suitable and successful for the positions that require considerable interaction with others. Sales activities, publicity

departments, personal relations unit, etc. are the examples of activities suitable for extroverts.

Look at following Table 5.2 and see how introverts differ from extroverts.

Table 5.2 : Introverts vs Extroverts

Introverts	Extroverts
Like quiet for concentration.	Like variety and action.
Tend to be careful with details, dislike sweeping statements	Tend to work faster, dislike complicated procedure.
Have trouble remembering names and faces.	Are often good at greeting people.
Like to think a lot before they act, sometimes without acting.	Often act quickly, sometimes without thinking.
Work contentedly alone.	Like to have people around.
Have some problems communicating	Usually communicate freely.
tend not to mind working on one project for a long time uninterruptedly.	Are often impatient with long slow jobs.
Dislike telephone intrusions and interruptions.	Often do not mind interruptions of answering the telephone.

Validity of results have showed that introvert/extrovert is applicable to only the rare extremes. The fact remains that most of the people really tend to be neither introverts nor extroverts, but ambiverts. That is, they are in between introversion and extroversion.

Type A Personality: Type A people are characterised by hard-working, highly achievement-oriented, impatient, have sense of time urgency, aggressive, with competitive drive, etc. Such people tend to be very productive and work very hard. In fact, they are workholics. Being impatient and aggressive, such people are more prone to heart attack.

Type B Personalities: Easy-going, sociable, free from urgency of time, laid-back and non-competitive are the characteristics of Type B personalities. Such people do better on tasks involving judgements, accuracy rather than speed and team work.

Judging Personalities: People with judging personality types like to follow a plan, make decisions and need only that what is essential for their work.

Perceptive Personalities: These are the people who adapt well to change, want to know all about a job and at times may get overcommitted. Go through the following Table 5.3, will help you understand better about the two types of personalities.

Table 5.3: Judging vs. Perceptive Personalities

Judging Type	Perceptive Type
Work best when they can plan work and follow the plan.	Adapt well to changing situations.
Like to get things settled.	Do not mind leaving things open for alterations.
May decide things too quickly.	May have trouble making decisions.
May not notice new things that need to be done	May start too many projects and have difficulty in finishing them.
Want only essential things needed to begin their work	Want to know all about their work.
Tend to be satisfied once they reach a judgement on a thing or situation or person	Tend to be curious and welcome new information on a thing or a situation or a person.

5.4 THEORIES OF PERSONALITY

As there are so many definitions of personality, so are theories of personality as well. As such, there is no consensus among the theorists about the theories of personality. Among several theories, the more prominent are: type, trait, psycho-analytic, social learning and self theory. A brief discussion of each follows.

Type Theory

Like other sciences, the first students of human nature also endeavoured to study human personality by classifying them into certain types. Personality classification was made on two bases: (i) Body Build, and (ii) Psychological Factors. In case of body build basis, personalities were classified into types by establishing relationship between one's body build/features and personality. Accordingly, persons having a short or plumb body build were characterised as sociable and relaxed, tall and thin persons as restrained, self-conscious and fond of solitude and those with heavy set muscular body build as noisy, callous and fond of physical activity. Admittedly, an individual's body build/physique may exert some influence on his/her personality, yet the relationship between the two seems much subtle than what such classification implies.

Personality types on the basis of psychological factors are based on the assumption that personality is the totality of a person's interacting sub-systems. Then, personalities are, accordingly, classified into two types: (i) introverts, and (ii) extroverts. As already mentioned while discussing types of personalities, introverts are those who primarily look inward at themselves, avoid social contacts and interaction with others, quiet and enjoy solitude. On the contrary, extroverts are sociable, friendly, gregarious, aggressive, etc. No doubt, typing personalities into introverts and extroverts looks simple and interesting, but it does not serve much of its purpose in understanding personalities in more detail and depth. The reason is that, as stated earlier also, most of the people tend to be neither introverts nor

strength and weakness of the concern should also be considered. An attempt should be made to improve the inefficient spots. The following factors should be taken into consideration while formulating business objectives :

1. **Classifying the Objectives.** The first important thing to be done in setting objectives is related to the classification of objectives. The objectives are classified into basic, outstanding, major or derivative etc. The basic objectives are essential for the present. The outstanding objectives will need more efforts than normal for their attainment. The major objectives will relate to the organisations while derivative objectives are concerned with departments, sections or individuals. The ultimate aim is to achieve organisational objectives and all other objectives will mingle into main objectives.

2. **Determining the Areas of Objectives.** The next thing in setting objectives is the specification of areas for which objectives are to be set. The business is divided into functional areas such as production, marketing, personnel, finance, etc. The objectives for each area are set differently. These objectives are set in conformity with the major organisational objectives. The division of areas enables proper planning and control.

3. **Co-ordinating various objectives.** The objectives of different departments are set separately. The objectives of various departments are co-ordinated so as to plan main organisational goals. The objectives for key-factors are decided first and then other departmental objectives are set. The key factor here means strategic factor. Finance may be a key-factor in one concern, output may be in another, materials may be in the third, etc. The planning of key factors is important because other objectives will depend upon it. All the factors should be co-ordinated in order to achieve overall objectives.

4. **Objectives should be Realistic.** The objectives should be realistic so that they may be attainable by the present men and resources. The objectives should take into consideration all the available resources otherwise they will not be realistic. Too high goals will discourage the employees because they will not be achieved. Too low objectives on the other hand will not enthuse the employees to give their maximum. So, objectives should be realistic and reasonable.

5. **Possibility of Adjustment.** There should not be any rigidity in objectives because these are based on future estimates. Any change in the circumstances will have an effect on the objectives too. The objectives should be modified as and when a situation demands. A production object may have to be modified if the raw materials of a

particular type are not available. So, there should be a scope for adjustment to make the objectives practicable.

Advantages of Laying Down Objectives

Objectives are the targets to be achieved by the management. They do not help one or two functions but all the functions are facilitated by the formulation of objectives.

1. The objectives are helpful in creating unity in planning. Different departments make their own departmental plans. In the absence of common objectives there is a possibility of inconsistency or confusion.
2. The formulation of objectives helps in decentralisation of authority. The goals of various levels of management are fixed and requisite authority is needed to be delegated for achieving those targets. The decentralisation of authority will involve more persons in decision-making process.
3. Objectives are helpful in exercising control over various activities. Every department, section or individual is responsible for its performance. The comparison of standard and actual performance will enable the management in pin-pointing weak spots. The control is facilitated through the setting of objectives.
4. The setting up of objectives stimulates motivation in individuals. When a person knows his goal then he will try to achieve it as early as possible. The performance of various individuals improves through this process.
5. Objectives are the essence of planning. Planning process is not possible without objectives. The planning starts with the setting up of objectives. It is the objectives for which planning is undertaken.

Management BY Objectives (MBO)

In the present changing economic environment old techniques of management do not give better results. The expansion of business in size and changes in technology have necessitated a new thinking in managerial approach. A number of new techniques of management have been developed in the recent past and management by objectives (MBO) is one of them. The credit for developing MBO goes to Peter Drucker who emphasised that performance of each job should be directed towards the achievement of whole business objectives. MBO is also known by the names, Management by Motivation, Management by Exception, Management by Results, etc.

According to George S. Ordiorue, "The system of management by objectives can be described as a process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members." Peter Drucker has pointed out that objectives are needed in every area where performance and results directly and vitally affect the survival and prospects of the business. In MBO, the goals of each individual are set and his results will speak for its performance. The sum total of individual's goals will form the organisational goals.

Steps in MBO

The following steps are necessary in management by objectives :

1. Formulating organisational objectives.

The first step in MBO programme is to determine main objectives of the business. The major objectives of the business are survival and expansion. To achieve these major objectives, derivative objectives are set up. Different departments set departmental objectives. The objectives from top level to individual level are aimed at achieving the main business objectives.

2. Setting up Subordinate Goals.

The subordinate goals are set at department level, section level, unit level, etc. The subordinate objectives will assign specific responsibilities to persons at various levels. Everybody in the organisation should know what is expected of him? The subordinate goals, in no way should be inconsistent with the overall objectives of the business. These goals should aim at contributing towards the overall business goals.

3. Periodic Meetings

The ultimate aim of various objectives, may be at any levels should be to achieve overall business objectives. There should be periodic meeting to know the views of subordinate staff. The top level management will be able to know the views and difficulties faced by the staff in achieving the targets. If circumstances have changed and objectives need any modification, it should also be done to make the objectives realistic.

4. Performance Appraisal

Evaluation of performance at the end of a period is essential to assess the work. The superior should evaluate the work of the

subordinates and find out deviations, if any. The persons whose performance is below the standard performance are penalised and those whose performance is outstanding are rewarded. The process of appraisal will enable the management to take corrective measures if there are deviations in performance.

Benefits of MBO

1. **Better Management.** The business objectives are converted into individual objectives. Everybody understands its own objectives and tries to achieve them in time. People will plan and manage their own work. This exercise will improve the management of the business.
2. **Improves Performance.** Everybody in the organisation knows his work and he will plan the things in such a way that targets are reached in time. It is easy to improve one's performance when the target is clear and well defined. Nobody will waste time in getting instructions from above since these are given at the time of setting objectives. People will take independent decisions for doing their part of work. All this leads to an improvement in performance.
3. **Self Control.** MBO introduces an element of self control. Everybody is given a target to achieve and he himself plans and controls the things. Necessary corrective actions are taken when performance is not upto the standards.
4. **Effective Planning and Control.** MBO requires regular review of performance. It establishes an effective link between planning and control.

Weaknesses of MBO

A number of problems are confronted while implementing MBO. Some of the weaknesses of this technique are :

1. **Difficulty in Setting Objectives.** The setting of objectives is a difficult task. If the objectives are unrealistic, these will demoralise the employees, if these are low then organisational interests will suffer. There may be a dispute between a senior and a subordinate about what is a fair objective.
2. **Emphasis on Short-term Objectives.** MBO emphasises short-term goals. The long-term and qualitative objectives are not given proper attention. Business should give adequate attention towards long-term as well as short-term planning.
3. **Rigidity.** There is a danger of rigidity in MBO technique. The managers will not like to make changes in objectives once they are determined. The change in circumstances may necessitate a change

in objectives but management will not like to do it. The lowering of objectives is taken as intentional even though it may be essential.

1. **Difficult for Employees.** The employees have to follow a tight schedule of work every day. They may not be able to cope with the system at all times.

Difficulties in Setting Objectives

Though objectives act as guidelines for devising various plans and policies but setting objectives is a difficult exercise. One has to reconcile various interests while setting objectives. Following difficulties are oftenly faced for setting objectives :

1. Difficult to Define

Objectives are to be set up for every area of the business. It is easy to set up quantifiable objectives like sales target to be achieved, goods to be produced in a particular period, amount of raw materials to be procured, etc. If the objectives are not measurable in money or quantity then it becomes difficult to set them. The objectives like consumer satisfaction, industrial relations, employee morale, etc. are difficult to be defined.

2. Difficult to Devise Means

Another problem in objectives is to devise suitable means for achieving them. Generally, ambitious objectives are set. They are not related to the availability of resources. Instead of improving efficiency they may become a source of frustration. If the employees are not able to achieve the objectives even with more efforts then their enthusiasm is dampened.

3. Difficult to Reconcile Objectives.

The objectives of different fields are sometimes contradictory. It becomes a problem to reconcile various objectives. The object of increasing productivity may be achieved by improving efficiency of workers. The workers, on the other hand, may not like the disciplinary sanctions imposed on them for not improving their work. So, it becomes a problem to reconcile various objectives.

B. Policies are the guidelines for achieving the objectives

Policies are the general statements which are formulated by an organisation for the guidance of its personnel. The objectives are first formulated and then policies are planned to achieve them. Policies are a mode of thought and the principles underlying the activities of an organisation or an institution. According to Koontz O'Donnel,

"Policies were indentified as guides to thinking in decision making. They assume that when decisions are made, these will fall within certain boundaries." Policies do not require action, but are intended to guide managers in their decision commitments when they do make decisions. In the words of George Terry, "Policy is a verbal, written or implied overall guide setting up boundaries that supply the general limits and direction in which managerial action will take place." Policies provide a framework within which a person has freedom to act.

Though objectives and policies are used to achieve organisational goals but both are different in essence. The objectives are the goals and the policies are the ways to achieve them. The objectives are the end points of planning and policies prescribe the broad ways for achieving them. A policy gives a guideline and leaves scope for interpretation for the person implementing them. This means that a policy has the flexibility for interpretation. A rigid policy becomes a rule.

Purpose of Policies

Policies are regarded as important for realising the objectives of the organisation. They also ensure co-ordination of efforts and activities in the enterprise. The policies are formulated for the following purposes :

1. The main purpose of policies is to ensure that there is no deviation from the planned course of action. The framework is set within which everybody is expected to work. Policies ensure that the broad guides for action are adhered to.
2. Since policies chalk out a framework for each and every person, it ensures proper delegation of authority also. A manager knows the extent of authority required by a subordinate to undertake the work allotted to him. Policies serve the purpose of delegating adequate authority downwards.
3. Policies allow the scope for interpretation. The main aspects are given in a policy but the actual mode of implementation is decided by the concerned person.
4. Policies are helpful for future planning also. The impact and influence of policies help in thinking about the future.
5. Policies also ensure consistency of action. The guidelines are similar for everybody and actions must conform to the broad outlines.

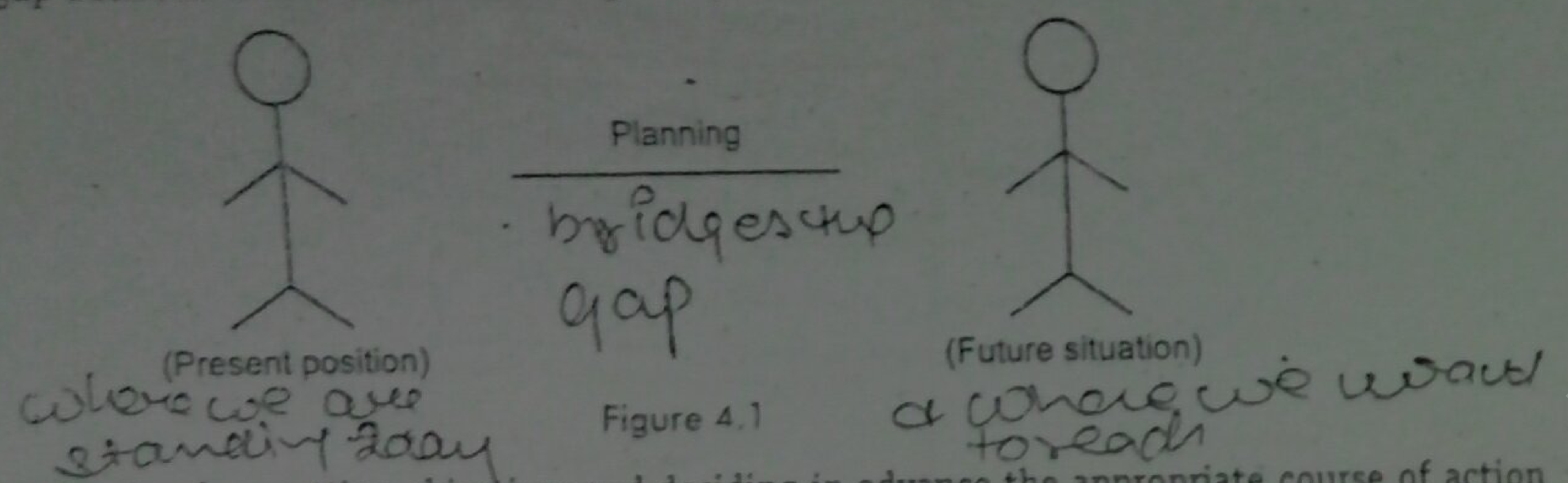
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INTRODUCTION

All organisations whether it is the government, a private business or small businessman require planning. To turn their dreams of increase in sale, earning high profit and getting success in business all business man have to think about future ; make predictions and achieve target. To decide what to do, how to do and when to do they do planning.

MEANING

Planning can be defined as "thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done". In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach.



Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them.

Another important ingredient of planning is time. Plans are always developed for a fixed time period as no business can go on planning endlessly.

Keeping in mind the time dimension we can define planning as "Setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from the different courses of actions".

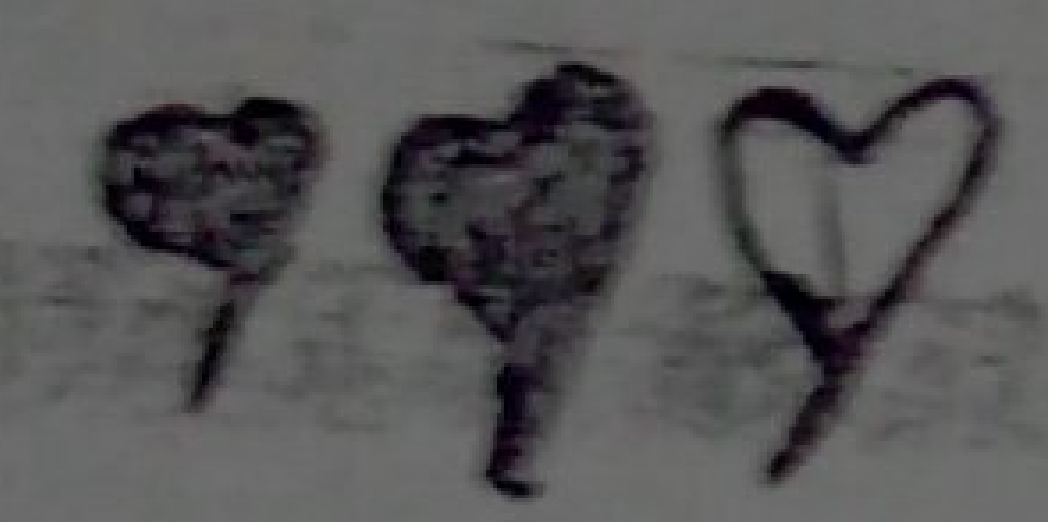
Definitions of Planning by Different Authors

1. "Planning is the thinking process, the organised foresight, the vision based on facts and experience that is required for intelligent action".

Alfred and Beatty

2. "Planning is the function that determines in advance what should be done. It consists of selecting the enterprise objectives, policies, programmes, procedures and other means of achieving those objectives. In his planning the manager must decide which of the alternative plans are to be followed and executed. Planning is intellectual in nature. It is mental work. It is looking ahead and preparing for the future".

Theo Haimann



M 7

3. "Planning is chalking out plan of action i.e., the result envisaged in the line of action to be followed, the stages to go through the methods to use"

Foyal

4. "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap from where we are to where we want to go, it makes it possible for things to happen"

Koontz and Odennell

4.2 FEATURES/NATURE/CHARACTERISTIC OF PLANNING

1. Planning contributes to Objectives. Planning starts with the determination of objectives. We cannot think of planning in absence of objective. After setting up of the objectives, planning decides the methods, procedures and steps to be taken for achievement of set objectives. Planners also help and bring changes in the plan if things are not moving in the direction of objectives.

For example, if an organisation has the objective of manufacturing 1500 washing machines and in one month only 80 washing machines are manufactured, then changes are made in the plan to achieve the final objective.

2. Planning is Primary function of management. Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function because objectives are set up in planning and other functions depend on the objectives only.

For example, in organizing function, managers assign authority and responsibility to the employees and level of authority and responsibility depends upon objectives of the company. Similarly, in staffing the employees are appointed. The number and type of employees again depends on the objectives of the company. So planning always proceeds and remains at no. 1 as compared to other functions.

3. Pervasive. Planning is required at all levels of the management. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities.

It is a trap laid down to capture the future. It includes forecasting and decision making with one's eye on the future.

4. Planning is futuristic/Forward looking. Planning always means looking ahead or planning is a futuristic function. Planning is never done for the past. All the managers try to make predictions and assumptions for future and these predictions are made on the basis of past experiences of the manager and with the regular and intelligent scanning of the general environment.

keeping in mind 5% inflation rate but in present situation if the inflation rate rises to 10% then during follow up the managers make changes in the plans according to 10% inflation rate.

PLANNING PROCESS

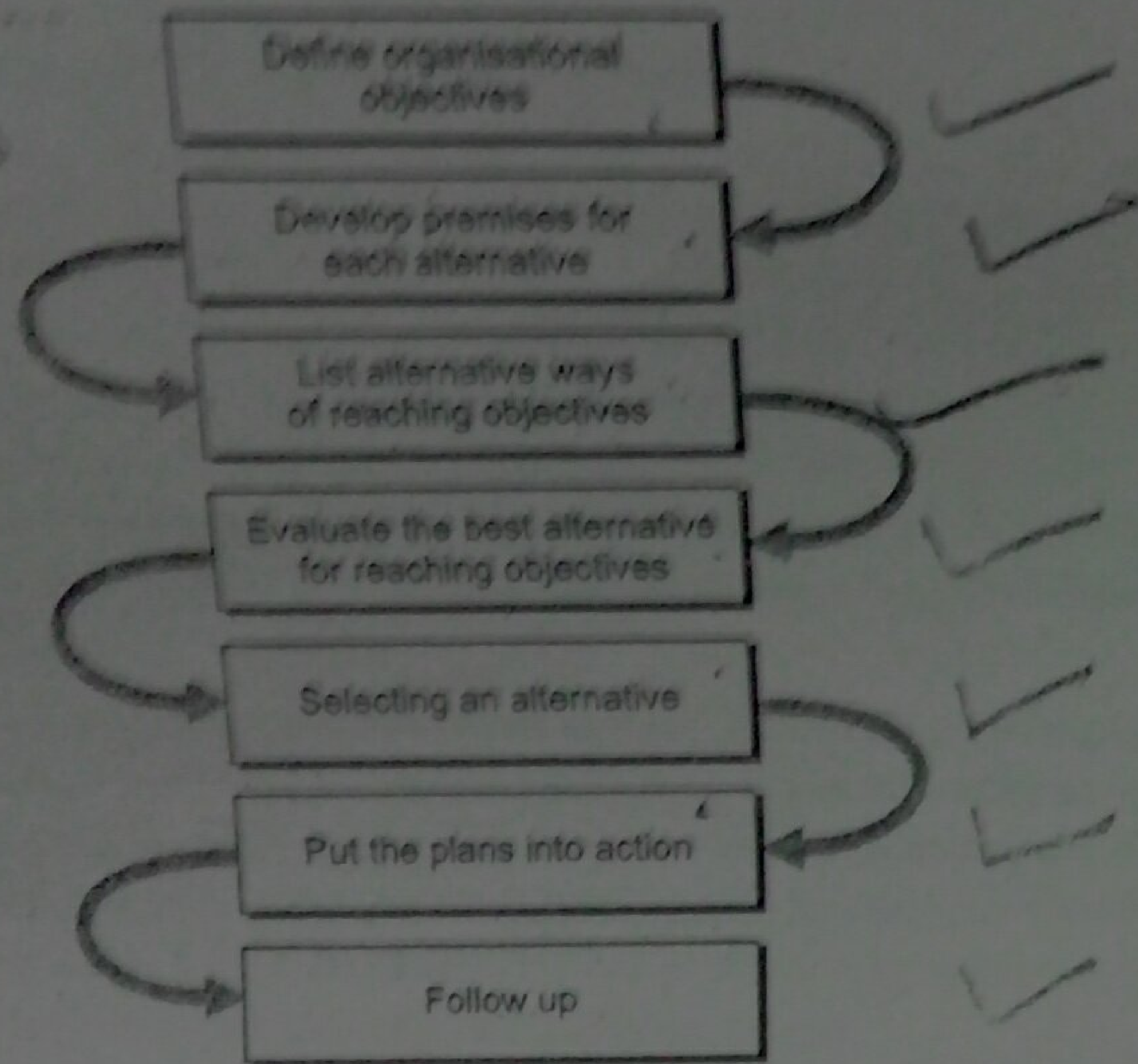


Figure 4.5

4.5 TYPES OF PLANS

Planning is a pervasive function which means it is not the task of top level managers only but managers working at different levels perform planning function. The plans framed by top level manager may differ from the plans formed by middle and lower level managers. The different types of plans or common plans formed by the managers at different levels are :

- > Objectives
- > Strategy
- > Policies
- > Procedures
- > Rules
- > Programmes
- > Methods
- > Budgets

1. Objectives

Objectives are the ends towards which the activities are directed. They are the end result of every activity. An objective :

- (a) Should be related to single activity ;
- (b) Should be related to result and not to activity to be performed ;

Objective simply states what you would like to achieve. These are usually set-up by top level management, diff. departments may have their own objectives.

- (a) It should be measurable or must be presented in quantitative term ;
- (b) It must have a time limit for achievement of objective ;
- (c) It must be achievable or feasible.

For example, increase in sale by 10% or decrease in rejection by 2%.

2. Strategy It is a mission statement It is made so as to complete the mission. It comes under policy. A strategy is a comprehensive plan to achieve the organisational objectives. The dimensions of strategy are :

- (i) Determining long term objectives.
- (ii) Adopting a particular course of action.
- (iii) Allocating resources for achieving the objectives.

Strategy formulation is the task of top level people and it is must-to-see-and-understand clearly the business environment before framing the strategy. The common decisions in strategy are whether to introduce a new product or not, if to introduce then how, finding out customer for your products, making changes in existing products etc. All the strategic decisions are greatly influenced by the business environment. Strategy defines the future decisions regarding the organisations direction and scope in the long-run. The changes in the social, political, economic, legal environment affects.

3. Policies the organisational strategies

Policy can be defined as organisation's general response to a particular problem or situation. In simple words, it is the organisation's own way of handling the problems. Policies are made at every level because the managers at every level need to decide or predetermine the way of handling a situation and policy acts as a guide to take decisions in unexpected situation. Policy formation always encourages initiatives of employees because employees have to deal with situations and the way of handling the situation is decided in consultation with the employees. Then they will be able to handle the situation in a much better way. For example, a school may have policy of issuing admission form only to students who secured more than 60% marks.

4. Procedures are routine steps on how to carry out activities

Procedures are required steps established in advance to handle future conditions. The sequence of steps to be followed by employees in different situations must be predetermined so that everyone follows same steps. The procedure can be defined as the exact manner in which an activity has to be accomplished. Carried out

For example, the procedure for admission in a particular school can be :

- (a) Set up a file for applicants ;
- (b) Accept the filed forms and put them in a file ;
- (c) Ask for other certificates to verify score or marks of students ;
- (d) Put those documents also in the file ;
- (e) Give the file to admission incharge.

They are generally meant for insiders to follow.

5. Planning is continuous. Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way. So, after making plans also planners keep making changes in the plans according to the requirement of the company. For example, if the plan is made during the boom period and during its execution there is depression period then planners have to make changes according to the conditions prevailing.

6. Planning involve decision making. The planning function is needed only when different alternatives are available and we have to select most suitable alternative. We cannot imagine planning in absence of choice because in planning function managers evaluate various alternatives and select the most appropriate. But if there is one alternative available then there is no requirement of planning. For example, to import the technology if the licence is only with STC (State Trading Corporation) then companies have no choice but to import the technology through STC only. But if there are 4-5 import agencies included in this task then the planners have to evaluate terms and conditions of all the agencies and select the most suitable from the company's point of view.

7. Planning is a mental exercise. It is Mental exercise. Planning is a mental process which requires higher thinking, that is why it is kept separate from operational activities by Taylor. In planning assumptions and predictions regarding future are made by scanning the environment properly. This activity requires higher level of intelligence. Secondly, in planning various alternatives are evaluated and the most suitable is selected which again requires higher level of intelligence. So, it is right to call planning an intellectual process.

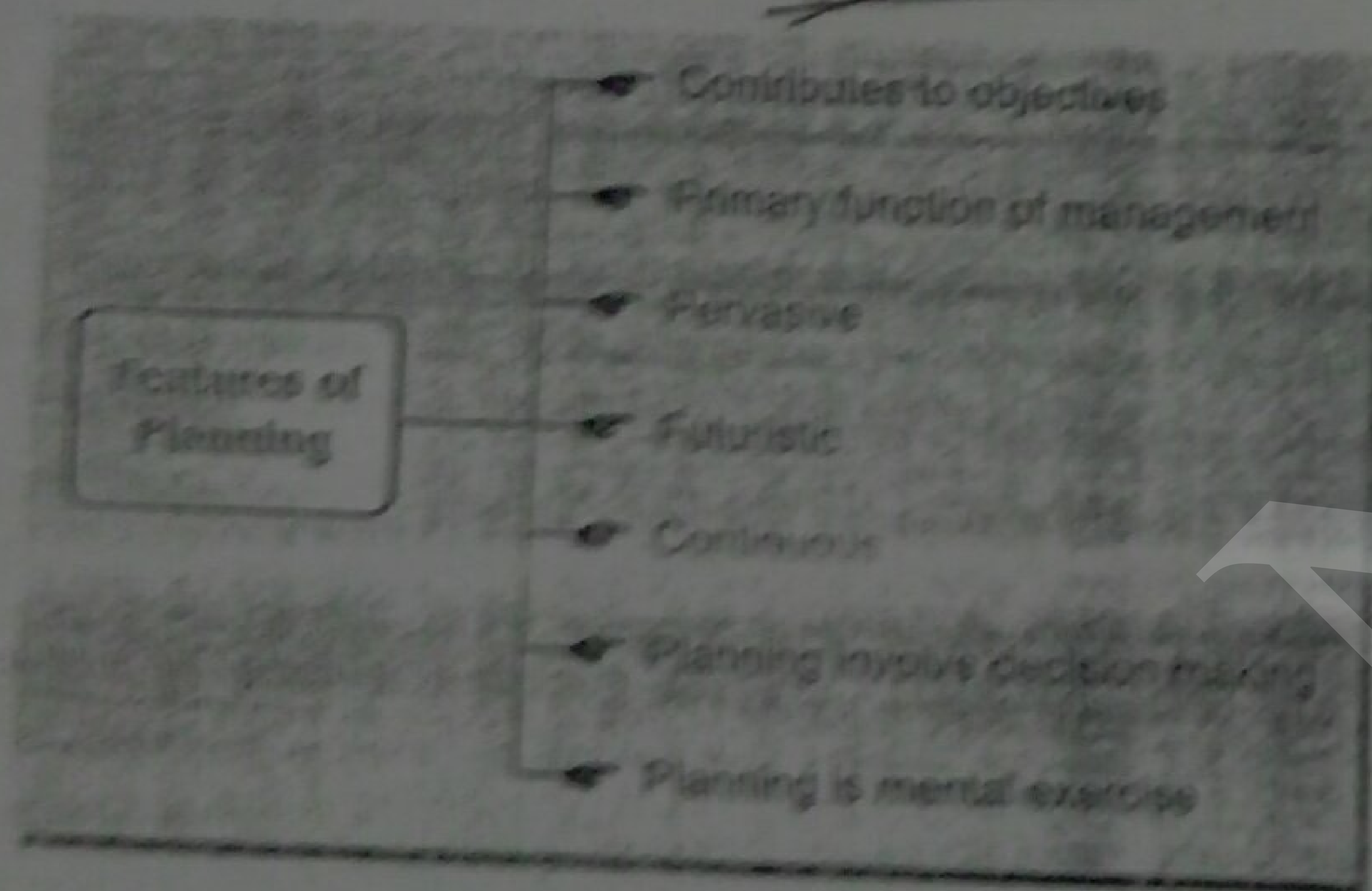


Figure 4.2

3. IMPORTANCE/SIGNIFICANCE OF PLANNING

1. Planning Provides Direction. Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do etc.

By stating in advance how work has to be done, planning provides direction for employees. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties. Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because managers try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces overlapping and wasteful activities. The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas. Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making. Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling. Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not. For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company. Planning function begins with the setting up of the objectives, policies, procedures, methods and rules etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

External Limitations of Planning

Sometimes, planning fails due to following limitations on which managers have no control.

- (i) Natural calamity. Natural calamities such as flood, earthquake, famine etc. may result in failure of plan.
- (ii) Change in competitors's policies. Sometimes plan may fail due to better policies, product and strategy of competitor which was not expected by manager.
- (iii) Change in taste/fashion and trend in the market. Sometimes plans may fail when the taste / fashion or trend in market goes against the expectation of planners.
- (iv) Change in technologies. The introduction of new technologies may also lead to failure of plans for products using old technology.
- (v) Change in government/economic policy. Managers have no control over government decisions. If govt., economic or industrial policies are not framed as expected by manager then also plans may fail.

Conclusions

The above points show that planning is not a substitute for success of an organisation because it suffers from many limitations. But it does not mean that managers should not perform planning function, rather they should perform planning function keeping in mind the limitations of planning and then try to overcome these limitations.

Trap laid down to capture the future
4.5

PLANNING PROCESS

1. Setting up of the objectives. In planning function manager begins with setting up of objectives because all the policies, procedures and methods are framed for achieving objectives only. The managers set up very clearly the objectives of the company keeping in mind the goals of the company and the physical and financial resources of the company. Managers prefer to set up goals which can be achieved quickly and in specific limit of time. After setting up the goals, the clearly defined goals are communicated to all the employees.

2. Developing premises. Premises refers to making assumptions regarding future. Premises are the base on which plans are made. It is a kind of forecast made keeping in view existing plans and any past information about various policies. There should be total agreement on all the assumptions. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information. Common forecast are made to find out the demand for a product, change in government or competitor policy, tax rate etc.

3. Listing the various alternatives for achieving the objectives. After setting up of objectives the managers make a list of alternatives through which the organisation can achieve its objectives as there can be many ways to achieve the objective and managers must know all the ways to reach the objectives.

For example, if the objective is to increase in sale by 10% does the sale can be increased:

- ✓ (a) By adding more line of products;
- ✓ (b) By offering discount;
- ✓ (c) By increasing expenditure on advertisements;
- ✓ (d) By increasing the share in the market;
- ✓ (e) By appointing salesman for door-door sale etc.

Forecast

So, managers list all the alternatives. *use them for - we assess*
4. Evaluation of alternative courses. After making the list of various alternatives along with the assumptions supporting them, the manager starts evaluating each and every alternative and notes down the positive and negative aspects of every alternative. After this the manager starts eliminating the alternatives with more of negative aspect and the one with the maximum positive aspect and with most feasible assumption is selected as best alternative. Alternatives are evaluated in the light of their feasibility.

5. Selecting an alternative. The best alternative is selected but as such there is no mathematical formula to select the best alternative. Sometimes instead of selecting one alternative, a combination of different alternatives can also be selected. The most ideal plan is most feasible, profitable and with least negative consequences.

After preparing the main plan, the organisation has to make number of small plans to support the main plan. These plans are related to performance of routine jobs in the organisation. These are derived from the major plan. So, they are also known as derivative plans. These plans are must for accomplishing the objective of main plan. The common supportive plans are plans to buy equipment, plan for recruitment and selection of employees, plan to buy raw material etc.

6. Implement the plan. The managers prepare or draft the main and supportive plans on paper but there is no use of these plans unless and until these are put in action. For implementing the plans or putting the plans into action, the managers start communicating the plans to all the employees very clearly because the employees actually have to carry on the activities according to specification of plans. After communicating the plan to employees and taking their support the managers start allocating the resources according to the specification of the plans. For example, if the plan is to increase in sale by increasing the expenditure on advertisement, then to put it into action, the managers must allot more funds to advertisement department, select better media, hire advertising agency etc.

7. Follow-up. Planning is a continuous process so the manager's job does not get over simply by putting the plan into action. The managers monitor the plan carefully while it is implemented. The monitoring of plan is very important because it helps to verify whether the conditions and predictions assumed in plan are holding true in present situation or not. If these are not coming true then immediately changes are made in the plan. During follow up many adjustments are made in the plan. For example, if the expenditure planning is done

8. Improves efficiency and leads to economical operations. Planning results in systematic and smooth functioning of the company because planning is concerned with the predetermined course of action. The predetermination of action avoids confusion and clashes and wastage of resources. The employees also know in advance what procedures they have to follow. So, no time is wasted in selection. All the systematic working leads to economic and efficient operations.

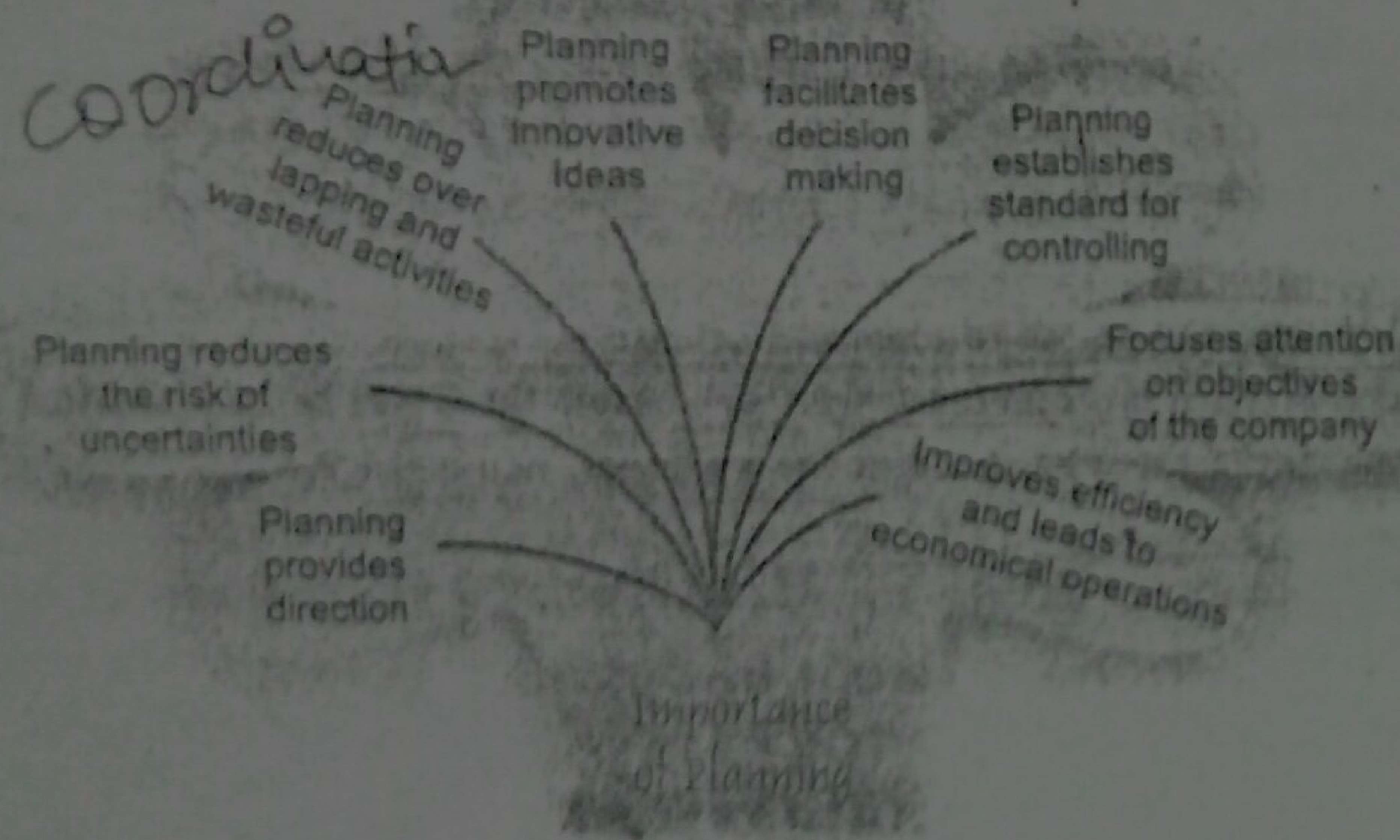


Figure 4.3

4 LIMITATIONS OF PLANNING

1. Planning leads to rigidity. Once plans are made to decide the future course of action the manager may not be in a position to change them. Following pre-decided plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

2. Planning may not work in dynamic environment. Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It become very difficult to fore cast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes take place in environment.

3. It reduces creativity. With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not

take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

4. Planning involves huge cost. Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

5. It is a time consuming process. Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

6. Planning does not guarantee success. Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans. It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

7. Lack of accuracy. In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

For example, if in the plan it is assumed that there will be 5% inflation rate and in future condition the inflation rate becomes 10% then the whole plan will fail and many adjustments will be required to be made.

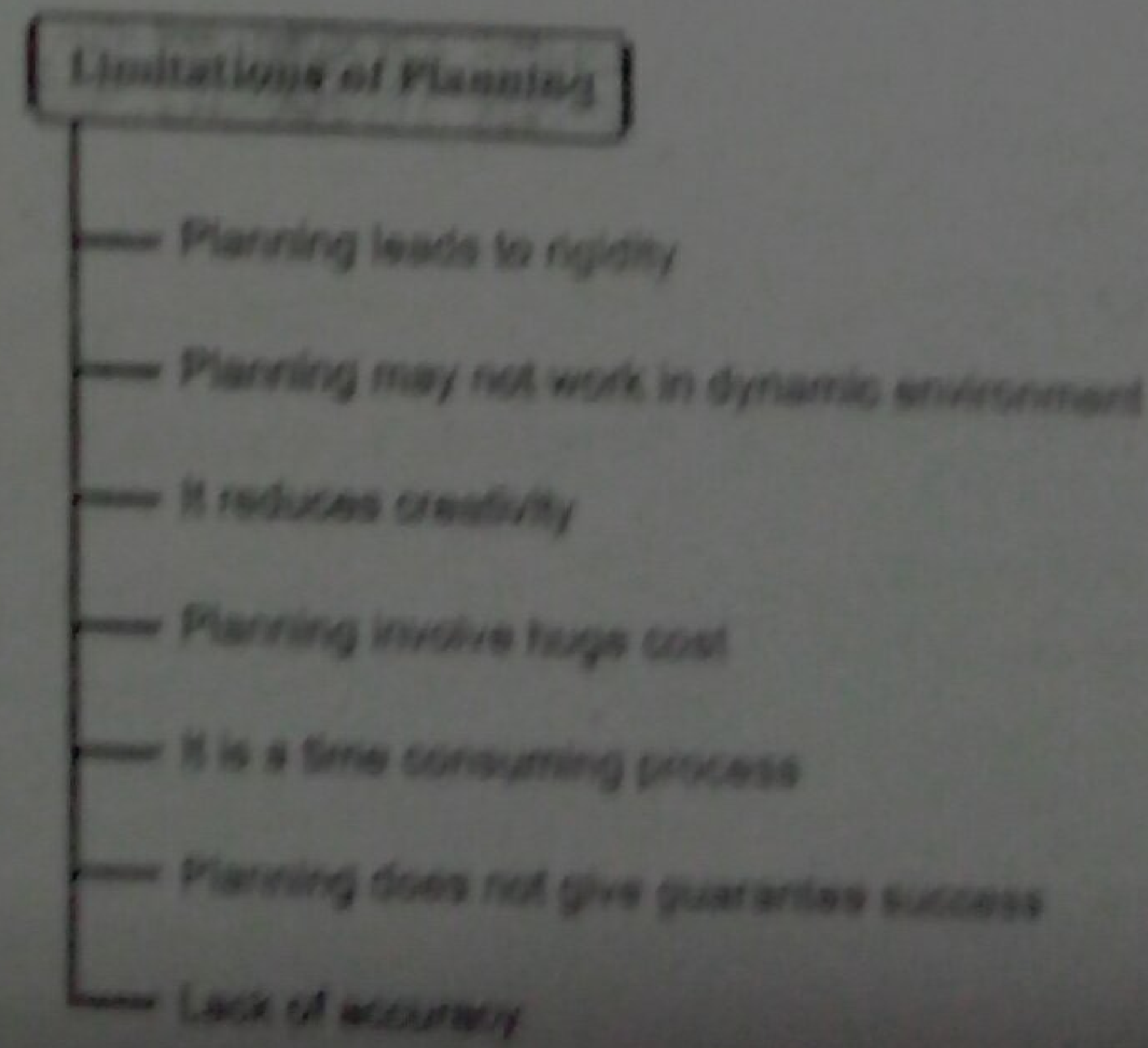
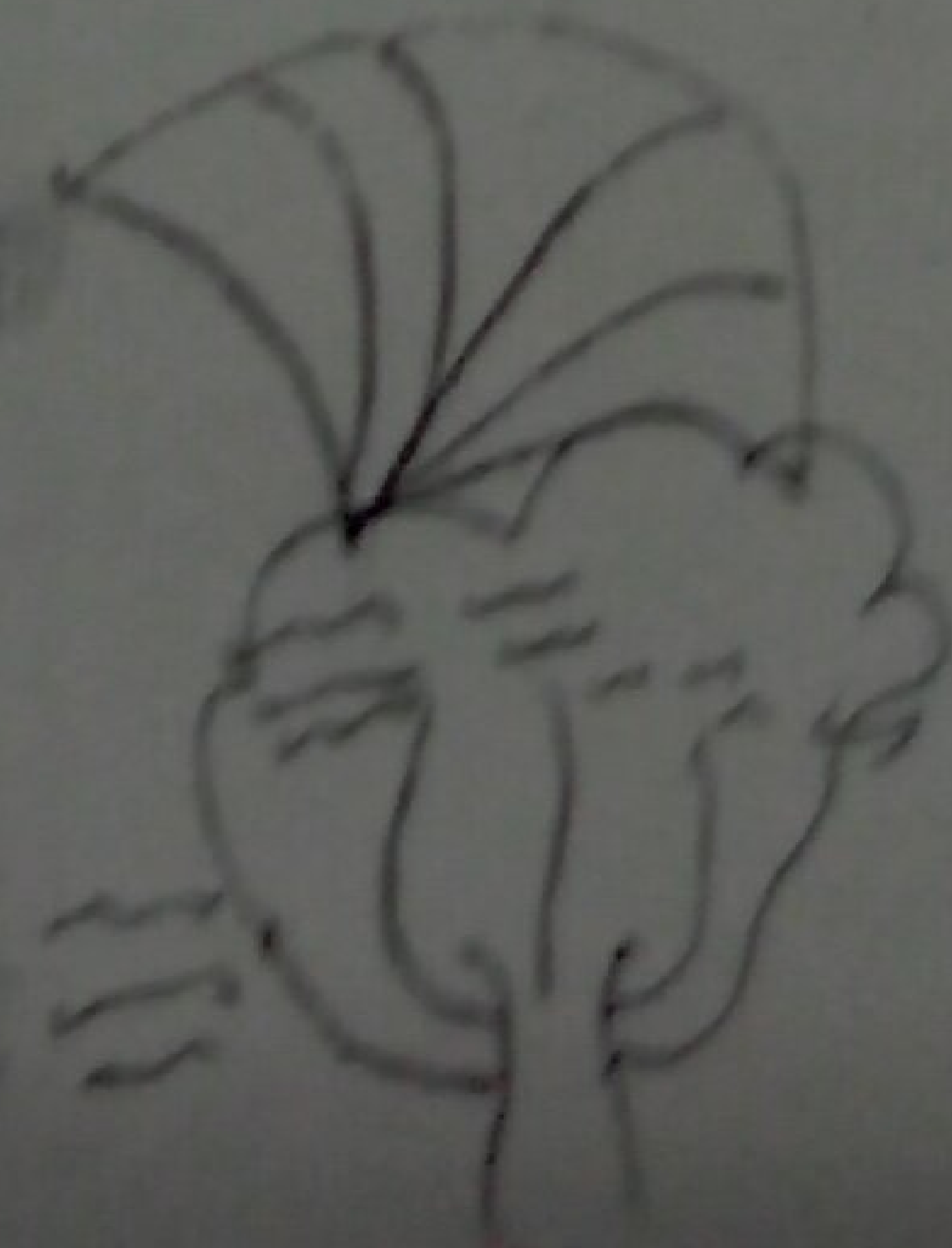


Figure 4.4

Procedures are made common for all the departments to co-ordinate their activities. So, procedures cut across all the departmental lines. For example, the procedure to handle the order by manufacturing department may involve sales department also.

Rules are statements that tells us what is to be done. They do not allow any flexibility.
 Rules spell out special actions or non-actions of the employees. There is no discretion allowed in rules i.e., they must be followed strictly and if rules are not followed then strict actions can be taken against employees who are disobeying the rules. Rules are ^{made} ~~set~~ out to create the environment of discipline in the organisation. For example, there can be rule of no smoking in the organisation. Rules generally guide the general behaviour of the employees and employees cannot make any changes in them.

6. Programmes

systematic work

Programmes are the combination of goals, policies, procedures and rules. All these plans together form a program. The programmes are made to get a systematic working in the organisation. The programmes create relation between policies, procedures and goals. The programmes are also prepared at different levels. A primary programme is prepared by the top level and then to support the primary programme supportive programmes of different levels are prepared for smooth function of the company.

7. Methods

Methods can be defined as formalised or systematic way of doing routine or repetitive jobs. The managers decide in advance the common way of doing a job. So, that

- (a) There is no doubt in the minds of employees ;
- (b) There can be uniformity in actions of the employees ;
- (c) These help in applying the techniques of standardisation and simplification ;
- (d) Act as guide for employees.

If the common way of doing the job is not decided in advance then there will be confusion and comparison will not be possible. For example, for the valuation of stock, the organisation must decide in advance what method has to be adopted (lifo or fifo). So that everyone follows the same method and comparison with the past value of stock can be done.

8. Budget

Budget is the statement of expected result expressed in numerical terms. In budgets the results are always measurable and most of the time these are financial in nature but it does not mean that company prepares only financial budget. Financial budget is also known as profit plan of the company because it includes the expected income and related expenditures with that income and the profit which the company will earn in the coming year. Along with financial budget capital budget is prepared to find out the expected capital requirement. Operational budget is prepared where instead of finance hourly units are used stating expected hours the

employees will be working. Budgets are prepared by managers at every level and lower level managers generally prepare operational budgets. *These are the statements showing*
 The most common budget prepared by managers at different levels is cash budget. This budget estimates the expected cash inflow and cash outflow over a period of time. Cash inflow comes from sales and cash outflow is in the form of expenses. Businessmen can find out net cash position by subtracting cash outflow from cash inflow.

Since budget represents all items in numbers, it becomes easier to compare actual figures with expected figures.

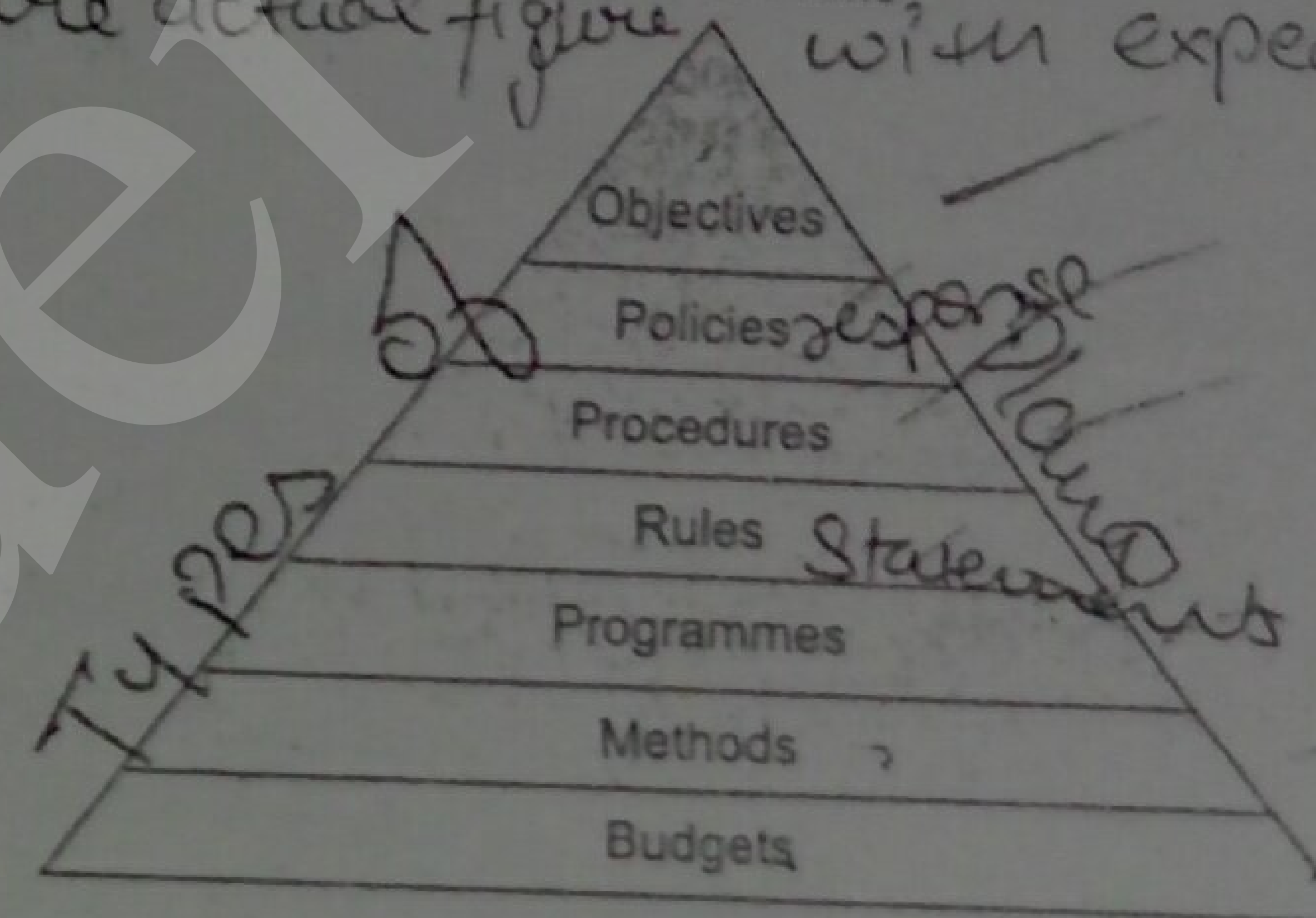


Figure 4.6

Differences Between

	Policies	Objectives
(a)	Policies are organisation's own way of solving a particular problem.	Objectives are end results of an organisation.
(b)	Policies describe how the work is to be done.	Objectives describe what is to be done.
(c)	Policies explain the mode of achieving the objectives.	Objectives are end points of planning.
(d)	Policies are framed by top, middle and lower level managers.	Objectives are generally formed by top level managers only.
	Policies	Procedures
(a)	Policies are organisation's own way of tackling the problem.	Procedures are step by step way of doing a job.
(b)	Policies are guide to think for decision making.	Procedures are guide to actions.
(c)	Policies are derived from objectives of the company.	Procedures are required for implementation of policy.
(d)	Policies are more rigid.	Procedures are less rigid.
(e)	Policies are expressed in general terms.	Procedures are expressed in specific terms.
(f)	Example : School's policy to give admission to students securing more than 60% marks.	Example : Procedure for maintaining admission can be : 1. Separate file, 2. Keeping admission forms in file, 3. Checking data filled in form with original document etc.

Procedures

Methods

are sequences of steps to be followed for performing some important work.

Procedures are more rigid.

Procedures help in implementation of policy.

Example: Procedure for giving admission in school or giving contracts to an outside agency.

Methods are formalised way of doing a routine and repetitive jobs.

Methods are less rigid or flexible.

Methods help for standardisation and co-ordination of activity.

Example: Methods of valuation of stock or method of production.

Policies

Rules

(a) Policies are organisation's own way of handling a problem.

(b) Policy is a general statement.

(c) Policy is a guide for decision making and thinking.

(d) Policy describes what is to be done under different situations.

(e) Policies are less rigid.

(f) Example: Policy of giving admission to students securing more than 60% marks.

Rules are norms regarding actions and non-actions of employees.

Rule is a specific statement.

Rule is a guide to behaviour of employees.

Rules describe what is to be done and what is not to be done by the employees.

Rules are very rigid.

Example: No smoking in office premises.

Rules

Methods

(a) Rules are norms for action and non-action of employees.

(b) Rules are very specific or very rigid also.

(c) Rules improve the behaviour of the employees.

(d) If rules are not followed then there is strict penalty for it.

(e) Example: Rule - No Smoking

Methods are formalised way of doing routine and repetitive jobs.

Methods are specific but flexible.

Methods bring quantity improvement and standardisation.

If methods are changed then there can be warning but no penalty.

Example: Follow straight line method of depreciation.

Strategy

Policy

(a) It is comprehensive plan which includes various steps.

(b) It is formulated for solving challenging and unforeseen problems.

(c) Every time a new strategy is prepared to solve different problems.

(d) It is adhoc or temporary in nature.

(e) It allocates human and other resources

It is a single plan.

It is formed to carry out routine function.

Common policy is used for all the routine problems.

It is permanent in nature.

It uses the resources for decision-making

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➤ **Meaning.** Planning can be defined as thinking in advance what is to be done, when it is to be done, how it is to be done, and by whom it should be done. It bridges the gap between where organisation is standing today and where it wants to reach.

➤ **Features of Planning**

- | | |
|--|------------------------------|
| 1. Planning contributes to objectives. | 2. Primacy of planning. |
| 3. Forward looking. | 4. Pervasiveness. |
| 5. Efficiency of operations. | 6. Involves decision making. |
| 7. Continuous process. | |
| 8. Intellectual process / Mental exercise. | |

➤ **Importance of Planning**

1. Planning provides direction.
2. Planning reduces the risk of uncertainties.
3. Planning reduces overlapping and wasteful activities.
4. Planning promotes innovative ideas.
5. Planning facilitate decision making.
6. Planning establishes standard for controlling.
7. Focus attention on objectives.
8. Improve efficiency.

➤ **Limitations**

- | | |
|--------------------------------------|---|
| 1. Leads to rigidity. | 2. May not work in dynamic environment. |
| 3. It reduces creativity. | 4. Involve huge costs. |
| 5. It is time consuming . | 6. Planning does not guarantee success. |
| 7. Lack of accuracy. | |
| 8. Human element. | |
| 9. External limitations of planning. | |

➤ **Planning Process.** Planning process involves :

1. Listing of objectives.
2. Developing premise to base each alternative.
3. Stating alternative ways of reaching objectives.
4. Evaluation alternative courses.
5. Choosing the best alternative for reaching objectives.
6. Developing plans to peruse the chosen alternatives.
7. Putting the plans into action.
8. Follow-up.

➤ **Types of Plans**

- | | | | | |
|----------|---------------|---------------|-------------|---------------|
| 1. Goals | 2. Objectives | 3. Strategy | 4. Policies | 5. Procedures |
| 6. Rules | 7. Methods | 8. Programmes | 9. Budgets | |