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PLANNING AND DECISION-MAKING IN A BUSINESS - THIRUKKURAL'S PERSPECTIVE

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Abstract

Management theories and thoughts have been developed from ancient times. Thirukkural can be considered as pioneer in providing some of the most important management theories and thoughts. Thiruvalluvar with the means of short couplets, or Kurals has thrown light on various management concepts like planning, financial decision making, SWOT analysis and many more. Thirukkural emphasises that work that is not done by suitable methods will fail even with the support of many people. This shows the importance of planning and decision making in a business. It also states that proper planning helps to design the methods and techniques to be adopted to carry a work. Thirukkural highlights the dangers of go error and drop error in decision-making, which can significantly impact the business's return. It also suggests that there is a limit to the risk taken, and if it is taken beyond that limit, it may lead to closure of the business. Thirukkural also affirms the significance of social objectives of a business.

Keywords:

Planning in Thirukkural's Perspective, Go Error in Thirukkural's Perspective, SWOT in Thirukkural's Perspective, Risk in Thirukkural's Perspective, Financial decision: Thirukkural's Perspective

1. INTRODUCTION

A business is run with the objective of earning profit and ultimately maximising the profit. There are several functions involved in managing the business, of which planning and decision making can be considered as the important functions.

There are several management theories and thoughts regarding management. Management theories and thoughts have been developed from ancient times. Several management thinkers have played a significant role in the development of management concepts. One such great contribution is by Thiruvalluvar through Thirukkural, a classic Tamil language text. Thirukkural can be considered as pioneer in providing some of the most important management theories and thoughts.

Thirukkural is one of the most important works of Tamil literature. It is a Tamil language text having two lines written 2000 years ago, which consists of 133 chapters and 1330 couplets. It was written by the poet Thiruvalluvar who is also known as Poiyaamozhilpulavar and Theivappulavar. Thirukkural is primarily divided into 3 divisions namely 'virtue', 'wealth' and 'love'. It offers wisdom on a wide variety of topics, through two lines consisting of seven words in each kural.

Thirukkural comes under Patinen Kilkanakku noolgal (the Eighteen Lesser Texts) which is a collection of eighteen poetic works created during the post-Sangam period. They mainly deal with morals and ethics.

Thirukkural has been widely admired by scholars and leaders including Ilango Adigal, Kambar, Leo Tolstoy, Mahatma Gandhi, Constantine Joseph Beschi and George Uglow Pope, and has been translated into many Indian and non-Indian languages.

It covers a wide range of activities such as economic, social and political.

This study analyses how planning and decision making has to be done in a business from Thirukkural's point of view.

2. PLANNING AND DECISION MAKING

The basic objective of a business is to earn profit and the ultimate objective is to maximise the profit. Business must be carried out efficiently and effectively to earn profit. Efficient and effective running of business depends on planning.

According to Koontz and O'Donnel, "Planning is deciding in advance, what to do, how to do it, when to do it 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 occur which otherwise would not happen".

A need for decision comes when an alternative course of action is available. According to George R. Terry, "Decision-making is the selection of an alternative, from two or more alternatives, to determine an option or a course of action."

2.1 PLANNING

Planning in simple terms means deciding in advance. In a business, an activity is to be carried out after careful planning. One should not carry out the activity first and then plan about the activity later. It is rightly pointed out by Thirukkural in the couplet 467 as follows:

Think, and then dare the deed! Who cry,

'Deed dared, we'll think,' disgraced shall be. (467)

(Explanation: Consider, and then undertake a matter; after having undertaken it, to say "We will consider," is folly.)

2.2 DESIGNING METHODS AND TECHNIQUES BY PROPER PLANNING

Thus, planning is a very important function in a business. Failure of a business in many cases is caused due to improper planning and unscientific decision making even though the business unit has excellent human resource with technical and professional qualification with rich experience. Though it is true that planning cannot avoid all business failures, it can avoid to a maximum extent. Through proper planning, a system of doing a work has to be created by designing the methods and techniques to be adopted to carry out that work.

It is stated by Thirukkural in the couplet 468 as follows:

On no right system if man toil and strive,

Though many men assist, no work can thrive. (468)

(Explanation: The work, which is not done by suitable methods, will fail though many stand to uphold it.)

2.3 GO ERROR AND DROP ERROR IN PLANNING AND DECISION MAKING

A business decision is to be taken, after carefully analysing so many factors. Decision comes when an alternative course of action is available. While evaluating the various alternatives, the business concern must be very careful as there is a possibility of occurrence of two types of errors, namely, go error and drop error.

Go error is an error which occurs due to allowing a wrong proposal without analysing properly. Drop error is an error which occurs due to dropping of a proposal by not analysing carefully, which is otherwise good. The return of the business unit may be considerably affected because of those two types of error.

This has been pointed out by Thirukkural through the following couplet:

'Tis ruin if man do an unbefitting thing;

Fit things to leave undone will equal ruin bring. (466)

(Explanation: He will perish who does what is not fit to do; and he also will perish who does not do what it is fit to do.)

Therefore, in taking business decision, the above said errors must be avoided.

2.4 NEW PRODUCT PLANNING/ EVALUATING CAPITAL EXPENDITURE PROPOSALS

Planning in a business starts from deciding the product to be produced, location of a factory and it is a continuous process. Whenever a new product is introduced or whenever an existing product is introduced with modifications, as a marketing strategy, business analysis must be made in the product planning stage itself. Business analysis refers to estimating the cost, demand and profit. When the return from that product is reasonable, then the product will be produced. Likewise, in a business when alternative courses of actions are available, business analysis is to be made. For example, in capital expenditure decision making, while appraising the capital assets or a project under the net present value method, average rate of return method, etc., planning has to be made regarding the total expenditure to be made, the probable sales and return. If the profit or cash flow from that action is satisfactory, that is, reasonable, then that action can be carried out and the project can be implemented.

It is stated by Thirukkural in the couplet 461 as follows:

Expenditure, return, and profit of the deed

In time to come; weigh these- than to the act proceed. (461)

(Explanation: Let a man reflect on what will be lost, what will be acquired and (from these) *what will be his ultimate gain, and (then, let him*) *act.*)

2.5 FINANCIAL DECISION MAKING

It is not necessary that a project to be implemented must give higher income. In certain cases, the income from the project may be high, but the expenditure to be incurred for that project may also be high and the net result may be loss. On the other hand, there may be some other project, where the sales or income or revenue is low, but the expenditure is also low, so that profit can be earned. These concepts reflect in Net Present Value method and Profitability Index method of capital expenditure evaluations.

Net present value refers to the difference between the present value of cash inflows and present value of cash outflows. The cash inflows from a project are discounted at the appropriate rate of discount and the total is found out. From this, the total of the present value of cash outflows, that is, present value of the cost of the project is deducted. The difference is the net present value.

NPV=Present value of cash inflows-Present value of cash outflows

A project can be undertaken if the net present value is positive and is to be rejected if the net present value is negative. Where one project is to be chosen among many projects under consideration, the project having highest net present value is to be undertaken. However, the NPV should be positive. When more than one project is to be undertaken, the projects can be ranked in the order of their net present value and those with higher net present value are to be chosen in the descending order from the highest to the lowest. However, for projects requiring different investment outlays decision based on net present value may not be correct as this method does not consider proportion of inflows to outflows.

Profitability index is a better measure for determining the desirability of a project where investment outlays are different for different projects. The proportion of present value of cash inflows to present value of cash outflows is called profitability index.

Profitability Index = Present value of cash inflows/ Present value of cash outflows

Net present value gives the net cash inflows in absolute terms whereas the profitability index gives the inflows in proportion of outflows or investment that is, the proportion of returns to investment is found out under profitability index method. If profitability index is greater than 1, accept the project. When two or more projects are to be compared the project with highest profitability index is to be preferred. For example,

Table.1. Profit or loss of Projects A and B

Particulars	Project A	Project B
	Amount	**Amount**
Income	10,00,000	2,00,000
(-) Expenditure	10,50,000	1,25,000
Loss/Profit	(50,000)	75,000

In the above example, naturally project B, where there is a profit will be selected.

Table.2. Net Present Value and Profitability Index of Projects A, B and C

Particulars	Project A	Project B	Project C
	Amount	**Amount**	**Amount**
Discounted cash inflows	8,00,000	2,20,000	1,15,000
(-) Cash outflows	10,00,000	2,00,000	1,00,000

Net Present Value	(2,00,000)	20,000	15,000
Profitability Index	0.80	1.10	1.15

In the above example, if the revenue is considered, Project A will be chosen, but it is not a profitable project as its net present value is in negative and the profitability index is less than one. If net present value is considered, projects B and C will be chosen as their net present values are positive and between the two, Project B will be chosen as it has the higher net present value. If profitability index is considered, project B and C will be chosen as the profitability index is greater than one and between the two, Project C will be chosen as it has the higher profitability index, which is the correct decision. Thus, when the expenditure to be made is not more than the income to be received, then there will be no danger of making that expenditure.

Thirukkural has pointed out the above facts through the following couplet:

Incomings may be scant; but yet, no failure there,

If in expenditure you rightly learn to spare. (478)

(*Explanation: Even though the income* (*of a king*) *be small, it will not cause his* (*ruin*), *if his outgoings be not larger than his income.*)

2.6 PLANNING ON RISK

Risk is involved in any business. It may vary from business to business, but every business concern has to face it and there is always a direct relationship between risk and return. Risk can be defined as the variability of return. While taking any business decision, the risk factor must also be considered. Therefore, an enterprise has to weigh carefully the efforts required for that business, the obstacles in that way, that is, the risk and the profit that may accrue.

Thirukkural has stated the above point through the following couplet:

Discern a deed's outcome,

Obstacles and opulent earnings successful effort affirms - then act. (*676*)

(*Explanation: An act is to be performed after considering the exertion required, the obstacles to be encountered, and the great profit to be gained* (*on its completion*).)

Therefore, profit and risk must be compared while taking a decision. Normally, if the risk is more, profit expected will also be more and vice versa. If the risk is more, and the return is less, then that business should not be carried out. Though there is a direct relationship between risk and return, there is a limit beyond which the risk should not be taken. If the risk is taken beyond the limit, then it may ruin the business and may even lead to closure of the business.

Thirukkural indirectly points this out through the following couplet:

Who daring climbs, and would himself upraise

Beyond the branch's tip, with life the forfeit pays. (*476*)

(*Explanation: There will be an end to the life of him who, having climbed out to the end of a branch, ventures to go further.*)

2.7 SWOT ANALYSIS

While planning and taking any business decision, a business unit must do SWOT analysis. SWOT analysis refers to Strengths, Weaknesses, Opportunities and Threats analysis. It becomes necessary for any business concern to analyse its own and allies' strengths and weaknesses (internal) and threats and opportunities available (external) and also it has to analyse the strengths and weaknesses of competitors and its allies in the context of the functions such as production, marketing, finance, research and development and general administration.

The internal appraisal highlights areas within the business which are strong and which might be exploited and weaknesses where some defensive planning might be required to protect the business from poor results.

An external appraisal is required to identify profit – making opportunities which can be exploited by the business unit's strength and also to anticipate threats (industrial unrest, competitors' actions, government legislation) against which the business unit must protect itself. Hence, after making SWOT analysis, the activities must be carried out by a business unit.

Thirukkural has pointed out the above facts through the following couplets:

The force the strife demands, the force he owns, the force of foes,

The force of friends; these should he weigh ere to the war he goes. (*471*)

(*Explanation: Let* (*one*) *weigh well the strength of the deed* (*he purposes to do*), *his own strength, the strength of his enemy, and the strength of the allies* (*of both*), *and then let him act.*)

Ill-deeming of their proper powers, have many monarchs striven,

And midmost of unequal conflict fallen asunder riven. (*473*)

(*There are many who, ignorant of their* (*want of*) *power* (*to meet it*), *have haughtily set out to war, and broken down in the midst of it*).

Who know what can be wrought, with knowledge of the means, on this,

Their mind firm set, go forth, nought goes with them amiss. (*472*)

(*Explanation: There is nothing which may not be accomplished by those who, before they attack* (*an enemy*), *make themselves acquainted with their own ability, and with whatever else is* (*needful*) *to be known, and apply themselves wholly to their object.*)

2.8 PLANNING IN CASE OF MULTI-NATIONAL BUSINESS UNITS:

The complexity and dynamics of management in case of multi-national business units poses a continuing challenge to the management. Even though the multi-national business units enjoy some benefits such as export incentives and subsidies, they have to face many problems such as difficulties in communication, difficulties in environment, business practices, exchange rate risk, accounting procedures and government regulations. Therefore, the following factors must be considered:

- The environment prevailing in the country.
- Laws and other legislations to know whether they permit private investment. If so, is there any restriction?
- Taste, consumption habits and purchasing power of people.

If proper analysis is not made, then the business unit will incur loss and although the business unit is very sound, it will be thrown out by the domestic business units which are not so sound when compared to these multi-national business units. This has been pointed out by Thirukkural indirectly through the following couplet:

The crocodile prevails in its own flow of water wide,

If this it leaves, 'tis slain by anything beside. (*495*)

(*Explanation: In deep water, a crocodile will conquer* (*all other animals*)*; but if it leaves the water, other animals will conquer it*).

2.9 DECISIONS BASED ON SOCIAL OBJECTIVES

The ultimate aim of any business concern is maximisation of profit by optimum utilisation of resources, but it also has social objectives. A business unit depends on the society in which it operates. While it is legitimate for a business enterprise to work for reasonable profit, it is necessary that it does not overcharge the customers and profiteer at their cost. It is also a social obligation of a business concern, not to indulge in malpractices such as black marketing, hoarding, etc. Thus, whenever a decision is taken by a business unit it should protect the interest of the customers, employees, suppliers, general public and others as it protects the interest of its own.

It has been stated by Thirukkural in the following couplet:

As thriving trader is the trader known,

Who guards another's interests as his own. (*120*)

(*Explanation: The true merchandise of merchants is to guard and do by the things of others as they do by their own.*)

3. CONCLUSION

Several activities are carried out in a business. All those activities require planning and proper decision making. There are many theories and thoughts relating to planning and decision making. Thirukkural provides some of the key management theories and thoughts. Thirukkural, inter alia throws light on planning, designing methods and techniques, new product planning, evaluating capital expenditure proposals, financial decision making, go error and drop error in planning, planning on risk, SWOT analysis, planning in case of multi-national business and decisions based on social objectives of a business. Even though, Thirukkural was written 2000 years ago, its thoughts on planning and decision making are applicable even in today's business.

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