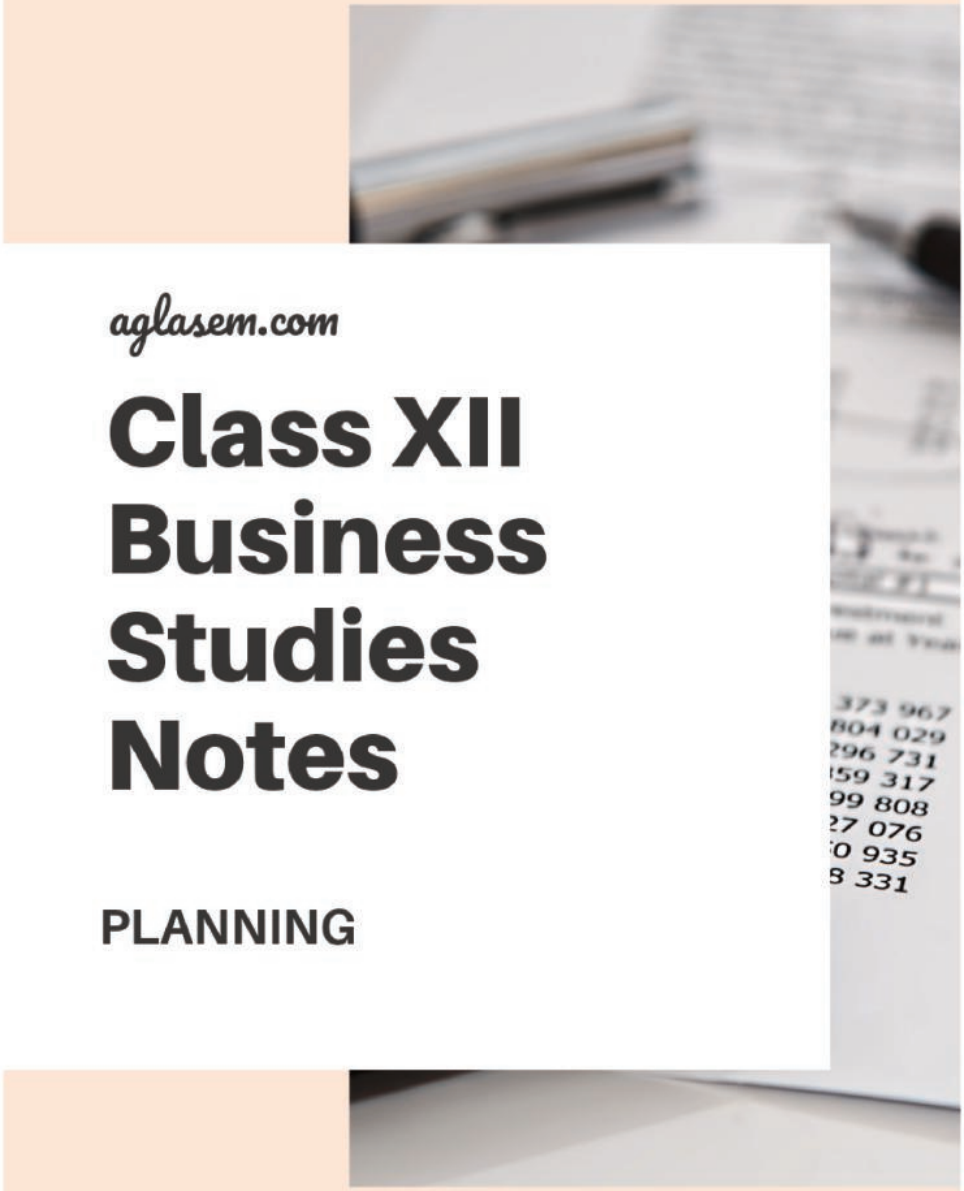


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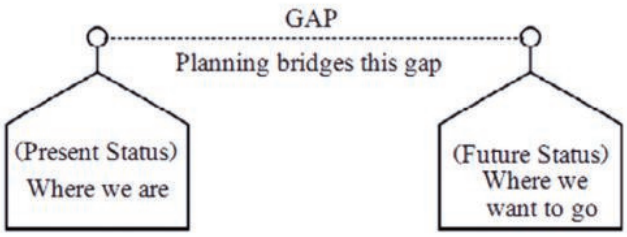
Class XII Business Studies Notes

PLANNING

Key Notes and Important Questions with Answers

CHAPTER – 4

PLANNING



Concept

Planning is deciding in advance what to do, how to do when to do, and who is to do it. Planning bridges the gap from where we are to where we want to go. It is one of the basic managerial functions. Planning involves setting objectives and developing appropriate courses of action to achieve these objectives. Thus, it is closely connected with creativity and innovation.

Importance of Planning

1. **Planning provides directions:** By stating in advance how the work is to be done, planning provides direction for action. If there was no planning, employees would be working in different directions and the organization would not be able to achieve its goals efficiently.
2. **Planning reduces the risk of uncertainty:** Planning is an activity which enables a manager to look ahead, anticipate changes, consider the impact of changes and develop appropriate responses.
3. **Planning reduces wasteful activities:** Planning serves as the basis of coordinating the activities and efforts of different departments and individuals whereby useless and redundant activities are reduced.
4. **Planning promotes innovative ideas:** Planning is the first function of management. Managers get the opportunity to develop new ideas and new ideas can take the shape of concrete plans.

5. **Planning facilitates decision making:** Under planning targets are laid down. The manager has to evaluate each alternative and select the most viable option.

6. **Planning establishes standards for controlling:** Planning provides the standards against which the actual performance can be measured and evaluated. Control is blind without planning. Thus planning provides the basis for control.

Q.1 Which function of management bridges the gap between where we are and where we want to go? (1)

Q.2 It is the managerial function which enables a manager to look ahead and anticipate changes. Identify the function and explain its importance. (5)

Limitations of Planning

(A) Internal Limitations

1. **Planning leads to rigidity:** Planning discourages individual's initiative & creativity. The managers do not make changes according to changing business environment. They stop taking or giving suggestions and new ideas. Thus detailed planning may create a rigid framework in the organization. Even subordinates are supposed to work as per already laid plans only.

2. **Planning may not work in dynamic environment:** Planning is based on anticipation of future happenings and since future is uncertain and dynamic, therefore, the future anticipations are not always true.

3. **Planning involves huge costs:** When plans are drawn up, huge cost is involved in their formulation in terms of money and efforts.

4. **Planning is time consuming:** Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation and it is not feasible in emergencies.

5. **Planning does not guarantee success:** The success of an enterprise is possible only when plans are properly drawn and implement. Sometimes managers depend on previously tried successful plans,

but it is not always true that a plan which has worked before will work effectively again.

6. **Planning reduces creativity:** In planning, work is to be done as per pre-determined plans. It is decided in advance what is to be done, how it is to be done and who is going to do it. Moreover, planning is done by top management which leads to reduction of creativity of other levels of management.

(B) External Limitations

They are those limitations of planning which arise due to external factors over which an organization has no control.

1. Changes in Government policies leads to failure of plans.
2. Natural calamities such as flood, earthquake etc. also adversely affect the success of planning.
3. Changes in the strategies of competitors also lead to failure of planning many times.
4. Regular technological changes may affect planning.
5. Changes in the Economic and Social Conditions also reduces the effectiveness of planning.

Q.3 X.Ltd. Company does not consider ideas and thoughts of employees and acts according to earlier formulated plan. Identify the above limitation of planning and explain other limitations too. (6)

OR

Q.4 Rahul is working as a manager in Alpha Ltd. inspite of his best efforts, organisational planning failed to achieve its target. Identify and explain the causes of failure of planning. (6)

FEATURES OF PLANNING

1. Planning focuses on achieving objectives:

Planning has no meaning unless it contributes to the achievement of predetermined organizational goals.

2. **Planning is a primary function of management:**

Planning lays down the base for other functions of management. Planning precedes other functions.

3. **Planning is pervasive:**

Planning is required at all levels of management as well as in all departments of the organization. It is not an exclusive function of top management.

4. **Planning is futuristic:**

Planning essentially involves looking ahead and preparing for the future.

5. **Planning involves decision making:**

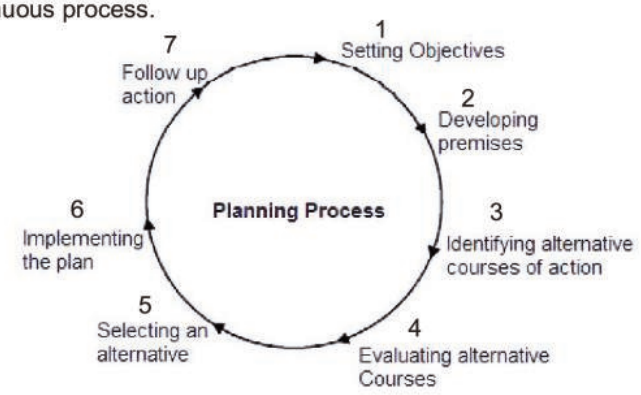
Planning essentially involves choice from among various alternatives and activities. If there is only one possible course of action, there is no need for planning because there is no choice.

6. **Planning is a mental exercise:**

Planning requires application of the mind involving requires foresight, intelligent imagination and sound judgement.

7. **Planning is continuous:**

Plans are prepared for a specific period of time may be for a month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a continuous process.



Planning Process

1. **Setting Objectives:** The first and foremost step is setting objectives. Objectives may be set for the entire organization and each department.

2. **Developing premises**: Planning premises are the assumptions about the likely shape of events in future. It forecasts the obstacles, problems or limitations in the path of the effective planning because of which the plans may deviate. Planning premises supply relevant facts & information already to future.

3. **Identifying alternative courses of action:** Once objectives are set and premises are developed, the next step would be to act to achieve them. All the alternative courses of action should be identified, to achieve already set objectives.

4. **Evaluating alternative Courses:** The next step is to weigh pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. Example: Cost-Benefit analysis.

5. **Selecting an alternative:** After comparison and evaluation, the best alternative is chosen for reaching organizational objectives. On the basis of merits, demerits, resources and consequences, the best plan has to be adopted, which must be the most feasible, profitable and with least negative consequences.

6. **Implementing the plan:** Once the plans are developed they are put into action. Successful implementation of the plan ensures understanding and whole-hearted cooperation of all the employees.

7. **Follow up action:** To see whether plans are being implemented, activities are performed according to schedule. In case of any deviations, changes are made in the plans.

Q.5 The director of Infra Ltd. set the target to increase current year sale by '500 cr. For increasing the sales of the current year, he also kept in mind future forecast and assumptions. Then he searched different ways to increase sale such as sales promotion, network marketing and other activities. After that he held meeting with sales manager and made necessary changes to achieve target. Identify the different stages of planning process quoting the relevant lines. (6)

TYPES OF PLAN

Standing plan or Repeatedly used plan:

The name suggests these plans are formulated once and repeatedly used. These plans continuously guide the manager. That is why it is said that a standing plan is a standing guide to recurring problems.

Types of Standing Plans

1. **Objectives:**Objectives are defined as ends for the achievement of which an organization goes on working. They may be designed as the desired future position that the management would like to reach. The first and foremost step of the planning process is setting organizational objectives. Examples increasing sales by 10%, Getting 20% return on Investment etc. Objectives should be clear and achievable, numerically expressed and time bounded.

2. **Strategy: Strategies** refer to future decisions defining the organizational directions and scope in long run. It is comprehensive plan which includes: (i) Long term objectives, (ii) Adopting a particular course of action, (iii) Allocating resources necessary to achieve the objectives. It is a plan prepared to counter act the probable moves of opponent. Initially it was used with reference to war. A strategy is generally made to fight the changing business environment specially competition e.g., marketing strategy.

3. **Policy:**Policies refers to the general guidelines (for thinking) which brings uniformity in decision-making for achievement of organizational objectives. They provide directions to the managers of an organization. They are flexible as they may be changed as per requirement. Example, selling goods on cash basis only, reserving some post for women in the organization.

4. **Procedure**: Procedures are those plans which determine the sequential steps to carry out some work/activity. They indicate which work is to be done in which sequence/way. They help in the performance of work. Procedures are guides to action. Example: Process adopted in the Selection of Employees.

5. **Rule:** Rules provide guidlines for actions. It is a specific statement that tell what is to be done and what not to be done in a specified situation. They help in indicating which points are to be kept in mind while performing task/

work. Rules are rigid which ensure discipline in the organization. Example: 'No smoking in the office premises'. Violation of rules may invite penalty.

6. **Method:** Methods are standardized ways or manner in which a particular task has to be performed. There may be many ways/methods of completing a task but that method/way must be selected by which work can be done early at the minimum possible cost. Methods are flexible. Example, various methods of training are adopted by an organization to train its employees like apprenticeship training, vestibule training etc.

SINGLE USE PLAN:

These plans are connected with some special problems. After having been used once there is no importance of these plans in future.

Types of Single Use Plan

1. **Programme:** A programme is a single use plan containing detailed statements about project; outlining the objectives, policies, procedures, rules, tasks, physical and human resources required to implement any course of action. E.g., cleanliness programme in the organisation.

2. **Budget:** A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future. Budgest are of many types like: Cash budget, sales budget etc.

1) Difference between Single Use and Standing Plans

Basis of	Single Use Plans	Standing Plans
1. Meaning Differece	A single-use plan in a business refers to plans developed for a one-time project or event that has one specific objective.	A standing plan in a business refers to plans developed for using over and over again because they focus on organisational situations that occur repeatedly.
2. Objective	Single use plan is developed to carry out a course of action that is not likely to be repeated in future time.	Standing plan however is developed for activities that occur regularly over a period of time.

3. Scope	Single use plans generallyencompass a narrow scopetargeting a specific project or event.	Standing plans generally encompass a wider scope involving more than one department or business function.
4. Stability	Single use plans are discardedwhen the situation, project orevent is over.	Standing plans are relatively stable and used over and over again with necessary modification or updations.
5. Example	A new cash budget is prepared every year in the organisation	Recruitment and selection procedure for a particular post in the company.

2) Differentiate between Objective &Strategy: -

Basis of difference	**Objective**	**Strategy**
1. Meaning	An objective is the end towards which all activities of the organi-sation are directed.	A strategy is a comprehensive plan formulated to achieve an objective.
2. Main element	An objective need to be expressed in measurable terms and is to be achieved within a given time period.	The business environment needs to be taken into consideration whenever a strategy is formulated.

3) Difference between objectives and policy

Basis of difference	**Objectives**	**Policy**
1. Meaning	Objective is that end point which is to be reached or obtained.	Policy are the means of achievement for objective.

2. Need		No organisation can be established without objectives, so they are very important.	Their formulation is not so important. They can be or cannot be laid down.

4) Difference between Policy and Procedure

Basis of difference	Policy	Procedure
1. Meaning	Here it is explained as to how work is to be done in order to achieve the objective of the organisation.	These ensure the sequence of work performance in respect of activities determined under the policy.
2. Need	These are the guide to thinking and decision making.	These are guide to action.

QUESTIONS FOR PRACTICE

Q1. "We do not sell on credit". This statement is related to which type of plan. (Policy) (1)

Q.2 Planning strangulates the initiatives of the employees and compels them to work in an inflexible manner. Which limitation of planning is highlighted here. (Planning leads to rigidity) (1)

Q.3 Identify the type of plan which is time bound and linked with measurable outcome? (Hint- Budget) (1)

Q.4 A company is manufacturing garments. The manager wants to increase profits by purchasing new high speed machines or increasing the sale price or using waste materials in manufacturing stuffed toys. He decided that "using waste material" is the best solution for him.

(a) Identify the concept of management involved. (Planning)

(b) Mention the steps involved in the above process by quoting the lines from the question. (3)

Q.5 In Chak De movie, Shahrukh Khan becomes the coach of the girl's hockey team. He knows that he has to prepare the girls for the international hockey matches and win the cup. For this he prepares a long term plan and thinks of ways of how to beat the opponent team. He coaches the girls to play in different ways like defensive, offensive, etc.

At the outset of the match, he explains who will open the match, and how the ball will be passed by one player to another step by step.

Identify all the types of plans mentioned above State them along with lines which refer to them in the above paragraph. (Objective, strategy, procedure, method) (4)

Q.6 The production manager of a company received the complaint that the quality of the goods was not good. After investigation it came to light that the machines had become very old. That is why they were unable to achieve standardised quality. The production manager developed several options by way of solution to this problem. Example, getting the machines repaired, purchasing new local machines, purchasing new imported machines, if possible taking machines on rent etc. The CEO of the company wanted the list of options to be smaller, so that a thorough study could be made for them. In order to make the list of optional ways smaller, he decided to give up all those options which required the investment of more than 10 crores.

(a) Identify the concept described in the paragraph given above. (Planning Process)

(b) What do you understand from the fact of company fixing the maximum investment limit on options? (Developing Premises) (1+2=3)

Q.7 Procter and Gamble Ltd. is offering a free bucket on every purchase of Tide washing powder. In response to this Hindustan Unilever Ltd. started a new scheme of giving free one kg of Rin Washing Powder with every purchase of five kg of Rin washing powder. Identify the plan stated in above paragraph and explain it. (Strategy) (3)

Q.8 "KOHINOOR FOODS Ltd. has banned smoking in the factory premises."

- Identify the plan stated in above lines. (Rule)

- State ANY TWO features of this plan.
- Differentiate between policy and this plan. (any two) (5)

Q.9 PK Ltd. has been well known for delay in decision making and overlapping of work done. Identify management function lacking in the organisation and state importance of this function? (Planning) (6)

Q.10 Rahul, a worker is given a target of assembling two computers per day. Due to his habit of doing things differently, an idea struck him, which would not only reduce the assembling time of computer but also reduce the cost of production. But instead of appreciating his idea his supervisor scolded him and asked him to complete the work as per prescribed technique. Identify & describe the limitation of planning stated here? (3)

Q.11 A company gave its sales executives, the directives that they would sell goods on credit but told the employees to strictly inform the customers that if they will not make payment within 1 month they will have to pay an interest of 10% per annum. In the above given paragraph 2 types of plans have been mentioned. Identify them and explain them with their features. (policy, Rule) (5)

Q.12 If you fail to plan, you plan to fail. "Do you agree? Give any three reasons. (Importance of Planning) (3)

Q.13 Identify and explain the types of plans.

(a) A plan to achieve 30%. Return on Investment. (Objective)

(b) A plan used in defence to combat the plan of opponent. (Strategy)

(c) A plan which does not allow for any discsetion. (Rule) (1×3)

Q.14 Identify explain the steps involved in planning process formt he following :

(a) Certain assumptions are made about the future events. (developing premises).

(b) Selection of combination of different alternatives. (selection of best alternative).

(c) Monitoring the plans to ensure that objectives are achieved. (follow up action. (2×3)

Q.15 Debtors Turnoner Ratio of Quinea Ltd. depicted slow collection of debt from debtors. To improve the position, Company decided to follow some standardised steps for speedy collection of debt as—

— Ist reminder to debtor - On 55th day of sales

— 2nd reminder to debtor - On 65th day

— Legal proceedings - 70th day

It helped the company, and ultimately debtors turnoner ratio of company improved due to speedy recovery of debts. Company followed the same steps every following year.

(a) Name and explain the plan metioed in about case- Procedure (1+2) = 3

(b) Identifiy the type of plan mentioned in (a) Standing use Plan (1)

Planning

Q. Identify the type of plans from the following statements :

1. A company needs a detailed plan for its new project, "Construction of a shopping mall."
2. Spending ₹10-12 crores for building public toilets under Swachh Bharat Abhiyaan.
3. 10% jobs reserved for women in every department.
4. While making its plan, the company takes into consideration the business environment.
5. Visitors to the factory must obtain valid entry passes.
6. A company decides to launch new models of a product to take on competition.
7. No entry for employees in the office after 10:00 am.
8. For imparting training, lectures and seminars are organised.
9. To tackle competition, MNC Ltd. sets sales targets.
10. Strict penal actions against anyone who uses office stationary for personal use.
11. LIbrary will issue the books for 7 days.

Answers

1. Programme
2. Objective
3. Policy
4. Strategy
5. Procedure
6. Strategy
7. Rule
8. Method
9. Budget
10. Rule
11. Policy