

Chapter 4

Planning

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VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

1. What is planning?

Ans. Planning is deciding in advance as to what needs to be done in future.

2. Which function of management bridges the gap between where we are and where we want to go to?

Ans. Planning.

3. Name the primary function of management.

Ans. Planning.

4. One of the functions of Management is considered as base' for all other functions?Name that function.

Ans. Planning

5. What all qualities are required for doing planning?

Ans. Intelligence, Imagination, Foresight, Sound Judgment.

6. Name the feature of planning which says planning is a forward looking function?

Ans. Planning is futuristic.

7. How does planning create rigidity?

Ans. Planning creates rigidity by putting adverse effect on initiative taken by the managers.

8. What is the basis for creating future course of action?

Ans. Forecasts.

9. Give one limitation of planning function.

Ans. Planning does not guarantee success.

10. Which is the most crucial step in planning process?

Ans. Setting objectives.

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11. Define 'Objective'?

Ans. Objectives are desired future position that the management would like to reach.

12. Define 'Strategy'.

Ans. A strategy refers to future decision action, defining the organisation's direction and scope in the long run.

13. Define 'Policy'.

Ans. Policy is a general statement which guides decision making in a given set of situations

14. Define 'Rules'.

Ans. Rules are specific guidelines for behavior and action.

15. Give anyone example of 'budget'.

Ans. Cash budget.

SHORT ANSWER TYPE QUESTIONS (3 OR 4 MARK)

1. What do you mean by planning?

Ans. Planning is deciding in advance about work to be done in future. It is that function of management which lays down the objectives and various actions to be taken for the achievement of those objectives. According to Koontz and O'Donnel "Planning is an intellectual process, the conscious determination of courses of action, the basing of decision on purpose, facts and considered estimated".

2. What do you mean by a plan?

Ans. A plan is a formulation of certain steps and actions which are essential for achieving certain specific results. Plans can be classified on the basis of what they focus to achieve and the methods adopted viz. objectives, strategy, policy etc. For example, if the planned output for a week is 1,000 units and actual output is 580 units only, the planners have to critically review their plans and modify: them, if

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need be, so as to achieve the planned output.

3. Enumerate six points of importance of planning.

Ans. Importance of planning is as under:

- (i) It provides direction for action.
- (ii) It reduces the risk of uncertainty
- (iii) It facilitates decision making.
- (iv) It establishes standards for controlling.
- (v) It promotes innovative ideas.
- (vi) It reduces overlapping and wasteful activities.

5. How is planning a pervasive function of management?

Ans. Planning is not the function of top management or any particular department only. It is required at all the levels of management and in all departments of an organisation. However the scope and nature of planning is different at different levels and in different departments. For example the top management lays down the plans for the organisation as a whole. Middle level management has to make plans for each department and the plans regarding the daily operations of an organisation are laid down by operational management.

6. How is planning forward looking?

OR

Planning is futuristic' explain?

Ans. Planning is always for the future and never for the past. It involves peeping in to future, analyzing and preparing plans accordingly. Thus, planning is futuristic as it helps in meeting likely future events effectively and efficiently to best advantage of the organisation.

For example, on the basis of sales forecasts, annual plans for production and sales are drawn.

7. Planning involves decision making". Explain.

Ans. Planning is essentially a process of making choice from among various alternatives. There will be no need for planning, if there is only one course of action, because there will be no choice. Hence need for planning depends on the

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availability of alternatives. A manager, after examining and evaluating the various alternatives, chooses the most appropriate one.

8. 'Planning reduces creativity'. How?

Ans. Usually in an organisation, planning function is performed by the top management and the rest of the members are required to implement these plans. As a result, middle management and other members are neither allowed to deviate from plans nor are they granted authority to act on their own. Hence most of the initiative and creativity in them gets reduced.

9. 'Planning does not guarantee success'. Comment.

Ans. An organisation is successful only when the plans are effectively drawn and implemented.

A plan must be converted into action otherwise it becomes meaningless. Generally, it is seen that managers are in the habit of depending on previously tried and tested successful plans. But this practice sometimes does not work and may actually lead to failure instead of success.

10. Enumerate the steps involved in the planning process.

Ans. Steps of planning are as follows:

- (i) Setting up of objectives
- (ii) Developing premises.
- (iii) Identifying alternative courses of action.
- (iv) Evaluating alternative courses
- (v) Selecting an alternative.
- (vi) Implementation of plan.
- (vii) Follow up

11. What do you mean by objectives?

Ans. Objective can be defined as a position where the management wants to reach in the future. These are the ends which an organisation wants to achieve through its operations. They are measurable in quantitative terms. For example, one objective of an organisation may be to increase sales by 20% and return on investment by 10% in the forthcoming year.

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12. Explain the meaning of policies.

Ans. A policy can be defined as a general statement that provides guidelines for constructive thinking. They act as a guide to managerial actions and decisions in implementing the strategy. A well defined policy helps in solving the complex problems easily. For example, an organisation may have a credit policy, pricing policy etc. on the basis of which objectives are decided and decisions are made.

13. What is meant by procedures?

Ans. Procedures are routine steps framed to carry out activities. These are plans that determine the order of any work performance. Procedures are generally meant for insiders and define the chronological sequence of doing any work for attaining predetermined objectives.

14. What do you mean by methods?

Ans. Methods are standard ways of doing planned jobs for attaining the objectives. They are more detailed than procedures. Methods are helpful in simplification, standardization and systematization of work. For doing different jobs, different methods can be adopted. For example, for imparting training to employees at different levels, different methods of training can be used viz for higher level lectures or seminars and for supervisory level on the job training can be used.

15. What do you mean by rules?

Ans. Rules can be defined as statements that tell us what is to be done and what is not to be done. Deviations from rules are not permitted unless a policy decision is taken. They enforce rigidity and there is fine or penalty if they are not followed. For example, prohibition on sale of tobacco within certain radius of an educational institution is a rule to be followed by all.

16. What do you mean by programmes?

Ans. Programmes are a solid combination of goals, policies, procedures, rules, tasks, assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. Programmes interlink the objectives, policies and procedures. They work out even the minutest detail within broad policy framework of the organisation.

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17. What is meant by budget?

Ans. Budget is a plan in numerical terms which quantifies desired facts and figures. It is a statement of expected results expressed in quantitative terms. For example, a sales budget helps in forecasting the sales of a particular product in different areas during a particular month. Similarly, a budget may be prepared to show the number of workers required in factory at the time of packing the products.

LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)

1. Defining ‘organizational objectives’ is the first step in the process of planning.

Explain, in brief, the other steps of this process.

OR

Explain the steps involved in the process of planning.

Ans. It has been rightly said that defining organizational objectives is the first step in the

process of planning. Other steps in the process of planning are as follows:

(i) Establish planning premises

This step involves the establishment of planning premises in which plans are, expected to operate. Planning premises are assumptions relating to future conditions and events which are likely to have an effect on achievement of goals

(ii) Identifying alternative courses of action

Under this step, various possible alternatives for reaching objectives should be identified by managers.

(iii) Evaluating Alternative Courses

This step involves deep evaluation of various alternative courses of action in light of the various objectives to be achieved. The positive and negative aspect of each alternative is evaluated.

(iv) Selecting an alternative

This step involves the selection of the most optimum and realistic plan with least negative results.

(v) Implement the plan

Under this step the best selected plan is put in to action.

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(vi) Follow up

Under this step, it is monitored whether the plans are being implemented and whether the activities are being performed according to the schedule.

2. Differentiate between procedures and rules.

Ans.

DIFFERENCE BETWEEN PROCEDURES AND RULES

Basis	Procedures	Rules
1. Meaning	Procedure is a guide for action in a given situation.	Rule is a code of conduct governing or restricting flexibility or discretion
2. Nature	Procedures are specified in chronological order.	Rules do not place activities in chronological order
3. Purpose	The purpose of procedure is to facilitate and simplify the operations and eliminate duplication.	The purpose of rule is to maintain discipline in an organization.
4. Scope	The scope of procedures is wide because it has its own rules and regulations.	A rule has no procedure.

QUESTIONS WITH DIFFERENT DIFFICULTY LEVELS

1. How does planning reduce the risk of uncertainty?(1)

Ans. Planning reduces the risk of uncertainty by visualizing/assessing future events and providing remedies/ courses of action for such kinds of events to the extent possible.

2. A company wants to increase sales; the alternatives may be reducing prices, changing packaging, improving packaging, etc. Which step of planning process relates with the above example? (1)

Ans. Identifying alternative courses of action.

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3. Write anyone difference between policies and procedures. (1)

Ans. Procedures consist of series of steps whereas policies are guidelines for decision making.

4. A company needs a detailed plan for its new project? ‘Construction of a Shopping Mall’. What type of plan is it? (1)

Ans. Programme

5. Give anyone difference between Policy and Rule. (1)

Ans. Policy is flexible whereas rule is rigid.

6. “These are general statements that guide thinking and channelize energise towards a particular direction and help in solving routine problems”. Identify the type of plan. (1)

Ans. Policy

7. ‘Planning promotes innovative ideas’. Explain? (3 or 4)

Ans. Planning considered to be the most, challenging function of the management as it guides all Future actions and facilitates growth and prosperity of the business organization. Planning encourages managers to think creatively generate innovative ideas; improve methods for Work execution etc. Dealing with uncertainties of future, planning is the most challenging function, which provides basis for growth and Prosperity of the business enterprise

8. ‘Planning focuses on achieving objectives’. Explain. (3 or 4)

Ans. Planning is a goal oriented process which helps in defining objectives, and preparation of necessary action plans to achieve goals. Thus, planning is focused on clarifying what is to be done and how is that to be done. The planning holds no purpose if it does not focus on achievement of preset organizational or corporate objectives.

9. ‘Planning is the basic function on of management’. Comment. (3or4)

Ans. Every management starts with planning. All other functions like organizing, staffing, directing and controlling are based on planning. It precedes the execution of all other managerial functions and allows mangers to organized, staff, direct and

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control the activities in a better way so as to achieve organizational goals. All the activities are created in such a way that plans are easily carried out. This is also referred to as primacy of planning.

10. Why is planning considered as a mental exercise? (3or4)

Ans. Planning is an intellectual activity requiring application of the mind, imagination and sound judgment. It is a thinking function rather than a doing function as it determines the actions to be taken. Moreover, planning requires logical and systematic thinking based on the analysis of facts and figures.

11. Give an example each of any three limitations of planning which are beyond the control of an organization.(3or4)

Ans. Limitations of planning on which the organization does not have a significant control are as follows:

S.No.	Limitations	Examples
1.	Planning may not work in dynamic environment.	Frequent changes in the political or economic environment may upset in the financial plans.
2	Planning leads to rigidity	Following a pre-decided plan when circumstances have changed.
3.	Planning involves huge costs	Incidental expenses such as expenses on boardroom meetings and discussions with professional experts involve huge cost.

12. How can (i) Political climate and (ii) Policies of competitors obstruct planning? (3or4)

Ans. (i) Obstruction in planning due to political climate

When the government regulates the business practices or introduces new trade policies, the plans of business enterprises may get upset. Also political instability

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affects business plans. For example, change in the taxation policy.

(ii) Obstruction in planning due to policies of competitors

The policies of competitors may lead to change in business policies. For example, discounting policies of the competitors may lead to change in pricing policy of a business enterprise.

13. What do you mean by planning premises? (3or4)

Ans. Planning premises are assumptions relating to future conditions and events which are likely to have an effect on achievement of goals. These are the bases upon which the entire structure of planning is built. Every plan is drawn with certain assumptions. To make planning effective, it is necessary that the premises should be based on accurate forecasts, existing plans or any past information about policies etc. For example, demand for a product, cost of raw materials, interest rates, state of technology, intensity of competition, government policies etc.

14. ‘Though planning is an important tool of management, yet it is not a remedy for

all types of problems”, Do you agree with this statement? Give any five reasons in support of your answer. (5or6)

OR

Explain the limitations of planning.

OR

Why do plans fail in spite of the best efforts of management?

Ans. Limitations of Planning:

(i) Planning creates rigidity

In an organization, a well-defined plan is drawn to achieve some specified goals within a specified period of time. These plans lay down the future course of action and it is not possible for the managers to change them. Hence, it is not in the organizational interest to follow a particular plan when circumstances have changed.

(ii) Planning does not work in a dynamic environment

The various forces of business environment like social, economic, political, technological and legal keep on changing and the organizations have to adapt themselves to these changes. Thus, it becomes very difficult to forecast when there is change in government policies, natural calamity, political instability in the

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country etc.

(iii) Planning reduces creativity

Usually in an organization planning function is performed by the top management and the rest of the members are required to implement these plans. As a result, middle management and other members are neither allowed to deviate from plans nor granted authority to act on their own. Hence most of the initiative and creativity in them gets reduced.

iv) Planning involves huge cost

Huge cost is involved in the formation of plans. This cost is in terms of money and time. For example, a lot of time is involved in scientific calculations to certain facts and figures and to check the accuracy of facts while formulating a plan. Likewise, a lot of money is spent on boardroom meetings, discussions with experts and preliminary investigations to find out the effectiveness of the plans. Moreover sometimes the cost incurred in formulating plans is higher than the benefits received from these plans.

v) Planning is a time consuming process

Sometimes top level management consumes a lot of time in formulating the plans as a result of which very less time is left with them to implement these plans.

vi) Planning does not guarantee success

An organization is successful only when the plans are effectively drawn and implemented. Managers are in the habit of depending on previously tried and tested successful plans, but this practice sometimes does not work and may lead to failure instead of success.

15. Distinguish between Policies and Rules.(5or6)

Ans.

DIFFERENCE BETWEEN PROCEDURES AND RULES

Basis	Procedures	Rules
1. Meaning flexibility or	A policy is a guide for thinking.	A rule is a specific statement, which restricts the discretion
2. Nature	Policy lays down the broad areas of action in an organization.	Rule lays down any specific sequence of actions in an organization

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3. Objective	Policy is framed to achieve objectives of the organization.	Rules are used to maintain discipline and command in any organization.
4. Manager's Discretion	Policy provides some scope for the manager's discretion in his course of action	Rules provide no scope for manager's discretion and they are binding for all.

Exercises

Very Short Answer

1. How does planning provide direction?

Planning is the process of creating a structure in advance regarding the work that needs to be done. It is helpful in defining the objectives and goals that need to be achieved by an individual or organisation. Objectives and goals provide managers with the right direction on the course of action that needs to be followed in order to achieve them. The plan also ensures that the thoughts have clarity and that the right action can be taken in the right direction, which will result in achieving the objectives. Planning helps in making each department know what exactly their functions are so work takes place in a coordinated manner in achieving the organisation's common objective. If there is no planning, it will result in work being done haphazardly, which results in inefficiency. Therefore, planning ensures that the organisation's desired goals are achieved smoothly.

2. A company wants to increase its market share from the present 10% to 25% to have a dominant position in the market by the end of the next financial year. Ms. Rajni, the sales manager, has been asked to prepare a proposal that will outline the options available for achieving this objective. Her report included the following options – entering new markets, expanding the product range offered to customers, using sales promotion techniques such as giving rebates, discounts or increasing the budget for advertising activities. Which step of the planning process has been performed by Ms. Rajni?

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The step that has been undertaken by Ms. Rajni is identifying alternative courses of action. In this process, Ms. Rajni has noted down all possible courses of action that can be used to increase the market share.

3. Why are rules considered to be plans?

Rules are set of standards or statements that help us understand what needs to be done. Rules can be considered as plans because of the similarity in their nature. A rule can be considered a simple type of plan. Planning is mostly involved with thinking and deciding about the action required for the future. Similar to these, rules are also statements that help in deciding if any action needs to be carried out or not. Rules can be rigid in nature and need to be followed. Not complying with the rules can result in disciplinary action that can be taken by the organisation.

4. Rama Stationery Mart has made a decision to make all the payments by e-transfers only. Identify the type of plan adopted by Rama Stationery Mart.

The type of plan that is adopted by Rama Stationery is a payment policy of making all payments by e-transfer.

5. Can planning work in a changing environment? Give a reason to justify your answer.

Planning has less chance of working correctly in a changing environment. The nature of business is dynamic, and it continuously changes. For example, factors like social, political, rules and regulations are prone to changes on a continuous basis. Planning cannot detect such changes and therefore prove not that effective. For example, a company has planned to make white bread, but the market demand shifted to brown bread due to people becoming more health conscious. Here, the company needed to change its previous plan, as market factors were not as per the plan.

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Short Answer Questions

1. What are the main aspects of the definition of planning?

Planning is a process of analysing and deciding in advance regarding the tasks that need to be done and the way they should be done. It is a type of mental exercise in which a manager decides on the goals that need to be achieved and the means through which those goals can be accomplished. It involves looking ahead at the future. It can also be defined as setting up objectives and goals, setting up alternatives and deciding on the appropriate action that needs to be taken.

Following are some of the main aspects of planning:

1. Planning must be done by fulfilling a certain objective. There needs to be certain objective which needs to be accomplished with the planning.
2. Plan must be defined for a certain period of time. If planning is not done within a set time period, it can become useless, as the business environment can change, which will lead to changes in the existing plan and a new set of actions to be implemented.
3. Once an objective is decided, the next part is deciding how the tasks need to be achieved. Achieving the objective can be done through various alternative courses of action. Hence, those alternative options need to be determined appropriately.
4. The best alternative should be chosen among the available alternatives in order to get the best result.

2. If planning involves working out details for the future, why does it not ensure success?

Planning is regarded as a forward-looking function, and it is helpful in predicting and analysing the events in future. The future is uncertain and, therefore, cannot be predicted. There exist various forces that can have an impact on the way an organisation functions. Such forces are complex and dynamic in nature, which results in changes occurring on short notice. The factors such as social, political, legal and technological and rules and regulations by the government can change

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quickly, and due to such uncertainty, one cannot be sure that success can be achieved. Hence, plans need to be modified in order to adapt to the ever-changing environment. Therefore, it can be said that even though planning involves preparing details of the future, it does not guarantee that success will follow.

3. What kind of strategic decisions are taken by business organisations?

The following kinds of strategic decisions are taken by business organisations:

1. The line of business that should be followed.
2. Deciding if a new line of business should be started or not.
3. The position that a company should be aiming for in an existing market.
4. The pricing policy that should be adopted.
5. The decision to fix the advertising costs and policy.

4. Planning reduces creativity. Critically comment. (Hint: Both the points – Planning promotes innovative ideas and planning reduces creativity – will be given.)

Planning always helps in promoting innovation. Formulating policies and plans is an intellectual process, and it requires creativity and some innovation from the managers. Once a plan is formulated, it is not possible for a manager to change it. Such type of rigidity creates hurdles when changes are uncertain, and therefore, it reduces creativity.

5. In an attempt to cope with Reliance Jio's onslaught in 2018, market leader Bharti Airtel has refreshed its ₹ 149 prepaid plan to offer 2 GB of 3G/4G data per day, twice the amount it offered earlier. Name the type of plan highlighted in the given example. State its three dimensions also.

The type of plan that is adopted by Bharti Airtel is Strategy. Strategy is devised by keeping the business environment prevalent at the time.

The three dimensions of strategy are

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1. It helps determine long-term objectives.
 2. It helps to determine a particular course of action.
 3. It guides on allocating resources which are necessary for achieving the objective.
- 6. State the type of plan and state whether they are Single use or Standing plan.**
- a. A type of plan which serves as a controlling device as well. (Budget)**
 - b. A plan based on research and analysis and concerned with physical and technical tasks. (Method)**
- a. Budget: It is one type of plan that works as a controlling device. A budget is a single-use plan developed specifically for a project of one time or any such similar event.
- b. Method: It is a type of plan that is based on analysis and research. It is mostly involved with technical and physical tasks. A method is a type of standing plan which happens at regular intervals.

Long Answer Questions

1. Why is it that organisations are not always able to accomplish all their objectives?

Organisations create plans in order to meet the desired objectives. It is an essential part of the activity for any organisation, and it forms the basis for its functioning. But sometimes it happens that not all things will go as per the plan that is done. Unforeseen situations can lead to changes in the business environment than can result in cancelling of plans that were created by the organisations. Planning has its own set of limitations that can cause obstruction the completion of the objectives of an organisation. Some of the limitations discussed here can cause organisational objectives to remain unfulfilled.

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1. Planning is rigid by nature. Once a plan is created about the objectives that need to be achieved and the course of action that needs to be followed, the manager is unable to make any changes. This type of quality makes it difficult in times of unforeseen changes in the business environment. The plans that are created need to have a certain amount of flexibility so that they can adjust according to the changing nature of the business environment. Rigidity in plans forms an obstacle to the completion of the organisation's objectives.
2. Business environment is highly dynamic in nature and is therefore uncertain. Planning is unable to foresee those changes and thereby fails to execute accordingly when the situation is not exactly favourable. It causes failure in accomplishing the desired objectives. Therefore, an organisation must adapt to function as per the changing business environment.
3. Formulating plans involves a huge investment in the form of time and money. Planning is based on future happenings; therefore, it requires a great amount of thinking and analysis of the environment. It can also involve calculations that determine the facts and figures, which will be used to determine the course of action. These activities involve high costs, and it can happen that the benefits derived from the planning are less than the amount invested in planning.
4. A good plan is not going to ensure success. Managers are often seen trying out plans that have been successful in the past. It could not be said that a plan will work well if it was shown to be successful in the past, as the prevalent situations may be completely different from the current one. Also, sometimes it is thought that planning can prevent any issues from arising. However, it is not considered that planning is not a solution for the future, it is just a base for predicting future events that may or may not happen.
5. Planning is a time-consuming task; it works for determining future happenings and how to cope with them. Therefore, it involves a lot of research and analysis, which can be time-consuming and result in actions getting delayed.

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2. What are the steps taken by management in the planning process?

Planning is the process of creating a structure in advance regarding the work that needs to be done. It is helpful in defining the goals and objectives that need to be achieved by an individual or organisation. Therefore, it involves a series of steps that are bound logically. Following are some of the steps that are involved in planning:

1. The first step in any planning involves setting up the defined goals and objectives. An organisation needs to have a certain set of goals and objectives that need to be worked upon in order to be successful. Managers have the task of defining those objectives clearly so that the workers follow the correct direction in order to meet those goals. Objectives that will be stated in the plan must be understood by all levels of the organisation, it helps individual workers/departments to know what is expected of them so they can put all their effort into accomplishing the objectives. Without a clear definition of goals and objectives, management functions cannot perform as expected.
2. Planning is based on assumptions based on the future. These assumptions are called premises. It is about the future, previous plans and current plans and policies. A similar set of assumptions should be followed by managers at every level of the organisation. Assumptions are important as they pave the path on which organisations decide the plans be made. Therefore, for the successful planning, there should be correct premises.
3. As the assumptions and objectives are developed, there arises a need to identify a different course of action which can be followed. An objective can be achieved by following many ways which are different from each other. Managers need to think about those alternatives. Creativity and innovation are required so that goals can be accomplished in different ways.
4. Once the different paths of action are determined, managers need to check and evaluate those paths. Evaluation will be based on the utility and the consequences of the said actions. The pros and cons of all the alternatives should be thoroughly evaluated, and the most appropriate one should be chosen that can lessen the time required to achieve the objectives.

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5. Selection of the best alternative can be accomplished by opting for methods that are deemed to be most feasible as per the mentioned objective. Managerial skills are required to determine the best alternative in terms of efficiency, profitability and costs. Based on the situation encountered there can, one can use a combination of alternatives that can get the work done.

6. Implementing the alternatives requires the involvement of other management functions. It comprises planning and organising the task as per the policy. Implementation is mostly concerned with following the best path and determining how that action will be used in order to accomplish the objectives.

7. Supervision is required in order to check the progress of the plan. By keeping note of all the activities, it can be ensured that all the work is going according to plan. A follow-up action helps in increasing the success rate of a plan and hence the accomplishment of objectives.

3. An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower-priced models for mass consumers who are price sensitive. For quality-conscious consumers, the company is introducing new models with added features and new technological advancements.

Questions

1. Prepare a model business plan for C Ltd. to meet the existing challenge. You need not be very specific about quantitative parameters. You may specify which type of plan you are preparing.

2. Identify the limitations of such plans.

3. How will you seek to remove these limitations?

1. Plans that can be adopted for this company are policy and strategy.

Policies are the plans that act as a guide in channelising the efforts done by organisation in achieving an objective. They form the basis for interpreting the strategies of the organisation and define broad areas of management functions.

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Policies are flexible in nature. Strategies help provide a broad view of the plans of the organisation and how they are going to meet the objectives. Using proper strategies and strong policies plan can be drafted for surviving in the market among competitors.

2. Limitations of policy and strategy are

1. Planning is rigid by nature. Once a plan is created about the objectives which need to be achieved and the course of action that needs to be adopted, the manager is unable to make any changes. This type of quality makes it difficult in times of unanticipated changes in a business environment. The plans that are created need to have a certain amount of flexibility so that they can adjust according to the changing nature of the business environment. Rigidity in plans forms an obstacle to the completion of the organisation's objectives.

2. Business environment is highly dynamic in nature and is therefore uncertain. Planning is unable to foresee those changes and thereby fails to execute accordingly when the situation is not exactly favourable. It causes failure in accomplishing the desired objectives. Therefore, an organisation must adapt to function as per the changing business environment.

3. Formulating plans involves a huge investment in the form of time and money. Planning is based on future happenings; therefore, it requires a great amount of thinking and analysis of the environment. It can also involve calculations that determine the facts and figures, which will be used to determine the course of action. These activities involve high costs, and it can happen that the benefits derived from the planning are less than the amount invested in planning.

4. A good plan is not going to ensure success. Managers are often seen trying out plans that have been successful in the past. It could not be said that a plan will work well if it was shown to be successful in the past, as the prevalent situations may be completely different from the current one. Also, sometimes it is thought that planning can prevent any issues from arising. However, it is not considered that planning is not a solution for the future, it is just a base for predicting future events that may or may not happen.

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5. Planning is a time-consuming task; it works for determining future happenings and how to cope with them. Therefore, it involves a lot of research and analysis, which can be time-consuming and result in actions getting delayed.

3. These steps need to be taken to remove planning limitations

1. Plan must not be rigid, so it must have a certain degree of flexibility for managers so that they can deal with events or changes that might be encountered during the planning.

2. Planning should be done knowing the fact that the business environment can be highly dynamic. Therefore, plans should be of the type that can be adjusted as per the current business environment with minimum effort.

3. During the course of planning, unnecessary cost and time wastage should be stopped.

4. There should not be reliance on only the pretested plans. There should be new plans which should be drafted as per the existing situation and the prevailing circumstances.

- What is planning? According to Fayol, Planning refers to ‘Planning is chalking out a plan of action, i.e., the result envisaged in the line of action to be followed.’
- Importance and features of planning.

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Multiple Choice Questions

1. In 2019 alone, Swiggy has launched operations in 300 towns and cities. Swiggy follows a two-step sequence while expanding to a small town. First, it provides more laborious training to restaurants and delivery partners compared to their counterparts in the city. Second, it focuses on building scale in operations and increasing the restaurant's reach to a larger base of consumers, including optimising kitchens and resource planning among others. Identify the type of plan being described in the above lines.

- (a) Method
- (b) Strategy
- (c) Programme
- (d) Procedure

Answer: (b) Strategy

2. Name the type of budget which is prepared to determine the net cash position.

- (a) Purchase budget
- (b) Sales budget
- (c) Cash budget
- (d) Production budget

Answer: (c) Cash budget

3. Deepak is striving to earn a profit of 30% in the current financial year. Identify the type of plan being described in the above lines.

- (a) Method
- (b) Objective
- (c) Strategy

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(d) Programme

Answer: (b) Objective

4. Swatch Ltd. plans to earn a 20% return on its investment in a new project. Identify the type of plan being described in the above lines.

(a) Method

(b) Strategy

(c) Programme

(d) Objective

Answer: (d) Objective

5. Ketan Enterprises adopts different ways to provide training to employees, like Job Rotation, Coaching, Vestibule Training, Conference, Lecture Method, and Role Playing. Identify the type of plan being described in the above lines.

(a) Method

(b) Strategy

(c) Programme

(d) Procedure

Answer: (a) Method

6. In order to encourage technologies like artificial intelligence (AI), the internet of things (IoT), and virtual reality (VR), the Government is planning to launch a scheme to invite foreign companies through a transparent bidding process, to set up plants for manufacturing semiconductors, solar photovoltaic cells, lithium cell batteries, solar electric charging vehicles, computer servers, and laptops in India.

Identify the type of plan being described in the above lines.

(a) Method

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- (b) Strategy
- (c) Programme
- (d) Objective

Answer: (b) Strategy

7. The Government has been doubling down on its efforts to switch to 100% electric vehicles by 2030. Many companies such as Tata Motors, Kinetic Motors, Maruti Suzuki, and Hyundai Motors are all readying their EV models for a 2020 launch in order to support the plan. Identify the type of plan being described in the above lines.

- (a) Method
- (b) Strategy
- (c) Programme
- (d) Objective

Answer: (b) Strategy

8. India is the world's third-largest domestic aviation market. The Government plans to make India a hub for financing aircraft purchases and leasing planes. In order to promote this, the Government has announced tax incentives, like tax deductions, for companies setting up business in IFSC for fifteen years. Identify the type of plan being described in the above lines.

- (a) Method
- (b) Strategy
- (c) Programme
- (d) Rule

Answer: (b) Strategy

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9. Based on National Common Mobility Card standards, India's first indigenously developed inter-operable transport card was launched in March 2019 to make travel across various modes convenient. Identify the type of plan being described in the above lines.

- (a) Strategy
- (b) Programme
- (c) Method
- (d) Rule

Answer: (a) Strategy

10. Packaging is said to have the unique capacity to make products stand out in a crowded marketplace. Therefore, the convenience of the consumer is at the top of the mind of the marketers as they are focussing on developing packaging that's easier to open, to protect against breakage, maintain freshness during delivery and keep a consistent look and feel across multiple channels. Identify the type of plan being described in the above lines.

- (a) Programme
- (b) Method
- (c) Strategy
- (d) Rule

Answer: (c) Strategy

11. Shubham wants to increase the sale of his business by 15% in the next quarter. Identify the type of plan being described in the above lines.

- (a) Method
- (b) Objective
- (c) Strategy

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(d) Programme

Answer: (b) Objective

12. According to the Economic Survey, insights from behavioural economics can be strategically utilised to create an aspirational agenda for social change – from BBBP (Beti Bachao Beti Padhao) to BADLAVL (Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi); from Swachh Bharat to Sundar Bharat; from “Give it Up” for the LPG subsidy to ‘Think about the Subsidy’ and from tax evasion to tax compliance. Identify the type of plan being described in the above lines.

(a) Programme

(b) Method

(c) Strategy

(d) Rule

Answer: (a) Programme

13. According to the World Health Organisation, 39% of adults are overweight. Consequently, in the U.K., a sugar tax was introduced in 2018 on beverages containing more than 5% sugar to curb sugar intake. Identify the type of plan being described in the above lines.

(a) Programme

(b) Method

(c) Strategy

(d) Rule

Answer: (c) Strategy

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14. According to a survey of 250 consumer packaged goods (CPG) companies by a reputed

firm, 75% of brand owners say they're going to spend significantly more on packaging as it is critical to their brand's success. Identify the type of plan being described in the above lines.

- (a) Rule
- (b) Programme
- (c) Strategy
- (d) Method

Answer: (c) Strategy

15. According to a survey, these days, young children have more power in purchasing decisions than ever before. The parents seek their kids' opinions about all kinds of once-adult decisions, including "Where to go for dinner, what kind of car to buy, even what to wear". Therefore, the retailers are adapting to this by enhancing their kids' sections. If the children want to shop in the store for their clothes, then there's a greater chance the parent will also see something they want to buy as well. Identify the type of plan being described in the above lines.

- (a) Programme
- b) Method
- (c) Strategy
- (d) Rule

Answer: (c) Strategy

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Summary

Meaning:

- Deciding in advance what to do & how to do it. It is one of the basic managerial functions.
- It involves 2 aspects:

Setting of aims and objectives of the organization + Selecting and developing an appropriate course of action to achieve these objectives.

- Koontz and O'Donnell – —Planning is deciding in advance what to do, how to do, when to do, and who 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 would not otherwise happen.
- Involves setting of objectives & developing an appropriate course of action to achieve these objectives

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 change, consider the impact of change 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 mentioned.
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.

Limitations of Planning

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(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.

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.

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.

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 arises due to external factors over which an organization has no control.

1. Changes in Government policies way leads to failure of planning.

2. Natural calamities such as flood, earthquake etc. also adversely affect the success of planning.

3. Changes in the strategies of competitors also leads 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.

Planning Process

1. Setting Objectives:

– Objectives specify what the organization wants to achieve.

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– Objectives can be set for the entire org. & stated to each dept. within the org. very clearly, to determine how all depts. would contribute towards overall objectives.

-Then these have to percolate down to all employees at all levels so that they understand how their actions contribute to achieving objectives.

– E.g. Objective could be to achieve sales, expansion of business etc.

2. Developing Premises:

– Plans are made on the basis of some assumptions.

– These assumptions, which provide the basis for planning, are called premises.

– All managers involved in planning should be familiar w/ them, cuz plans are expected to operate & reach their destination subject to these. They can be:

- Internal premises: Cost of products, capital, machinery, profitability etc.
- External premises: Changes in technology, population growth, competition, govt. policies etc

3. Identifying Alternative Courses Of Action:

– After setting the objectives, managers make a list of alternatives through which the org. can achieve its objectives as there can be many ways to achieve the objectives & managers must know all of them.

– E.g. Sales could be increased through any of the following ways:

- By enhancing advertising expenditure
- Appointing salesmen for door-to-door sales
- By offering discounts
- By adding more product lines.

4. Evaluating Alternative Courses Of Action

– Positive & negative aspects of each & every proposal need to be evaluated to determine their feasibility and consequences in the light of each objective to be achieved.

– E.g. In financial plans, risk-return trade-off are imp. Riskier the investment, higher the returns it is likely to give. To evaluate such proposals, detailed calc. of earnings, taxes, earnings per share etc. should be done.

5. Selecting The Best Alternative

– Real point of decision-making→ Best plan has to be adopted and implemented.

– The ideal plan = most feasible, profitable and with least negative consequences.

– Most plans may not be subjected to mathematical analysis. In such cases,

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subjectivity & manager's experience, judgment and intuition are important to select the most viable alternative.

- Sometimes a combination of plans may be selected instead of one best course.

6. Implementing The Plan

- Concerned with putting the plan into action.
- For implementing the plans, managers start organizing & assembling resources for it.
- E.g. If there is a plan to ↑ production, then more labour, more machinery will be reqd. This step would also involve organizing for more labour and purchase of machinery.

7. Follow Up Action

- This involves monitoring the plans and ensuring that activities are performed according to the schedule.
- Whenever there are deviations from plans, immediate action has to be taken to bring implementation according to the plan or make changes in the plan.

TYPES OF PLAN

Plan

A Plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met. The importance of developing plans is evident from the fact that there may be more than one means of reaching a particular goal. So with the help of logical plans, objectives of an organization could be achieved easily.

SINGLE USE PLAN

A Single use plan in a business refers to plan developed for a one-time project or event that has one specific objective. It applies to activities that do not reoccur or repeat. It is specifically designed to achieve a particular goal. Such plan is developed to meet the needs of a unique situation. The length of a single use plan differs greatly depending on the project in question, as a single event plan may only last one day while a single project may last one week or months. For example, an outline for an advertising campaign. After the campaign runs its course, the short term plan will lose its relevance except as a guide for creating future plans.

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

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and human resources required to implement any course of action.

2. Budget: A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.

STANDING PLANS

Standing plans are used over and over again because they focus on organizational situations that occur repeatedly. They are usually made once and retain their value over a period of years while undergoing revisions and updates. That is why they are also called repeated use plans. For example, Businessman plans to establish a new business Entrepreneur drafts business plan before opening the doors to their business, and they can use their plan to guide their efforts for years into the future.

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.

2. Strategy: Strategies refer to those plans which an organization prepares to face various situations, threats and opportunities. When the managers of an organization prepare a new strategy for the business it is called internal strategy and when some strategies are prepared to respond to the strategies of the competitors, then such strategies are called external strategies. Examples, selection of the medium of advertisement, selection of the channel of distribution etc.

3. Policy: Policies refers to the general guidelines 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 are specific statement that tell what is to be done and whatnot to be done in a specified situation. They help in indicating which points are to be kept in

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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 manners in which a particular task has to be performed. There may be many ways/method 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.

Basis of Difference	Single use plans	Standing Plans
1. Meaning	A single use plans in a business refers to plans developed for a one time project or event that has same objective.	A standing plans in a business refers to plans developed for using over and over again because they focus on organizational situations that occur repeatedly.
2. Objective	Single use plans is developed to carry out a course of action that is not likely to be repeated in future time.	Standing plans however is developed for activities that occur regularly over a period of time.
3. Scope	Single use plans generally encompass a narrow scope targeting 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 discarded when the situation, project or event is occur.	Standing plans are relatively stable and used over and over again with necessary modifications or updations.
5. Example	Budget for Annual General Meeting of Shareholders.	Recruitment and selection procedure for a particular post in a company.