

Chapter 4 - Planning

Very Short Answer Type

Question 1:

How does planning provide direction?

Answer:

Planning states in advance what is to be done. It defines the goals and objectives to be achieved. These goals and objectives as stated in the plan gives direction to the managers about what course of action is to be followed for achieving them. Planning ensures clarity in thoughts so that the right action is taken in the right direction for the achievement of objectives. Planning ensures that each department in the organisation work in a coordinated manner towards the common objective of the organisation. That is, with planning each department knows exactly what is to be done and thereby, moves in the right direction. Without planning work would be done in a haphazard manner with each department going in different directions. Thus, planning ensures smooth functioning towards the desired goals of an organisation.

Question 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?

Answer:

The step of the planning process which has been performed by Ms Rajni is 'Identifying alternative courses of action'.

There are many ways to act and achieve objectives laid by the management. Ms Raini has listed down all the possible alternative courses of action which can be used to increase the market share.

Question 3:

Why are rules considered to be plans?

Answer:

Rules refer to standard or specific statements that inform about what is to be done. 'Rules' are considered to be 'Plans' because both are very similar in nature. Rules are considered to be simplest of plans. Planning aims at thinking and deciding about the futuristic course of action. Similarly, rules are

statements that help in deciding if an action is to be taken or not. However, rules are rigid in nature and are to be followed as it is unless a change is stated. Non-compliance of the rules leads to disciplinary actions by the organisation. For example, an organisation may have rules regarding the punch-in timings of the employees and every employee of the organisation must follow this rules. Rules act as a guide for general behaviour of the employees in the organisation.

Question 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.

Answer:

Rama Stationery has adopted a payment 'policy' of making all payments by e-transfers. A policy is a general statement that aims at channeling the efforts of the organisation in a particular direction.

Question 5:

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

Answer:

No, planning may not work right in a changing environment. Business environment is dynamic in nature and changes continuously. For example, political conditions, social conditions, consumer tastes and preferences, government rules and regulations change continuously. Planning cannot foresee such changes and may prove futile. That is, due to uncertainty of future, planning may remain ineffective. For example, suppose a garment manufacturing company plans to increase the production of silk shirts. But over a period of time, the market demand shifts towards cotton shirts. Thus, in this case the previous plans of the company fail and it must modify its plans to cater to the change in demand. Similarly, if the government announces a reduction in the interest rates for consumer durables, the demand for such products increases. The plans of an organisation may not foresee such changes and may prove ineffective. The production and sales plan of the organisation must change as per the changing market demand. Likewise, with an entry of a competitor in the market a company needs to alter the previous plans so as to face the competition in a better manner.

Short Answer Type

Question 1:

What are the main aspects in the definition of planning?

Answer:

Planning is a psychological process of 'thinking and deciding in advance' about 'what is to be done' and 'how it is to be done'. It is a mental activity, in which the manager decides about the goals to be achieved, and actions through which they are to be accomplished. It is futuristic in nature as it involves looking ahead, along with analysing and predicting the future. Planning can be defined as a process of setting up of goals and objectives for a given period of time, formulating alternatives for the

course of action to be taken, and finally deciding an appropriate action from the various alternatives. The following are the main points in the definition of planning.

i. Setting Objectives: Planning must pertain to a particular objective. That is, there must be a definite objective for the achievement of which planning is to be done.

ii. Time Period: The plan must be formulated for a definite time period. If planning is not done with a time frame, it may prove futile. This is because with time business environment changes and requires fresh planning and action.

iii. Formulating Alternatives for Course of Action: Once the objective is decided, the next task is to decide how it is to be achieved. For the achievement of any objective there can be various alternative course of action. These alternatives must be appropriately formulated.

iv. Deciding a Course of Action: From the various available alternatives, the best one must be decided.

Question 2:

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

Answer:

It is true that planning is a forward looking function and is based on analysing and predicting the future elements. However, future involves uncertainty and cannot be predicted. There are various external forces that affect the functioning of an organisation. These forces are complex and ever changing in nature. For example, social trends, political conditions, technology, government rules and regulations change continuously. Due to such uncertainties, one cannot be sure of the success rate of the plans rather, the plans need to be modified to adapt to the changing environment. For example, suppose due to entry of a competitor, the demand for the products of a company reduces. While planning out production the company could not foresee such a change. Thus, the previous plans of the company fail and it must formulate new plans keeping in view the change in demand. Similarly, suppose the government announces a relaxation in the rules for foreign investment, as a result of which competition in the market increases. The sales and manufacturing plans of the domestic companies might fail in the face of the increased competition. Thus, it can be said that despite the fact that planning involves working out details for the future, it does not ensure success.

Question 3:

What kind of strategic decisions are taken by business organisations.

Answer:

Strategy refers to a broad outline for the business of an organisation. It has three broad objectives- to determine the objectives, to decide the course of action, and appropriate allocation of objectives for the achievement of the objectives. Following are a few strategic decisions which a business organisation may look out for.

i. Deciding about which line of business should be taken.

ii. Whether a new line of production should be adopted or not.

- iii. What position should the company aim for in the existing market.
- iv. What kind of pricing policy should be used.
- v. Decisions regarding the advertising policy and costs.

Question 4:

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

Answer:

Planning promotes innovation. The formulation of plans and policies is an intellectual process that requires creativity and innovation on the part of the managers. However, once a plan is formulated, the manager may not be able to change it. This rigidity creates hurdles when unforeseen changes come about and thereby reduces creativity.

Question 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 is highlighted in the given example.? State its three dimensions also.

Answer:

Bharti Airtel has adopted a Strategy. A strategy is created by keeping the business environment in mind. Strategy includes three dimensions:

1. Determining long term objectives
2. Adopting a particular course of action
3. Allocating resources necessary to achieve the objective

Question 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 is concerned with physical and technical tasks. (Method)

Answer:

- a. Budget - A type of plan which serves as a controlling device as well. A budget is a Single-used plan which is developed for a one time project or event.
- b. Method - A plan based on research and analysis and is concerned with physical and technical tasks. Method is a Standing plan as it is used for activities which occur regularly over a period of time.

Long Answer Type

Question 1:

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

Answer:

For the attainment of the desired objectives, organisations make plans. Planning is an essential activity for any organisation and sets the basis for its functioning. However, sometimes the things do not go as per the plan. Unforeseen changes in the business environment often dampen the plans of the organisation. Moreover, the process of planning has its own limitations that hinder the accomplishment of all the objectives of an organisation. Following are some of the limitations of planning which may result in the abandoning of the organisational objectives.

(i) **Rigidity**: Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles at times of unforeseen changes. At times of unexpected changes, the managers may require certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the completion of the objectives.

(ii) **Cannot Deal With Dynamic Environment**: Business environment is dynamic and thereby, very uncertain. However, planning cannot foresee such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives. An organisation must adapt its functioning to the changing environment.

(iv) **Gigantic Costs**: Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analysing. It involves scientific calculations along with the figures and the facts, which are to be used in formulating the course of action. This involves high costs. Moreover, sometimes it might also happen that the benefits derived from planning fall short of the costs incurred.

(v) **False Security**: Good planning does not mean a guarantee to success. Often the managers tend to rely on pretested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may fail the plan. Sometimes managers think that planning can prevent the problems from occurring, however, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away solutions to the problems.

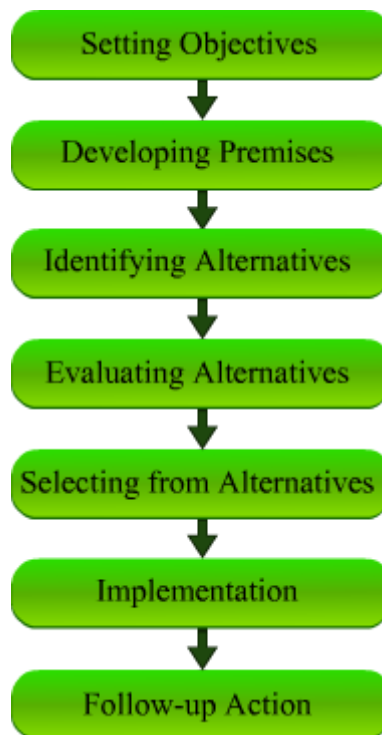
(vi) **Time Consuming**: Formulating plans is a very time consuming task, as it involves looking forward in the unforeseen situations. It involves a lot of research and evaluation. This increases the time consumed by the managers and the actual actions may get delayed.

Question 2:

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

Answer:

Planning means deciding in advance what is to be done and how it is to be done. It involves a few logical steps. Following are the steps to be followed by the management while making plans



Follow-up Action

(i) ***Setting up the Objectives***: The first step in the planning process is the setting up of objectives and goals. Any business enterprise needs certain objectives to work upon for. Managers need to state these objectives very clearly so that right direction can be taken for achieving goals. Moreover, the objectives stated in the plan must sink in to all levels in the organisation. It provides a direction to the individual departments/units so that they can work towards the common objectives of the organisation. Unless the goals are not defined, the functions of the management cannot move forward.

(ii) ***Developing the Premises***: Planning is based on certain assumptions regarding the future. These assumptions are known as premises. The assumptions are regarding the future predictions, previous plans and current policies and facts. Managers at all levels of the organisation involved in the planning should follow the same assumptions. These assumptions are very important for the organisation as they decide the path for the plans to be made. Thus, for successful planning correct premises should be proposed.

(iii) ***Identification of the Alternatives***: Once the objectives and assumptions are developed, a need arises to identify the different courses of action that can be followed. There can be number of ways to achieve a defined objective. The managers need to think carefully about these various routes. This involves innovation and creative mind so that new ways can be developed in order to accomplish the goals.

(iv) ***Evaluation of the Alternatives***: After identifying the different paths of actions the managers need to evaluate them. This evaluation is based on the utility and the consequences of the options. Managers must assess the pros and cons of each alternative. For example, which route will incur less cost or which option can help in achieving the goals in lesser time. In light of such aspects the right evaluation of different alternatives should be done.

(v) ***Selection of the Best***: Selecting the best alternative involves opting for the method that is most viable as per the objective. Here, the managers should use their skills and knowledge for judging and selecting the best alternative in terms of profitability, costs and workability. Depending on the situation, a combination of different routes may also be taken up instead of just one.

(vi) **Implementation:** Implementation of the alternatives requires other functions of management to step into the process. It involves organising and directing the work according to the chosen path and policies. Implementation is concerned with following the opted path of action and deciding how that is to be used in order to be successful.

(vii) **Follow-up Action:** For assessing the whole working and implementation of the plans, a continuous supervision of the actions are required. Keeping an eye on the activities to be performed is an important part of planning itself, as it helps to ensure the proper working of a plan. Thus, a thorough follow-up action increases the success of a plan and thereby, the achievement of the objectives.

Question 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?

Answer:

1. The types of plans that can be adopted are **strategy and policy**.

A strategy provides the broad contours of a plan for achieving the objectives of an organisation. It includes determining long-term objectives, adopting the required course of action and allocating the necessary resources. Policies, on the other hand, are the statements that act as a guide to channelise the efforts of the organisation in a particular direction. They provide the basis for the interpretation of the organisation's strategies and define broad parameters for the functions of the management. They are usually flexible in nature. With strategies and policies the company would be able to draft the plan and take steps to survive in the increased market competition.

2. The following are the limitations of strategy and policy.

i. **Rigidity:** Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles at times of unforeseen changes. Rigidity in plans sometimes creates obstacles in the completion of the objectives.

ii. **Cannot Deal With Dynamic Environment:** Business environment is dynamic and thereby, very uncertain. However, planning cannot foresee such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives.

iii. **Gigantic Costs:** Formulation of plans involves huge costs in terms of time and money. As planning

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iv. **False Security:** Good planning does not mean a guarantee to success. Often the managers tend to rely on pretested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may fail the plan. Sometimes managers think that planning can prevent the problems from occurring, however, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away solutions to the problems.

v. **Time Consuming:** Formulating plans is a very time consuming task, as it involves looking forward in the unforeseen situations. It involves a lot of research and evaluation. This increases the time consumed by the managers and the actual actions may get delayed.

3. The following are the steps that can be taken to remove the limitations of planning.

- i. The plans must not be too rigid in the sense that certain degree of flexibility must be provided to the managers to deal with the unforeseen changes that might come up in the course of planning.
- ii. The planning must be done keeping in mind that the business environment is highly dynamic in nature. The plans should be such that they can be easily adjusted as per the need of the hour.
- iii. The cost and the time invested in the course of planning should be curtailed.
- iv. It must not be the case that only the pretested plans are relied upon. New plans can be drafted as per the situation and circumstances.