

Chapter 4: Planning

NCERT · Class 12 · Business Studies

Textbook exercises

Question 1

How does planning provide direction?

Solution

Ans: Planning provides guidance for action by defining in advance how work is to be done. Planning ensures that the goals or objectives are clearly articulated so that they may be used as a guide to decide what action to take and in which direction.

When goals are clearly defined, employees understand what the organisation as well as they must do to attain those goals. Departments and people inside the organisation can collaborate for the successful accomplishment of objectives. Employees would be working in separate directions, with no coordination if there was no planning, and the organisation would not be able to attain its planned goals.

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?

Solution

Ans: The step of the planning process Ms. Rajni performed 'Identification of various alternatives'. In the report, she mentioned and identified the options such as 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. After this step, proper evaluation of each alternative will be done, and one or a mixture of alternatives will be chosen by the company.

Question 3

Why are rules considered to be plans?

Solution

Ans: Rules are considered as plans because:

- Rules are standard or specific statements that describe what should be done, whereas planning also specifies the what aspect of any action.
- Because their natures are so similar, 'Rules' are regarded to be 'Plans.'
- Rules are thought to be the most basic of designs. The goal of planning is to deliberate and decide on a future course of action.
- Similarly, rules are statements that aid in determining whether or not an action should be conducted.
- However, rules are rigorous in nature and must be followed exactly as written until a change is requested.
- Noncompliance with the rules results in disciplinary actions taken by the organisation. It indicates a managerial judgement about whether or not to pursue a specific action.
- For example, an organisation may have regulations governing employee punch-in and punch-out times, and all employees must abide by these standards. Rules serve as a guide for the general behaviour of employees in an 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.

Solution

Ans: The type of plan used is a policy. Rama Stationery Mart has adopted a payment policy that requires all payments to be made via e-transfers only.

Policy is a broad statement that defines the boundaries within which decisions are made and directs decisions toward the achievement of goals.

Question 5

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

Solution

Ans: No, planning does not work in a dynamic environment because the business environment is constantly changing and the organisation must adapt to these changes. In a dynamic environment, planning fails when it is unable to accurately predict future trends.

Question 6

What are the main points in the definition of planning?

Solution

Ans: Planning is a psychological process that involves "thinking and determining ahead of time" on "what is to be done" and "how it is to be done." Thus, planning is inextricably linked to creativity and innovation.

It is a mental activity in which the management decides on the goals to be attained and the activities to be undertaken to achieve them. It is futuristic in nature since it entails anticipating, analysing, and predicting the future.

Planning is defined as the process of establishing goals and objectives for a specific time period, developing alternatives for the course of action to be pursued, and eventually selecting an appropriate action from the numerous choices.

The main points in the definition of planning are as follows:

a. Time Period

- The planning strategy must be devised for a specific time period.
- If planning is not done in a timely manner, it may be ineffective. This is due to the fact that the business environment evolves throughout time, necessitating new strategy and activity as and when changes are encountered.

b. Setting Objectives

- Planning must be directed toward a certain goal.
- There must be a specific goal for which planning is being undertaken.

c. Alternative Course of Action

- An alternative course of action must be developed to determine which action will provide the best results in minimum costs, and successful accomplishment of objectives.

d. Deciding a Course of Action

- The best alternative course of action must be chosen based on criterias like cost, time, availability, feasibility etc..

Question 7

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

Solution

Ans: True, planning is a forward-thinking function that is based on analysing and forecasting future aspects. However, the future is unpredictable and cannot be foretold. External forces have a variety of effects on how an organisation operates. These natural forces are complicated and ever-changing. Social trends, political situations, technology, and government rules and regulations, for example, all change on a regular basis.

Due to such uncertainties, it is impossible to predict the success rate of the plans; instead, the plans must be constantly adjusted to adapt to the changing environment.

Assume, for example, that a competitor's arrival diminishes demand for a company's products. The company had not anticipated such a change when planning production. As a result, the company's earlier strategies fail, and it must devise new ones in light of the change in demand.

Similarly, imagine the government announces a loosening of the rules for foreign investment, resulting in increased market competitiveness. Domestic enterprises' sales and manufacturing plans may collapse in the face of growing competition. Thus, despite the fact that planning entails working out details for the future, it does not guarantee success.

Question 8

What kind of strategic decisions are taken by business organisations ?

Solution

Ans: A strategy is a broad plan for an organisation's business.

It has three basic objectives:

- to establish the objectives,
- to decide on a course of action, and
- to allocate objectives appropriately in order to achieve the objectives.

The business environment must be considered whenever a strategy is developed. The economic, political, social, legal, and technological environments all have an impact on an organisation's strategy. Typically, strategies take the form of defining the organisation's identity in the business environment.

A business organisation may make the following strategic decisions:

- Choosing which line of business to pursue.
- Whether or not a new line of production should be implemented.
- What position should the organisation seek in the current market?
- What pricing policy should be used?
- Decisions on advertising policy and expenditures.
- Whether to expand the business or not?
- If it expands, then within the country or globally?
- Which aspect should be more focussed upon, cost leadership or differentiation?
- Strategies in respect to raising finance, deciding the outsourcing strategy.
- If growth is to be done, should it be horizontal growth or vertical growth?

Hence, the strategies take place at various business and functional levels.

Question 9

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

Solution

Ans: Planning is a critical and difficult function because it provides direction and reduces the risk of uncertainty through forecasting. It is an intellectual process that entails coming up with better ideas and methods to accomplish a specific task. And the top management level is in charge of the planning process, with the rest of the members simply carrying it out.

They are not permitted to participate in the planning process or to act on their own. As a result, creativity and innovation suffer.

Question 10

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.

Solution

Ans: The type of plan highlighted in the preceding example is known as a strategy. A strategy is a comprehensive plan for achieving organisational goals that includes three dimensions:

- Establishing long-term goals.
- Choosing a specific course of action.
- Allocating resources required to achieve goals.

Question 11

State the type of plan and state whether they are Single use or Standing plan:

- A type of plan which serves as a controlling device as well.(budget)
- A plan based on research and analysis and is concerned with physical and technical tasks. (Method)

Solution

Ans: The budget plan is a one-time use plan. Budget is a numerically expressed statement of expected results. It is a projection intended to define the anticipated cost and results of a single project in numerical terms.

Ans: This is a pre-existing strategy known as method. Method specifies the prescribed ways or manner in which a task must be completed while keeping the objectives in mind. It deals with a task, which could be a step in a procedure, and specifies how that step should be carried out.

Question 12

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

Solution

Ans: Organisations establish plans in order to achieve their goals. Planning is a necessary activity for any organisation since it serves as the foundation for its operation. However, occasionally things do not go as planned. Unexpected changes in the corporate environment can impair the organisation's plans. Furthermore, the planning process has its own constraints that impede the achievement of all of an organisation's objectives.

The following are some of the planning limits that may lead to the abandonment of organisational goals.

- **Rigidity:** A well-defined strategy is drawn up in an organisation with clear goals to be fulfilled within a specific time frame. These plans then determine the future course of action, which managers may not be able to change. This type of rigidity in plans may cause problems. Managers must be given certain leeway in order to adapt to changing situations. Following a predetermined plan, and practising rigidity when conditions change may not be in the best interests of the organisation.
- **Unable to Deal with a Dynamic Environment:** The business environment is dynamic and, as a result, quite uncertain. The environment has several dimensions, including economic, political, physical, legal, and social factors. The organisation must constantly adjust to changes. However, planning cannot always accurately anticipate such changes and hence fails in times of change and uncertainty. This may result in the failure to meet objectives. An organisation's operations must adapt to a changing environment.
- **Extremely Expensive:** Creating plans necessitates an exorbitant investment of both time and money. Because planning is dependent on future projections, it necessitates a great deal of thought and analysis. It entails scientific calculations as well as figures and facts that will be used to formulate a plan of action. This comes at a heavy cost. Furthermore, it is possible that the advantages of planning will fall short of the costs paid.
- **Does Not Ensure Success:** Good preparation does not ensure success. Managers frequently rely on tried-and-true ideas that have proven to be effective in the past. However, it is not always true that if a strategy has been effective in the past, it will be successful again in the future. Many

unanticipated changes may occur, causing the strategy to fail. Managers frequently believe that planning can prevent problems from developing; nevertheless, they fail to recognize that planning merely serves as a foundation for forecasting the future. It does not provide immediate remedies to problems.

- **Time Consuming:** Making plans is a time-consuming activity because it requires anticipating unforeseen events. It necessitates extensive investigation and evaluation. This increases the time spent by managers, and actual actions may be delayed as a result. Also, many opportunities could be missed while planning.
- **Reduces Creativity:** Planning is a task performed by upper management. Typically, the rest of the members just carry out their plans. As a result, middle management and other decision makers are not permitted to break from plans or act independently. As a result, much of their initiative or originality is lost or curtailed. The majority of the time, employees do not even attempt to develop strategies, they merely execute commands. Thus, planning limits creativity in certain ways since people tend to think along the same lines as others. Nothing is novel or innovative.

Question 13

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

Solution

Ans: Planning entails deciding ahead of time what will be done and how it will be done. It consists of a few logical steps.

The following are the steps that management should take when formulating plans.

- **Setting up the Objectives:** Setting objectives and goals is the first step in the planning process. Each company or enterprise has a certain objective to achieve. Managers must articulate these objectives clearly so that the proper path can be adopted to achieve them. Furthermore, the plan's objectives must permeate all levels of the organisation. It gives direction to separate departments/units so that they can work toward the organisation's common goals. Management functions cannot be carried out unless the goals are stated.
- **Developing the Premises:** Certain assumptions about the future are made under planning. These assumptions are referred to as premises. The assumptions concern future forecasts, previous plans, and current policies and facts. Managers at all levels of the organisation who are involved

in planning should adhere to the Implementation of such premises. The same assumptions apply to the follow-up action. These assumptions are critical for the organisation since they determine the course of action for future initiatives. As a result, proper premises should be proposed for successful planning.

- **Identification of the Alternatives:** Once the objectives and assumptions have been established, it is necessary to determine the various courses of action that can be taken. There are numerous approaches that can be taken to reach a specific goal. Managers must carefully consider these many options. This requires creativity and a creative mind in order to create new solutions to achieve the goals.
- **Evaluation of the Alternatives:** Managers must analyse the various paths of action after recognizing them. This assessment is based on the utility and consequences of the alternatives. Managers must weigh the benefits and drawbacks of each option. Each proposal's positive and negative features must be considered in light of the goal to be attained.
For example, which route will be less expensive or which choice would allow you to achieve your goals in less time. In light of such considerations, the appropriate evaluation of various solutions should be carried out.
- **Selection of the Best:** Choosing the finest choice entails going with the method that is most viable in terms of the goal. Managers should utilise their skills and knowledge to judge and select the best choice in terms of profitability, costs, and feasibility. Depending on the circumstances, a variety of multiple routes may be followed rather than simply one. Of course, the ideal strategy would be the most practical, profitable, and with the fewest bad implications.
- **Implementation:** Implementing the alternatives necessitates the involvement of additional management departments. It entails organising and directing work in accordance with the specified course and policies. Implementation is concerned with adhering to the chosen course of action and determining how it will be employed in order to be effective.
- **Follow-up Action:** A continual supervision of the actions is essential for assessing the overall operation and implementation of the plans. Keeping an eye on the activities to be completed is an important element of the planning process since it helps to guarantee that the plan works properly. As a result, rigorous follow-up activity improves the success of a plan and, as a result, the achievement of the objectives.