

**Short Answer Type Questions (3/4mark)**

1. How does planning help co-ordination?

Planning makes co-ordination of various activities, departments and groups relatively easy, planned programmes of activity serve as the basis of harmonizing the efforts of different division, departments and people. Thus, for example, manufacturing and sales activities can be co-ordinate only if plans of the production department are drawn on the basis of sales plan. In the absence of proper planning of interrelated activities the production department may turn out goods which the sales department may not be able to sell and conflict may occur between the heads of two departments. Confusion and misunderstanding may also occur in the absence of integrated planning of different activities co-ordination of departmental operations is facilitated by planning through the establishment of common goals as guide posts

2. Explain the characteristics of a sound plan.

Ans. Characteristics of sound plan are:

- a) Plan should be simple : for a good plan to be effective, it should be simple, to understand and worked upon different individuals and groups.
- b) Plan should be specific : objectives and goals should be clearly defined and explained. Thus planning is purposeful.
- c) Plan must be flexible : conditions under which a business operate keep on changing. Therefore, planning must be flexible and not rigid. It should enable the management to take care of the changes in the environment.

3. Why does planning fail sometimes in spite of the best efforts of management?

Planning does not guarantee success.” Comment

Ans. The success of enterprise is possible only when plans are properly drawn up and implemented. The business environment is dynamic, nothing is constant. the organisation has to constantly adapt itself, to the changes of in business environment. I agree with the statement & ”

Though Planning is an important tool of management, yet it is not a remedy in business environment. Planning can't prevent problem. It can only product them to prepare

contingency plans. to deal with them if and when they occur. Planning fail inspire of efforts of management because of its imitation.

Q. 4 ‘ Planning involves choice’ Comment

Ans. Planning essentially involves choice from among various alternatives and objectives of there is one possible goal or only one possible course of action, there is no need of planning because there is no choice. The need for planning arises only when alternative are available. In actual practice, planning presuppose the existence of alternatives, planning, thus, involves through examination and evaluation for each alternative and choosing the most appropriate one.

Q 5 Distinguish between –

Ans. Objectives and policies

Basis

Objectives

Policies

Aim

Objectives determine the final goal of the enterprise

Policies are framed to achieve objectives efficiently

Level of management	Objectives are determined by the owners or the top level management	Policies are determined by top, middle and level of management
What and how	Objectives determine what is to be done. In this way objectives decide the specific job to be done	Policies decide how the work is to be done, policies decide the procedures to be adopted for completion of the job.

Q 6. Distinguish between Rules and methods

Objectives: The aim of framing rules is to maintain discipline in the organization. The aim of effective method is to ensure efficiency of operations.

Basis: Rules are based on code of conduct; methods are based on research and analysis

Nature: Rules are rigid and regarded as official and authoritative whereas methods are regarded as logical and rational.

Q7. Distinguish between Strategy and policy

Ans..

Strategy	policy
It is a comprehensive plan which includes various steps	It is a single plan
It is formulated for solving challenging and unforeseen problems	It is formed to carry out routine functions
Every time a new strategy is prepared to solve different problems	Common policies are used for all routine problems.

Q8. Distinguish between procedures and

Methods	Procedures
Procedures are sequences of steps to be followed for performing some important jobs	Methods are formalized ways of doing a routine and repetitive jobs
Procedures are more rigid	Methods are less rigid or flexible
Procedures help in implementation of policy	Methods help for standardization and co-ordination of activities.

Q9. State four features of Planning.

Ans. Following are the features of Planning:

- a) Planning contributes to objectives : planning starts with the process of setting up the objectives. We cannot think of planning without objectives. After setting up the objectives various activities are decided which would help in the achievement of the same. For e.g if an organization has an objective of manufacturing 150 units in a month, and if only 100 units are produced then changes are made in the plan to achieve the final objective.
- b) Primacy Function : Planning is the first function of the management (primacy). On the basis of planning, the other functions of organizing, staffing, directing and controlling are performed.
- c) Forward looking : planning is looking ahead. It is done for the future and not for the past. All the managers try to make assumptions for the future and act accordingly.
- d) Continuous : Planning goes on continuously. It does not stop after a particular period. If plans are made for a month, after one month new plans are made. So Planning goes on without halt.

### Long Answer Type

Q1 Discuss the importance of Planning.

Ans. Planning is of vital importance in the managerial process. No enterprise can achieve its objectives without systematic planning.

#### **“Planning is the heart of management”**

The following points highlight the importance of planning function of management :

1. **Planning provides directions** : By stating in advance how work is to be done, planning provides direction for action.

If goals are well defined, employees are aware of what the organization has to do and what they must do to achieve those goals. Departments and individuals in the organization are able to work in coordination.

Planning keeps the organization on the right path.

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 risks of uncertainty** : Business enterprises operate in an uncertain environment and face several types of risks. Planning enables these enterprises to predict future events and prepare to face the unexpected events. With the help of planning, managers can identify potential dangers and take steps to overcome them. Thus, planning helps risk and uncertainty.

3. **Planning facilitates decision-making :** Decision-making involves searching for various alternative courses of action, evaluating them and selecting the best course of action. Under planning, targets are laid down. With the help of these targets, managers can better evaluate alternative courses of action and select the best alternative. *PlAns. lay down in advance what is to be done and how it is to be done.* Therefore, decisions can be taken with greater confidence.
4. **Planning reduces overlapping and wasteful activities:** Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. There is no confusion and misunderstanding. Useless and redundant activities are minimized or eliminated. It is easier to detect inefficiencies and take corrective measures to deal with them.
5. **Planning promotes innovative ideas :** Planning is thinking in advance and, therefore, there is scope of finding better ideas and better methods and procedures to reach the objectives/goals of the enterprise. This forces managers to think differently about the future of the organizations from the present. Thus, planning makes the managers innovative and creative.
6. **Planning establishes standards for controlling :** Planning provides the goals or standards against which the actual performance can be measured and evaluated. A comparison of actual performance with the standards helps to identify the deviations and to take corrective action. Planning makes control meaningful and effective. *'Control is blind without planning.'* Thus, planning provides the basis of control.

Q2 . Discuss the steps in the process of Planning.

- Ans. 1. **Setting organizational objectives :** The first and foremost step in the planning process is setting organizational objectives or goals, which specify what the organisation wants to achieve. For *example*, an increase in sales by 20% could be the objective of the organisation. Objectives may also be set for each individual department. They give direction to all departments.
2. **Developing planning premises :** Planning is concerned with the future, which is uncertain. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called *premises*. Assumptions are made in the form of forecasts about the demand for a particular product, government policy, interest rates, tax rates, etc. Therefore, accurate forecasts become essential for successful plAns..
  3. **Identifying alternative courses of action :** Once objectives are set and assumptions are made, then the next step is to identify all possible alternative courses of action. For *example*, in order to achieve the organizational objectives of increasing profit, the alternatives may be
    - a. increase the sales of an existing product, or

- b. produce and sell a completely new product.
4. **Evaluating alternative courses :** The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved, its feasibility and consequences. For *example*, the risk-return trade-off is very common. The more risky the investment, the higher is the possibility of returns. To evaluate such proposals, detailed calculations of earnings, earnings per share, interest, taxes, dividends are made.
5. **Selecting the best possible alternative :** This is the real point of decision making. The best/ideal plan has to be adopted, which must be the most feasible, profitable and with least negative consequences. The manager must apply permutations and combinations and select the best possible course of action. Sometimes, a combination of plans may be selected instead of one best plan.
6. **Implementing the plan:** Once the plans are developed, they are put into action. For this, the managers communicate the plans to all employees very clearly and allocate them resources (money, machinery, etc.).
7. **Follow-up action :** The managers monitor the plan carefully to ensure that the premises are holding true in the present condition or not. If not, adjustments are made in the plan.

Q3 Discuss the Limitations of Planning.

Ans. Planning is essential for a business organisation. It is difficult to manage operations without formal planning. It is important for the organisation to move towards achieving goals. But often things do not always go according to plan. Unforeseen events and changes, rise in costs and prices, environmental changes, government interventions, legal regulations, all affect our business plans. Plans then need to be modified. *Therefore, planning might fail due to the following limitations:*

1. **Planning does not work in dynamic environment:** The business environment is dynamic, nothing is constant. The environment consists of a number of dimensions— economic, political, technological, legal and social dimensions. The organisation has to constantly adapt itself to the changes in business environment. However, it is not always possible to accurately assess future trends in the environment.
- Competition in the market can upset financial plans.
  - Sales targets have to be revised and according to cash budgets also need to be modified since they are based on sales figures.

Thus, *planning cannot foresee everything and thus these are obstacles to effective planning.*

of information, its analysis and interpretation. These activities may take considerable time. Sometimes plans to be drawn up take so much of time that there is not much time left for implementation of plans.

3. **Planning involves huge costs:** Planning is an expensive process in terms of money. When plans are drawn up, huge costs are involved in the formulation of plans.

If the costs are not justified by the benefits derived from the plan, it may have adverse effect on the enterprise. There are a number of incidental costs as well, like expenses on Board's meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan.

4. **Planning creates rigidity:** Planning leads to rigid mode of functioning for managers. This has adverse effect on the initiative to be taken by them.
5. **Planning does not guarantee success:** The success of an enterprise is possible only when plans are properly drawn up implemental. Managers have a tendency to rely on previously tried and tested successful plans. But it is not always true that a plan which has worked before, will work effectively again.
6. **Planning reduces creativity:** Planning is an activity which is done by top management. Usually the rest of the organisation just implements these plans. As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. They only carry out orders.

2. **Planning is a time consuming process:** Planning is a time consuming process. It requires collection