



## Unit- 4 : PLANNING

### Summary of the Chapter

**Meaning:** - Planning is deciding in advance what is to do, when and where is to do, how is to do and by whom it should be done. It bridges the gap between where we are standing and where we want to go.

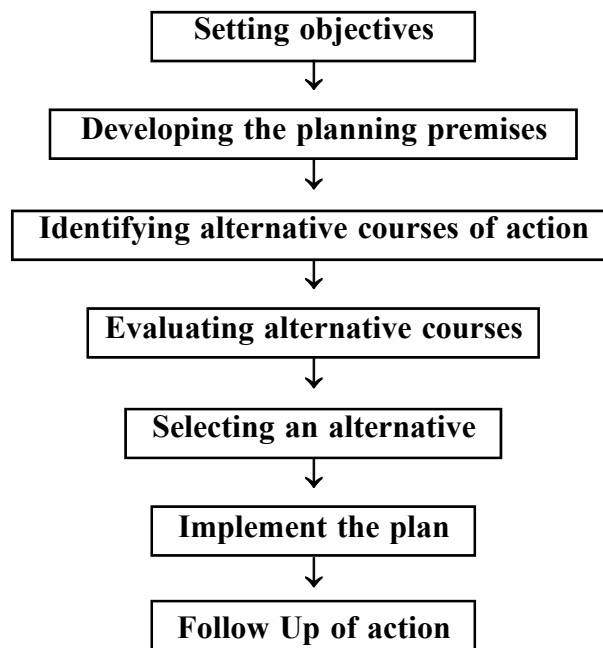
#### **Features:**

1. Planning is purposeful
2. Planning is the primary function
3. Planning is pervasive:
4. Planning is forward looking
5. Planning is a mental exercise
6. Planning is continuous

#### **Importance/benefits of planning**

1. Planning provides direction
2. Planning reduces the risk of uncertainty
3. Planning reduces overlapping and wasteful activities
4. Planning facilitates decision making
5. Planning promotes innovation
6. Planning establishes standards for controlling

#### **Planning process/steps involved in planning:**





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### Limitations of planning:

**Planning leads to rigidity:** The plans are well defined and decide future course of action. Thus managers may not be in a position to change them. Hence, there is rigidity and blind following of plans.

**Planning may not work in a dynamic environment:** Business environment is dynamic and constantly adopt itself to these changes. It becomes difficult to make plans where policies of a country and economic conditions are not stable.

**Planning reduces creativity:** Middle level managers are not allowed to deviate from plans or act on their own. They only carry out order which leads to reduction of creativity and new ideas in the manager.

**Planning involves huge cost:** When plans are drawn, costs are involved in their formation in terms of effort, time and money. The cost incurred sometimes may not justify the benefits derived from the plans.

### Types of plan

(i) Single use plan

(ii) Standing plan

**Objectives:** Objectives are the end towards which the activities are directed. They are the end result of every activity.

**Strategy:** It is a comprehensive plan to achieve the organizational objectives.

**Policy:** It can be defined as organization's general response to a particular problem or situation. In simple words, it is the organization's own way of handling the problems.

**Procedures:** Procedures are required steps established in advance to handle future conditions.

**Rules:** Rules are norms regarding actions and non-actions of employees.

**Programme:** Programmes are the combination of goals, policies, procedures and rules. All these plans together form a programme.

**Methods:** Methods are formalized way of doing routine and repetitive jobs.

**Budgets:** It is the statement of expected result expressed in numerical terms.

### Very Short Answer Questions (1 mark)

Q 1. How does planning provide direction?

Ans: Planning provide directions by stating in advance what to do, how to do, when to do, and who is to do it.

Q 2. The planning function of management is conducted at which level of management?

Ans: At all Three Levels.

Q 3. One of the functions of management is considered as a base for all other functions. Name that Function.

Ans: Planning.




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Q 4. A company needs a detailed plan for its new project- construction of shopping mall. What type of plan is it?

Ans: Programme.

Q 5. In which type of plan the sequence to perform a job is determined?

Ans: Procedure.

Q 6. Which plans suggest action and non-action of employees?

Ans: Rules

Q 7. “No Smoking “: the statement is related to which type of plan?

Ans: Rule.

Q 8. Mc Donald does not give its franchise to any other company which is running food business. This is related to which type of plan?

Ans: Policy

Q9. What is meant by single use plan?

Ans. It is a plan developed for a one-time event or project.

Q10. What is meant by standing plan?

Ans. It is used for activities that occur regularly over a period of time.

### Short Answer Questions (3-4 marks)

Q 1. Differentiate between Objective and strategy as types of plans?

Answer:

Basis	Objective	Strategy
Meaning	Objectives are an end-point which has to be achieved.	Strategies are comprehensive plans to achieve organizational objectives.
Nature	Flexible, changes with availability of relevant resources.	Flexible, identifies required resources.
Objective	Determined by the top management to align all departments accordingly.	A department prepares it as per top management.
Scope	Scope is wide as it covers all other plans like policies, strategies, etc., and covers overall business.	Scope limited to particular departments or business units.

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Q 2. How does planning restrict creativity?

Ans. Planning in an activity which is done by top management usually the rest of the organisation just implements these plans. The result is that middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. Thus planning restricts creativity.

Q 3. State how planning leads to rigidity?

Ans. Planning can become limiting or restriction for the business during some changes in circumstances, which require quick decision that may go against the set rules and procedure of a business. It can restrict an individual's freedom, initiative and desire to be creative.

Q 4. Planning provide directions and reduces the risk for uncertainty. Explain?

Ans. The planning process clearly defines and maps out the guidelines for smooth operations of a business in order to achieve their main goals / objective. By stating in advance how work is to be done, planning provides direction to action. It ensures that objectives /goals are clearly stated so that they act as a guide for deciding what action should be taken and in which direction.

Planning enables a manager to look ahead and anticipate changes. By deciding in advance the task to be performed, planning shows the way to deal with changes and uncertain events. Thus, planning helps to reduce the risks of uncertainty by preparing forecasts.

Q 5. Planning facilitates decision-making and establishes standards for controlling. Explain how?

Ans. Planning means deciding the most feasible course of action and resources (Human and physical) required to reach a goal, in advance. Planning is a prerequisite for controlling because planning suggests ways or a controlled design for attaining future goals through controlling. For example, car manufacturers decide to control the production of cars for consumers depending upon the calendar dates of festivals and accordingly control the purchasing costs of auto-components and raw materials, human resources, etc., by planning ahead.

Q 6. XYZ ltd. has a plan of increasing profits by 20%. It has devoted a lot of time and money to this plan. But the competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan. It caused losses to the company.

Explain any two limitations of planning highlighted in the above case. Also, quote the lines from it.

Ans. (i) 'XYZ ltd. has devoted a lot of time and money to its plan.'

Planning is a time consuming process. It also involves huge costs.

(ii) 'The competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan.'




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Planning leads to rigidity. Following a pre-decided plan, when circumstance change, may not turn out to be in the organisation's interest.

- Q 7. In 'Chak de India' movie, Shahrukh Khan becomes the coach of the girls' hockey team. He knows that he has to prepare the girls for the international hockey matches and bring the world cup after the winning. For this he prepares a long- term plan and thinks the ways how to beat the competitors. He coaches the girls to play in different ways like defensive, offensive, etc. At the outset of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.

Identify four types of plans that are highlight in the above case, quoting the lines from it.

- Ans. 1. Objective -'...bring the world cup after winning.'
2. Strategy-'For this he prepares a long-term plan and thinks the ways how to beat the competitors.'
3. Method -'He coaches the girls to play in different ways like defensive, offensive, etc.'
4. Procedure-'At the outset of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.'

- Q 8. Zyeshia ltd. is a company which manufactures leather bags. The CEO of the company wants to increase their sales and earn more profits. They consulted with a management consultant who suggested the top management of the company to work hard in thinking about the future in making business predictions and achieve the targets since the business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competitors in the market.

- (a) Identify and state the concept of management discussed in the above para.
- (b) State the characteristics feature of business environment highlighted in the above para.

- Ans. a) Planning -It involves setting objective and developing appropriate courses of action to achieve these objectives. Dreams (e.g. increase sales, earn more profits, etc.) can be turned into reality only if business managers think in advance on what to do and how to do it.

- (c) Business environment is dynamic as it keeps on changing.

### Long Answer Questions (5/6marks)

- Q 1. Suhani a home science graduate from a reputed college has recently done a cookery course. She wished to start her own venture with a goal to provide 'healthy food' responsible price. She discusses her idea with her teacher (mentor) who encouraged her. After analyzing various options for starting her venture, they shortlisted the option to sell readymade and 'ready to make' vegetable shakes and sattv milkshakes. Then, they both weighed the pros and cons of both the shortlisted option.



(a) Name the function of management being discussed above and give any of its characteristic.

(b) Discuss any three limitations of the function discussed in the case.

Ans. (a) Planning

### **Characteristic of planning**

Planning focuses on achieving objective as specific goals are set out in the plans along with activities undertaken to achieve them. Planning has no meaning unless it contributes to the achievement of pre-determined organizational goals /objectives.

### **(b) Limitations of planning**

- (i) Planning leads to rigidity-once a well-defined plan is drawn, managers may not be able to change it. They do not have flexibility to be able to cope with the changed circumstances.
- (ii) Planning reduces creativity – planning is done by top management. Middle and lower management neither allowed to deviate from plans nor are they permitted to act on their own. They only carry out orders. Thus, much of the initiative or creativity inherent in them gets lost or reduced.
- (iii) Planning is a time-consuming process-sometimes plans to be drawn up takes so much of time that there is not much time left for their implementation.

Q 2. Two years ago Mohit obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own bread and biscuits manufacturing unit. For this he decided the objectives and targets and formulated action plan to achieve the same. One of his objectives was to earn 50% profits on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a production manager who decided the exact manner in which the production activities are to be carried out. Harsh also prepared a statement showing the requirements of workers in the factory throughout the year. Mohit informed Harsh about his sales target for different products, area wise for the fourth coming quarter. While working on the production table a penalty of Rs.150 per day was announced for not wearing the helmet, gloves and apron by the workers.

Quoting lines from the above para identify and explain the different types of plans discussed.

Ans. The different types of plans are:

- (i) Objective 'One of his objectives was to earn 50% profit on the amount invested in the first year.'

An objective is the end which the management seeks to achieve within a given time period.



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- (ii) Policy - 'It was decided that raw material like flour, sugar, salt etc. will be purchased on two month credit'.

Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.

- (iii) Procedure 'He also decided follow the steps required for marketing the products through his own outlets'. OR

'He appointed Harsh as a Production who decided the exact manner in which the production activities are to be carried out'.

It consists of sequence of routines steps on how carry out activities. It details the exact manner in which any work is to be performed.

- (iv) Budget - 'Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. OR

'Mohit inform Harsh about his sales target for different products, area wise for the forth coming quarter'.

A budget is a plan which state expected results of a given future period in numerical terms. It may be expressed in time, money or physical units.

- (iv) Rule

'\_while working on the production table a penalty of Rs. 150 per day was announced for not wearing the helmet, gloves and apron by the worker.'

A rule is a statement that specifies what is to be done or not to be done.

- Q3. Pan Parag and sons is a manufacturer of tobacco products. It decided to increase profits by at least 25% in the next quarter. It has many options:

- (i) To increase the working hours of laboures without additional payment.
- (ii) To employ children from the local community.
- (iii) To sell its product outside the school and colleges.

(i) It opted the (ii) and (iii) options to achieve the target.

- (a) Identify the function of management described in the above para.
- (b) State the steps of the process involved in the function of management identified in (a) quoting the lines from the above para.
- (c) State any two values neglected by the organization.

Ans. (a) Planning.

(b) Steps involved in planning process:

- (i) **Setting organisational objectives:** '...increase profits by at least 25% in the next quarter.'




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- (ii) **Identifying and evaluating alternatives courses of action:** 'It has many options: to increase the working hours of labourers without additional payment, or to employ from the local community, or to sell its products sell outside the schools and colleges.'
- (iii) **Selecting the best possible alternatives:** 'It opted to employ children from the local community, and to sell products outside the schools and colleges.'
- (c) Values neglected:
- Child labour is banned.
  - Bad effect on student's health.
  - Moral values.
- Q 4. Lira Ltd. Is a company manufacturing designer sock. While making its plan, the company takes into consideration the business environment. It constantly adapts itself to changing environment by making changes in its plan, however it become difficult for the managers of the company to accurately foresee future trends in the changing environment. Competition in the market upsets its financial plans; then sales targets have to be revised and, accordingly cash budgets also need to be modified since they are based on sales figure.
- (a) What characteristic features of business environment are highlighted in the above lines? State any two.
- (b) State and explain the limitation of planning highlighted in the above lines.
- (c) Identify any two types of plans mentioned in the above para by quoting the lines from it.
- Ans. (a) (i) Business environment is dynamic as it keeps on changing.
- (ii) Business environment is uncertain as it is difficult for the managers to accurately foresee future trends in the environment.
- (b) Planning may not work in a dynamic environment.
- The organization has to constantly adapt itself to change in environment by making changes in its plans. However, since planning cannot foresee everything, there may be obstacles to effective planning.
- (c) (i) Strategy – 'While making its plan, the company takes into consideration the business environment.'
- (ii) Budget – 'Competition in the market upsets its financial plans; then sales targets have to be revised ... accordingly cash budgets also need to be modified since they are based on sales figures.'