

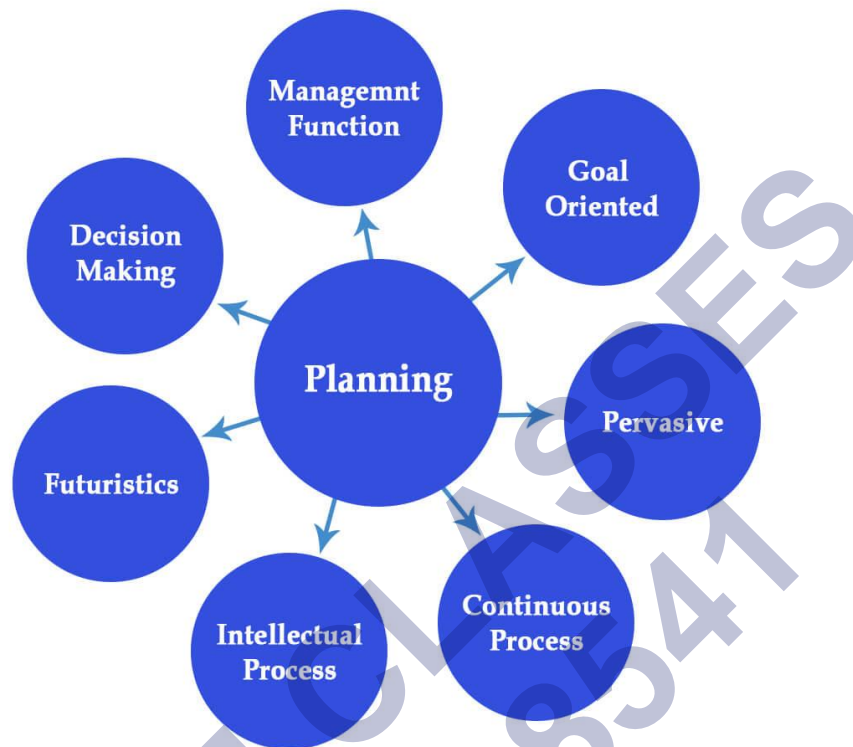
# BUSINESS STUDIES

## Chapter 4: Planning



## Planning

### Meaning and Concept of Planning:



In simple words, planning is deciding in advance what is to be done, when where, how and by whom it is to be done. Planning bridges the gap from where we are to where we want to go. It includes the selection of objectives, policies, procedures, and programs from among alternatives. A plan is a predetermined course of action to achieve a specified goal. It is an intellectual process characterized by thinking before doing. It is an attempt on the part of manager to anticipate the future in order to achieve better performance. Planning is the primary function of management.

### Definition:

“Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates.” - **Koontz O'Donnell.**

### Importance of Planning:

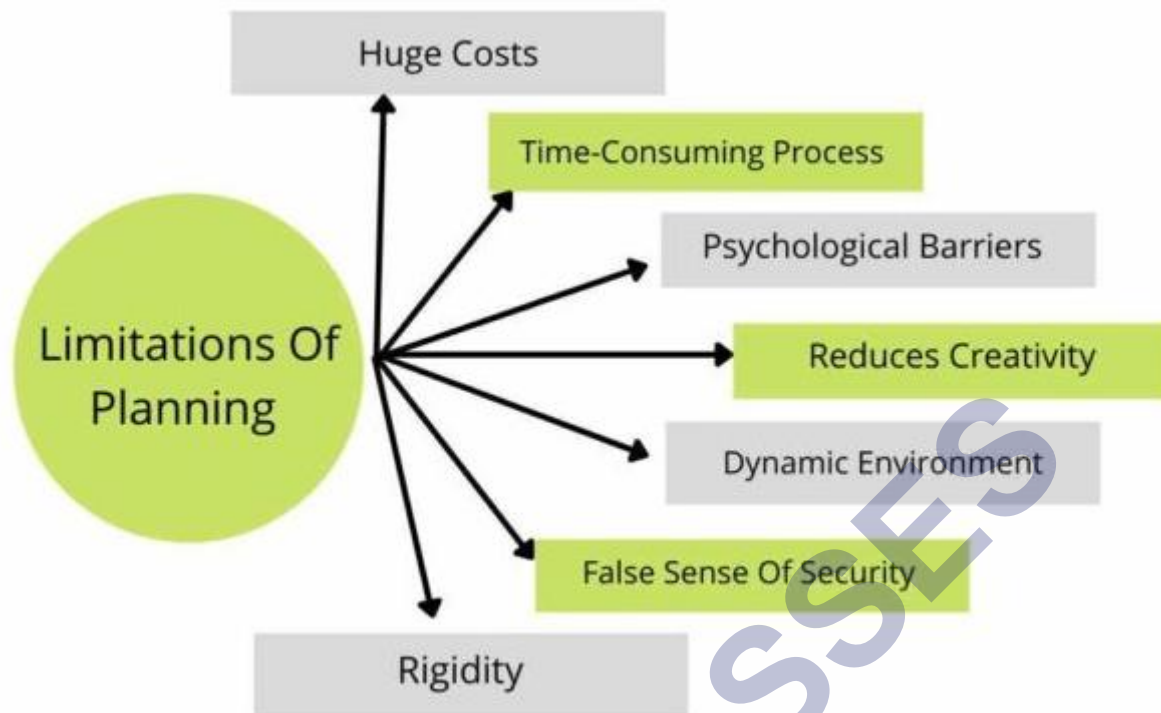
1. **Planning provides directions:** By stating in advance how the work is to be done planning provides direction for action. If there was no planning, employees would be working in different directions and the organization would not be able to achieve its goals efficiently.
2. **Planning decreases the chances of risk:** Planning is an activity which permits a manager to look forward and predict changes. By determining in prior the tasks to be completed, planning notes the way to deal with changes and unpredictable effects.

3. **Planning Reduces Over Lapping and Wasteful Activities:** Planning evaluates the alternatives uses of the available and prospective resources of the business and makes their must appropriate use.
4. **Planning Facilitates Decision Making:** Planning helps the managers to look into the future and make a choice from amongst various alternative courses of action.
5. **Planning Promotes Innovative Ideas:** The first role of management is planning. Managers are given the opportunity to generate fresh ideas, which can then be turned into tangible strategies. It directs all future actions that will lead to the company's growth and prosperity.
6. **Planning Establishes Standards for Controlling:** Planning establishes the benchmarks against which actual performance is assessed. As a result, planning is a must for controlling.

### Features of Planning:

1. **Planning focuses on achieving objectives:** Organizations set up with general goals and specific goals along with the plans and activities to be undertaken to achieve these goals.
2. **Planning is a Primary Function of Management:** Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function.
3. **Planning is Pervasive:** Planning is essential for every sort of business activities. Every department whether, purchase, sales accounts, auditing, marketing etc. needs systematic planning.
4. **Planning is Continuous:** The planning cycle is linked to planning continuity. It indicates that a strategy is devised, implemented, and then followed by another strategy, and so on. Hence planning keeps on going and is a never-ending process.
5. **Planning is a Mental Exercise:** Planning necessitates the use of the mind and foresight. Rather than guesswork, planning is an intellectual activity that necessitates logical and organized thought.
6. **Planning involves decision making:** Planning essentially involves choice from among various alternatives and activities. If there is only one possible goal or a possible course of action, there is no need for planning because there is no choice.

### Limitations of Planning:



1. **Planning Leads to Rigidity:** Once plans are made to decide the future course of action the manager may not be in a position to change them.
2. **Planning May Not Work in a Dynamic Environment:** Business environment is very dynamic as there are continuously changes. It becomes very difficult. to forecast these future changes. Plans may fail if the changes are very frequent.
3. **Planning Reduces Creativity:** With the planning the managers of the organization start working rigidly and they become the blind followers of the plan only.
4. **Planning Involves Huge Costs:** Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process.
5. **Planning is a Time-Consuming Success:** Lot of time is needed in developing planning premises.
6. **Planning does not Guarantee Success:** Planning only provides a base for analyzing future. It is not a solution for future course of action.

### Steps in Planning Process:



1. **Setting Objectives:** In planning function manager begin with setting up of objectives because all the policies, procedures and methods are framed for achieving objectives only.
2. **Developing Premises:** Premises refers to making assumptions regarding future. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information.
3. **Identifying Alternative Courses of Action:** After setting up of objectives the managers make a list of alternatives through which the organization can achieve its objectives.
4. **Evaluating Alternative Courses:** After making the list of various alternatives along with the assumptions supporting them the manager starts evaluating each and every alternative.
5. **Selecting an Alternative:** The best alternative is selected but as such there is no mathematical formula to select the best alternative. Sometimes instead of selecting one alternative a combination of different alternatives can also be selected.
6. **Implementing the Plan:** This is the step where other managerial functions also come in to the picture. The step is concerned with putting the plan into action i.e., doing what is required.

## Types of Plans:

### 1. Single Use of 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.

### Types of Single Use Plan:

- i. **Programmed:** A programmed is a single use plan containing detailed statements about project outlining the objectives, policies, procedures, rules, tasks, physical and human resources required to implement any course of action.
- ii. **Budget:** A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.

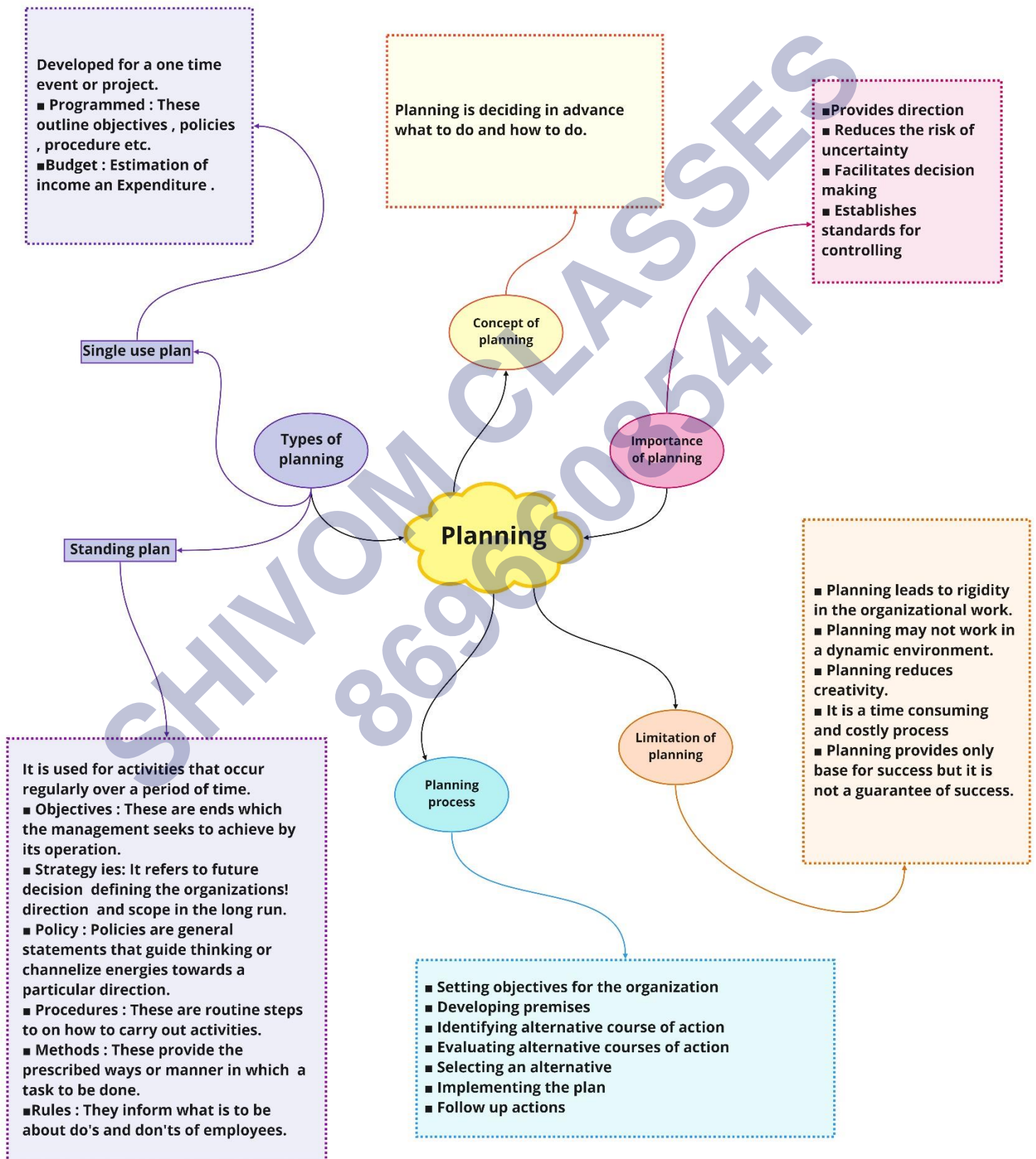
### 2. Standing Plans:

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.

### Types of Standing Plans:

- i. **Objectives:** Objectives are the ends towards which the activities are directed. They are the end result of every activity, e.g., increase in sale by 10%.
- ii. **Strategy:** A strategy is a comprehensive plan to achieve the organizational objectives.
- iii. **Policies:** Policies are general statements that guide thinking or channelize energies towards a particular direction.
- iv. **Procedures:** Procedures are required steps established in advance to handle future conditions. The procedure can be defined as the exact manner in which an activity has to be accomplished.
- v. **Method:** Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.
- vi. **Rule:** Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion.





## Important Questions

### Multiple Choice questions-

Question 1. The first step of planning is \_\_\_\_\_

- (a) Selecting an alternative
- (b) Implementing the plan
- (c) Follow up action
- (d) Setting objectives

Question 2. No fine or penalty for violation is charged under \_\_\_\_\_

- (a) Rule
- (b) Law
- (c) Method
- (d) None of the above

Question 3. There are two types of plans \_\_\_\_\_

- (a) Single-use plan and Standing plan
- (b) Single-use and Double use plan
- (c) Traditional Plan and Modern Plan
- (d) Short term and Medium-term plan

Question 4. Plans can be implemented after the \_\_\_\_\_

- (a) Selecting an alternative
- (b) Setting objectives
- (c) Follow up action
- (d) Developing premises

Question 5. Which of the following is not a feature of planning?

- (a) Planning is time-consuming
- (b) Planning is pervasive
- (c) Planning is futuristic
- (d) To achieve objectives

Question 6. What is the last step in the planning process?

- (a) Follow up action
- (b) Setting objectives
- (c) Developing premises
- (d) None of the above

Question 7. If a firm has decided to sell its product on a cash basis only, it is part of firms \_\_\_\_\_

- (a) Procedure
- (b) Policy
- (c) Method
- (d) Objectives



Question 8. Planning is concerned with \_\_\_\_\_

- (a) Looking back
- (b) Looking old records
- (c) Looking new records
- (d) Looking forward

Question 9. Planning helps in reducing the \_\_\_\_\_

- (a) Direction for action
- (b) Decision making
- (c) Memory
- (d) Risk of uncertainty

Question 10. Planning seeks to bridge the gap between \_\_\_\_\_

- (a) Past and present position
- (b) Past and Future position
- (c) Present and Future position
- (d) None of the above

Question 11. Training, lectures and seminars are \_\_\_\_\_

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

Question 12. What to do and how to do is concerned with \_\_\_\_\_

- (a) Controlling
- (b) Organising
- (c) Planning
- (d) None of the above

Question 13. Making decisions on the basis of experience, feelings, and accumulated judgment is called as \_\_\_\_\_

- (a) Decision making
- (b) Structured problems
- (c) Intuitive decision making
- (d) None of the above

Question 14. Estimated cash inflows and cash outflows are \_\_\_\_\_

- (a) Rules
- (b) Budget
- (c) Procedure
- (d) Programme

Question 15. Planning is a \_\_\_\_\_

- (a) Useless Function

- (b) One time process
- (c) Mental Exercise
- (d) Obsolete Concept

### Very Short-

1. What is planning?
2. Which function of management bridges the gap between where we are and where we want to go to?
3. Name the primary function of management.
4. One of the functions of Management is considered as base' for all other functions? Name that function.
5. What all qualities are required for doing planning?
6. Name the feature of planning which says planning is a forward looking function?
7. How does planning create rigidity?
8. What is the basis for creating future course of action?
9. Give one limitation of planning function.
10. Which is the most crucial step in planning process?

### Short Question -

1. What do you mean by planning?
2. What do you mean by a plan?
3. Enumerate six points of importance of planning.
4. How is planning a pervasive function of management?
5. How is planning forward looking?

OR

- Planning is futuristic' explain?
6. Planning involves decision making". Explain.
  7. 'Planning reduces creativity'. How?
  8. 'Planning does not guarantee success'. Comment.
  9. Enumerate the steps involved in the planning process.
  10. What do you mean by objectives?

### Long Questions-

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.

2. Differentiate between procedures and rules.
3. Explain the nature and characteristics of planning.

Or

“No enterprise can achieve its objective without systematic planning”. Do you agree with the statement?(1990, 1992, 1993, 1995, 1996, 1997, 1999, 2004) (2003)

4. Why is planning necessary for effective management? Give reasons. (1993,1994,1996,1997,2004)

### Case Study Based Question-

1. In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this, he set out specific goals along with the activities to be performed to achieve the goals. Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd.'.

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail, the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

He also found that the farmers grew only paddy, which was an activity of 3 - 4 months and the land remained idle for the rest 8 - 9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy, vegetables could be grown. The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features.

2. Mr. Vinod, chairman of Vinod Construction Co., is involved in constructing residential flats in Ludhiana. Recently, he has got the contract of constructing 500 flats for which payment will be received in instalments from customers. He conducts a meeting with his architects, interior decorators, staff and labour contractors like Mason, Electrician, Plumber etc. He gives the goal of constructing 500 flats within a year. After looking at disaster created by Nepal earthquakes, he instructed his architects to make arrangements for earthquake resistance building. Different departments were created for different nature of work and work was divided in such a way that it helps in avoiding confusion and misunderstanding. During summer season, lot of labour moves back from cities to their native places/ villages due to harvest season, so, provision of this should also be taken care of. Sometimes, as per the situation, managers have to choose among

various alternative course of action. The managers are given the target of completing at least 10% of work every month and actual work done will be compared with the target and necessary action would be taken if deviations would be found there.

By quoting lines from the given paragraph link it to the various importance of planning as a function of management.

### Assertion Reason Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
  - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
  - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
  - c. Assertion is correct statement but reason is wrong statement.
  - d. Assertion is wrong statement but reason is correct statement.

Assertion (A): Planning is a choice-making activity.

Reason (R): Planning involves selecting the best alternative out of various available options.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
  - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
  - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
  - c. Assertion is correct statement but reason is wrong statement.
  - d. Assertion is wrong statement but reason is correct statement.

Assertion (A): Planning bridges the gap between where we are and where we want to go.

Reason (R): It involves setting objectives and developing appropriate courses of action to achieve these objectives.

### MCQ Answers-

1. Answer: (d) Setting objectives
2. Answer: (c) Method
3. Answer: (a) Single-use plan and Standing plan
4. Answer: (a) Selecting an alternative
5. Answer: (a) Planning is time-consuming
6. Answer: (a) Follow up action

7. Answer: (b) Policy
8. Answer: (d) Looking forward
9. Answer: (d) Risk of uncertainty
10. Answer: (c) Present and Future position
11. Answer: (d) Method
12. Answer: (c) Planning
13. Answer: (c) Intuitive decision making
14. Answer: (b) Budget
15. Answer: (c) Mental Exercise

### Very Short Answers-

1. Ans. Planning is deciding in advance as to what needs to be done in future.
2. Ans. Planning.
3. Ans. Planning.
4. Ans. Planning
5. Ans. Intelligence, Imagination, Foresight, Sound Judgment.
6. Ans. Planning is futuristic.
7. Ans. Planning creates rigidity by putting adverse effect on initiative taken by the managers.
8. Ans. Forecasts.
9. Ans. Planning does not guarantee success.
10. Ans. Setting objectives.

### Short Answer -

1. 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. 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 need be, so as to achieve the planned output.
3. 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.

4. 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.

5. 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.

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

7. 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.

8. 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.

9. 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

10. 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.

### Long Answers-

1. 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.

(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. 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.  |

**3. Ans.**

### Characteristics of Planning:

- 1. Goal Oriented:** Goals or objectives are the end results towards which activity is directed. The first stage of planning is the conscious and explicit statement of the ultimate objectives.
- 2. Primacy of Planning:** Among various functions of management planning occupies the foremost position. Planning precedes the execution of all other managerial functions because it provides a frame of reference for future decisions. Allows managers to organize staff directly and control the activities necessary to achieve the organizational goals.
- 3. Pervasiveness of Planning:** Planning is needed for all activities at all levels although the nature and extent of planning vary with the delegated authority or position a person is holding in the organizational hierarchy and with the board guidelines provided by his superiors.
- 4. Intellectual Process:** Planning involves logical thinking and decision making. It implies determining what is to be done; how and when it is to be done and by whom. All these decisions require ability, experience, and foresightedness on the part of the management.
- 5. Continuous function:** Planning is a continuous activity. As a matter of fact, the planning process continues so long as an enterprise is in existence.
- 6. Flexibility:** Effective plans have an element of flexibility! Management can't afford to follow rigid plans in the era of fast changes in the technology market, government policy, etc.

As we all know, the resources of an organization are limited. Planning aims at providing the blueprints to optimum utilization of given resources to achieve the desired goals. Thus it can be concluded that no enterprise can achieve its objectives without systematic planning.

**4. Ans.**

Planning is important for better management of business planning determines objective, decides the course of action, removes uncertainty results in economics in operation, and makes control possible its importance is analyzed as below.

- 1. Takes care of future uncertainties:** Future is full of uncertainties planning takes care of all future uncertainties and minimizes business risks since it makes effective use of forecasting techniques.
- 2. Focuses attention on objectives:** All planning is directed towards achieving the objectives of an enterprise. Planning makes these objectives more concrete and tangible by determining the program's policies, procedures that provide guidelines to the employees to

achieve these objectives.

3. Facilitates decision making: Decision making is the core of planning. It is the process of developing and selecting a course of action from among the various alternatives available. Planning provides a framework for decision-making by specifying the organizational objectives and planning premises.
4. Facilitates Control: Controlling is the process that measures current performance against desired standards to ensure that the objectives are attained according to plans. Control is always exercised in the light of planning which provides performance standards in quantitative terms.
5. Promotes efficiency: Proper planning ensures better utilization of organizational resources. Planning involves the selection of the best or most profitable course of action. This reduces the idle time for workers, machines, and so on.
6. Helps in Co-ordination: Planning is necessary for the organization as a whole. Derivative plans are prepared for each department within the limits of the master plan. Thus planning leads to the coordination of activities of all the departments in order to achieve the basic objective of the organization.

### Case Study Answer-

#### 1. Answer:

**The features of planning highlighted in the given case are as follows:**

- Planning is goal-oriented. "For this, he set out ..... to achieve the goals."  
Planning is a purposeful activity which contributes to the achievement of objectives for which an organisation is formed.
- Planning is futuristic. "He wanted to ensure ..... of the company."  
Planning involves looking into future, analysing the conditions and predicting future events. The plans are drawn through forecasting and foreseeing the future events.
- Planning involves decision-making. "He not only identified ..... the year."  
Planning involves decision-making as to which alternative course of action is the most suitable. During the process, alternative courses of action are evaluated and the most appropriate one is chosen.
- Planning is a mental exercise. "Through correct foresight ..... examined and evaluated.'  
The task of planning involves foresight, intelligent imagination and sound judgement. Thus, it is basically an intellectual activity of thinking rather than doing.

#### 2. Answer:

- Planning provides directions. "Gives the goal of constructing 500 flats'.
- Planning reduces the risks of uncertainty. 'Instructed for earthquake resistance building'.

- Planning reduces overlapping and wasteful activities. 'Work divided among different departments'.
- Planning facilitates decision making. 'Choice among various alternative courses of action'.
- Planning establishes standards for controlling. 'Actual work done will be compared with target of 10% work completed per month and action would be taken for deviations.

### Assertion Reason Answer-

1. a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
2. a. Assertion and reason both are correct statements and reason is correct explanation for assertion.

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