

NCERT Solutions Class 12
Business Studies Principles and Functions of
Management
Chapter 4 Planning

Short answers Questions

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Question 1: What are the main points in the definition of planning?

Solution:

Planning is a psychological process of 'thinking and deciding in advance' about 'what is to be done' and 'how it is to be done'. Thus, planning is closely connected with creativity and innovation. 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.

Setting Objectives

- Planning must pertain to a particular objective
- There must be a definite objective for the achievement of which planning is to be done.

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

Alternatives for Course of Action

- Decide how it is to be achieved
- Alternative course of action must be formulated

Deciding a Course of Action

- The best alternative action must be decided



Question 2: How does planning provide direction?

Solution:

By stating in advance how work is to be done planning provides direction for action. Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals. Departments and individuals in the organisation are able to work in coordination. If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.

Question 3: Do you think planning can work in a changing environment?

Solution:

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 thus, there may be obstacles to effective planning. 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.

Question 4: If planning involves working out details for the future, why does it not ensure success?

Solution:

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 5: Why are rules considered to be plans?

Solution :

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. It reflects a managerial decision that a certain action must or must not be taken. For example, an organisation may have rules regarding the punch-in timings of the employees and every employee of the organisation must follow these rules. Rules act as a guide for general behaviour of the employees in the organisation.

Question 6: What kind of strategic decisions are taken by business organisations.

Solution :

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. Whenever a strategy is formulated, the business environment needs to be taken into consideration. The changes in the economic, political, social, legal and technological environment will affect an organisation's strategy. Strategies usually take the course of forming the organisation's identity in the business environment. Following are a few strategic decisions which a business organisation may take:

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.

Long answers Questions

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Question 1: Why is it that organisations are not always able to accomplish all their objectives?

Solution :

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.

1. Rigidity: In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a specific time frame. These plans then decide the future



course of action and managers may not be in a position to change it. This kind of rigidity in plans may create difficulty. Managers need to be given some flexibility to be able to cope with the changed circumstances.

Following a pre-decided plan, when circumstances have changed, may not turn out to be in the organisations interest.

2. *Cannot Deal With Dynamic Environment:* Business environment is dynamic and thereby, very uncertain. The environment consists of a number of dimensions, economic, political, physical, legal and social dimensions. The organisation has to constantly adapt itself to changes. 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 organization must adapt its functioning to the changing environment.

3. *Huge 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.



4. Doesnot Guarantee success: 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.

5. 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.

6. Reduces Creativity: Planning is an activity which is done by the top management. Usually the rest of the members 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. Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Most of the time, employees do not even attempt to formulate plans. They only carry out orders. Thus, planning in a way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative.



Question 2: What are the main features to be considered by the management while planning?

Solution :

Planning states in advance where to go and in which direction to move ahead. It is a continuous process that helps in reducing the risk of uncertainty. Planning is an essential activity that provides the rationale for undertaking policies in the direction of achieving goals. Following are the highlighted features which a manager needs to consider while planning.

1. Focus on Objectives: Planning serves the basis for guidelines for what goals are to be achieved and how they are to be achieved. Any management should formulate plans keeping in view the specific goals in mind. These plans must ensure that the desired objective is attained. The managers must make sure that the plans made are purposeful. For example, if sales target is to be achieved then the plans must be made in sync with this objective.

2. Planning is a primary function of management: Planning lays down the base for other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions. This is also referred to as the primacy of planning. The various functions of management are interrelated and equally important. However, planning provides the basis of all other functions.



3. Pervasiveness: Planning must be done at all levels of the organisation. It is not a function of just the top-level managers but, is a function to be performed at every level of management. However, its scope differs along the various dimensions of business. For example, the top-level managers have to chalk out the policies regarding the overall management whereas, the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

4. Continuity: Planning should be done continuously. This is because after the completion of one plan period, need arises for formulation of another plan, keeping in views the new objectives and circumstances. Moreover, within a plan period need arises to modify the plans as per the changing needs and requirements. Thus, planning does not have an end. It is a continuous process all along the life of a business enterprise.

5. Decision Making: Planning is a process of making choices amongst the different alternatives for the attainment of the desired objectives. These alternatives are based on the path to be taken, strategies or policies to achieve the goals, etc. Managers need to evaluate these choices thoroughly and then select the most rational scheme to achieve the set objectives.

6. Futuristic: Planning must be futuristic in nature. That is, it must be able to foresee and analyses the future.



Planning should be done so as to prepare the organisation to deal with the future events. Managers must be able to anticipate the probable situations and plan so as to cope with them in a better manner.

7. *Planning is a mental exercise:* Planning requires application of the mind involving foresight, intelligent imagination and sound judgement. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken. However, planning requires logical and systematic thinking rather than guess work or wishful thinking. In other words, thinking for planning must be orderly and based on the analysis of facts and forecasts.

Question 3: What are the steps taken by management in the planning process?

Solution :

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



Setting Objectives



Developing Premises



Identifying Alternatives



Evaluating Alternatives



Selecting from
Alternatives



Implementation



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. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. 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. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences.

(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 4: Is planning actually worth the huge costs involved? Explain.

Solution :

Planning involves huge costs in terms of time and money. It involves analysis, research and



scientific calculations that involve huge cost. However, despite being an expensive function it is a very basic and essential function of an organisation. Following are some of the highlighted factors due to which we can say that planning is a very significant action despite of the gigantic costs.

(i) ***Renders Direction***: Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for the actions to be taken. It provides a direction to the actions of different departments of the organisation. They guide the managers about things to be done, what route to take and how the objectives are to be achieved. It ensures that the path taken for accomplishment of goals is righteously chosen. Planning also ensures that various departments of the organization work in a coordinated manner towards the achievement of the desired objectives.

(ii) ***Subdued Risk***: By guiding an organisation in the right direction, it accredits its managers to analyse and anticipate changes. This leads to a reduction in uncertainty of the foreseen events. Planning shows how to deal with situations which may arise in the due course of management, though it does not fully eliminate the problems.

(iii) ***Minimised Overlapping***: As the managers are well comprehended with the policies and plans of the organisation, they coordinate the activities together to



reach the objectives. Thus, overlapping of the work is reduced. Also any wastage of resources that takes place due to repeatedness is reduced. Proper planning ensures that there is no confusion and misunderstanding and the work proceeds smoothly.

(iv) ***Encourages Creativity***: Planning serves as the stepping stone of any organisation's success. It includes formulating policies and plans which requires innovation. It is a crucial activity which demands the best of managers thinking capabilities and creativity. It calls out for new ideas by the management to attain the goals.

(v) ***Helps in Decision Making***: Planning serves as the basis for decision making. Planning involves analysing the future, evaluating the various courses of action and choosing best alternative as per the objective. Thus, following a proper planning process helps the managers in taking rational decisions.

(vi) ***Essential for Controlling***: Planning states the objectives that are to be achieved. Thus, it sets the standards against which the performance is evaluated. It also helps in determining whether there is any deviation from the said objectives and thereby, facilitates the corrective measures.

Hence, we can infer that despite the costs involved, planning is a very important function in management and worth the costs incurred.

Case Problem



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.

Solution:

Single use model business plan is formulated for C Ltd. To meet the existing challenges.

- Forecasting the sales and making budget.
- Listing down Pros and cons
- Following promotion techniques

2. Identify the limitations of such plans.

Solution:

Limitations:

- Not able to forecast plans of competitors
- No proper strategy followed.
- Less technical professionals
- Shortage of funds

3. How will you seek to remove these limitations?

Solution:

- Assess the competitors
- Involve suggestions from all level of management.
- Effective Recruitment
- Arrangement for funds