

CBSE Class 12 Business Studies
NCERT Solutions
Chapter 04
Planning

Short Answer Type:

1. What are the main points in the definition of planning?

Ans: Planning can be defined as "thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done". Planning involves setting objectives and deciding on advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them. Another important ingredient of planning is time. Plans are always developed for a fixed time period as no business can go on planning endlessly.

2. How does planning provide direction?

Ans: Planning is concerned with predetermined course of action. It provides the directions to efforts of employees. Planning makes clear what employees have to do, how to do etc.

By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to unity of direction also. If there were no planning, employees would be working in different directions and organisations would not be able to achieve its desired goal.

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

Ans Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent. For example- there may be a change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes

take place in environment.

4: Why are rules considered to be plans?

Ans: 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. For example, an organisation may have rules regarding the punch-in timings of the employees and every employee of the organisation must follow this rules. Rules act as a guide for general behaviour of the employees in the organisation.

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

Ans: Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in Managers to rely on pretested plans. It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

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

Ans: 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. Following are a few strategic decisions which a business organisation may look out for.

- 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.
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Long Answer Type:

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

Ans: 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.

(i) Rigidity: Once plans are made to decide the future course of action the manager may not be in a position to change them. Following pre decided plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

(ii) Cannot Deal with Dynamic Environment: Business environment is dynamic and thereby, very uncertain. 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 organisation must adapt its functioning to the changing environment.

(iii) Gigantic 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.

(iv) Lack of accuracy: In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions

are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

(v) 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.

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

Ans: 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:

(i) 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.

(ii) Stepping Stone: Planning serves as the stepping stone for all other functions of an organisation. That is, planning precedes all other functions such as organising, directing, staffing and controlling. This is because plans states the objectives and all other functions are in accordance with the said objectives. Once the plans are determined, the role of other interrelated functions comes into place. Thus, planning sets the basis for other functions of an organisation.

(iii) Pervasiveness: Planning is required at all levels of management. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas department managers form plan for their respective departments. And lower level managers make plans to support the overall objective and to carry on day to day activities.

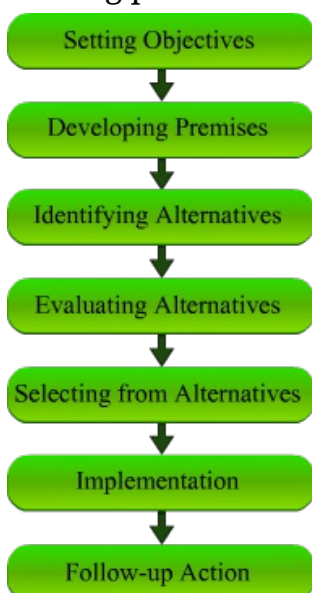
(iv) Continuity: Planning should be done continuously. This is because after the completion of one plan period, need arises for formulation of another plan, keeping in views the new objectives and circumstances. Moreover, within a plan period need arises to modify the plans as per the changing needs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

(v) Choice 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.

(vi) Futuristic: Planning must be futuristic in nature. That is, it must be able to foresee and analyse 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.

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

Ans: 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



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: After setting up of objectives the managers make a list of alternatives through which the organisation can achieve its objectives as there can be many ways to achieve the objectives and managers must know all the ways to reach the objectives.

(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. 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: 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. The most ideal plan is 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 is 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.

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

Ans: 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 organisation 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.