

CBSE Class 12 Business Studies

Revision Notes

CHAPTER – 4

PLANNING

Meaning:

- Deciding in advance what to do & how to do it. It is one of the basic managerial functions.
- It involves 2 aspects:
Setting of aims and objectives of the organization + Selecting and developing an appropriate course of action to achieve these objectives.
- Koontz and O'Donnell - —Planning is deciding in advance what to do, how to do, when to do, and who to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen.
- Involves setting of objectives & developing an appropriate course of action to achieve these objectives

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 reduces the risk of uncertainty:** Planning is an activity which enables a manager to look ahead, anticipate change, consider the impact of change and develop appropriate responses.
- 3. Planning reduces wasteful activities:** Planning serves as the basis of coordinating the activities and efforts of different departments and individuals whereby useless and redundant activities are mentioned.
- 4. Planning promotes innovative ideas:** Planning is the first function of management. Managers get the opportunity to develop new ideas and new ideas can take the shape of

concrete plans.

5. Planning facilitates decision making: Under planning targets are laid down. The manager has to evaluate each alternative and select the most viable option.

6. Planning establishes standards for controlling: Planning provides the standards against which the actual performance can be measured and evaluated. Control is blind without planning. Thus planning provides the basis for control.

Limitations of Planning

(A) Internal Limitations

1. Planning leads to rigidity: Planning discourages individual's initiative & creativity. The managers do not make changes according to changing business environment. They stop taking or giving suggestions and new ideas. Thus detailed planning may create a rigid framework in the organization.

2. Planning may not work in dynamic environment: Planning is based on anticipation of future happenings and since future is uncertain and dynamic therefore, the future anticipations are not always true.

3. Planning involves huge costs: When plans are drawn up, huge cost is involved in their formulation.

4. Planning is time consuming: Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.

5. Planning does not guarantee success: The success of an enterprise is possible only when plans are properly drawn and implement. Sometimes managers depend on previously tried successful plans, but it is not always true that a plan which has worked before will work effectively again.

6. Planning reduces creativity: In planning, work is to be done as per pre-determined plans. It is decided in advance what is to be done, how it is to be done and who is going to do it. Moreover, planning is done by top management which leads to reduction of creativity of other levels of management.

(B) External Limitations

They are those limitations of planning which arises due to external factors over which an organization has no control.

1. Changes in Government policies way leads to failure of planning.
2. Natural calamities such as flood, earthquake etc. also adversely affect the success of planning.
3. Changes in the strategies of competitors also leads to failure of planning many times.
4. Regular technological changes may affect planning.
5. Changes in the Economic and Social Conditions also reduces the effectiveness of planning.

Planning Process

1. Setting Objectives:

- Objectives specify what the organization wants to achieve.
- Objectives can be set for the entire org. & stated to each dept. within the org. very clearly, to determine how all depts. would contribute towards overall objectives.
- Then these have to percolate down to all employees at all levels so that they understand how their actions contribute to achieving objectives.
- E.g. Objective could be to achieve sales, expansion of business etc.

2. Developing Premises:

- Plans are made on the basis of some assumptions.
- These assumptions, which provide the basis for planning, are called premises.
- All managers involved in planning should be familiar w/ them, cuz plans are expected to operate & reach their destination subject to these. They can be:
 - Internal premises: Cost of products, capital, machinery, profitability etc.
 - External premises: Changes in technology, population growth, competition, govt. policies etc

3. Identifying Alternative Courses Of Action:

- After setting the objectives, managers make a list of alternatives through which the org. can achieve its objectives as there can be many ways to achieve the objectives & managers must

know all of them.

- E.g. Sales could be increased through any of the following ways:

- By enhancing advertising expenditure
- Appointing salesmen for door-to-door sales
- By offering discounts
- By adding more product lines.

4. Evaluating Alternative Courses Of Action

- Positive & negative aspects of each & every proposal need to be evaluated to determine their feasibility and consequences in the light of each objective to be achieved.

- E.g. In financial plans, risk-return trade-off are imp. Riskier the investment, higher the returns it is likely to give. To evaluate such proposals, detailed calc. of earnings, taxes, earnings per share etc. should be done.

5. Selecting The Best Alternative

- Real point of decision-making → Best plan has to be adopted and implemented.

- The ideal plan = most feasible, profitable and with least negative consequences.

- Most plans may not be subjected to mathematical analysis. In such cases, subjectivity & manager's experience, judgment and intuition are important to select the most viable alternative.

- Sometimes a combination of plans may be selected instead of one best course.

6. Implementing The Plan

- Concerned with putting the plan into action.

- For implementing the plans, managers start organizing & assembling resources for it.

- E.g. If there is a plan to ↑ production, then more labour, more machinery will be reqd. This step would also involve organizing for more labour and purchase of machinery.

7. Follow Up Action

- This involves monitoring the plans and ensuring that activities are performed according to the schedule.

- Whenever there are deviations from plans, immediate action has to be taken to bring implementation according to the plan or make changes in the plan.

TYPES OF PLAN

Plan

A Plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met. The importance of developing plans is evident from the fact that there may be more than one means of reaching a particular goal. So with the help of logical plans, objectives of an organization could be achieved easily.

SINGLE USE 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. The length of a single use plan differs greatly depending on the project in question, as a single event plan may only last one day while a single project may last one week or months. For example, an outline for an advertising campaign. After the campaign runs its course, the short term plan will lose its relevance except as a guide for creating future plans.

Types of Single Use Plan

1. Programme: A programme 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.

2. Budget: A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.

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. For example, Businessman plans to establish a new business Entrepreneur drafts business plan before opening the doors to their business, and they can use their plan to guide their efforts for years into the future.

Types of Standing Plans

1. Objectives: Objectives are defined as ends for the achievement of which an organization goes on working. They may be designed as the desired future position that the management would like to reach. The first and foremost step of the planning process is setting organizational objectives. Examples increasing sales by 10%, Getting 20% return on Investment etc. Objectives should be clear and achievable.

2. Strategy: Strategies refer to those plans which an organization prepares to face various situations, threats and opportunities. When the managers of an organization prepare a new strategy for the business it is called internal strategy and when some strategies are prepared to respond to the strategies of the competitors, then such strategies are called external strategies. Examples, selection of the medium of advertisement, selection of the channel of distribution etc.

3. Policy: Policies refers to the general guidelines which brings uniformity in decision-making for achievement of organizational objectives. They provide directions to the managers of an organization. They are flexible as they may be changed as per requirement. Example, selling goods on cash basis only, reserving some post for women in the organization.

4. Procedure: Procedures are those plans which determine the sequential steps to carry out some work/activity. They indicate which work is to be done in which sequence/way. They help in the performance of work. Procedures are guides to action. Example: Process adopted in the Selection of Employees.

5. Rule: Rules are specific statement that tell what is to be done and whatnot to be done in a specified situation. They help in indicating which points are to be kept in mind while performing task/work. Rules are rigid which ensure discipline in the organization. Example : 'No smoking in the office premises'. Violation of rules may invite penalty.

6. Method: Methods are standardized ways or manners in which a particular task has to be performed. There may be many ways/method of completing a task but that method/way must be selected by which work can be done early at the minimum possible cost. Methods are flexible. Example, various methods of training are adopted by an organization to train its employees like apprenticeship training, vestibule training etc.

Basis of		
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Difference	Single use plans	Standing Plans
1. Meaning	A single use plans in a business refers to plans developed for a one time project or event that has same objective.	A standing plans in a business refers to plans developed for using over and over again because they focus on organizational situations that occur repeatedly.
2. Objective	Single use plans is developed to carry out a course of action that is not likely to be repeated in future time.	Standing plans however is developed for activities that occur regularly over a period of time.
3. Scope	Single use plans generally encompass a narrow scope targeting a specific project or event.	Standing plans generally encompass a wider scope involving more than one department or business function.
4. Stability	Single use plans are discarded when the situation, project or event is occur.	Standing plans are relatively stable and used over and over again with necessary modifications or updations.
5. Example	Budget for Annual General Meeting of Shareholders.	Recruitment and selection procedure for a particular post in a company.