

CHAPTER-4 PLANNING

CONCEPT SUMMARY

Meaning – It is the process of setting objectives and targets for a given time period and formulating an action plan to achieve them effectively and efficiently. It concerns itself

With both ends and means that is what is to be done and how it is to be done.



Definition -

"Planning seeks to bridge the gap between where we are and where we want to go. Planning is a trap to capture the future.

Importance of planning

- a) Provides direction – By stating in advance the future course of action of what is to be done and how it is to be done. By stating in advance it facilitates unity of direction.
- ii) Reduces the risk of uncertainty – By predicting future events and preparing the organization to anticipate the future and face unexpected events.
- iii) Facilitates decision making- planning helps the manager to look into the future and make a sound judgment or choice from among the various alternatives.
- iv) Reduces overlapping and wasteful activities- Through elimination and minimization of useless and redundant activities facilitates clarity.

v) Promotes innovative ideas- through better new methods, ideas and procedures to reach the objectives and goals of the enterprise. It induces the management to predict the changes in the environment and accordingly plan the strategies for the same.

vi) Establishes standard for controlling- "control is blind without planning." It help provides standard against which the actual performance are compared and evaluated to estimate the deviations.

Limitations of planning:

i)planning does not work in a **dynamic environment**- planning also has to work amidst the influence of external environment which can render even the most effective plan inoperative.

ii) Planning is a **time consuming** process as it requires collection of information, its analysis and interpretation. It becomes a difficult exercise in times of unexpected emergencies.

iii) It involves huge cost in its formulation. As a lot of money needs to be expended in the collection, analysis and interpretation of data

iv) It creates rigidity in the mode of functioning. As the employees are required to function as per the dictates of the predetermined policy.

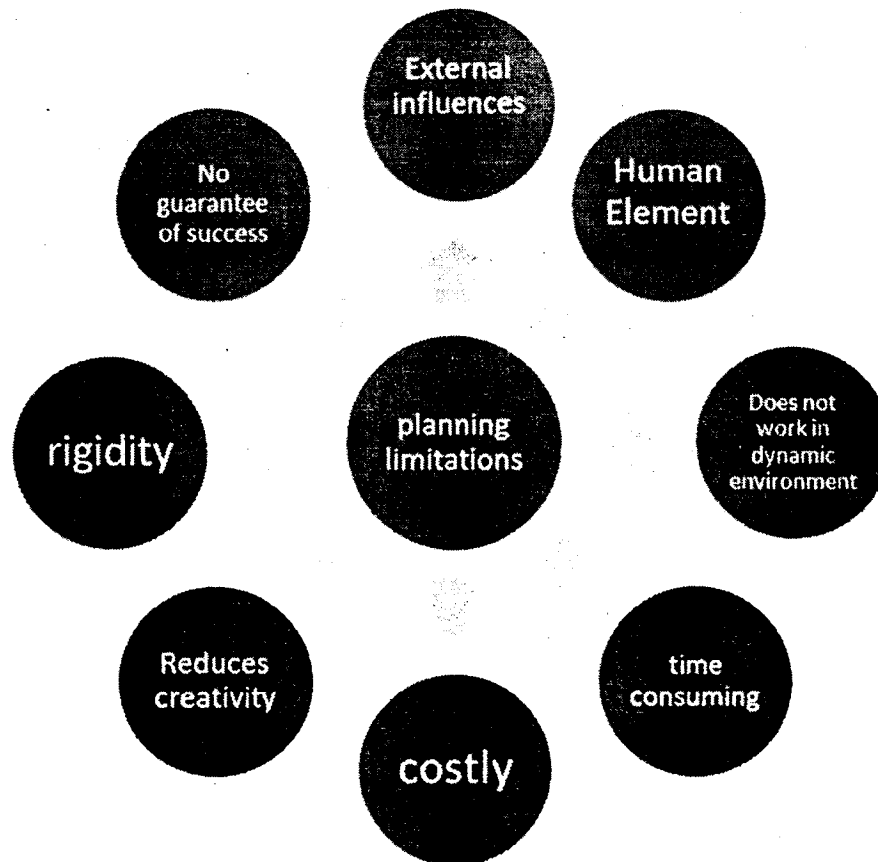
v) It does not guarantee success, as a wrong or a misconceived plan or a well-drawn plan when not implemented can lead to failure.

vi) It reduces creativity as the middle level managers and the other decision makers have to only follow and are not allowed to deviate from the plans.

vii) The human element can give way to errors or mistakes through wrong assumption.

viii)It is prone to external influence which can reduce its impact like natural calamity, technology changes, policy changes, competition.





Steps in planning process

i) setting up objectives: The process begins with identifying and setting up of objective.

It determines where to reach. The organizational objectives arrived at should be measurable, understandable, clear and attainable.

ii) Developing planning premises- premises involve making assumptions relating to future conditions. It provides relevant facts and information relating to future conditions. Hence sound estimates or forecast need to be made.

iii) Identifying alternative course of action: The planner now arrives at the various alternatives for performance of a task and evaluates the probable consequence of each option.

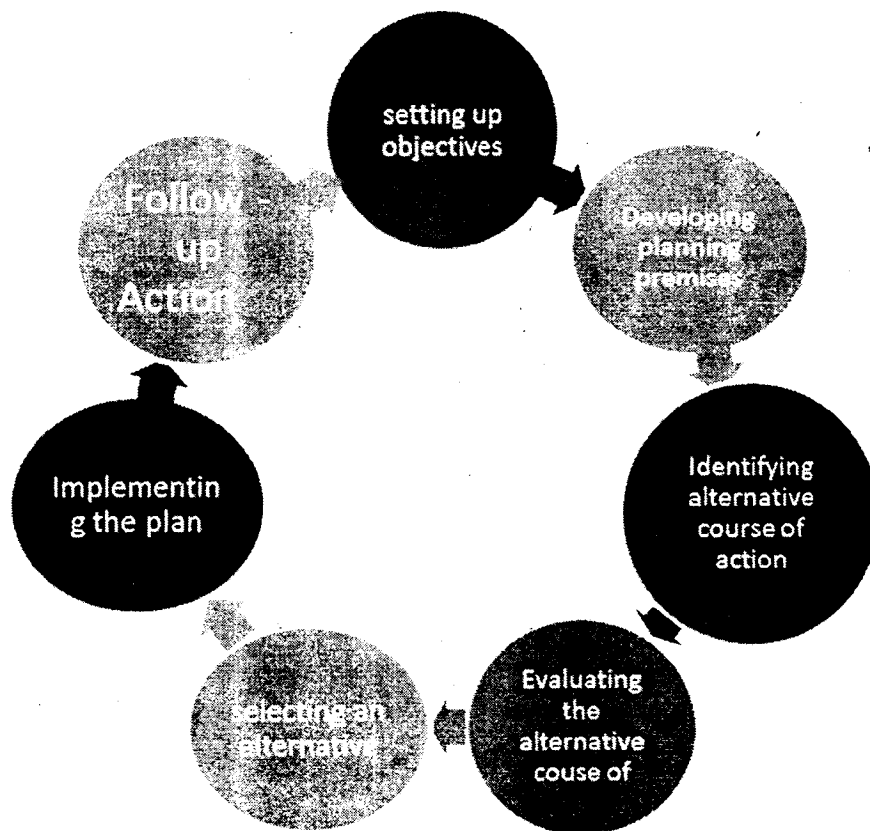
iv) Evaluating the alternative course – The positive and negative impact each option in light of cost, risk and benefits is worked out.

v) Selecting the best alternative – this is actually the stage of decision making where the most suitable course of action is selected. The selected alternative is

obviously the one which is most feasible, profitable and has least negative impact.

vi) **Implementing the plan:** The plan is transformed into action by activating the other managerial function involving organizing various resources and securing cooperation and participation of other members of the organization.

vii) **Follow up plan:** This final culminating step involves reviewing the existing plan for its relevance and effectiveness.



Types of plans:

(A) **Standing or Repeatedly used plans:** As their name indicates that these plans are formulated once and they are repeatedly used. These plans continuously guide the managers. That is why it is said that a standing plan is a standing guide to recurring problems. These plans include:

1. Objectives
2. Strategies
3. Policies
4. Procedures

5. Methods and

6. Rules

(B) Single – use special or Adhoc plans: These plans are connected with some special problem. These plans end the moment the problems are solved. After having been used once there is no importance of these plans and in future, whenever they are needed they are re-created. These plans include

1. Budget and
2. Programme.

Differences between standing and single- use plans

Basis	Standing plans	Single –use plans
1. period	These plans are formulated for a long period	These plans for a short Period and are repeatedly formulated in case of need
2.object	These plans are formulated to bring uniformity in decisions	These plans are designed to run successfully some particular activities
3.Types	They are of six type's i. objectives ii. Strategies iii. Policies iv. Procedures v. methods and vi. Rules	They are of two type's i. Budgets and ii. Programmes
4.scope	They guide the managers in particular matters like price policy and sales policy	These plans guide in Matters of daily routine.
5.Basis	They are based on the main objectives of the organization	They are based on the standing plans of the organization.

1) Objectives – Are the ends which the management seeks to achieve by its operation.

- Represent the end point of management.
- Set by top management.
- Defines the future state of affairs.
- Guides the overall business planning.
- Can be expressed in specific terms. They can be measured.

- 2) **Strategy** – provides broad shape of organization's business, refers to the future objective, adoption of a particular course of action and allocation of resources.
- 3) **Policies** – are general statements which guide thinking in decision making.
 - They are based on objectives.
 - They guide managerial action and decisions.
 - They exist at all levels and departments of the organization.
- 4) **Procedures**- Are a chronological sequence of routine steps on how to carry an activity.

They detail the exact manner in which the work is to be performed.

- It is meant for the insiders to follow.
 - Policies and procedures are interlinked.
- 5) **Rules** – Are specific statements that inform what is to be done.
 - Reflects managerial decision.
 - Simplest plan.
 - They are to be enforced rigidly.
 - 6) **Methods** – Are standardized ways or manners in which a task has to be performed considering the objectives.
 - 7) **Programmes** – detailed statements which are combination of goals, policies, procedures, rules tasks, human and physical resources required and the budget to implement any course of action. All these plans together form a Programme.
 - 8) **Budget** – Is a statement of expected results expressed in numerical terms for a definite period of time in the future.
 - It quantifies future facts and figures.
 - Serves as a standard for measuring actual performance.
 - It is prepared for various groups of activities.

VERY SHORT QUESTION ANSWER

Que1. Name the feature of planning which says planning is a forward looking function

Ans. planning is futuristic.

Que2. State how planning is a mental exercise .



Ans. Planning is an intellectual activity of thinking rather than doing because planning determines the action to be taken.

Que3. How does planning create rigidity?

Ans. Planning creates rigidity by putting adverse effect on initiative taken by the managers and not giving them any flexibility to be able with the rapidly changing circumstances and sticking to pre-determined plans.

Que4. State the features of planning which help managers know whether they have actually been able to attain goals and correct the deviations.

Ans. Planning establishes standard for controlling.

Que5. 'Planning eliminates change/uncertainties'. Do you agree? Give reason in support of yours answer.

Ans. No, I don not agree because planning only anticipates not eliminates change /uncertainties.

Que6. Does planning work in a dynamic environment? Give reasons.

Ans. No. As it becomes very difficult to forecast the business environment.

Que7. Give any one external limitation of planning function.

Ans. natural calamities' are beyond the control of planners.

Que8. What is meant by "follow-up action "as the step involved in the planning process?

Ans. Follow up action means checking weather the plans are being implemented and activities are performed according the schedule.

Que9. What is to be done for evaluating different project of a financial plan?

Ans. Risk –return tradeoff is to be considered.

Que10. What is the purpose of doing follow up action in planning process?

Ans. To ensures proper implementation of plans.

Que11. Name the type of plans that are used once. Also give two examples of that plan.

Ans. Single use plans

Example: Method, program, budget etc.

Que12. Name the type of plans that are used again and for an indefinite period. Example of that Also gives two plans.

Ans. Standing plans

Example: objective, policy, strategy, procedure, rules.

Que13. Give one difference between policy and procedure.

Ans. Procedure consists of series of step whereas policies are guidelines for decision making.

Que14. Name the type of plan which tells what is to be done and what is not to be done.

Ans. Rules.

Que15. Give any one example of 'budget'.

Ans. Cash budget.

Que16. Jagat Ltd. Decides to advertise its product which are newly launched on television and radio. What type of plan it is?

Ans. Strategy.

Que17. 'XYZ' Ltd. Company select its employees through written test along with interview. Identify the plan.

Ans. Procedure.

Q.18. "PLANNING IS PURPOSEFUL." HOW?

Ans. Planning is purposeful as it focuses on the achievement of organizational goals.

Q.19. GIVE THE FEATURES OF AN IDEAL PLAN.

Ans. The ideal plan is the most feasible, profitable and with least negative consequences.

Q.20. NAME THE TYPE OF PLAN WHICH IS ALSO A CONTROL DEVICE FROM WHICH DEVIATION CAN BE TAKEN CARE OF.

Ans. Budget.

Q.21. STATE THE RELATIONSHIP BETWEEN POLICY AND STRATEGY?

Ans. Policies provide a basis for interpreting strategy. They are guides to managerial action and decisions in the implementation of strategy.

Q.22. NAME THE TYPE OF PLAN THAT DOES NOT ALLOW FOR ANY FLEXIBILITY OR DISCRETION.

Ans. Rule.

SHORT QUESTION ANSWER

Q.1. Define Planning .List any two reasons why planning is essential.

Ans. Planning means setting objectives for a given time period ,formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.

Planning is essential because it (any two):

- i) Provides **directions**.
- ii) Reduces the risk of **uncertainty**.
- iii) **Reduces overlapping** and wasteful activities.
- iv) Promotes **innovative ideas**.
- v) Facilitates **decision making**.
- vi) **Establishes standards** for controlling.

Q. 2. Enumerate the steps involved in the planning process.

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 action .

LONG QUESTION ANSWER

Q1. "Though planning is an important tool of management, yet it is not a remedy for all types of problems". Do you agree with this statement ? Give any five reasons in support your answer.

OR

In spite of best efforts of managers sometimes planning fails to achieve desired result due to its limitation. Explain any five limitation of planning.

OR

Ans- Limitations of planning:

1. Planning creates rigidity
 - a. In an organization, a well defined plan is drawn to achieve some specified goals within a specified period of time.
 - b. These plans lay down the future course of action and it is not possible for the managers to change them.
 - c. Hence, it is not in the organizational interest to allow a particular plan when circumstances have changed.
2. Planning does not work in a dynamic environment
 - a. The various forces of business environment like social, political, technological and legal keep on changing and the organization have to adapt themselves to these changes.
 - b. Thus, it becomes very difficult to forecast when there is change in government policies, natural calamity, political instability in the country etc.
3. Planning reduces creativity
 - a. Usually in an organization planning function is performed by the top management and the rest of the members are required to implement these plans.
 - b. As a result, middle management and other members are neither allowed to deviate from plans nor grants authority to act on their own.
 - c. Hence most of the initiative and creativity in them gets reduced.
4. Planning involves huge cost
 - a. Huge cost is involved in the formation of plans.

- b. This costs is in terms of money and time. For example, a lot of time is involved in scientific calculations to ascertain facts and figures and to check accuracy of facts while formulating a plan.
 - c. Likewise, a lot of money spent on boardroom meetings, discussion with experts and preliminary investigation to find out the effectiveness of the plans.
 - d. Moreover sometimes are cost incurred in formulating plans is higher than the benefits received from these plans.
5. Planning is a time consuming process
- a. Sometimes top level management consumers a lot of time in formulating the plans, as a result of which very less time is left with them to implement these plans.
6. Planning does not guarantee success
- a. An organization is successfully when the plans are effectively drawn and implemented.
 - b. Managers are in the habit of depending on previously tried and tested successful plans, but this practise sometimes does not work and may lead to failure instead of success.

Q2. Distinguish between objective and policy.

Ans- difference between objective and policy

Basis	Objective	policy
meaning	An objective is the main target to be achieved.	Policies are an organization ways for solving problems.
Nature	Objective determines what is to be done	Policy determines how the work is to be done
Need	Defining objectives is important for all types of organizations.	Policy formulation is not mandatory.
purpose	Objectives provide the destination towards which all	Policies provides the route to reach that

	organizational activities are directed.	destination
Level of determination	Objectives are determined by top level managers	Policies are formulated by all managerial level viz. Top, middle and operational.
Scope	The scope of the objectives is wide as other plan like policies, procedures, rules; methods etc. are framed on the basis of objectives.	The scope of policy is limited as it is a guide for actions to achieve objectives.

Q3. Distinguish between policy and procedure.

Ans- difference between policy and procedure.

Basis	Policy	Procedure
Meaning	A policy is a guide for thinking.	Procedure is a guide for action in a given situation.
Level of determination	Policies are formulated by the top level managers	Procedures are determined by the lower level managers.
Nature	Policy is derived from objectives of business.	Procedure is laid down to implement policy.
Expression	Policy is expressed in the form of general statement.	Procedure is expressed in specific terms.
Stages	Policies do not involve various steps.	Procedure involves various steps.
Managers discretion	Policy provides some scope for managers discretion in his course of action.	Procedure provides no scope for managers discretion in his course of action.

Q4. . Distinguish between policies and rules.

Ans- difference between policies and rules.

Basis	Policies	Rule
Meaning	A policy is a guide	A rule is a specific statement, which restricts the flexibility or discretion.
Nature	Policy lays down the broad areas of action in an organization.	Rule lays down any specific sequence of action in an organization.
Objectives	Policy is framed to achieve objectives of the organization.	Rules are used to maintain discipline and command in any organization.
Managers discretion	Policy provides some scope for the manager's discretions in his course of action.	Rules provide no scope for managers' discretions and they are binding for all.

Q5. Distinguish between procedures and rules.

Ans- difference between procedures and rules.

Basis	Procedure	Rules
Meaning	Procedure is a guide for action in a given situation.	Rule is a code of conduct governing or restricting flexibility or discretion.
Nature	Procedure are specified in chronological order.	Rules do not place activities in chronological order.
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.
Scope	The scope of procedure is wide because it has its own rules and regulations.	A rule has no procedure.

Q6. Distinguish between rules and methods.

Ans- Difference between rules and methods.

Basis	Rules	Methods
Meaning	Rules are specific statements which inform what is to be done.	Methods are standardization ways of performing jobs.
Nature	Rules are regarded as authoritative and mandatory .	Methods are regarded as logical or rational and to be followed for better results.
Relation	Rules restrict the behaviour of people.	Methods act as guide for efficient working .
Purpose	The purpose of rules is to ensure discipline .	Methods ensure the efficiently in action.
Penalty	Breaking g of rules attracts penalty	Deviation from methods leads to substandard results .
Control	Following the rules increaser the level of control .	Methods re not directly related to control.
Example	Smoking is prohibited.	On the job training for supervisors.

Hots

1."Offering 30% jobs to women." What type of plan is it?

Ans. Policy.

2. 'An employee will be selected through a written test'. What type of plan it is?

Ans. Procedure.

3. Shoguns ltd. decides to sell television sets through exchange of old television sets. What type of plan is it?

Ans. Strategy.

VALUE BASED QUESTIONS.

Q.1. In a visit to restaurant, some youngsters were found smoking in spite of sign board indicating “no smoking zone”.

Suggest the values which will help the youth to become responsible citizens of the nation.

- Obedience
- Self-discipline
- Concern of health of other people.
- Respecting the law of the land.
- Q1. The CEO of XYZ Ltd. an automobile enterprise dreams of his company becoming the best player in future, for which he sets the objectives, forecasts the future and develops various courses of action.
- i) Identify the management function which is highlighted here. ii) What are the various values the CEO is striving to achieve?

i) Planning is the Management function

ii) The values the above mentioned paragraph highlight are:

- a) Hard work helps individuals to turn their dreams into reality
- b) Initiative, confidence, commitment

Q2. What values does planning emphasize by reducing wasteful activities and establishing standards?

- i) Social responsibility
- ii) Empathy, Harmony
- iii) Motivation,
- iv) Cooperation

3. “Planning is a mental exercise”. What human value is being

Emphasized?

Ans. Adaptability

. Team spirit,

.sense of judgement.

4. “Planning reduces creativity”. What value is violated in this statement?

Ans.: Initiative,
Motivation,