

Revision Notes

Class - 12 Business Studies

Chapter 4 – Planning

DEFINITION

“Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates.”.

Koontz and O’Donnell



MEANING

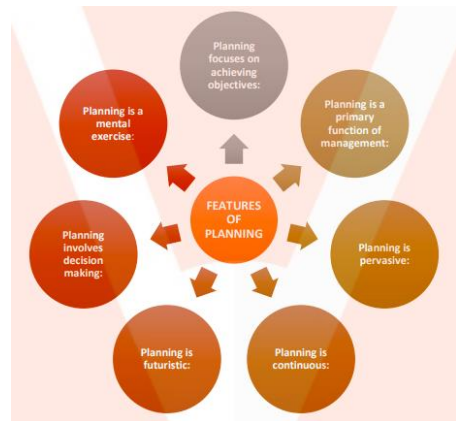
- Planning entails deciding what to accomplish and how to do it ahead of time. It is a fundamental managerial function.
- It entails establishing goals and devising strategies for achieving them.
- The plan that is created must be completed within a certain time frame, yet time is a limited resource. It should be used with caution.

IMPORTANCE OF PLANNING



1. **Planning provides directions:** Planning provides guidance for action by defining how the task will be done in advance. Planning ensures that goals are clearly specified so that the best course of action may be devised. Once the strategies are in place, the department and individuals may work together.
2. **Planning reduces the risk of uncertainty:** Planning is a task that allows management to see into the future and predict changes. Changes and occurrences cannot be avoided, but managers may anticipate them and adapt their strategies accordingly by deciding plans and courses of action ahead of time.
3. **Planning reduces overlapping and wasteful activities:** The basis for coordinating the actions and efforts of several divisions, departments, and individuals is planning. It eliminates ineffective and unnecessary activities, prevents misunderstandings, and assures clarity of thinking and action.
4. **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.
5. **Planning facilitates decision making:** Setting goals and forecasting future situations are all part of planning, which aids in making sensible judgments among various options.
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



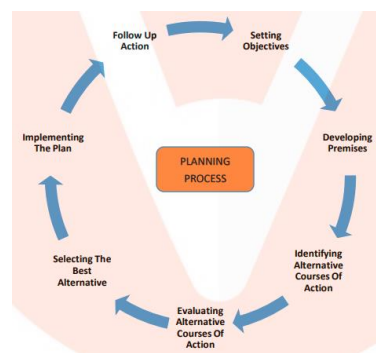
1. **Planning focuses on achieving objectives:** General and goals, as well as strategies and activities to attain these goals, are established by organizations.
2. **Planning is a primary function of management:** Planning lays the groundwork for all other management tasks.
3. **Planning is pervasive:** All levels of management, as well as all departments within the organization, must plan. Though at different levels and for different departments, the extent of planning varies.
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.
5. **Planning is futuristic:** The goal of planning is to efficiently meet future occurrences to an organization's benefit. Planning entails predicting future events and situations and making plans based on those predictions.
6. **Planning involves decision making:** Choosing among a variety of options and activities is the essence of planning. There is no need to plan if there is just one conceivable aim or course of action because there is no other option.
7. **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.

LIMITATIONS OF PLANNING



- 1. Planning leads to rigidity:** A well-defined plan is drawn up in an organization with specified goals to be reached within a specific time frame, but managers may not be able to amend it. Managers must be given some flexibility to react with changing conditions because the corporate environment is dynamic.
- 2. Planning may not work in a dynamic environment:** Planning is based on anticipating future events, and because the future is unpredictable and dynamic, the organization must react to changes. However, planning will not always be able to adequately predict future events.
- 3. Planning reduces creativity:** Top management plans and intermediate management executes the plan, but they are not allowed to depart from the plan, limiting the creativity of these managers.
- 4. Planning involves huge costs:** The plan's formulation entails a significant financial investment. To determine data, detailed strategies necessitate scientific computations, all these leads to high costs. Also, the costs of preparation may not always be justified by the benefits gained.
- 5. Planning is time consuming:** Many factors must be considered when developing a strategy, making it a lengthy process.
- 6. Planning does not guarantee success:** Only carefully planned and implemented plans can lead to the success of a business. Managers are prone to implementing previously successful ideas, but a plan that worked in one context may not work in another.

PLANNING PROCESS



1. Setting Objectives:

- Specify the goals that the company wishes to attain.
- Establish goals for the overall organization, as well as individual departments, units, and personnel. Clearly state the organization's objectives and define how all departments will contribute to the overall goals.
- Objectives must be communicated to each unit and to personnel at all levels so that they are aware of how their actions contribute to the achievement of the goals.
- Managers must engage in the goal-setting process and give ideas.
- For example, setting sales goals, launching a new product, or expanding into new markets.

2. Developing Premises:

- Because planning is a future-oriented activity and the future is uncertain, managers must make certain assumptions while creating organisational plans
- These assumptions about the future are referred to as premises, and they serve as the foundation for creating plans.

- All planning managers should be familiar with the same assumption, and they must all agree on it.
- Forecasting, for example, is a technique for accumulating data to create premises. For various goals, an organisation employs numerous forecasts such as policy changes, new markets, product demand, and so on.
- For successful plans, forecast accuracy is required.

3. Identifying Alternative Courses of Action:

- After the objectives have been established, assumptions are formed, and different courses of action are chosen.
- Managers must identify all possible courses of action for accomplishing the organization's objectives.
- The course of action could be standard or novel. By integrating more people and sharing their ideas, an innovative course can be implemented.

4. Evaluating Alternative Courses of Action:

- The next stage is to weigh the benefits and drawbacks of each prospective course of action.
- Each proposal's positive and negative characteristics must be assessed considering the goals to be met.
- For example, in financial decisions, the risk-return trade-off is critical. The larger the risk, the higher the return. To assess such suggestions, extensive calculations of earnings, taxes, earnings per share, and dividends are performed, followed by a judgement.

5. Selecting the Best Alternative:

- From all the options, the best strategy is chosen and implemented.

- The optimal strategy is the one that is the most practicable, profitable, and has the fewest drawbacks.
- Because a mathematical analysis is not always possible, the manager's expertise, judgement, and intuition play a vital part in determining the best viable option.
- Rather than choosing the optimal option, a combination of plans may also be chosen if possible.

6. Implementing the Plan

- In this step, the best plan is implemented, i.e., the plan is put into action.
- Managers start organizing & assembling resources for implementing the plans.
- For example, if output is to be increased, more labour and machinery will be necessary. This phase would also entail the hiring of more labour and the acquisition of machinery.

7. Follow Up Action

- Involves monitoring the implemented plans and ensuring that the activities are being performed according to the schedule.
- Continuous monitoring is required to identify deviations from plans, and corrective action is required to meet organizational goals.

TYPES OF PLAN

A plan is a commitment to taking a certain course of action to achieve specific goals. Depending on the use and length of the planning period, plans can be categorised into Single-use and Standing plans.

1. SINGLE USE PLAN

- A single-use plan is a set of instructions designed to handle a one-time problem. It was created for a one-time endeavour or event with a single goal in mind.
- A plan like this is made to satisfy the requirements of a certain situation.
- A single use plan's duration varies based on the type of project; for example, a single event plan may last one day, but a single project plan may last one week or months.
- An outline for a marketing campaign, for example. After the campaign is over, the short-term strategy will no longer be useful save as a guide for future planning.

2. STANDING PLANS

- Standing plans are used for actions that occur on a regular basis over time.
- It is created once and retains its worth over time as it undergoes changes and upgrades from time to time.
- It is created once and then adjusted as needed to satisfy business requirements.
- Policies, procedures, methods, and norms are all part of the standing plans.

Based on what the plans seek to achieve, plans can be classified as

I. Objectives:

- Objectives are the desired outcomes that management hopes to attain through its activities.
- They could be intended to reflect the anticipated future position that management aspires to. Setting organizational objectives is the first and most important phase in the planning process.

- Objectives must be stated, i.e., they must be quantifiable and documented in the form of a written declaration of desired outcomes to be achieved within a certain time frame.
- For example, a 20% return on investment, a 10% increase in sales target, and so forth. The goals should be clear and attainable.

II. Strategy:

- Strategy refers to long-term decisions that define an organization's direction and scope.
- These are the plans that an organization develops to deal with a variety of conditions, threats, and opportunities.
- Internal strategy refers to the process of an organization's managers developing a new business strategy, whereas external strategy refers to the process of developing strategies in response to competitors' strategies.
- For example, selecting an advertising medium, distribution networks, and so on.

III. Policy:

- Policies are general statements that guide thinking or channelize energies towards a particular direction. It provides a basis for interpreting strategy.
- Policies exist for all levels and departments within an organization, including large and small policies.
- Policies establish the boundaries within which a management can operate.
- They are adaptable because they can be altered as needed.
- For example, selling things on a cash-only basis, purchasing from multiple vendors, and so forth.

IV. Procedure:

- Procedures are step-by-step instructions that specify how a task should be completed.
- They specify which tasks should be completed, and in which order.
- In general, the sequence of actions to be taken in order to implement a policy and achieve predetermined goals is termed as procedure.
- For example, a company's recruitment procedure.

V. Rules:

- Rules are specific statements that specify what should be done and what should not be done in certain situations.
- Rules are rigid and do not allow for flexibility, ensuring organizational discipline.
- For example, 'Smoking is prohibited in the office.'

VI. Method:

- Methods describe the prescribed ways or manners in which a work can be completed considering the goal.
- Choosing the right methodology saves time, money, and efforts while increasing efficiency.
- The methods are adaptable in nature.
- For example, numerous training methods are used by an organization to train its personnel, such as apprenticeship training, induction programmes, and so on.

VII. Programme:

- A programme may include a complete list of project objectives, policies, processes, regulations, tasks, and the physical and human resources needed to carry out any course of action.

VIII. Budget:

- A budget is a numerical description of expected results for a specific time in the future.
- For example, a sales budget or a production budget.