

**Question1.** What are the main points in the definition of planning?

Answer: Planning means to think in advance thus it is a looking ahead activity which is never done for the past. It involves thinking in advance what and how the work is to be done in future.

**Question2.** How does planning provide direction?

Answer: Planning defines the goals to be achieved. This gives direction to the managers about the course of action to be followed for achieving these goals. With planning every department knows what is to be done. Planning starts with the setting of goals and objectives to be achieved. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.

**Question3.** Do you think planning can work in a changing environment?

Answer: Business environment is dynamic as there are continuous changes in economic, political and legal environment. It becomes difficult to forecast the future changes. Plans may fail, if the changes are frequent.

**Question4.** If planning involves working out details for the future, why does it not ensure success?

Answer: Planning is based on certain external factors on which management may have no control, thus, though imperative, planning does not guarantee success. Planning means to think in advance thus it is a looking ahead activity which is never done for the past. It involves thinking in advance what and how the work is to be done in future. It anticipates opportunities and threats in the environment. Thus, planning involves forecasting.

**Question5.** Why are rules considered to be plans?

Answer: The specific and definite action to be taken with respect to specified situations are called Rules. Rules are based upon procedures. There cannot be exception to rules. Planning is thinking about the futuristic course of action and rules also decide what is to be done and what is not to be done. But rules are rigid in nature and noncompliance leads to disciplinary action and fines.

**Question6.** What kind of strategic decisions are taken by business organisations.

Answer: Strategy is a comprehensive plan for achieving an organisation's objectives. Whenever a strategy is formulated, the business environment needs to be taken into consideration. Some of the strategic decisions that are taken by business organizations are:

1. Deciding on whether a new product line should be adopted or not.
2. Selecting the new product line
3. Deciding the pricing policy that should be adopted by the company.
4. Deciding promotion policy and methods to be used for a new product line.

### Long Answer Type

**Question1.** Why it is that organisations are not always able to accomplish all their objectives?

Answer: Planning involves predicting the future which is uncertain. If future is not predicted with reasonable accuracy, planning may become useless in the changed environment. Organisations are not always able to accomplish all their limitations as planning also have some of the limitations such as:

1. Time consuming: Planning is time consuming process as it involves a lot of time in identifying, analysing and selecting the alternatives which sometimes lead to delay in decision making.
2. Creates rigidity: Planning involves the determination of a course of action in advance. It may lead to internal inflexibility and procedural rigidity.
3. Involves huge cost: Formulation of plans involves too much cost which is in the form of time spent, money spent etc. but sometimes there is little benefit from planning, and instead it becomes a burden for the institution.
4. May not work in dynamic environment: Business environment is dynamic as there are continuous changes in economic, political and legal environment. It becomes difficult to forecast the future changes.

**Question2.** What are the main features to be considered by the management while planning?

Answer: Planning means to think in advance thus it is a looking ahead activity which is never done for the past. It involves thinking in advance what and how the work is to be done in future. It anticipates opportunities and threats in the environment.

Features to be considered by management while planning are:

1. Planning is pervasive: Pervasive simply refers to the tendency to spread throughout. In the same way planning, spreads throughout in any enterprise. Planning process is common to all organisations. It is required at all levels of management.
2. Planning is always forward looking: There is no doubt that planning is always forward looking. We always plan for future. We anticipate future requirements and availability of resources while determining the future demands. Planning in this way is looking ahead.
3. Planning helps in decision-making: Planning essentially involves choice from among various alternatives and activities. Planning, thus, involves thorough examination and evaluation of each alternative and choosing the most appropriate one.
4. Planning pervades all managerial activities: Planning is essential for every sort of business activities. Every department whether Purchase, Sales, Accounts, Auditing, Marketing etc. needs systematic planning. Co-ordination of different departmental plans and direction of their integrated energies towards the desired goal of the business depends on planning.
5. Planning help to achieve the objectives: It anticipates future demands and evaluates existing and prospective resources. It brings about effective co-ordination between physical and human efforts and helps to achieve the desired goal of the business.

**Question3.** What are the steps taken by management in the planning process?

Answer: Steps involved in the process of planning are as follows:

1. Setting Objectives: Planning starts with the setting of goals and objectives to be achieved. Objectives should be stated in a clear, precise and unambiguous language; otherwise the activities undertaken are bound to be ineffective.
2. Developing Premises: Planning premises are the assumptions about the future. Establishment of planning premises is concerned with taking such steps to avoid obstacles to a great extent. Planning premises may be internal or external.
3. Identifying alternative courses of action: When forecast is available and premises are established, a number of alternative courses of actions may be available. All such alternatives have to be identified.
4. Evaluating alternative courses: Each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organisation. The merits, demerits as well as the consequences of each alternative must be examined before the choice is made.
5. Selecting an alternative: After evaluating all the available alternatives, next step is to select the best course of action which will be most feasible, profitable and with least negative consequences.
6. Implementing the plan: This step is concerned with putting the plan into action, i.e., doing what is required. For putting plans into action the manager has to communicate the plans to all the employees very clearly.
7. Follow-up: After the selected plan is implemented, it is important to appraise its effectiveness. This is done on the basis of feedback or information received from the departments or persons concerned.

**Question4.** Is planning actually worth the huge costs involved? Explain.

Answer: Formulation of plans involves too much cost which is in the form of time spent, money spent etc. but sometimes there is little benefit from planning, and instead it becomes a burden for the institution. If the plan is not useful then the amount or time spent in its formulation is a waste.

But planning has following advantages:

1. Planning helps in achieving business objective: Planning anticipates future demands and evaluate existing and prospective resources. It makes effective co-ordination between physical and human efforts and channelizes them towards the desired goal of the business.
2. Planning reduces future uncertainties and enables us to face it: It is planning which pre-assesses the future uncertainties and also enables the organization to fact these uncertainties with minimum wastage of resources.
3. Planning enables the best possible use of resources: Planning evaluates the alternative uses of the available and prospective resources of the business and makes their most appropriate use.
4. Effective co- ordination: Planning determines the activities of different individuals, groups and departments in such a way, that maximum co-ordination between physical and human resources may emerge.
5. Planning facilitates decision making and promotes creativity: In order to avail the opportunities in an appropriate way concentrated efforts are made and as such new ideas, methods and techniques emerge.
6. Helps in development and expansion: Planning tries to avail all the opportunities available by making the effective utilization and integration of resources, which make the expansion of business easy.

### Case Study

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

Q1. 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.

Answer: The type of plan that can be adopted is objective, policy and strategy. Objectives are the ends towards which the activities are directed. Objectives can be said to be the desired future position that the management would like to reach. They are the end result of every activity. An objective should be related to single activity and must be measured in quantitative terms. Policies are general statements that guide thinking or channelize energies of an organisation towards a particular direction. They are guides to managerial actions and decisions in the implementation of strategy. Strategy is a comprehensive plan for achieving an organisation's objectives. Whenever a strategy is formulated, the business environment needs to be taken into consideration.

**Question2.** Identify the limitations of such plans.

Answer: Limitations of such plans are:

1. Rigid: Such plans bring about rigidity as they discourage new initiative and thinking and employees may not think for new and better ways of doing things.
2. Does not guarantee success: Planning is based on certain external factors on which management may have no control, thus, though imperative, planning does not guarantee success.
3. Huge cost: Formulation of plans involves too much cost which is in the form of time spent, money spent etc. but sometimes there is little benefit from planning, and instead it becomes a burden for the institution. If the plan is not useful then the amount or time spent in its formulation is a waste.

**Question3.** How will you seek to remove these limitations?

Answer: To remove these limitations, following points are to be kept in mind:

1. The plans made should be flexible and should be changed according to situations.
2. Plans must be made keeping in mind the dynamic environment and factors affecting the business.
3. It should be kept in mind that plans do not guarantee success.