

Chapter 04

Planning

Short Answer Type:

Ans1: Planning is a psychological process of 'thinking and deciding in advance' about 'what is to be done' and 'how it is to be done'. It is a mental activity, in which the manager decides about the goals to be achieved, and actions through which they are to be accomplished. It is futuristic in nature as it involves looking ahead, along with analysing and predicting the future. Planning can be defined as a process of setting up of goals and objectives for a given period of time, formulating alternatives for the course of action to be taken, and finally deciding an appropriate action from the various alternatives. The following are the main points in the definition of planning.

- i. Setting Objectives:** Planning must pertain to a particular objective. That is, there must be a definite objective for the achievement of which planning is to be done.
- ii. Time Period:** The plan must be formulated for a definite time period. If planning is not done with a time frame, it may prove futile. This is because with time business environment changes and requires fresh planning and action.
- iii. Formulating Alternatives for Course of Action:** Once the objective is decided, the next task is to decide how it is to be achieved. For the achievement of any objective there can be various alternative course of action. These alternatives must be appropriately formulated.
- iv. Deciding a Course of Action:** From the various available alternatives, the best one must be decided.

Ans2: Planning states in advance what is to be done. It defines the goals and objectives to be achieved. These goals and objectives as stated in the plan gives direction to the managers about what course of action is to be followed for achieving them. Planning ensures clarity in thoughts so that the right action is taken in the right direction for the achievement of objectives. Planning ensures that each department in the organisation work in a coordinated manner towards the common objective of the organisation. That is, with planning each department knows exactly what is to be done and thereby, moves in the right direction. Without planning work would be done in a haphazard manner with each department going in different directions. Thus, planning ensures smooth functioning towards the desired goals of an organisation.

Ans3: No, planning may not work right in a changing environment. Business environment is dynamic in nature and changes continuously. For example, political conditions, social conditions, consumer tastes and preferences, government rules and regulations change continuously. Planning cannot foresee such changes and may prove futile. That is, due to uncertainty of future, planning may remain ineffective. For example, suppose a garment manufacturing company plans to increase the production of silk shirts. But over a period of time, the market demand shifts towards cotton shirts. Thus, in this case the previous plans of the company fail and it must modify its plans to cater to the change in demand. Similarly, if the government announces a reduction in the interest rates for consumer durables, the demand for such products increases. The plans of an organisation may not foresee such changes and may prove ineffective. The production and sales plan of the organisation must change as per the changing market demand.

Likewise, with an entry of a competitor in the market a company needs to alter the previous plans so as to face the competition in a better manner.

Ans4: 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.

Ans5: It is true that planning is a forward looking function and is based on analysing and predicting the future elements. However, future involves uncertainty and cannot be predicted. There are various external forces that affect the functioning of an organisation. These forces are complex and ever changing in nature. For example, social trends, political conditions, technology, government rules and regulations change continuously. Due to such uncertainties, one cannot be sure of the success rate of the plans rather, the plans need to be modified to adapt to the changing environment. For example, suppose due to entry of a competitor, the demand for the products of a company reduces. While planning out production the company could not foresee such a change. Thus, the previous plans of the company fail and it must formulate new plans keeping in view the change in demand. Similarly, suppose the government announces a relaxation in the rules for foreign investment, as a result of which competition in the market increases. The sales and manufacturing plans of the domestic companies might fail in the face of the increased competition. Thus, it can be said that despite the fact that planning involves working out details for the future, it does not ensure success.

Ans6: 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.

Long Answer Type:

Ans1: 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:** Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles at times of unforeseen changes. At times of unexpected changes, the managers may require certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the completion of the objectives.
- (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.
- (iv) 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.
- (v) False Security:** Good planning does not mean a guarantee to success. Often the managers tend to rely on pretested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may fail the plan. Sometimes managers think that planning can prevent the problems from occurring, however, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away solutions to the problems.
- (vi) 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.

Ans2: 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 must be done at all levels of the organisation. It is not a function of just the top level managers but, is a function to be performed at every level of management. However, its scope differs along the various dimensions of business. For

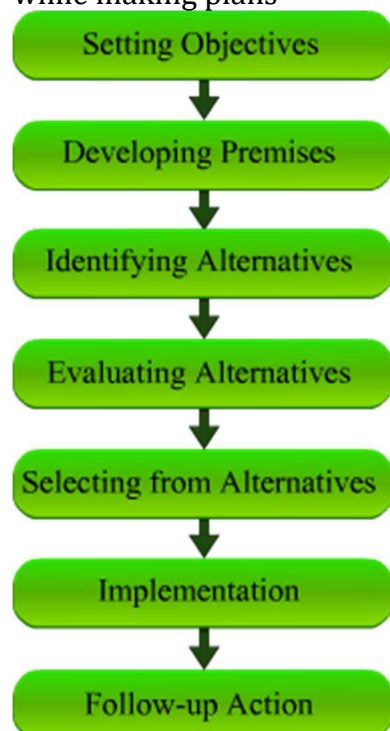
example, the top level managers have to chalk out the policies regarding the overall management whereas, the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

(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.

Ans3: 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:** Once the objectives and assumptions are developed, a need arises to identify the different courses of action that can be followed. There can be number of ways to achieve a defined objective. The managers need to think carefully about these various routes. This involves innovation and creative mind so that new ways can be developed in order to accomplish the goals.
- (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:** Selecting the best alternative involves opting for the method that is most viable as per the objective. Here, the managers should use their skills and knowledge for judging and selecting the best alternative in terms of profitability, costs and workability. Depending on the situation, a combination of different routes may also be taken up instead of just one.
- (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.

Ans4: 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.