



Business Studies Notes PDF

On

Planning

(Class - 12 / Chapter- 4)

Planning can be defined as “thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done.”

According to Fayol, “Planning is chalking out a plan of action, i.e., the result envisaged in the line of action to be followed, the stages to go through the methods to use.”

Importance of Planning:

- **Planning Provides Directions:** Planning provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do etc.
- **Planning Reduces the Risk Uncertainty:** Planning helps the manager to face the uncertainty because planners try to force the future by making some assumptions. The plans are made to overcome uncertainties.
- **Planning Reduces Overlapping and Wasteful Activities:** Planning evaluates the alternatives uses of the available and prospective resources of the business and makes their most appropriate use.
- **Planning Promotes Innovative Ideas:** Planning requires high thinking and it is an intellectual process. So it makes the managers innovative and creative.
- **Planning Facilitates Decision Making:** Planning helps the managers to look into the future and make a choice from amongst various alternative courses of action.
- **Planning Establishes Standards for Controlling:** It has a predetermined goal with which the actual performances are compared to find out deviation and suggest remedial measures.

Features of Planning:

- **Planning Focuses on Achieving Objectives:** Organizations are formed with a certain goal in mind. The goals, general and specific as well as the strategies and activities to attain these goals, are established by organizations under the planning function.
- **Planning is a Primary Function of Management:** Planning lays the groundwork for all other management tasks, without planning no other function can take place.
- **Planning is Pervasive:** Planning is required in all types of organizations, at all the levels of management, as well as all the departments within the organization. Though at different levels and for different departments, the extent of planning varies.
- **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. Hence planning keeps on going, and is a never ending process.
- **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.
- **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 in that case no planning or decision making is required.
- **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:

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

- **Planning may not work in a dynamic environment:** Planning is based on anticipation of future happenings and since the future is uncertain and dynamic therefore, the future anticipations are not always true.
- **Planning involves huge costs:** When plans are drawn up, huge costs are involved in their formulation.
- **Planning is time consuming:** Sometimes plans to be drawn up take so much time that there is not much time left for their implementation.
- **Planning does not guarantee success:** The success of an enterprise is possible only when plans are properly drawn and implemented. 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.
- **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.

PLANNING PROCESS

- **Setting Objectives:** In planning function managers begin with setting up objectives because all the policies, procedures and methods are framed for achieving objectives only.
- **Developing Premises:** Premises refers to making assumptions regarding the future. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information.
- **Identifying Alternative Courses:** of Action After setting up objectives the managers make a list of alternatives through which the organisation can achieve its objectives.
- **Evaluating Alternative Courses:** After making the list of various alternatives along with the assumptions supporting them the manager starts evaluating each and every alternative.
- **Selecting an Alternative:** The best alternative is selected but as such there is no mathematical formula to select the best alternative. Sometimes instead of selecting one alternative a combination of different alternatives can also be selected.
- **Implementing the Plan:** This is the step where other managerial functions also come in to the picture. The step is concerned with putting the plan into action i.e., doing what is required.
- **Follow-up Action:** Planning is a continuous process so the manager's job does not get over simply by putting the plan into action. The manager monitors the plan carefully while it is implemented.

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 categorized into many types:

1. Single Use Plan:

A single-use plan is a set of instructions designed to handle a one-time only problem. It was created for a one-time endeavor or event with a single goal in mind. A plan like this is made to satisfy the requirements of a certain situation. A single usage plan's duration varies based on the type of project; for example, a single event plan may last one day, but a single project may last one week or months. Single-use plans can't be reused because they're no longer useful once they've accomplished their goal. Budgets, programmes, project reports, and other documents are examples.

Types of Single Use Plan:

- **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.

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

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. 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.

Types of Standing Plans:

- **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.
- **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.
- **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.
- **Procedure:** Procedures are step-by-step instructions that specify how a task should be completed. They specify which tasks should be completed in which order. In general, the sequence of actions to be taken is to implement a policy and achieve predetermined goals. For example, a company's recruitment procedure.
- **Rule:** Rules are specific statements that specify what should and should not be done in situations. Rules are rigid and do not allow for flexibility, ensuring organizational discipline. For example, 'Smoking is prohibited in the office.'
- **Method:** Methods describe the prescribed ways or manners in which a work can be completed considering the goal. Choosing the right solution saves time, money, and effort while increasing efficiency. The methods are adaptable. For example, numerous training methods used by an organization to train its personnel, such as apprenticeship training, induction programmers, and so on.
- **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.
- **Budget:** A budget is a numerical description of expected results for a specific time in the future. For example, a sales budget, a production budget, research and development budget, master budget, cash budget etc.

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