

**Class 12**  
**Business Studies**

# Chapter - 4



# Planning

# Planning

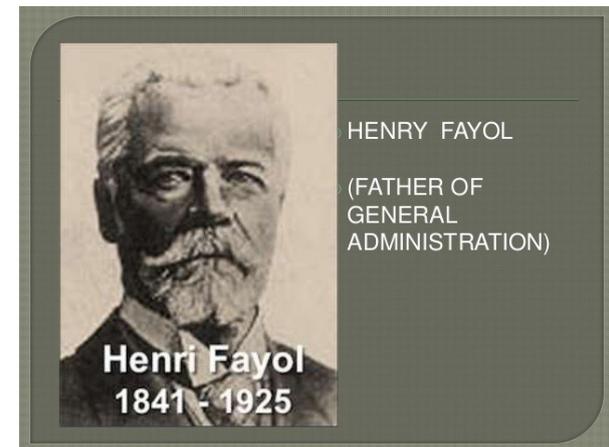
**Deciding in advance what is to be done, when is to be done, how is to be done and by whom is to be done. So that it is a process of thinking before doing**



# Planning

“Planning is deciding the best alternative among others to perform different managerial operations in order to achieve the predetermined goals”

– Henry Fayol



# Planning

Deciding in advance

**What** is to be done

**How** is to be done

**When** is to be done

**Who** is to be done



# Planning

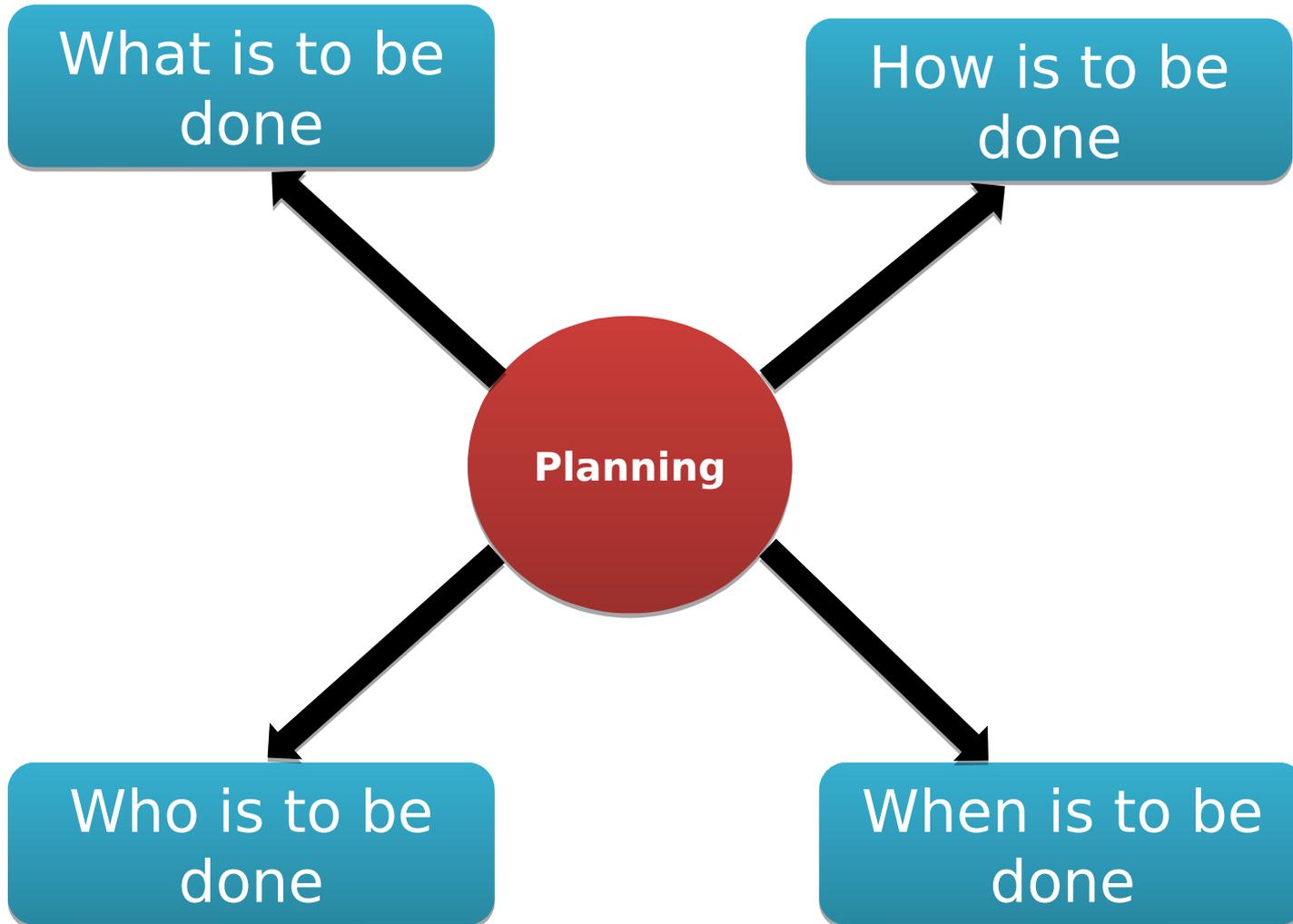
What is to be done

How is to be done

Planning

Who is to be done

When is to be done





# Importance of Planning



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# Importance of Planning

## 1 Planning provides direction

Planning provides direction for action

This ensures effective implementation of plans and direction of effort towards attainment of objectives



If you don't know where you are going, no road will take you there

# Importance of Planning

## 2 Planning reduces uncertainty

Planning enables an organization to cope up with uncertainty and change

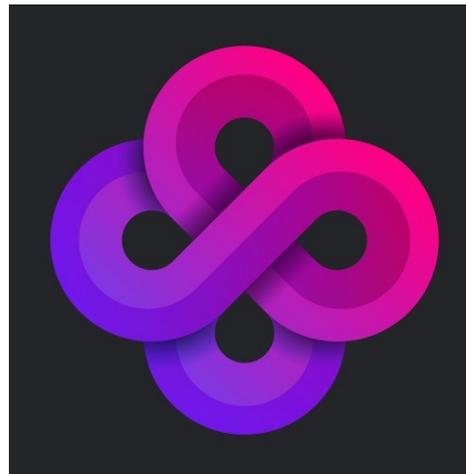


With the help of planning, an enterprise can predict future events and make due provisions for them

# Importance of Planning

## **3** Planning reduces overlapping and wasteful activities

Planning co-ordinates the activities of individuals and departments in an orderly manner, which will help to avoid wasteful activities



# Importance of Planning

## 4 Planning promotes innovation and creativity

Planning is a process of thinking in advance; there is a scope for finding better methods for productivity

This makes the managers innovative and creative.



# Importance of Planning

## 5 Planning facilitates decision making

Planning helps in decision making by selecting the best alternative among the various alternatives



# Importance of Planning

## **6** Planning establishes standards for control

Plans serve as standards for evaluation of performance



It will help to ensure proper control by comparing the actual performance with the standard performance

# **Importance of Planning**

- 1. Provides direction**
- 2. Reduces uncertainty**
- 3. Reduces overlapping and wasteful activities**
- 4. Promotes innovation and creativity**
- 5. Facilitates decision making**
- 6. Establishes standards for control**



# Features of Planning

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# Features of Planning

## 1 Planning Focuses on objectives

Every organization has its own objectives and every plan must contribute towards the accomplishment of these objectives



# Features of Planning

2

**Planning is the primary function of management**

Planning is the first function of management



All other functions are performed to implement the plan

# Features of Planning

## 3 Planning is pervasive

Planning is required at all levels of management



Top management - Long range plans

Middle management - Departmental plans

Lower level management - Short term plans

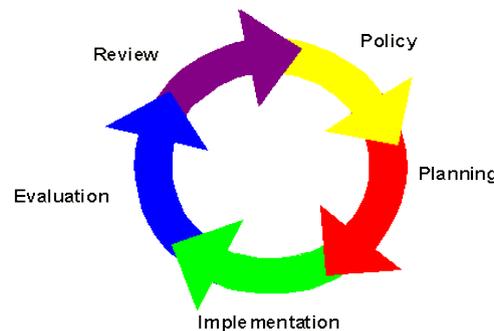
# Features of Planning

## 4 Planning is continuous

Planning is an on-going process

Usually a plan is prepared for a specific period of time

At the end of the period a new plan is prepared in accordance with the requirement of future condition



E.g. Shortage in raw material in a month may lead to revise the plan for the next month

# Features of Planning

## 5 Planning is futuristic

Planning is looking ahead and preparing for the future

Forecasting is the essence of planning



E.g. Keeping an umbrella in our bag with us foreseeing the chance of rain

# Features of Planning

6

## Planning involves decision making

If there are various alternatives to achieve an objective, then we have to select the best one (decision making) only after proper analysis



E.g. If a company has three suppliers for the same raw materials, they have to select only the best one by analyzing all the facts such as price, promptness, quality etc.

# Features of Planning

## 7 Planning is a mental exercise

Planning is an intellectual process which involves foresight, imagination and judgment



# Features of Planning

1. Focuses on objectives
2. Primary function of management
3. Pervasive
4. Continuous
5. Futuristic
6. Involves decision making
7. Mental exercise





# Limitations of Planning



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# Limitations of Planning

## 1 R Rigidity (inflexibility)

Planning restricts the individual skill, initiative and creativity, because employees are required to work strictly in accordance with the plans



# Limitations of Planning

## 2 Planning may not work in dynamic environment

The scope for planning is limited up to a certain extent especially in the organizations having rapid changing situations



Eg: Fashionable products

# Limitations of Planning

## 3 Planning reduces creativity

Managers at middle and lower levels are just implementing the plans formulated by the top management, thus it reduces the creativity among them

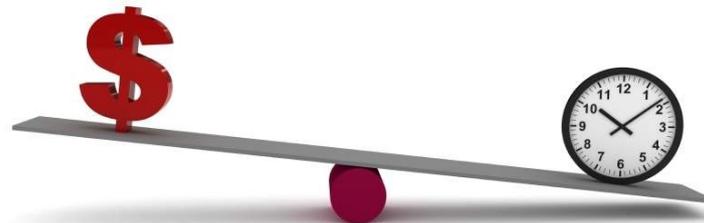


# Limitations of Planning

## 4 Huge Cost

Planning is a very expensive and time consuming process which involves the collection of data, analysis, interpretation etc.

Hence it is not suitable for quick decisions as well as for small concerns



# Limitations of Planning

## 5 Time consuming

Sometimes plans to be drawn up take so much time, but there is no much time left for their implementation



# Limitations of Planning

## 6 Does not guarantee success

Planning may create a false sense of security in the organization that everything is going smooth; it affects independent thinking and creativity of managers



# Limitations of Planning

- 1.Rigidity (inflexibility)**
- 2.may not work in dynamic environment**
- 3.reduces creativity**
- 4.Huge Cost**
- 5.Time consuming**
- 6.Does not guarantee success**





# Planning Process or Steps in Planning



# Planning Process

## 1 Setting the objectives

The first step in planning is the establishment of objectives

The objectives must be clear and specific



The objective of the entire organization is laid down first, and then it is broken down into departments and individuals

# Planning Process

## 2 Develop Planning Premises

Planning is done for the future which is uncertain, certain assumptions are made about the future environment

These assumptions are known as planning premises



E.g. A business is anticipating increase in the sales of computers assuming that sales tax on computers will be decreased by the government

# Planning Process

## 3 Identifying alternatives

There are alternative ways for achieving the same goal



Eg: To increase sales, different ways are there, like advertisement, reducing prices, improve quality etc.

# Planning Process

## 4 Evaluating alternatives

The positive and negative aspects of each alternative should be evaluated based on their feasibility and consequences



# Planning Process

## 5 Selecting the best alternative

After analysing the merits and demerits of each alternative, the most appropriate one is to be selected by evaluating cost, risk, benefit to organization etc.



Select the best alternative

# Planning Process

## 6 Implementation of plans

Implementation means putting plans into action to achieve the objective



For the successful implementation, the plans are to be communicated to the lower levels at every stage

# Planning Process

7

## Follow Up

Plans are to be evaluated regularly to check whether they are proceeding in right way, shortfalls can be located and remedial actions can be taken well in advance



# Planning Process

- 1. Setting the objectives**
- 2. Develop Planning Premises**
- 3. Identifying alternatives**
- 4. Evaluating alternatives**
- 5. Selecting the best alternative**
- 6. Implementation of plans**
- 7. Follow Up**





# Types of Plans

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# Types of Plans

Based on Use and Length of Plan

Single Use  
Plan

Standing  
Plan

# Single Use Plan

Developed for a one-time event or project

It is used for a course of action which is not likely to be repeated in future

The duration may depend upon the type of project, may be for one day, a week or a month



Single use plan includes Budgets, Programmes and Projects such as organizing an event, seminar, conference etc.

# Standing Plan

It is used for activities that occur regularly over a period of time

It is usually developed once but is modified from time to time to meet business needs



Standing plans include Policies, Procedures, Methods and Rules

# Types of Plans

Based on what the plans seek to achieve

1. Objectives

2. Strategy

3. Policy

4. Procedure

5. Method

6. Rule

7. Program

8. Budget

# Types of Plans

## 1 Objectives

Objectives are the ends towards which an activity is aimed

They are the results to be achieved

Objectives are the goals, aims or purpose that the organization wishes to achieve



Eg: Improvement in the sale of a product by 10%.

# Types of Plans

## 2 Strategy

It is a comprehensive plan for accomplishing an organization's objectives by considering the business environment, i.e., changes in economic, social, political, legal environment etc.



E.g., discount sale, scratch coupon, gifts for customers etc. are some of the strategies that can be adopted for sales promotion

# Types of Plans

## 3 Policy

It is a guideline in decision making to various managers

It defines the limit within which decisions can be made



E.g. “Promotion is based on merit only” states that while taking decision on promotion, merit will be the sole criterion

# Types of Plans

## 4 Procedure

Procedure is a chronological order or steps to be undertaken to enforce a policy



E.g. To implement the policy of selecting employees, the selection procedure may be developed consisting of Inviting applications, tests, interviews, references and then prepare the list of selected candidates

# Types of Plans

## 5 Rules

Rules are the guidelines for conducting an action

They specify what should be done or not to be done in a given situation



E.g. Office opens at 10am, smoking is prohibited inside the office

# Types of Plans

## 6 Methods

Methods provide detailed and specific guidance for day to day action



Eg. Time rate system or Piece rate system in wage payment, most suitable method is to be adopted in the organization for better performance

# Types of Plans

## 7 Programs

It includes all the activities necessary for achieving a given task



E.g. Opening 5 new branches in different parts of the country, deputing employees for training, installing a new machine etc.

# Types of Plans

## 8 Budget

It is a plan which states the expected results of a given period in numerical terms



E.g. Production Budget, sales budget, cash budget, expenditure budget etc.

# Types of Plans

1. Objectives
2. Strategy
3. Policy
4. Procedure
5. Rules
6. Methods
7. Programs
8. Budget



Thank You

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