

NCERT Solutions for Class 12 Business Studies

Chapter 4 – Planning

Very Short Answer Type:

1.

How does planning provide direction?

Ans: Structuring the work, before actually performing it, is called planning. These structures ensure that accurate goals and objectives are influencing the direction and acting as a guide.

A well-explained structure, such as a well-defined goal and objective, makes the work for the employee easier and faster. Departments and people inside the organization can collaborate for the successful accomplishment of objectives. An organization without planning is a temple of mess, which has no rules and regulations, along with no goals and objectives.

2.

A company wants to increase its market share from the present 10% to 25% to have a dominant position in the market by the end of the next financial year. Ms Rajni, the sales manager has been asked to prepare a proposal that will outline the options available for achieving this objective. Her report included the following options - entering new markets, expanding the product range offered to customers, using sales promotion techniques such as giving rebates, discounts or increasing the budget for advertising activities. Which step of the planning process has been performed by Ms Rajni?

Ans: Various alternatives are identified, skimming through the planning process of Ms. Rajni. This planning process is sorted in a report where several blocks are created, mentioning the upcoming new markets that are expanding the product range offered to customers by using sales promotion techniques such as giving rebates, discounts, or increasing the budget for advertising activities. After passing through this process, proper evaluation of each alternative will be done, and one or a mixture of alternatives will be chosen by the company, based on their requirements.

3.

Why are rules considered to be plans?

Ans: The reasons why rules are considered as plans because:

- Plans and rules are not typically the same. Rules are particular statements focusing purely on the work to be done, whereas plans determine the route of the work.
- Because of this thin line of difference, 'Rules' are often confused with 'Plans'.
- Rules are typically the base of any project, whereas plans are assumed to provide a far-fetched view of the future.
- Also, disobeying rules can be punishable, whereas getting diverted from a provided plan does not come with a typical punishment.
- Rules, unlike plans, could not be changed until the whole procedure is undertaken.
- Rules can result in severe legal consequences, but a change of plans is considered to be just a mere diversion.
- Rules and regulations control every step taken by the employee, and all employees should abide by them. Thus, rules serve as a guide for the general behaviour of employees in an organization.

4.

Rama Stationery Mart has made a decision to make all the payments by e-transfers only. Identify the type of plan adopted by Rama Stationery Mart.

Ans: Having a policy is the only supporting type of plan. Rama Stationery Mart has adopted a payment policy that requires all payments to be made via e-transfers only. To achieve the planned goals, certain boundaries are set within which decisions are made.

5.

Can planning work in a changing environment? Give a reason to justify your answer.

Ans: No, planning cannot work in a changing or dynamic environment. This is because a continually changing business environment cannot afford to have static planning. Rather, it has to prepare itself for adapting to the brewing changes. And the main reason for the failure of planning in a changing environment is its unpredictability of the future.

Short Answer Type:

1.

What are the main aspects in the definition of planning?

Ans: Planning is an intellectual endeavor that involves determining what has to be accomplished, along with how to execute it in preparation. Since it necessitates seeing potential futures and devising strategies to bring them to reality, it is strongly related to ingenuity and imagination. Planning is fundamentally about establishing specific objectives and determining the necessary measures to achieve them. Because it contemplates the foreseeable future, it additionally entails analyzing circumstances, predicting shifts, and coming to well-informed decisions. To put it simply, planning is deciding what you're hoping to do within a specific time range, examining several routes through which to get to the destination, and selecting the route that looks the most efficient.

The main points in the definition of planning are as follows:

a. Period

- The planning strategy must always be implemented for a specific period.
- Planning could compromise its significance if it fails to occur at the appropriate moment. This is because the company environment is always evolving—new patterns emerge, client demands change, innovation develops, and unforeseen difficulties crop up. When we put off planning for a prolonged period, those plans may be old by the time we implement them. Proper scheduling enables companies to remain relevant, react fast, and modify their course strategy in response to changing circumstances. You risk getting lost if you attempt to navigate a new route using an outdated guide.

b. Setting Objectives

- Planning must lead towards a certain goal.
- There must be a desired objective for which planning is being undertaken.

c. Modified Course of Action When evaluating several possibilities according to their efficacy and cost-efficiency, a distinct plan to implement should be created to guarantee that the optimal choice is taken. Through weighing several options, planners may determine which strategy will provide the intended outcomes with the least amount of effort, expense, and time. This procedure lowers dangers, promotes adaptability, and raises the likelihood of goals being accomplished. It guarantees that the selected course to take is additionally realistic and goal-oriented, yet provides the most cost-effective and efficient means of achieving the intended result.

d. Deciding a Course of Action

- Price, time, accessibility, viability, and other considerations are all part of determining the optimal plan of conduct.

2.

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

Ans: Planning entails figuring out the specifics of what's to come, which is unforeseeable and hard to forecast. However, due to the influence of outside forces, these elements of nature are complex and dynamic. For instance, social trends, political situations, technology, and government rules and regulations change regularly.

These uncertainties in the business environment ensure that no matter how proper and great the plan is, no plan can be the ultimate one. It needs to adapt itself to the environment. For instance, due to the sudden arrival of a competitor, the demand gets shared and thus decreased. As the company was not at all prepared for it, this led to an immense fall in the strategy of the company, and exactly here comes the plan.

Just imagine that due to high competition in the marketplace, the government announces a loosening of the rules for foreign investment. And due to this, the sales and manufacturing plans in the domestic enterprises collapse. Even after this, the planning continues, keeping in mind this whole market scenario.

3.

What kind of strategic decisions are taken by business organisations?

Ans: A strategy is a broad plan for an organization's business. It has three basic objectives:

- Deciding the objectives.
- Selecting the course of action.
- Allocating the objectives accurately to achieve the objectives.

The business environment, with or without a strategy, is a very important factor to be considered. The economic, political, social, legal, and technological environments all have an impact on an organization's strategy. These strategies create the pillar of the organization, making it the most unique one. A business organization needs to make the following strategic decisions:

- Choosing the line of business to be pursued.
- If a new line of production should be implemented.
- Where does the organization stay considering the current market?
- What kind of pricing policy should be used?
- To decide on advertising policy and expenditures.
- Is the expansion in the business needed or not?
- Should it expand within the country or globally?
- Is leadership or differentiation more suitable and more important?

- Keeping in mind the financial status of the organization, a strategy should be formed and implemented.
- Will the growth be horizontal growth or vertical growth?

Hence, strategies are needed to run various business and functional levels.

4.

Planning reduces creativity. Critically comment.(Hint: both the points - Planning promotes innovative ideas and planning reduces creativity – will be given).

Ans: When a particular objective is properly planned, a clear direction is available, and the risk of uncertainty through forecasting is reduced. This intellectual process is supposed to provide better ideas and methods to accomplish a particular task. Also, as we know that the planning is done by the top management level, and the rest of the employees just carry it out. These employees are not allowed to put any input, thus wasting their creative and innovative ideas.

5.

In an attempt to cope with Reliance Jio's onslaught in 2018, market leader Bharti Airtel has refreshed its ` 149 prepaid plan to offer 2 GB of 3G/4G data per day, twice the amount it offered earlier. Name the type of plan is highlighted in the given example. ? State its three dimensions also.

Ans: The type of plan highlighted in the preceding example is known as a strategy.

A strategy is an exclusive plan for achieving organizational goals that includes three dimensions:

- Establishing long-term goals.
- Choosing a specific course of action.
- Allocating resources required to achieve goals.

6.

State the type of plan and state whether they are Single use or Standing plan:

a. A type of plan which serves as a controlling device as well.(budget)

b. A plan based on research and analysis and is concerned with physical and technical tasks. (Method)

(a) Ans: A one-time use plan is known as the budget plan. A budget is a numerically expressed statement of expected results, explaining the anticipated cost and results of a single project in numerical terms.

(b) Ans: This strategy is known as Method, a pre-existing strategy. This provides a prescribed way for the task to be done, keeping in mind the regulations. This controls the articulation of the task and focuses on the execution of steps.

Long Answer Type:

1.

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

Ans: Organizations establish plans to achieve their goals. Planning is a necessary activity for any organization since it serves as the foundation for its operation. However, occasionally things do not go as planned. This is because:

- **Rigidity:** Any company must have an organized strategy with precise objectives and deadlines. These strategies aid in determining how to proceed in the future. However, they can occasionally become overly stiff. Complete obedience to a set strategy limits managers' adaptability, even in the face of unforeseen circumstances. Such rigidity may grow problematic in the fast-paced world of today. Sufficient flexibility must be granted to management so they may change their choices according to changing circumstances. After all, the business may not benefit by mindlessly adhering to a predetermined strategy when conditions have altered.
- **Unable to Deal with a Dynamic Environment:** The business environment is dynamic and, as a result, quite uncertain. The environment has several dimensions, including economic, political, physical, legal, and social factors. The organization must be constantly adaptable to changes. However, planning cannot always accurately anticipate such changes and hence fails in times of change and uncertainty. This may fail to meet objectives. An organization's operations must adapt to a dynamic environment.
- **Extremely Expensive:** Both money and time are needed for creating a plan and executing it. This is because planning is future projection and an amalgamation of a great deal of thought and analysis. This also includes several scientific calculations, figures & facts, which will be further executed as a plan. This comes at a huge cost. This comes at a heavy cost. Also, the advantages of planning may fall short of the costs paid.
- **Does Not Ensure Success:** Preparation is not directly proportional to success. Old and tried ideas often get value than new innovative ideas. But with the changing environment, one strategy that has worked before, there is no guarantee of being effective again. Many unanticipated changes may occur, causing the strategy to fail. Managers often misinterpret

planning to be a problem solver, but often forget its capability of future assumption. Planning aids in guessing the future hypothetically, but logistically, it's not typically a problem solver.

- **Time-consuming:** To make plans, one has to assume and think about the future to a large extent, making it a time-consuming activity. In this scenario, extensive investigation and evaluation become mandatory. As a result, this increases the time consumption by the manager, along with delayed actions undertaken.
- **Reduces Creativity:** Upper management is responsible for the task related to planning. And the rest of the team members just follow it. Thus, other people with intermediate roles are not allowed to change anything within the plans. And this negotiation from acting independently costs their initiative, along with originality. At maximum time, employees do not even attempt to develop strategies; they merely execute commands, leading to a decline in creativity and innovation coming from the employee end.

2.

What are the steps taken by management in the planning process?

Ans: Steps taken by management in the planning process are:

- **Setting up the Objectives:** There is a certain goal or aim that is already set up by the organization. And it varies from companies to enterprises. These goals should be mandatorily revised by the manager for the proper execution of the organization. Therefore, the plan created must support all levels of organization. All the departments and units are informed about this particular common goal, so that it becomes a little easier to execute. And only after the goals are properly stated, the functioning of the management begins.
- **Developing the Premises:** Premises are various assumptions made about the future through planning. These assumptions include future forecasts, previous plans, current policies, and certain other factors. Such premises should be adopted by managers at all levels inside the organization, who are involved with the planning. And these assumptions lead to the follow-up action. And then, through these assumptions, the course of action is determined for the future initiatives. Therefore, providing accurate premises is the most important part of any successful planning.
- **Identification of the Alternatives:** The moment after setting up the objectives and assumptions, the various courses of action are determined. And to determine this, a variety of approaches could be used. This process must be very carefully supervised by the manager. The requirement for this is a creative mind that will further create new solutions to achieve the goals.

- **Evaluation of the Alternatives:** After the accurate supervision, the managers must come up with various paths. This assessment should be based on the utility and consequences of the alternatives. The loopholes and drawbacks should be stated clearly. Along with the drawbacks, the positive and negative features should also be considered, for the goal to be fulfilled soon. For instance, to identify the choice leaning towards the cheaper side to achieve goals in less time. So, considering all these factors, the evaluation of various things should be prepared.
- **Selection of the Best:** Choosing what is best is the common choice for many. Thus, the finest entailment should be chosen. It's the responsibility of the manager to utilize their skill and knowledge to judge and select the best choice in terms of profitability, costs, and feasibility. At the end of all the choices, it's the situation considering which a variety of multiple routes may be followed rather than simply one. And without any doubt, this ideal way of choosing the best will be the most appropriate way of selection, which is not only practical but also profitable.
- **Implementation:** The additional management departments are involved in implementing the necessities. Specified courses and policies have been set to guide the organization and start the work. As the course has been chosen, several varieties of actions are implemented to determine its execution to be effective.
- **Follow-up Action:** Continuous supervision is required to assess the overall operation and implement the plans. Making sure about the completion of the task is a very important part of the planning, as it is the primary way of knowing if the planning worked. Therefore, keeping a constant eye on the result leads to improvement, which leads to success.

3.

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. C Ltd. realized that it needs to take steps immediately to improve its market standing in the future. For quality conscious consumers, C Limited plans to introduce new models with added features and new technological advancements. The company has formed a team with representatives from all the levels of management. This team will brainstorm and will determine the steps that will be adopted by the organisation for implementing the above strategy. Explain the features of Planning highlighted in the situation given below.(Hint: Planning is pervasive, Planning is futuristic and Planning is a mental exercise).

Ans: The following planning characteristics are highlighted in the preceding example:

- **Planning is all pervasive:** Planning is a basic requirement of every organization and department. It is nothing sophisticated, but rather used by every departmental level. The only difference is that top-level management uses it to make organizational plans, the middle level makes departmental plans, and the lower level makes plans for the organization's day-to-day operations.
- **Planning is futuristic:** Planning is the preparation for the future. The primary aim of planning is to meet future events to the best advantage of the organization. The basic characteristic of planning is looking into the future, analysing it, and making predictions about it. It is held to be a forward-thinking process.

Planning is a mental exercise: Planning is an amalgamation of creativity, imagination, higher-order thinking skills, and sound judgment. It is a mental intellectual activity. In this, logical-systematic thinking is prioritized over guesswork or wishful thinking.

1. Prepare a model business plan for C Ltd to meet the existing challenge. You need to be very specific about quantitative parameters. You may specify which type of plan you are preparing.

Ans: The organization in this scenario is highly benefited by the presence of policies and strategies. This is because strategies provide the organization with a general overview of the organization, which further aids in achieving the objectives. On the other hand, policies help in grasping the organization's strategies and specify the broad areas of managerial activities.

During the execution of the strategy, the policies act as a guide in the implementation of the strategy. Thus, to survive in the market, proper strategies and strong policies are very important.

2. Identify the limitations of such plans.

Ans: Limitations of the above plans are as follows:

- Too much planning leads to procrastination, which further leads to a rigid attribute.
- A changing environment is not particular to any planning for work.
- The primary thought for a plan is time and money. And in this case, the worth is something highly debatable.
- Previously tried and tested plans should not have any influence over your decision.

3. How will you seek to remove these limitations?

Ans: To remove these limitations, the steps given below should be followed:

- With the changing business environment, it becomes very important for the manager to stay informed. Thus, certain rigidity is mandatory to cope with the scenario with a sane mind.

- There is nothing known to be static in this kind of business environment. Therefore, no reliability about the trends popping in the future of the business environment. Also, because of its static nature, nothing can be predicted. Thus, organizations need to be constantly prepared for the switching situations.
- Too much planning purely leads to unnecessary time expansion and meaningless time consumption.
- Quite a few times, plans that are pre-planned and already tested are prioritized by the manager. But it can be stupidity. It's nowhere written that a plan that has succeeded previously will succeed again. Thus, new plans should be established.