

**NCERT Solutions Class 12**  
**Business Studies Principles and Functions of**  
**Management**  
**Chapter 4 Planning**

**Very Short Answer Questions**

**Question 1:** How does planning provide direction?

**Solution:**

Planning involves setting objectives and stating the ways to achieve them. This clearly defines what the employees have to do, when to do, how to do and for whom to do. Thus, planning provides direction to employees and departments to work in coordination, when they are aware of what is to be done. By stating in advance how work is to be done in future, planning provides direction for action.

**Question 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?

**Solution:**

The step of the planning process which has been performed by Ms Rajni is 'Identifying alternative courses of action'. There are many ways to act and achieve objectives laid by the management. Ms Raini has listed down all the possible alternative courses of action which can be used to increase the market share.

**Question 3:** Why are rules considered to be plans?

**Solution:**

Rules are set of standards or statements that help us understand what needs to be done. Rules can be considered as plan because of the similarity in their nature. Rule can be considered as a simple type of plan. Planning is mostly involved with thinking and deciding about the action required for future. Similar to these, rules are also statements that help in deciding if any action needs to be carried out or not. Rules can be rigid in nature and needs to be followed. Not complying with the rules can result in disciplinary action that can be taken by organisation.

**Question 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.

**Solution:**

Rama Stationery has adopted a payment 'policy' of making all payments by e-transfers. A policy is a general statement that aims at channeling the efforts of the organisation in a

particular direction.

**Question 5:** Can planning work in a changing environment? Give a reason to justify your answer.

**Solution:**

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.

## Short answers Questions

**Question 1:** What are the main aspects in the definition of planning?

**Solution:**

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.

**Question 2:** If planning involves working out details for the future, why does it not ensure success?

**Solution:**

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.

**Question 3:** What kind of strategic decisions are taken by business organisations?

**Solution :**

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. Whenever a strategy is formulated, the business environment needs to be taken into consideration. The changes in the economic, political, social, legal and technological environment will affect an organisation's strategy. Strategies usually take the course of forming the organisation's identity in the business environment. Following are a few strategic decisions which a business organisation may take:

- 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.

**Question 4:** Planning reduces creativity. Critically comment. (Hint: both the points - Planning promotes innovative ideas and planning reduces creativity – will be given).

**Solution :**

Planning promotes innovation. The formulation of plans and policies is an intellectual process that requires creativity and innovation on the part of the managers. However, once a plan is formulated, the manager may not be able to change it. This rigidity creates hurdles when unforeseen changes come about and thereby reduces creativity.

**Question 5:** In an attempt to cope with Reliance Jio's onslaught in 2018, market leader Bharti Airtel has refreshed its Rs.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.

**Solution :**

Bharti Airtel has adopted a Strategy. A strategy is created by keeping the business environment in mind. Strategy includes three dimensions:

1. Determining long term objectives
2. Adopting a particular course of action
3. Allocating resources necessary to achieve the objective

**Question 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)

**Solution :**

a. Budget - A type of plan which serves as a controlling device as well. A budget is a Single-used plan which is developed for a one time project or event.

b. Method - A plan based on research and analysis and is concerned with physical and technical tasks. Method is a Standing plan as it is used for activities which occur regularly over a period of time.

### **Long answers Questions**

**Question 1:** Why is it that organisations are not always able to accomplish all their objectives?

**Solution :**

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.

**1. Rigidity:** In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a specific time frame. These plans then decide the future course of action and managers may not be in a position to change it. This kind of rigidity in plans may create difficulty. Managers need to be given some flexibility to be able to cope with the changed circumstances.

Following a pre-decided plan, when circumstances have changed, may not turn out to be in the organisations interest.

**2. Cannot Deal With Dynamic Environment:** Business environment is dynamic and thereby, very uncertain. The environment consists of a number of dimensions, economic, political, physical, legal and social dimensions. The organisation has to constantly adapt itself to changes. 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 organization must adapt its functioning to the changing environment.

**3. Huge 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.

**4. Does not Guarantee success:** 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.

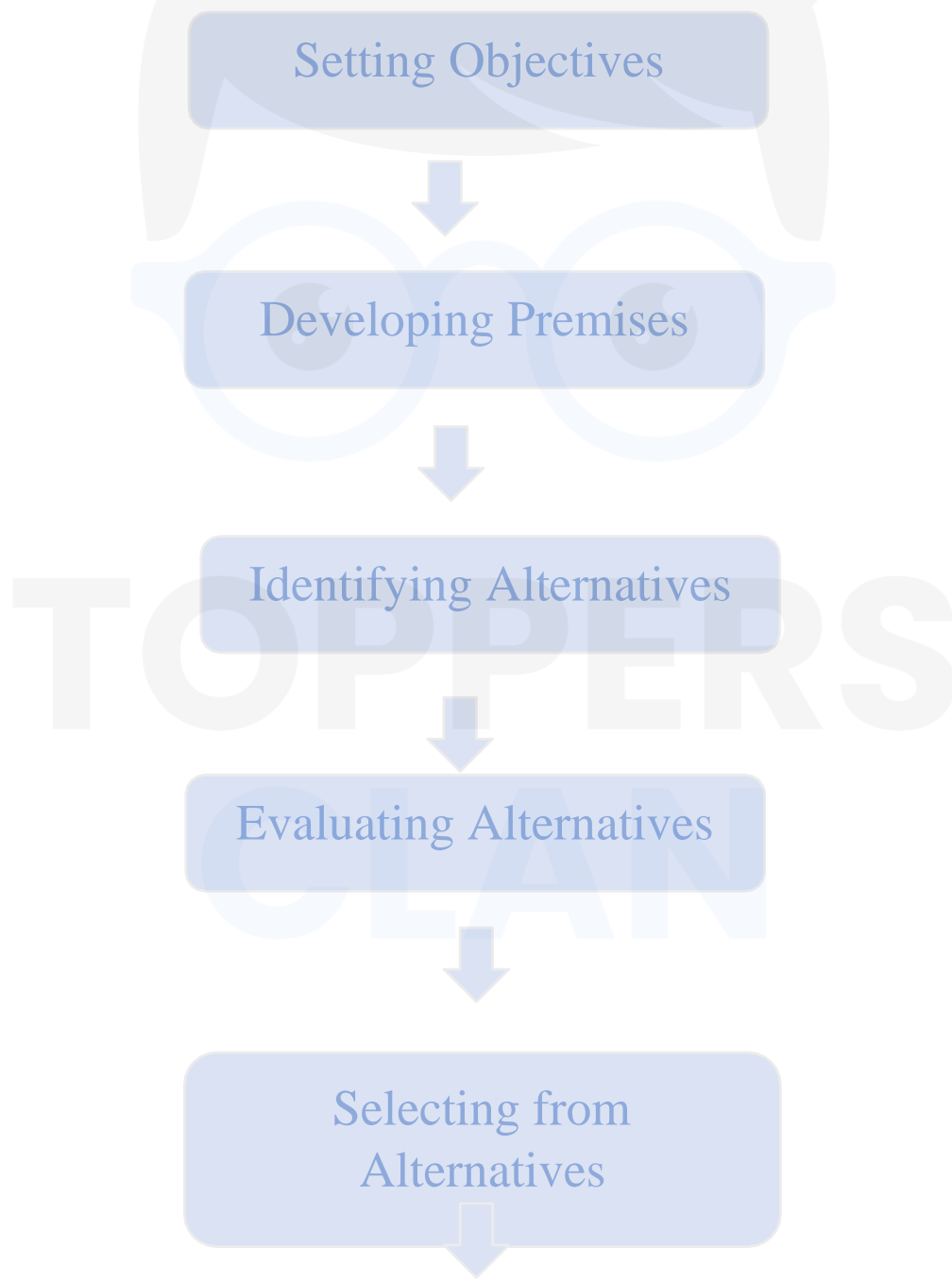
**5. Time Consuming:** Formulating plans is a very time-consuming task, as it involves looking forward in the unforeseen situations. It involves a lot of research and evaluation. This increases the time consumed by the managers and the actual actions may get delayed.

**6. Reduces Creativity:** Planning is an activity which is done by the top management. Usually the rest of the members just implements these plans. As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Most of the time, employees do not even attempt to formulate plans. They only carry out orders. Thus, planning in a way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative.

**Question 2:** What are the steps taken by management in the planning process?

**Solution :**

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



Implementation



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. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. 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. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences.

(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 are 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.

**Question 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).

**Solution :**

The features of Planning highlighted in the situation are given below:

**a. Planning is pervasive:** Planning is required at all levels of Management. It is not only limited to the top-level management, in fact, all the levels equally participate. The top-level management has the responsibility of formulation of the plan and framing the policies for the company. Middle-Level management is responsible for its implementation. The lower level management has to carry the day to day operational planning as done by the supervisor.

**b. Planning is futuristic:** Planning must be futuristic in nature. The main objective of planning is to be able to meet future events according to the best advantage of the organisation. The plan must be able to foresee and analyze the future. It must be able to help the organisation to deal with future events. The manager must be able to anticipate the problems and cope up with them.

**c. Planning is a mental exercise:** Planning is an intellectual activity and mental exercise. It focuses on thinking rather than doing. It decides the future course of action. It requires a systematic method of thinking rather than guesswork.



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