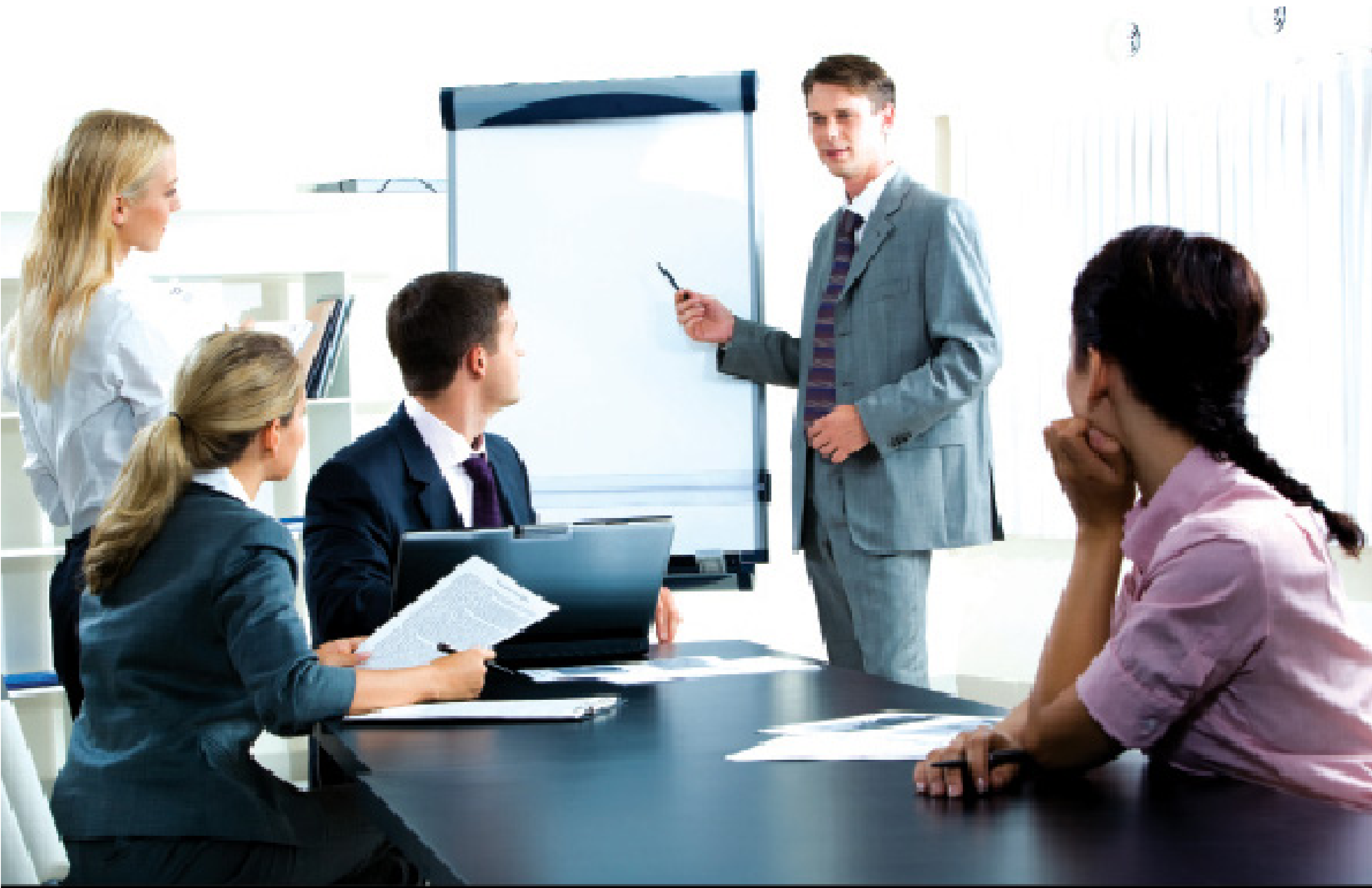


Chapter 4
Planning

CBSE Syllabus

- Concept, importance and limitations
- Planning process
- Single use and standing plans: Objectives, Strategy, Policy, Procedure, Method, Rule, budget and Programme

Content

4.1 **Planning: Concept and Process**
4.2 **Features, Importance and Limitations of Planning**
4.3 **Types of Plans**

Learning Outcomes

After going through this chapter, the students will be able to:

- Understand the concept of planning
- Describe the importance of planning
- Understand the limitations of planning
- Describe the steps in the process of planning
- Develop an understanding of single use and standing plans
- Describe objectives, policies, strategy, procedure, method, rule, budget and programme as types of plans

Planning

Indian Oil Company Limited (IOCL): Plans to Energize with sustainability

Indian Oil is India's largest commercial organisation. It is top ranked Indian company in the Fortune 'Global 500' listings (2017). Indian Oil's vision is driven by a group of dynamic leaders who have made it a name to reckon with. With over 34,000 strong work force, a Maharatna Company, Indian Oil has been helping to meet India's energy demands and reaching petroleum products to every part of India for over five decades. It plans to increase its business operations all around the world. In 2017-18, the company planned to invest ₹20,000 crore in acquisitions and planned to expand overseas. The company always believed to be ahead of the demand. Last year too, IOCL had invested close to ₹20,000 crore, including around ₹16,000 crore in various Indian projects and on acquisition for upstream in Russia. It is noteworthy, between 2012-17, IOCL ended up investing around ₹75,000 crore against the targeted planned investment of around ₹56,200 crore. All investments have been in refinery expansion, upgradation of quality of refineries, building new pipelines, getting more aggressive in petrochemical projects, setting up new natural gas facilities etc. IOCL is also looking at the overseas market. Recently it was decided to open an office in Bangladesh apart from talking to the Government of Bangladesh on many accounts, especially regarding LPG and natural gas where it is trying to take a linkage from IOCL pipeline going up from Damra project and West Bengal border before finally connecting to the Bangladesh network. For Nepal, IOCL plans to build a pipeline between Motihari terminal of IOCL, which is currently coming up, and their own facilities inside Nepal. The company has already signed a Memorandum of Understanding (MoU) with Bhutan and looking at newly opening markets such as Myanmar. The company always feels that they have to keep their eyes open for new acquisitions. The company has got good reserves and were able to generate funds through internal accruals. But on a project basis IOCL will certainly go into the market — both India and Overseas, depending on which is cheaper — to borrow money, if needed.

Business Quote To Enhance Enterprising Skills

There are four P's to accomplishment : Plan purposefully... Prepare properly... Proceed positively... and Pursue persistently

Introduction

You have just read about the plans of Indian Oil Company Limited (IOCL). Of course, these are broad statements given by the company and they have to be broken down into steps for implementation. This is an example of a company with a nation-wide reach striving to be one of the top companies in India. Further more, every organisation whether it is government-owned, a privately owned business or a company in the private sector requires planning. The government makes economic planning for the country, a small business has it's own plans, while other companies have big plans, sales plans, production plans. All of them have some plans. All business firms would like to be successful, increase their sales and earn profits. All managers dream of these and strive to achieve their goals. But to turn these dreams into reality, managers need to work hard in thinking about the future, in making business predictions and achieving targets. Dreams can be turned into reality only if business managers think in advance on what to do and how to do it. This is the essence of planning.

You must have seen in films and advertisements how executives draw up plans and make powerful presentations in boardrooms. Do those plans actually work? Does it improve efficiency? After all why should we plan? These are numerous questions to which we would like to find solutions. Planning is certainly important as it tells us where to go,

it provides direction and reduces the risk of uncertainty by preparing forecasts.

Planning involves setting of goals. The entire managerial process is concerned with accomplishing predetermined goals through planning, organising, staffing, directing and controlling.

Planning is essential for business organisations. It is difficult to manage operations without formal planning. It is important for an organisation to move towards achieving goals. But we have often seen in our daily lives also, that things do not always go according to plan. Unforeseen events and changes, rise in costs and prices, environmental changes, government interventions, legal regulations, all affect our business plans. Plans then need to be modified. If we cannot adhere to our plans, then why do we plan at all? This is what we need to analyse.

However, despite its limitations, planning is not a useless exercise. It is a tool to be used with caution. It provides a base for analysing future courses of action. But, it is not a solution to all problems.

An organisation has to prepare a plan before making any decision related to business operation, or undertaking any project. Plans can be classified into several types depending on the use and the length of the planning period. Certain plans have a short-term horizon and help to achieve operational goals. These plans can be classified into single-use plans and standing plans.

4.1 Planning: Concept and Process

Concept of Planning

Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Before doing something, the manager must formulate an idea of how to work on a particular task. *Thus, planning is closely connected with creativity and innovation.*

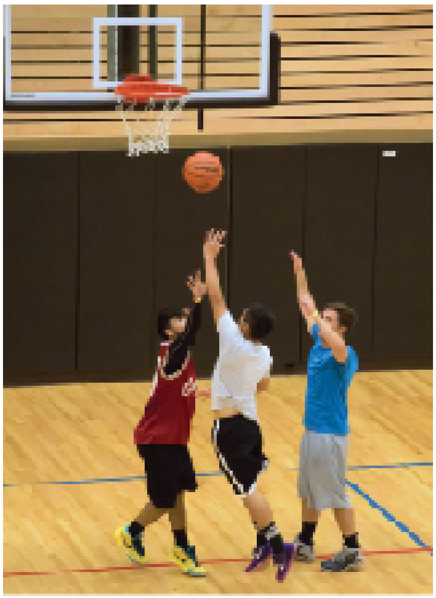
But the manager would first have to set objectives, only then will a manager know where he has to go. *Planning seeks to bridge the gap between where we are and where we want to go.*

Planning is what managers at all levels do. It requires taking decisions since it involves making a choice from alternative courses of action.

Planning involves setting objectives and developing appropriate courses of action to achieve these objectives.

Objectives provide direction for all managerial decisions and actions. Planning provides a rational approach for achieving predetermined objectives. All members, therefore, need to work towards achieving organisational goals. These goals set the targets which need to be achieved and against which actual performance is measured.

Planning means setting objectives and targets and formulating an action plan to achieve them. It is concerned with both ends and means i.e., what is to be done and how it is to be done.



Planning: Keeping the objective in view and being in action

The plan that is developed has to have a given time frame but time is a limited resource. It needs to be utilised judiciously. If time factor is not taken into consideration, conditions in the environment may change and all business plans may go waste. Planning will be a futile exercise if it is not acted upon or implemented.

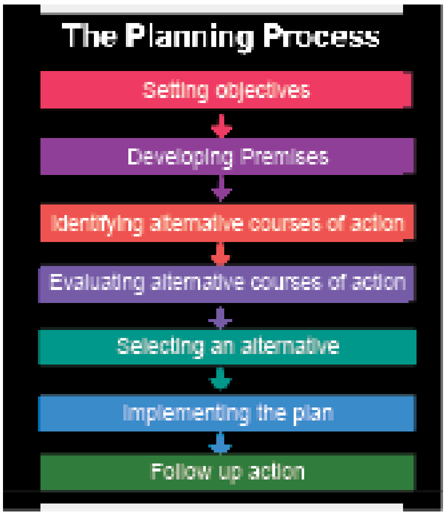
Comprehensive Definition of Planning

Planning can be defined as:

- setting objectives for a given time period,
- formulating various courses of action to achieve them, and then
- selecting the best possible alternative from among the various courses of action available.

Planning Process

Planning is deciding in advance what to do and how to do. It is a process of decision making. How do we go about making a plan? Since planning is an activity there are certain logical steps for every manager to follow.



1. Setting Objectives

The first and foremost step in the planning process is setting objectives. Every organisation must have certain objectives.

- Objectives may be set for the entire organisation and each department or unit within the organisation.
- Objectives or goals specify what the organisation wants to achieve, i.e. end point of planning or the end result of activities. *For example,* an organisation may have an objective of increasing sales by 10% or earning 20% Return on Investment (RoI) from business.

- Objectives serve as a guide for overall business planning.
- They are usually set by top management of the organisation.
- Different departments or divisions in the organisation may have their own objectives.

2. Developing premises

Planning is concerned with the future, which is uncertain. Therefore, the manager is required to make certain assumptions about the future, which are considered to be the base material upon which plans are to be drawn. These assumptions are called '**planning premises**'.

- Assumptions are made in the form of forecasts. Forecasting is important in developing premises as it is technique of gathering information.
- Forecasts can be made about the demand for a particular product, government policy change, interest rates, tax rates, etc. Accurate forecasts, therefore, become essential for successful plans.

3. Identifying alternative courses of action

Once objectives are set and assumptions are made, then the next step is to identify all possible alternative courses of action to achieve the objectives.

If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organisation.

4. Evaluating alternative courses

The next step is to weigh the pros and cons of each alternative. The positive and negative aspects (i.e., feasibility and consequences) of each proposal are evaluated in the light of the objective to be achieved.

For example, in financial plans the risk-return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions are taken.

5. Selecting an alternative

This is the real point of decision-making. The best plan has to be adopted and implemented. The ideal plan would be the most feasible, profitable and with least negative consequences.

- Sometimes, a combination of plans may be selected instead of one best course.
- The manager will have to apply permutations and combinations and select the best possible course of action.

6. Implementing the plan

This step is concerned with putting the plan into action, i.e., doing what is required.

- This is the step where other managerial functions also come into the picture. *For example*, if there is a plan to increase production then more labour, more machinery will be required.
- This step would also involve organising for labour and purchase of machinery.

7. Follow-up action

Follow-up action means to see whether plans are being implemented and activities are performed according to plans. Monitoring the plan is equally important to ensure that objectives are achieved.

RECAP

Concept of Planning

Planning is defined as the process of setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.

Steps in Planning Process **SD IES IF**

1. **Setting objectives:** Objectives may be set for the entire organization and each department or unit within the organization. They specify what the organization wants to achieve.
2. **Developing Premises:** Planning premises are the assumptions made about the future. Assumptions are made in the form of forecasts about the demand for the product etc. Planning premises are base material upon which plans are to be drawn.
3. **Identifying alternative courses of action:** As there may be many ways to achieve the objectives, all the alternative courses of action should be identified and thoroughly discussed.
4. **Evaluating alternative courses of action:** The positive and negative aspects (i.e., feasibility and consequences) of each alternative are evaluated.
5. **Selecting an alternative** which involves scrutinizing the feasibility and consequences of each alternative before a choice is made. This is the real point of decision-making. The best plan would be the most feasible, profitable and with least negative consequences.
6. **Implementing the plan:** It means putting the plan into action. This is the step where other managerial functions also come into the picture. This step would also involve organising for labour and purchase of machinery.
7. **Follow up action** which involves seeing that activities are performed according to plans. Monitoring the plans is equally important to ensure that objectives are achieved.

Objective Type Questions 4.1

1. Planning has no meaning unless ____________ . *(Complete the sentence)*
2. ___________ is a process of decision-making. *(Choose the correct alternative)*
   (a) Planning (b) Organising
   (c) Directing (d) Controlling
3. _______________ is the step in the planning process where other managerial functions also curve into the picture. *(Choose the correct alternative)*
   (a) Evaluating alternative courses (b) Selecting an alternative
   (c) Implementing the plan (d) Following action
4. _________________ is the step in the planning process which involves organising for labour and purchase of machinery. *(Fill up the blank with correct answer)*
5. To see whether plans are being implemented and activities are performed according to schedule is a part of the planning process. *(True/False)*
6. While formulating a plan, the manager is required to make certain assumptions about the future. What are these assumptions called?
7. Following are the steps of Planning Process. Arrange them in correct sequence:
   (a) Developing premises
   (b) Identifying the course of action
   (c) Setting objective
   (d) Evaluating alternative courses
8. "Management translates work into goals and also finds ways and means to achieve those goals." Name the term highlighting the above statement.
9. What is important in developing planning premises and why?
10. 'To see whether plans are being implemented and activities are being performed according to schedule' is a step of planning process.' Identify the step. (CBSE 2013)

Case Studies

Analysing, Evaluating & Creating Type Questions

1. **A company is manufacturing garments. The manager wants to increase profits by purchasing new high speed machines or increasing the sale price or using waste material in manufacturing stuffed toys.**

   He decided that 'using waste material' to increase the profit is the best solution for him.

   (a) Identify the concept of management involved.

   (b) Mention the steps involved in the above process by quoting the lines from the question.

   (c) To complete the process of the concept identified in (a), what two next steps does the manager have to take? Explain. **(6 marks)**

Ans. (a) The concept of management involved is PLANNING.

(b) Steps involved are:

(i) Setting objectives: increasing profits

(ii) Developing premises: making certain assumptions about future.

(iii) Identifying alternative courses of action:

– purchasing new high speed machines, or

– increasing the sale price, or

– using waste material in manufacturing stuffed toys

(iv) Evaluating alternatives: positive and negative aspects of these alternatives are evaluated.

(v) Selecting an alternative: using waste material in manufacturing stuffed toys.

(c) Further steps to complete the process of planning:

(vi) Implementing the plan: This step is concerned with putting the plan into action. It involves organising for labour and purchase of machinery.

(vii) Follow-up action: The managers also take follow up action to ensure that objectives are achieved.

2. **Having transformed 2,500 Kirana stores across eight cities into virtual super markets, the start up Quick Bizz further decided in advance, to collaborate with 15,000-20,000 store owners in top 30 cities of the country by the end of this year. The company has set its eye on digitizing over 1,00,000 kirana stores over next 18-24 months.**

   (a) Identify and explain the step in the process of one of the functions of management discussed above.

   (b) Also explain the last step to be performed by Quick Bizz as part of the process.

   (CBSE SQP 2018) **(4 marks)**

Ans. (a) Following is the step in process of Planning: Setting objectives *(Explain)*

(b) Following is the last step to be performed by Quick Bizz as part of the process of Planning: Follow up action *(Explain)*

3. **On the introduction of Goods and Services Tax Act, experts in the field of business started analysing and forecasting its impact on various sectors and industries. Vivek, an established businessman, attended a few seminars and conferences organised by such experts to familiarise himself with this information. He wanted to use these forecasts to reduce the uncertainty in making decisions for the future in his business.**

   Name the step in the planning process that is being discussed in the above paragraph. (CBSE 2017) **(1 mark)**

Ans. Developing premises

4. **Saurabh decided to start a chocolates manufacturing business. He set the target of earning 10% profit on sales in the first year. As a good businessman, he was concerned about the future of the business, which was uncertain. He gathered information that the demand for chocolates is increasing day-by-day. He used this information as the base for future planning and shared it with his team. On the basis of the gathered information, he scheduled a meeting in the following week to find innovative ways to achieve the objectives.**

   List the first two steps, which have been followed by Saurabh that are related to the process of one of the functions of management. (CBSE 2018) **(1 mark)**

Ans. Two steps of Planning which have been followed by Saurabh are: (i) Setting Objectives (ii) Developing Premises

5. **Saurabh Jain set up a telecom business in Nasik ' Ketone' with an ambitious target of reaching out to 90% of the Indian population within one year. He chose this business on the belief that the demand for data services will increase 4 times within the next 2-3 years. To fulfill such an ambitious target, he had to either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition. He assessed the proposals of different companies vis-à-vis earnings per share, taxes, dividends paid etc. and their future projections knowing fully well that the projections may change if the country's economic policies get modified.**

The above paragraph discusses some of the steps of one of the functions of management. By quoting the lines from the above paragraph, explain these steps in chronological order. (6 marks)

Ans. Steps discussed in the above case are: *(Explain these steps)*

(i) Setting objectives

'Saurabh Jain set up a telecom business in Nasik ' Ketone' with an ambitious target of reaching out to 90% of the Indian population within one year'

(ii) Developing premises

'He chose this business on the belief that the demand for data services will increase 4 times within the next 2-3 years'

(iii) Identifying alternative courses of action

'To fulfill such an ambitious target, he had to either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition'

(iv) Evaluating alternative courses

'He assessed the proposals of different companies vis-à-vis earrings per share, taxes, dividends paid etc and their future projections knowing fully well that the projections may change if the country's economic policies get modified'

6. **Rahul decided to start a desert cooler manufacturing business. He sets the target of earning 20% profit on sales in the first year. He was very much concerned about the future prospects of the business, which were uncertain. For this, he gathered information from the potential market and analyzed that the demand for wall-mounted coolers is increasing day by day. He used this information as the base for future planning. On the basis of the gathered information, he called a meeting in the following week to find new methods to achieve the objective.**

(a) **Identify the function of management involved in the above case.**

(b) **Enumerate the next two steps, which have been followed by Rahul that are related to the process of one of the functions of management.** (CBSE SQP 2018-19) (3 marks)

Ans. (a) Planning

(b) (i)Identifying alternative courses of action (ii) Evaluating alternative courses of action

4.2 Features, Importance and Limitations of Planning

Features of Planning

The planning function of the management has certain special features. These features throw light on its nature and scope.

1. Planning focuses on achieving objectives.

Specific goals are set out in the plans along with the activities to be undertaken to achieve the goals. *Thus, planning is purposeful.*

Planning has no meaning unless it contributes to the achievement of predetermined organisational goals.

2. Planning is a primary function of management.

Planning lays down the base for other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions. This is also referred to as *'the primacy of planning'*.

The various functions of management are interrelated and equally important. However, planning provides the basis of all other functions.

Planning: the first step to management

3. Planning is pervasive.

Planning is required at all levels of management as well as in all departments of the organisation.
Planning is not an exclusive function of top management nor of any particular department. But the scope of planning differs at different levels and among different departments.

- The top management undertakes planning for the organisation as a whole.
- Middle management does the departmental planning.
- At the lowest level, day-to-day operational planning is done by supervisors.

4. Planning is continuous.

Plans are prepared for a specific period of time, may be for a month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions.
Hence, planning is a continuous process because a plan is framed, it is implemented, and is followed by another plan, and so on.

5. Planning is futuristic.

Planning essentially involves looking ahead and preparing for the future.
The purpose of planning is to meet future events effectively to the best advantage of an organisation. It implies peeping into the future, analysing it and predicting it. Planning is, therefore, regarded as a forward looking function based on forecasting.
Through forecasting, future events and conditions are anticipated and plans are drawn accordingly. *For example,* sales forecasting is the basis on which a business firm prepares its annual plan for production and sales.

6. Planning involves decision making.

Planning essentially involves choice from among various alternatives and activities. It involves thorough examination and evaluation of each alternative and choosing the most appropriate one.

Top Tip

If there is only one possible course of action, there is no need for planning because there is no choice. The need for planning arises only when alternatives are available.

7. Planning is a mental exercise.

Planning requires application of mind involving foresight, intelligent imagination and sound judgement.
It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken.

Top Tip

Planning requires logical and systematic thinking rather than guess work or wishful thinking. Thinking for planning must be orderly and based on the analysis of facts and forecasts.

Importance of Planning

No enterprise can achieve its objectives without systematic planning. It is rightly remarked —***"Failing to plan is planning to fail."*** The major benefits of planning are given below:

1. Planning provides directions.

By stating in advance how work is to be done planning provides direction for action.

- Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction.
- If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals.
- Departments and individuals in the organisation are able to work in coordination.

> **Top Tip**
> If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.

2. Planning reduces the risks of uncertainty.

Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.

> **Top Tip**
> Planning cannot eliminate changes or events; but they can be anticipated and managerial responses to them can be developed through planning.

3. Planning reduces overlapping and wasteful activities.

- Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding.
- Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated.
- It is easier to detect inefficiencies and take corrective measures to deal with them.

4. Planning promotes innovative ideas.

Planning is deciding in advance what to do and how to do. Before doing something, the manager must formulate an idea of how to work on a particular task. Thus, planning promotes innovative ideas.

Since planning is the first function of management, new ideas can take the shape of concrete plans.

> **Do You Know?**
> Planning is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.

5. Planning facilitates decision making.

- Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action.
- The manager has to evaluate each alternative and select the best possible alternative course of action.

> **Top Tip**
> Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions.

6. Planning establishes standards for controlling.

- Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standards, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. *Therefore, we can say that planning is a pre-requisite for controlling.*
- If there were no goals and standards, then finding deviations which are a part of controlling would not be possible. *Thus, planning provides the basis of control.*

Limitations of Planning

Planning is essential for all business organisations. It is difficult to manage operations without formal planning. But things do not always go according to plan. Unforeseen events and changes, rise in costs and prices, environmental changes, government interventions, legal regulations, all affect our business plans. Plans then need to be modified. *Thus, planning might fail in spite of the best efforts of management due to the following major limitations of planning:*

1. Planning leads to 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.

Top Tip

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

2. Planning may not work in a dynamic environment.

The business environment is dynamic, nothing is constant. The environment consists of a number of dimensions, economic, political, physical, legal and social dimensions. The organisation has to constantly adapt itself to changes.

- It becomes difficult to accurately assess future trends in the environment if economic policies are modified or political conditions in the country are not stable or there is a natural calamity.
- Competition in the market can also upset financial plans, sales targets may have to be revised and, accordingly, cash budgets also need to be modified since they are based on sales figures.

Planning cannot foresee everything and thus, there may be obstacles to effective planning.

3. Planning reduces creativity.

The top management undertakes planning for the organisation as a whole. Usually, the rest of the members just implement 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.

4. Planning involves huge costs.

When plans are drawn up huge costs are involved in their formulation. These may be in terms of time and money.

- Checking accuracy of facts may involve lot of time. Detailed plans require scientific calculations to ascertain facts and figures.

- There are a number of incidental costs like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan.

Sometimes, the costs incurred may not justify the benefits derived from the plans.

5. Planning is a time-consuming process.

Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.

6. Planning does not guarantee success.

- The success of an enterprise is possible only when plans are properly drawn up and implemented. Any plan needs to be translated into action or it becomes meaningless.
- Managers have a tendency to rely on previously tried and tested successful plans. It is not always true that just because a plan has worked before it will work again. Besides, there are so many other unknown factors to be considered.

This kind of complacency and false sense of security may actually lead to failure instead of success.

Think about it

"Planning always reduces creativity." Comment.

RECAP

Features of Planning **CM OPD F**

1. **Planning focuses on achieving objectives** as specific goals are set out in the plans along with activities to be undertaken to achieve the goals. (Thus, planning is purposeful.)
2. **Planning is futuristic** as it involves looking ahead and preparing for the future to meet future events effectively to the best advantage of the organisation.
3. **Planning involves decision making** as it involves evaluation of each alternative course of action and choosing the most appropriate one.
4. **Planning is a mental exercise.** Planning is an intellectual activity of thinking rather than doing. It requires application of mind involving foresight, intelligent imagination and sound judgement.
5. **Planning is the primary function of management** as it lays down the basis for all other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions. This is also referred to as the 'primacy of planning'.
6. **Planning is pervasive** as it is required in all types of organizations, at all levels of management and in all departments of an organization. Top management undertakes planning for the whole organisation. Middle management does the departmental planning. At the lowest level, day-to-day operational planning is done by supervisors.
7. **Planning is continuous** because a plan is framed and implemented for a specific period of time and is followed by another plan and so on.

Importance of Planning **DR SODI**

1. **Provides direction:** Planning provides directions by deciding in advance what action should be taken. If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.
2. **Reduces the risks of uncertainty:** Planning reduces the risks of uncertainty by anticipating changes and developing managerial responses to them. Planning cannot eliminate changes/uncertainties but can predict them and prepare contingency plans to deal with them.
3. **Reduces overlapping and wasteful activities:** Planning reduces overlapping and wasteful activities by coordinating the activities of different divisions, departments and individuals.
4. **Promotes innovative ideas:** Planning promotes innovative ideas requiring application of mind and foresight. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.
5. **Facilitates decision making:** Planning facilitates decision making by making a choice from among the alternative courses of action.
6. **Establishes standards for controlling:** Planning establishes standards against which actual performance is measured. (A comparison of actual performance with the standards helps to identify the deviations and to take corrective action. Thus, planning is a prerequisite for controlling.)

Limitations of Planning RS DTC®

1. **Planning leads to rigidity.** Plan is drawn with specific targets within a specific time frame. Once the plans are drawn, the managers may not be able to change them. It may not be in the best interest of the organisation when circumstances change.
2. **Planning may not work in a dynamic environment** as the organisation has to constantly adapt itself to changes.
3. **Planning reduces creativity** as it is mostly done by the top management; rest of the members just carry out orders and think on the same lines as others. They are neither allowed to deviate from plans nor are they permitted to act on their own. Thus, their initiative or creativity gets lost or reduced.
4. **Planning involves huge costs** in terms of time and money. Sometimes costs incurred may not justify the benefit derived from the plan.
5. **Planning is time consuming** and sometimes not much time is left for its implementation.
6. **Planning does not guarantee success** unless it is translated into action. Managers have a tendency to rely on previously tried and tested successful plans which may create a false sense of security and lead to failure.

Objective Type Questions 4.2

1. The purpose of planning is _________________. *(Complete the sentence)*
2. Planning is basically an intellectual activity of thinking rather than doing because ____________ . *(Complete the sentence)*
3. "Planning requires logical and systematic thinking rather than guess work or wishful thinking." *(True/False)*
4. 'Planning requires logical and systematic thinking rather than guess work or wishful thinking.' What characteristic of planning does this statement highlight?
5. Which of the following statements is false?
   (a) Planning reduces creativity.
   (b) Planning is economical.
   (c) Planning focuses on achieving objectives.
   (d) Planning is a mental exercise.
6. Following a pre-decided plan, when circumstances have changed, may not turn out to be in the organisation's interest. Which limitation of planning is indicated here?

Case Studies
Analysing, Evaluating & Creating Type Questions

1. **Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2020, for the first time company's number one position in the industry has been threatened because other companies started selling rice on credit also. But the managers of Super Fine Rice Ltd. continued to rely on its previously tried and tested successful plans which didn't work because the environment is not static. This led to decline in sales of Super Fine Rice Ltd. The above situation is indicating two limitations of planning which led to decline in it sales. Identify these limitations.** **(1 mark)**

Ans. (i) Planning does not guarantee success. (ii) Planning may not work in dynamic environment.

2. **ABC Ltd. has a plan of increasing profits by 20%. It has devoted a lot of time and money to this plan. But the competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan. It caused losses to the company. Explain any two limitations of planning highlighted in the above case. Also, quote the lines from it.** **(4 marks)**

Ans. (i) Planning is a time consuming process.
'ABC Ltd. has devoted a lot of time and money to its plan.'
(ii) Planning leads to rigidity
'The competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan.' *(give explanation of these two limitations)*

3. **In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this he set out specific goals along with the activities to be performed to achieve the goals.**

   Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd'.

   It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

   He also found that the farmers grew only paddy, which was an activity of 3-4 months and the land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy, vegetables could be grown.

   The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features. (CBSE 2018) **(4 marks)**

Ans. Features of planning are: *(Explain these features)*

(i) Planning focuses on achieving objectives.

'He set out specific goals along with the activities to be performed to achieve the goals'

(ii) Planning is futuristic.

'He wanted to ensure that the future events meet effectively the best interests of the company'

'Through sales forecasting, he prepared an annual plan for production and sales'

(iii) Planning involves decision making.

'He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year'.

'.... all alternatives were examined and evaluated'

(iv) Planning is a mental exercise.

'Through correct foresight and logical and systematic thinking based on analysis of all facts...'.

4. **Ravi was working in a mobile company. It had an assembling unit in Noida. In this assembling unit, standard output of producing 12 units per day per worker had been set. While assembling mobile phones, he realised that by simply reorganising the sequence of tasks more units can be assembled at a lower cost. He went to his supervisor and informed him about his new discovery. The supervisor, on the contrary, instructed him to carry out work as per the method and techniques decided earlier.**

   Identify this limitation of one of the functions of management. **(1 mark)**

Ans. Planning reduces creativity.

4.3 Types of Plans

Single-use plans and Standing plans

An organisation has to prepare a plan before making any decision related to business operation, or undertaking any project.

A plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met.

The importance of developing Plans is evident from the fact that there may be more than one means of reaching a particular goal. So with the help of logical plans, objectives of an organization could be achieved easily.

Plans can be classified into several types depending on the use and the length of the planning period. Certain plans have a short-term horizon and help to achieve operational goals. These plans can be classified into single-use plans and standing plans.

Single-use Plan	Standing plans (also known as 'Repeat use plans')
A single-use plan is developed for a one-time event or project. • Such a course of action is not likely to be repeated in future, i.e., they are for non-recurring situations. • The duration of this plan may depend upon the type of the project. It may span a week or a month. A project may sometimes be of only one day, such as, organising an event or a seminar or conference. • Single-use plans include: (i) Budgets (ii) Programmes (iii) Projects *Note:* Projects are similar to programmes but differ in scope and complexity.	**A standing plan is used for activities that occur regularly over a period of time.** • Standing plans are used over and over again because they focus on organizational situations that occur repeatedly. • It is usually developed once but is modified from time to time to meet business needs as required. • It is designed to ensure that internal operations of an organisation run smoothly. Such a plan greatly enhances efficiency in routine decision-making. • Standing plans include: (i) Policies (ii) Procedures (iii) Methods (iv) Rules

Top Tip

Single-use and standing plans are part of the operational planning process. There are other types of plans which usually are not classified as single-use or standing plans, e.g. Objectives and Strategies.

1. Objectives

Objectives are the end points which are numerically expressed, that the management seeks to achieve within a given time period, e.g. increasing sales by 10% in the next quarter.

- Objectives specify what the organisation wants to achieve, i.e. end point of planning or the end result of activities. They focus on broad general issues.
- Objectives need to be expressed in specific terms, i.e., they should be measurable in quantitative terms, in the form of a written statement of desired results to be achieved within a given time period.
- Objectives are usually set by the top management and serve as a guide for overall planning. Each unit then formulates their own objectives keeping in view the overall organisational goals.

2. Strategy

A strategy is a comprehensive plan for accomplishing an organisation's objectives taking business environment into consideration.

- This comprehensive plan will include three dimensions:
  (i) determining long term objectives,
  (ii) adopting a particular course of action, and
  (iii) allocating resources necessary to achieve the objective.
- A strategy is part of strategic planning or management. It is a general plan prepared by top management outlining resource allocation, priorities and takes into consideration the business environment and competition.
- It provides broad contours of an organisation's business and refers to future decisions defining the organisation's direction and scope in the long run.
- 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.

- Major strategic decisions will include decisions like whether the organisation will continue to be in the same line of business, or combine new lines of activity with the existing business or seek to acquire a dominant position in the same market. *For example,* a company's marketing strategy has to address certain questions i.e., What is the demand for the product? Which channel of distribution to use? What is the pricing policy? and How do we advertise the product?

3. Policy

Policy is a general guideline that guides thinking or channelises energies towards a particular direction. It brings uniformity in decision making and action for interpretation of strategy.

For example, the admission policy of an educational institution, recruitment policy, pricing policy or purchase policy of a company within which objectives are set and decisions are made.

- Policies are general forms of standing plans that specifies the organisations response to a certain situation like the admission policy of an educational institution. If there is an established policy, it becomes easier to resolve problems or issues. As such, a policy is the general response to a particular problem or situation.
- There are policies for all levels and departments in the organisation ranging from major company policies to minor policies. Major company policies are for all to know i.e., customers, clients, competitors etc., whereas minor polices are applicable to insiders and contain minute details of information vital to the employees of an organisation.
- Policies define the broad parameters within which a manager may function. The manager may use his/ her discretion to interpret and apply a policy. *For example,* the decisions taken under a Purchase Policy may be: should the company make or buy its requirements of packages? how should vendors be selected for procuring supplies? How many suppliers should a company make purchases from? All these queries would be addressed by the Purchase Policy.

Top Tip

Relationship between Policy and Strategy

Policies provide a basis for interpreting strategy which is usually stated in general terms. Policies are guides to managerial action and decisions in the implementation of strategy.

4. Procedure

Procedure consists of sequence of routine steps performed in a chronological order to carry out activities. It details the exact manner in which any *work* is to be performed. *For example,* a procedure for reporting progress in production, a procedure for requisitioning supplies before production.

- The sequence of steps or actions to be taken are generally to enforce a policy and to attain pre-determined objectives.
- Procedures are generally meant for insiders to follow.

Top Tip

Policies and procedures are interlinked with each other.

Procedures are steps to be carried out within a broad policy framework. For example, a publisher of educational books may have the policy of sales through its authorised distributors only. Now, within this policy framework, procedure of sales may involve steps such as receiving payments through cheque or NEFT/RTGS/IMPS from the distributors and then delivery of books to them.

5. Method

Method is the prescribed way or manner in which a task has to be performed taking into consideration the objective of the organisation.

- It deals with a *task* comprising of one step of a procedure and specifies how this step is to be performed. The method may vary from task to task.
- Selection of right method saves time, money and effort and increases efficiency.

Example:

For imparting training to employees at various levels from top management to supervisory management, different methods can be adopted. For higher level management orientation programmes, lectures and seminars can be organised whereas at the supervisory level, on the job training methods and work oriented methods are appropriate.

Top Tip

Difference between Procedure and Method

Any work is divided into specialised tasks. Procedures detail the exact manner in which any *work* is to be performed whereas, a method provides the prescribed ways or manner in which a particular *task* involved in that work. It deals with a task comprising of one step of a procedure and specifies how this step is to be performed.

6. Rule

A rule is a specific statement that specifies clearly what is to be done or not to be done. It is a guide to behaviour.

For example, 'no smoking' in office premises, reporting for work at a particular time, etc.

- A rule does not allow for any flexibility or discretion and prescribes a penalty for violation.
- A rule reflects a managerial decision that a certain action must or must not be taken.
- Rules are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken.

7. Budget

A budget is a statement of expected results for a given future period expressed in numerical terms, e.g. Sales budget, Cash budget, etc.

For example, a sales budget may forecast the sales of different products in each area for a particular month.

- A budget is a plan which quantifies future facts and figures.
- A budget is a statement of expenses, revenue and income for a specified period.
- Since budget represents all items in numbers, it becomes easier to compare actual figures with expected figures and take corrective action subsequently. Thus, a budget is also a control device from which deviations can be taken care of. But making a budget involves forecasting, therefore, it clearly comes under planning. It is a fundamental planning instrument.

Do You Know?

The cash budget is a basic tool in the management of cash. It is a device to help the management to plan and control the use of cash. It is a statement showing the estimated cash inflows and cash outflows over a given period. Cash inflows would generally come from cash sales and the cash outflows would generally be the costs and expenses associated with the operations of the business. The net cash position is determined by the cash budget i.e., inflows minus outflows = surplus or deficiency. The management has to hold adequate cash balances for various purposes. But at the same time, it should avoid excess balance of cash since it gives little or no return. The business has to assess and plan its need for cash with a degree of caution.

8. Programme

Programmes are detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action. *Examples*: Construction of a shopping mall, opening a new department, etc.

- A programme may consist of identifying steps, procedures required for opening a new department to deal with other minor work.
- Programmes will include the entire gamut of activities as well as the organisation's policy and how it will contribute to the overall business plan. The minutest details are worked out i.e., procedures, rules, budgets, within the broad policy framework.

RECAP

Types of Plans

A single-use plan is developed for a one-time event or project. Such a course of action is not likely to be repeated in the future. *Examples:* Budget, Programme.

Standing plans are used for activities that occur regularly over a period of time. It is designed to ensure that internal operations of an organisation run smoothly.

Examples: Policy, Procedure, Method and Rule.

Note: Objective and Strategy are not classified under single use plans or standing plans.

1. **Objectives:** Objectives are the end points which are numerically expressed, that the management seeks to achieve within a given time period, e.g. increasing sales by 10% in the next quarter. Objectives are usually set by top management and focus on broad general issues. Objectives serve as a guide for overall planning.
2. **Strategy:** A strategy provides broad contours of an organsiation's business and refers to future decisions defining the organisation's direction and scope in the long run.

   Example: Marketing strategy of an organisation – which channel of distribution to use? what is the pricing policy? and how to advertise the product? A strategy is a comprehensive plan for accomplishing an organisation's objectives taking competition and business environment into consideration. It includes three dimensions: (i) determining long-term objectives, (ii) adopting a particular course of action, and (iii) allocating resources necessary to achieve the objectives.
3. **Policy:** Policy is a general statement that guides thinking or channelises energies towards a particular direction. It defines the broad parameters within which a manager may function. It brings uniformity in decision making and action.

   Example: Recruitment Policy, Purchase Policy, etc.
4. **Procedure:** It consists of sequence of routine steps performed in a chronological order to carry out activities within a broad policy framework. It details the exact manner in which any *work* is to be performed.

   Example: Procedure for reporting progress in production.
5. **Method:** Method is the prescribed way or manner in which a task has to be performed considering the objective. It deals with a task comprising of one step of a procedure and specifies how this step is to be performed. Selection of right method saves time, money and effort and increases efficiency.

   Example: For imparting training to higher level managers orientation programmes, lectures and seminars can be organised whereas on the job methods are appropriate at the lower level.
6. **Rule:** Rule is a specific statement that informs what is to be done or not to be done. It is a guide to behaviour. A rule does not allow for any flexibility or discretion.

   Example: No smoking in office. Rules are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken.
7. **Budget:** A budget is a statement of expected results for a given future period expressed in numerical terms.

   Examples: Sales budget, Cash budget, etc. A budget is a statement of expenses, revenue and income for a specified period. A budget is also a control device from which deviations can be taken care of. But making a budget involves forecasting, therefore, it is a fundamental planning instrument.
8. **Programme** is a detailed statement about a project which outlines the objectives, policies, procedures, rules, resources required and the budget to implement any course of action.

   Examples: Construction of a shopping mall, opening a new department, etc.

Extra Shots

Kinds of plans: Objective, Strategy and Policy of Mitticool

During the devastating earthquake of January 2001, Mansukhbhai incurred heavy loss and most of his goods were damaged. He distributed the leftover stock that was undamaged, to the quake affected masses of Kutch. This led to a photograph that was taken just after the earthquake and featured on the Sandesh Gujarati Daily in February 2001. It showed a broken water filter that was made by Mansukhbhai with a caption that said "The poor man's broken fridge".

At that time, he met the Gujarat Grass-roots Innovation Augmentation Network (GIAN), Ahmedabad, which supported Mansukhbhai further in his endeavours. Finally after an arduous quest and several tests of soil and fridge designs, he emerged with the innovative Mitticool fridge in 2005. After that he has innovated various products using clay.

- In 2011-12, his company posted a turnover of 25 lakhs and the company is growing at 15% annually. He was eyeing to achieve a target of 35 lakhs by the end of the next fiscal year. – **Objective**
- The company has stuck to its policy of keeping all its products at a lower rate which will be affordable for the poor people.– **Policy**
- Their future plans include starting a factory with the aid of the National Innovation Foundation at IIM Ahmedabad and making a MittiCool house. It will be a green (eco-friendly) house with clay that will have no electricity but only renewable energy to maintain a comfortable temperature inside." – **Strategy**

Key Terms

Planning – Planning can be defined as setting objectives for a given time period, formulating various courses of action to achieve them, and then selecting the best possible alternative from among the various courses of action available.

Objectives or goals – Objectives or goals specify what the organisation wants to achieve, i.e. end point of planning or the end result of activities.

Planning Premises – Planning is concerned with the future, which is uncertain. Therefore, the manager is required to make certain assumptions about the future, which are considered to be the base material upon which plans are to be drawn. These assumptions are called 'planning premises'.

Implementing the plan – It means putting the plan into action, i.e., doing what is required.

Follow-up action – It means to see whether plans are being implemented and activities are performed according to plans.

Primacy of planning – Planning precedes other functions of management. This is also referred to as 'the primacy of planning'.

Planning is pervasive – It means that planning is required at all levels of management as well as in all departments of the organisation.

Single-use Plan – A single-use plan is developed for a one-time event or project. Single-use plans include Budgets, Programmes and Projects.

Standing plans – A standing plan is used for activities that occur regularly over a period of time. Standing plans include Policies, Procedures, Methods and Rules.

Objectives – Objectives are the end points which are numerically expressed, that the management seeks to achieve within a given time period, e.g. increasing sales by 10% in the next quarter.

Strategy – A strategy is a comprehensive plan for accomplishing an organisation's objectives taking business environment into consideration.

Policy – Policy is a general guideline that guides thinking or channelises energies towards a particular direction.

Procedure – Procedure consists of sequence of routine steps performed in a chronological order to carry out activities. It details the exact manner in which any work is to be performed.

Method – Method is the prescribed way or manner in which a task has to be performed taking into consideration the objective of the organisation.

Rule – A rule is a specific statement that specifies clearly what is to be done or not to be done.

Budget – A budget is a statement of expected results for a given future period expressed in numerical terms, e.g. Sales budget, Cash budget, etc.

Programme – Programmes are detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.

Objective Type Questions 4.3

1. Organising an event or a seminar or conference is a ____________________ (Single use plan/standing plan) *(Fill up the blank with correct option)*
2. Objectives and strategies are classified as standing plans. *True/False?*
3. Match the following :

(i) Rule	(a) Single use plan
(ii) Budget	(b) Standing plan
(iii) Method	
(iv) Programme	

4. Opening a new department is an example of _______________. (Project/Programme) *(Fill up the blank with correct option)*
5. ____________ is a statement of expenses, revenue and income for a specified period. *(Choose the correct alternative)*
   (a) Programme (b) Budget
   (c) Objective (d) Rule
6. A _______ is designed to ensure that internal operation of an organisation run smoothly. (Single use plan/ Standing plan) *(Fill up the blank with correct option)*
7. A ________________ enhances efficiency in routine decision making.(Single use plan/ Standing plan) *(Fill up the blank with correct option)*
8. A ________________ is developed once but is modified from time to time to meet business needs as required. (Single use plane/Standing Plan) *(Fill up the blank with correct option)*
9. Match the following :

(i) General forms of standing plans that specifies the organisation response to a certain situation	(a) Method
(ii) Steps to be followed in particular circumstances.	(b) Rule
(iii) The manner in which a task has to be performed	(c) Policy
(iv) Clear statement as to exactly what has to be done.	(d) Procedure

10. Match the following :

(i) Reporting progress in production	(a) Objective
(ii) Reporting for work at a particular time	(b) Strategy
(iii) Guide for overall planning	(c) Rule
(iv) General plan prepared by top management outliving resource allocation, priorities and takes into consideration the business environment and corporation	(d) Procedure

11. A _____________ may be prepared to show the number of workers required in the factory at peak production times. *(Fill in the blank with the correct type of plan)*
12. Budget is only a planning instrument. *True/False?*
13. Budget is a fundamental planning instrument. *True/False?*
14. _____________ will include the entire gamut of activities as well as the organisation's policy and how it will contribute to the overall business plan. *(Choose the correct alternative)*
    (a) Policy (b) Programme
    (c) Budget (d) Objectives
15. Rules are usually the simplest type of plans because __________ . *(Complete the sentence)*
16. ___________ reflects a managerial decision that a certain action must or must not be taken. *(Choose the correct alternative)*
    (a) Policy (b) Rule
    (c) Method (d) Objective
17. __________ deals with a task comprising one step of a procedure and specifies how this is to be performed. *(Fill up the blank with correct answer)*

18. _______________ provide the prescribed ways or manner in which a task has to be performed considering the objective. *(Choose the correct alternative)*
    (a) Procedures (b) Methods
    (c) Rules (d) Policies

19. _________ detail the exact manner in which any work is to be performed. *(Choose the correct alternative)*
    (a) Procedures (b) Methods
    (c) Rules (d) Policies

20. Policies and procedures are interlinked with each other because _________. *(Complete the sentence)*

21. _________ provide a basis for interpreting strategy which is usually stated in general terms. *(Fill up the blank with correct answer)*

22. Policies are guide to managerial action and decision in the implementation of ________. *(Fill up the blank with correct answer)*

23. ___________ is the general response to a particular problem or situation. *(Choose the correct alternative)*
    (a) Objective (b) Strategy
    (c) Policy (d) Rule

24. __________ defines the broad parameters within which a manager may function. *(Choose the correct alternative)*
    (a) Objective (b) Policy
    (c) Rule (d) Budget

25. Match the following :

(i) The end result of activities	(a) Policy
(ii) The broad contours of an organisation's business	(b) Procedure
(iii) The general response to a particular problem or situation	(c) Objective
(iv) It details the exact manner in which any work is to be performed	(d) Strategy

26.Match the following:

(i) The end point of planning	(a) Method
(ii) A comprehensive plan for accomplishing an organisation's objectives	(b) Objective
(iii) General statements that guide thinking or channelise energies towards a particular direction	(c) Strategy
(iv) It provides the prescribed ways or manner in which a task has to be performed considering the objective	(d) Policy

27. A __________ provides the broad contours of an organisation's business. *(Choose the correct alternative)*
    (a) Objective (b) Strategy
    (c) Policy (d) Programme

28. A _________ refers to future decisions defining the organisation's direction and scope in the long run. *(Choose the correct alternative)*
    (a) Objective (b) Strategy
    (c) Policy (d) Budget

29. __________ take the course of forming the organisation's identity in the business environment. *(Choose the correct alternative)*
    (a) Objectives (b) Strategies
    (c) Policies (d) Programmes

30. Match the following:

(i) Deciding as to what will be the pricing policy? which channel of distribution to use? and how to advertise the product?	(a) Objectives
(ii) The future state of affairs which the organisation strives to realise	(b) Strategies
(iii) The guide to managerial action and decisions	(c) Programme
(iv) Detailed statements about a project which outlines the objectives, policies, procedures rules, tasks, human and physical resources required and the budget to implement any course of action	(d) Policies

31. Name the type of plan which provides the broad contours of an organisation's business. (CBSE 2012)

32. Name the type of plan which is time bound and linked with measurable outcome. (CBSE 2012)

33. A company needs a detailed plan for its new project, "Construction of a Shopping Mall". What type of plan is it?

34. Increasing sales by 10% in the next quarter is an important type of plan. Identify the type of plan.

(Choose the correct alternative)

(a) Objective (b) Policy
(c) Strategy (d) Programme

35. __________ are routine steps on how to carry out activities. *(Choose the correct alternative)*

(a) Policies (b) Strategies
(c) Procedures (d) Rules

36. Name the type of plan which represents the end point of planning. *(Choose the correct alternative)*

(a) Objectives (b) Strategies
(c) Procedures (d) Rules

37. Name the type of plan which refers to future decisions defining the organisation's direction and scope in the long run.

(Choose the correct alternative)

(a) Objectives (b) Strategies
(c) Procedures (d) Rules

38. Name the type of plan which defines the formal parameters within which the managers may function.

(Choose the correct alternative)

(a) Policies (b) Strategies
(c) Procedures (d) Rules

39. Name the type of plan which reflects the managerial decision that a certain action must or must not be taken.

(Choose the correct alternative)

(a) Policies (b) Procedures
(c) Strategies (d) Rules

40. Chaitanya Limited follows a standard procedure for selection of a Production Manager for its company. Is it a single-use plan or a standing plan? Give the reason.

41. Sahil Limited prepares budget for its Annual General Meeting for Financial Year 2020-21. Is it a single-use plan or a standing plan? Give the reason.

42. Shagun Ltd. decides to advertise its products on radio and newspapers. What type of plan it is?

43. Tanya Ltd. decides that at the supervisory level, on-the-job training can be used while for higher level management, lectures and orientation programmes should be organised. What type of plan it is? known as?

44. Which one of the following is a standing plan? *(Choose the correct alternative)*

(a) Policy (b) Budget
(c) Project (d) Programme

Case Studies

Analysing, Evaluating & Creating Type Questions

1. **An Auto Company, Win 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. The Board of Directors of the Company announced a meeting to discuss the decisions regarding pricing and launching a new range of models, in order to increase the market share of the company. Attending the meeting was not a discretion for the directors and a penalty was announced for not attending the meeting. The following decisions were taken in the meeting:**

   (a) to define the desired future position of the company, as acquiring a dominant position in the market by increasing the market share to 10% in 1 year.

   (b) to change the criteria for choosing vendors for procuring supplies;

   (c) to invest in development of the human resources of the organisation by providing training to higher levels by holding seminars and providing on the job training for the supervisory management.

   What are standing plans and single use plans? Briefly explain the plans discussed above, which can be classified as standing plans, by quoting the lines. **(5 marks)**

Ans. Standing plans are used for activities that occur regularly over a period of time. It is designed to ensure that internal operations of an organisation run smoothly.

A single use plan is developed for a one-time event or project. Such a course of action is not likely to be repeated in the future.

The following type of plans discussed above are classified as standing plans:

(i) *"changing the vendors ……."*

Policy is a general statement that guides thinking or channelizes energies towards a particular direction.

(ii) *"Seminar for higher levels……supervisory management"*

Method provides the prescribed ways or manner in which a task has to be performed considering the objective.

(iii) *"Attending the meeting not discretion ………. penalty"*

Rules are specific statements that inform what is to be done.

2. Two years ago, Madhu completed her degree in food technology. She worked for some time in a company manufacturing chutneys, pickles and murabbas. She was not happy in the company and decided to have her own organic food processing unit for the same. She set the objectives and the targets and formulated action plan to achieve the same.

One of her objective was to earn 10% profit on the amount invested in the first year. It was decided that raw materials like fruits, vegetables, spices etc. will be purchased on three months credit from farmers cultivating organic crops only. She also decided to follow the steps required for marketing of the products through her own outlets. She appointed Mohan as Production Manager who decides the exact manner in which the production activities are to be carried out. Mohan also prepared a statement showing the number of workers that will be required in the factory throughout the year. Madhu informed Mohan about her sales target for different products, areawise for the forthcoming quarter. While working on the production table a penalty of ₹100 per day for not wearing the cap, gloves and apron was announced.

Quoting lines from the above para identify and explain the different types of plans discussed.

(CBSE 2016) **(5 marks)**

Ans. (i) Objective

'…to earn 10% profit on the amount invested in the first year.'

(ii) Policy

'It was decided that raw materials ….. cultivating organic crops only.'

(iii) Procedure

'She also decided to follow the steps required for marketing of the products through her own outlets.'

(iv) Method

'…decides the exact manner in which the production activities are to be carried out.'

(v) Budget

'Mohan also prepared a statement showing the number of workers ….. the forthcoming quarter.'

(vi) Rule

'While working on the production table a penalty of ₹100 per day for not wearing the cap, gloves and apron was announced.' *(explain any five)*

3. Laxmi Chemicals Ltd., a soap manufacturing company wanted to increase its market share from 30% to 55% in the long run. A recent report submitted by the Research & Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavendear, Mogra, Lemon Grass, Green Apple, Strawberry etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life style. The company decided to allocate ₹30 crores to achieve the objective.

Identify the type of one of the functions of management mentioned above which will help the company to acquire dominant position in the market. (CBSE SQP 2016) **(1 mark)**

Ans. Strategy

4. **Define 'Policy'as a type of plan. Why is policy called a basis for interpreting strategy? Explain with example.** (3 marks)

Ans. Policy is a general statement that guides thinking or channelises energies towards a particular direction.

Policy provides a basis for interpreting strategy as it guides to managerial action and decisions in the implementation of strategy. For example, a company may have a recruitment policy, pricing policy, purchase policy, etc. within which objectives are set and decisions are made. If there is an established policy, it becomes easier to resolve problems or issues. As such, a policy is the general response to a particular problem or situation.

5. **Vardan Patel started the business of preparation and supplying sweets through home delivery at a production cum show-room 'Express Sweets' at Ahmedabad. He made a plan forecasting the sales of different types of sweets in various localities of Ahmedabad for each month of the year to earn a profit of 20% on Capital employed.**

He sets a sales target of ₹20,00,000 in the current year with a 10% increase every year.

He then set the criteria for selecting suppliers from whom he would make purchases of raw material. The planning paid off and the business was able to achieve its targets.

(a) Identify any two types of plans by quoting the lines from the above.

(b) Also give the meaning of the types of plans identified in part (a) above. (CBSE 2018) (4 marks)

Ans. (a) The two types of plans are:

(i) Objective

'He set a sales target of ₹20,00,000 in the current year with a 10% increase every year.'

'He made a plan forecasting the sales of different types of sweets in various localities of Ahmedabad for each month of the year to earn a profit of 20% on Capital employed.'

(ii) Policy

'He then set the criteria for selecting suppliers from whom he would make purchases of raw material.'

(b) Give the meaning of objective and policy.

6. **Gunjan is the director of Zyesha Ltd., a ladies garments manufacturing company. In a Board's meeting, she addresses certain questions such as**

— What is the demand for the product?

— Which channel of distribution to use?

— What is the pricing policy?

— How do we advertise the product?

Identify and explain the type of plan highlighted above. (3 marks)

Ans. Strategy (explain)

7. **Panorama Ltd. is a company selling LED television sets. Shivek, a manager of the company, makes certain decisions in the nature of manufacturing or buying decisions, should the company make or buy its requirements of packages, printing of labels, selection of vendors for procuring supplies?**

Identify and explain the type of plan highlighted above. (3 marks)

Ans. Policy: The manager of Panorama Ltd. is making the company's Purchase Policy. *(Explain)*

8. **Mr. Mohan, Financial manager of ABC Ltd., has prepared the annual Statement of proposed expenditure to be presented in the Annual General Meeting.**

Identify the type of plan formulated by the financial manager. (CBSE SQP 2018-19) (1 mark)

Ans. Budget is the type of plan formulated by the financial manager.

9. **Name the type of plan which is prepared to show the number of workers required in the factory at peak production times.** (1 mark)

Ans. Budget

10. **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. sets its long-term objective to increase profits by 20% features**

and new technological advancements. For this, the company raises ₹100 crore by issuing equity shares.

(a) Identify the type of plan the company is preparing.

(b) State its three dimensions by quoting the line from the above paragraph. **(4 marks)**

Ans. (a) Strategy

(b) Strategy is a comprehensive plan for accomplishing an organisation objectives. It includes three dimensions:

(i) Determining long term objectives

"C Ltd. sets its long-term objective to increase profits by 20% in the next year."

(ii) Adopting a particular course of action

"... the company is introducing new models with added features and new technological advancements."

(iii) Allocating resources necessary to achieve the objective

"... the company raises ₹100 crore by issuing equity shares."

11. Maruti started offering a discount of ₹ 20,000 on purchase of Wagon R. In response to this, Hyundai started with a scheme of free MP3 player with every Santro. Identify the type of plan indicated in the given statement. **(1 mark)**

Ans. Strategy

12. In 'Chak De India' movie, Shahrukh Khan becomes the coach of the girls' hockey team. He knows that he has to prepare the girls for the international hockey matches and bring the world cup after winning. For this he prepares a long-term plan and thinks the ways how to beat the competitors. He coaches the girls to play in different ways like defensive, offensive, etc. At the outset of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.

Identify any three types of plans that are highlighted in the above case, quoting the lines from it. **(3 marks)**

Ans. (i) Objective

'...bring the world cup after winning.'

(ii) Strategy

'For this he prepares a long-term plan and thinks the ways how to beat the competitors.'

(iii) Method

'He coaches the girls to play in different ways like defensive, offensive, etc.'

(iv) Procedure

'At the outset of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.' *(any three)*

13. A reputed car manufacturing company in NCR is facing the problem of decline in its market share due to its internal mismanagement. Therefore it has planned to increase its production capacity at its Gurgaon plant by manufacturing low priced eco-friendly cars for price sensitive consumers and introducing new models with added features for quality conscious consumers. For this the company issues shares to the public and raises ₹ 150 crore. The company purchases more machinery required to increase production.

(a) Identify the type of plan the company is preparing.

(b) State the steps involved in this plan quoting the lines from the above case. **(4 marks)**

Ans. (a) Strategy

(b) Steps involved in preparing a strategy are:

(i) Determining long-term objectives

... it has planned to increase its production capacity at its Gurgaon plant...'

(ii) Adopting a particular course of action

'...manufacturing low priced eco-friendly cars for price sensitive consumers and introducing new models with added features for quality conscious consumers.'

(iii) Allocating resources necessary to achieve the objectives

'...the company issues shares to the public and raises ₹150 crore. The company purchases more machinery required to increase production.'

Self Assessment Test 1

Planning

Time allowed **: 1 hour** ***Maximum Marks*** **: 25**

Q.1 Planning can eliminate changes or events. *(True/False)* (1 mark)

Q.2 Match the columns: (1 mark)

(i)	A type of plan which serves as a controlling device as well.	(A)	Policy
(ii)	A plan based on research and analysis and is concerned with physical and technical tasks.	(B)	Method
(iii)	A plan which includes the entire gamut of activities as well as the organisation's policy and how it will contribute to the overall business plan.	(C)	Budget
(iv)	A type of plan that specifies the organisation's response to a certain situation.	(D)	Programme

Q.3 Name the step in the process of planning which is considered the "real point of decision making". (1 mark)

Q.4 Varsha Jain after completing her fashion designing course from Indian Institute of Fashion Technology planned to enter into designer clothing venture. She had to address issues like her target customers, channel of distribution to be used, pricing policy etc. The type of plan that Varsha Jain needs to develop to provide direction and scope to her organisation in the long run is ______________. *(Fill up the blank with correct answer)* (1 mark)

Q.5 State the main aspects in the concept of planning. (3 marks)

Q.6 "Failing to plan is planning to fail." Comment. (3 marks)

Q.7 Mega Ltd. holds an Annual Management Programme every year in the month of March in which the top managerial personnel formulate plans for the next year by analysing and predicting the future to meet future events effectively. As they are responsible for providing direction to the organisation, facts are thoroughly checked through scientific calculations. Detailed plans are prepared after discussion with professional experts. Preliminary investigations are also undertaken to find out the viability of the plan. Since it is an intellectual activity requiring intelligent imagination and sound judgement, it is mainly done by the top management. Usually rest of the members just implement the plans. Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own. The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them.

State two limitations and two features of planning discussed above. (4 marks)

Q.8 Matta Auto Ltd. is manufacturing different types of commercial vehicles. Their sales were rupees two hundred crores in the previous year. The company decided to increase sales by 20% during the current year. It conducted internal as well as external audits for the same. Through internal audit, they analysed the strengths and weaknesses of the business across all departments. External audit focused on the opportunities and the threats in the constantly changing business environment. Thus, a comprehensive plan was prepared taking into consideration the business environment and the necessary resources were allocated to achieve the target. The company directed its offices throughout the country to follow the plan. The company's commitment to develop effective plans to achieve a consistent increase in sales has ensured its continual growth over the past one decade.

Identify and explain the two types of plans discussed above. (5 marks)

Q.9 Explain the following statements related to the planning function of management: (6 marks)

(i) Planning is closely connected with creativity and innovation

(ii) Planning will be a futile exercise if it is not acted upon or implemented.

(iii) Planning is the most challenging activity for the management

(iv) Planning is a pre-requisite for controlling.

(v) Planning is purposeful.

(vi) Planning is not an exclusive function of top management.

Self Assessment Test 2

Planning

Time allowed **: 1 hour** *Maximum Marks* **: 25**

Q.1 Planning is the most challenging activity for the management as ____________. *(Complete the sentence)* (1 mark)

Q.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.

The step of the planning process which has been performed by Ms. Rajni is __________ .

(Fill up the blank with correct answer) (1 mark)

Q.3 As a part of its comprehensive plan 'Neerja Ltd. decided to combine a new line of activity with its existing footwear business.

The type of plan is ______________ . *(Fill up the blank with correct answer)* (1 mark)

Q.4 How does planning help in taking rational decisions? (1 mark)

Q.5 Define 'Budget' as a type of plan. Why is budget also a control device? Why is it regarded as a fundamental planning instrument? (3 marks)

Q.6 State any three limitations of planning. (3 marks)

Q.7 Pan Masala and Sons is a manufacturer of tobacco products. It decided to increase profits by at least 20% in the next quarter. It has many options.

(i) To increase the working hours of labourers without additional payment.
(ii) To employ children from the local community.
(iii) To sell its products outside the schools and colleges.

It opted the (ii) and (iii) options to achieve the target.

(a) Identify the function of management described in the above para.
(b) State the steps of the process involved in the function of management identified in (a) quoting the lines from the above para. (4 marks)

Q.8 Answer the following questions: (5 marks)

(a) What would be the consequences if there was no planning?
(b) How does planning provide the basis of control?
(c) What does 'primacy of planning' refer to?
(d) Why is planning an intellectual activity of thinking rather than doing?
(e) Can planning eliminate changes/uncertain events? Give reason.

Q.9 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 above. (6 marks)

Self Assessment Test 3

Planning

Time allowed **: 1 hour** ***Maximum Marks*** **: 25**

Q.1 Planning is purposeful since ____________. *(Complete the sentence)* (1 mark)

Q.2 A plan is framed, it is implemented, and is followed by another plan on the basis of new requirements and future conditions. Which of the following best describes the above statement? *(Choose the correct alternative)* (1 mark)

(a) Planning focuses a achieving objectives.
(b) Planning is continuous.
(c) Planning is futuristic.
(d) Planning is a mental exercise.

Q.3 Raj Auto Ltd. was engaged in manufacturing motor cycles. Its long term objective was to capture the market by increasing sales every year. For this it analysed the pricing policy of the competitors. To achieve this objective it decided to offer a discount of ₹3,000 and free insurance on purchase of every motor cycle. This attracted the customers and the sales increased. The type of plan being followed by Raj Auto Ltd. is __________. *(Fill up the blank with correct answer)* (1 mark)

Q.4 Planning is an exclusive function of top management. *(True/False)* (1 mark)

Q.5 Give the meaning of 'Procedure' and 'rule' as types of plans. (3 marks)

Q.6 Explain the following as features of planning: (3 marks)

(a) Planning is continuous; and
(b) Planning is futuristic.

Q.7 Identify and explain the type of plan and state whether they are Single use or Standing plan: (4 marks)

(a) A type of plan which serves as a controlling device as well.
(b) A plan based on research and analysis and is concerned with physical and technical tasks.

Q.8 Suhasini a home science graduate from a reputed college has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable price. She discussed her idea with her teacher (mentor) who encouraged her. After analyzing various options for starting her business venture, they shortlisted the option to sell ready made and 'ready to make' vegetable shakes and sattu milk shakes. Then, they both weighed the pros and cons of both the shortlisted options.

(a) Identify the function of management being discussed above and give any one of its characteristics.
(b) Also briefly discuss any three limitations of the function discussed in the case. (5 marks)

Q.9 Explain the importance of planning in an organisation by giving any four points. (6 marks)

Self Assessment Test 4

Planning, Nature and Significance of Management, Principles of Management and Business Environment

***Time allowed* : 1 hour 30 minutes** ***Maximum Marks* : 40**

Q.1 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.

The type of plan highlighted in the given example is ________. *(Fill up the blank with correct answer)* (1 mark)

Q.2 Match the following: (1 mark)

(i) Planning for the organisation as a whole.	(a) Supervisors
(ii) Operational planning	(b) Middle management
(iii) Departmental planning	(c) Top management

Q.3 The process by which a manager synchronises the activities of different departments is known as __________ .

(Choose the correct alternative) (1 mark)

(a) Coordination (b) Cooperation
(c) Organising (d) Supervision

Q.4 Name the levels of management: (1 mark)

(i) overseeing the efforts of the workforce
(ii) formulating organisational goals

Q.5 Management principles are not the principles of pure science. Write any one difference. (1 mark)

Q.6 (i)__________ are procedures or methods, which involve a series of steps to be taken to accomplish desired goals, whereas (ii)___________ are guidelines to take decisions or actions. (Principles of management/ Techniques of management) *(Fill up the blank with correct options)* (1 mark)

Q.7. What is included in 'Political Environment' of business? State. (1 mark)

Q.8 The main objectives of India's development plans have been to initiate rapid economic growth to raise the standard of living and reduce unemployment, poverty and inequalities of income and wealth.

Which of the following dimensions of business environment is highlighted above?

(Choose the correct alternative) (1 mark)

(a) Economic environment (b) Social environment
(c) Legal environment (d) Both (a) and (b)

Q.9 Prem India Limited is a well-established International Camera Company. It was pioneer in introducing products like non-digital 'aim and shoot' cameras. After tasting success in the previous project, they introduced wide array of products in DSLR cameras. Their products range from 20 to 250 mega pixels digital cameras. With the advancement of technology, they planned to make huge investment in developing and selling even higher resolution digital cameras. The made a budget allocation of ₹ 1,000 crore in developing it. The company has started working on this improved product. It is a lengthy process of research and development. It may take 2 to 3 years to actually start production. In the mean time one of its competitors moved a step forward and developed and marketed mirror-less cameras in the market. It resulted in heavy losses to Prem India Limited.

Identify any three limitations of planning by quoting the lines from the above para. (3 marks)

Q.10 Give the meanings of:

(a) Liberalisation (b) Privatisation (c) Globalisation (3 marks)

Q.11 Akshat and Kshitiz are managers at the same level of management in a company. Akshat says that management is an 'art' whereas Kshitiz says that management is a 'science'. As the director of the company, explain the true nature of management to Akshat and Kshitiz. (4 marks)

Q.12 XYZ Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.

Identify by quoting lines and explain the objectives of management discussed above. (4 marks)

Q.13 Principles of Taylor and Fayol are mutually complementary. One believed that the management should scientifically select the person and the work assigned should suit his/her physical and intellectual capabilities, while the other suggested that the work can be performed more efficiently if divided into specialised tasks.

Identify and explain the principles of Fayol and Taylor referred to in the above para. (4 marks)

Q.14 Explain any four points highlighting the significance of management principles. (4 marks)

Q.15 Why it is important for business enterprises to understand their environment? Explain briefly. (5 marks)

Q.16 Identify and explain the types of plan: (5 marks)

(i) It may consist of identifying steps, procedures required for opening a new department to deal with other minor work.

(ii) It is a statement of expenses, revenue and income for a specified period.

(iii) It specifies the organisation's response to a certain situation.

(iv) It describes the specified steps to be followed in particular circumstances.

(v) It provides the manner in which a task has to be performed.

Self Assessment Test 5

Planning, Nature and Significance of Management, Principles of Management and Business Environment

Time allowed **: 1 hour 30 minutes** ***Maximum Marks*** **: 40**

Q.1 Rama Stationery Mart has made a decision to make all the payments by e-transfers only. The type of plan adopted by Rama Stationery Mart: *(Choose the correct alternative)* (1 mark)

(a) Strategy (b) Policy

(c) Rule (d) Procedure

Q.2 ____________ are the base material upon which plans are to be drawn. *(Choose the correct alternative)* (1 mark)

(a) Objectives (b) Premises

(c) Alternatives (d) Implementation

Q.3 "Effectiveness means doing the task correctly and with minimum cost." *(True/False)* (1 mark)

Q.4 Fayol was the first to identify four functions of management. Name those four functions. (1 mark)

Q.5 Distinguish between 'Unity of command' and 'Unity of direction' principles of management on the basis of 'Implications'. (1 mark)

Q.6 Match the following function of management: (1 mark)

(i) Setting goals in advance and developing a way of achieving them effectively and effectively.	(a) Planning
(ii) Establishing an atmosphere that encourages employees to do their best.	(b) Organising
(iii) Determining what activities and resources and resources are required.	(c) Staffing
(iv) Recruitment selection, placement and training of personnel	(d) Directing
(v) Determining what activities and outputs are critical to success	(e) Controlling

Q.7 'Industrial policy, monetary policy and fiscal policy, are a part of ____________ environment. *(Choose the correct alternative)* (1 mark)

(a) Economic (b) Legal

(c) Social (d) Political

Q.8 Why is business environment called dynamic? State. (1 mark)

Q.9 The Government of India announced 'demonetisation' of ₹ 500 and ₹ 1,000 currency notes with effect from the midnight of November 8, 2016. As a result, the existing ₹ 500 and ₹ 1,000 currency notes ceased to be legal tender from that date. New currency notes of the denomination of ₹ 500 and ₹ 2,000 issued by Reserve Bank of India after the announcement.

Discuss 'demonetisation' in the light of the changes in business environment under various heads. (3 marks)

Q.10 "Planning may not work in a dynamic environment." Explain. (3 marks)

Q.11 A. R. Rehman is the first Indian to win Oscar award for his composition 'Jai Ho'. His composition of music is unique as he has used the singing notes in a manner that is entirely his own interpretation. Like A. R. Rehman, Mr. Sugan, General Manager in Star Ltd., uses his knowledge of management in a unique manner. All the employees working under his guidance are happy and satisfied because of his good behaviour. He everyday rewards/appreciates the employees for coming office on time, performing their assigned tasks with best of their capabilities. Moreover, Mr. Sugan treats all his employees as fairly as possible. He does not discriminate his employees on the basis of sex, religion, caste, belief, etc.

Identify and explain the nature of the management highlighted in the above case. (3 marks)

Q.12 Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employees compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.

Identify and explain the principles of Fayol and Taylor referred to in the above para. (3 marks)

Q.13 Define principles of management. An organisation follows the principles of management. What are the positive effects of each of the following principles of management on the organisation? (4 marks)

(i) Oder

(ii) Unity of direction

(iii) Division of work

Q.14 Ultra Paint Co. which is manufacturing paints had been enjoying a prominent market position as it manufactured best quality paints, made timely payment of taxes to government. It assembled various inputs like finance, machines, raw materials, etc. from its environment. But since last year it has been dumping its untreated poisonous waste on the river bank which has created many health problems for the people. As a result, the court passed an order to seal the manufacturing unit of the company. (5 marks)

(a) State the importance of business environment highlighted quoting the line from the above case.

(b) Identify and explain any two dimensions of business environment mentioned in the above case by quoting lines from it.

Q.15 Mr. Shiv Sharma and Ms. Suhasini are both managers of HTL Ltd. Mr. Shiv is the CEO of the company and Ms. Suhasini is a branch manager at HTL Ltd. They manage the enterprise at different levels. At which levels of management are they working in HTL Ltd.? State any two functions which they must be performing at HTL Ltd. (5 marks)

Q.16 After completing her studies in product design, Sarita wishes to start her own business to design products to cater to the mobility and communication requirements of persons with special needs. She told her friend that she wanted to focus on supplying high quality products at affordable prices. The Unique Selling Proposition (U.S.P) of the products would be sensitivity of the challenges and needs of the differently abled people.

She wants to employ only differently abled persons in her factory and sales offices across the country. This decision of Sarita provides the base for interpreting her strategy. This also defines the broad parameters within which the company may recruit the persons. Sarita has also to decide about the exact manner and the chronological order of how the selection of the differently abled applicants will be done.

In the above lines, Sarita is discussing about one of the functions of management. This function has several types. Identify and explain the types Sarita is discussing in the above lines. (5 marks)

Check List to Objective Type Questions

Objective Type Questions 4.1

1. it contributes to the achievement of pre-determined organisational goals.
2. (a) Planning
3. (c) Implementing the plan
4. Implementing the plan
5. True: This step of the planning process is 'Follow-up action'.
6. Planning premises
7. (c) Setting objective (a) Developing premises (b) Identifying the course of action (d) Evaluating alternative courses.
8. Planning
9. Forecasting is important in developing premises as it is a technique of gathering information about demand for a particular product, interest rates, tax rates, etc.
10. Follow up action

Objective Type Questions 4.2

1. to meet future events effectively to the best advantages of an organisation.
2. it is mental exercise of determining the action to be taken.
3. True: Planning is intellectual thinking based on the analysis of facts and forecasts.
4. Planning is mental exercise.
5. (b) Planning is economical.
6. Planning leads to rigidity.

Think about it: False: Because planning promotes innovative ideas. Since planning is the first function of management, new ideas can take the shape of concrete plans. However, planning in a way reduces creativity since people tend to think along the same lines as others.

Objective Type Questions 4.3

1. Single use plan.
2 False: Objectives and strategy are not classified as single use or standing plans.
3. (i)-(b), (ii)-(a),(iii)-(b),(iv)-(a)
4. Programme.
5. (b) Budget
6. Standing plan
7. Standing plan
8. Standing Plan
9. (i)-(c), (ii)-(d),(iii) – (a), (iv)-(b)
10. (a)-(iv), (b)-(iii),(c)-(i),(d)-(ii)
11. Budget
12. False: A budget is also a control device from which deviations can be taken care of.
13. True: Because a budget is a statement of expected results expressed in numerical terms. It involves forecasting, therefore, it clearly comes under planning.
14. (b) Programme
15. There is no compromise or change unless a policy decision is take.
16. Rule
17. Method
18. (b) Methods
19. (a) Procedures
20. procedures are steps to be carried out withing a broad policy framework.
21. Policies
22. Strategy
23. (c) Policy
24. (b) Policy
25. (i)-(c), (ii)-(d)(iii)-(a),(iv)-(b)
26. (i) - (b),(ii)-(c),(iii)-(d),(iv)-(a)
27. (b) Strategy
28. (b) Strategy
29. (b) Strategies
30. (a)-(ii),(b)-(i),(c)-(iv),(d)-(iii)
31. Strategy
32 Objective/Budget
33. The company will prepare 'Programme'.
34. (a) Objective
35. (c) Procedures
36. (a) Objectives
37. (b) Strategies
38. (a) Policies
39. (d) Rules
40. Standing Plan; because the selection procedure will be used over and over again with necessary modifications only
41. Single use plan; because it will be discarded when the annual general meeting is over.
42. Strategy
43. Method
44. (a) Policy

Answers to Self Assessment Tests Questions

Self Assessment Test 1

1. False: Planning can only anticipate changes or events and develop managerial response to them. However, changes or events cannot be eliminated.
2. (i) – (C), (ii)- (B), (iii) - (D), (iv) – (A)
3. Selecting an alternative
4. Strategy
5. (i) Setting objectives for a given time period.
   (ii) Formulating various courses of action to achieve them.
   (iii) Selecting the best possible alternative from among the various courses of action available.
7. Two limitations of planning discussed above are:
   (i) Planning reduces creativity
   (ii) Planning involves huge costs *(Explain)*
   Two features of planning discussed above are:
   (i) Planning is futuristic
   (ii) Planning is a mental exercise *(Explain)*
8. The two types of plans discussed above are:
   (a) Objectives (b) Strategy *(Explain)*
9. (i) Planning is deciding in advance what to do and how to do. Before doing something, the manager must formulate an idea of how to work on a particular task. Thus, planning is closely connected with creativity and innovation.
   (ii) The plan that is developed has to have a given time frame but time is a limited resource. It needs to be utilised judiciously. If time factor is not taken into consideration, conditions in the environment may change and all business plans may go waste. Planning will be a futile exercise if it is not acted upon or implemented.
   (iii) Planning is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.
   (iv) Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with standards, if there is any deviation it can be corrected. Therefore, planning is a prerequisite for controlling.
   (v) Planning is purposeful as it focuses on achieving objectives. Specific goals are set out in the plans along with the activities to be undertaken to achieve the goals.
   (vi) Planning is pervasive. It is required at all levels of management as well as in all departments of the organisation. Thus, planning is not an exclusive function of top management.

Self Assessment Test 2

1. it guides all future actions leading to growth and prosperity of the business.
2. Identifying alternative courses of action
3. Strategy
4. Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions.
5. A budget is a statement of expected results expressed in numerical terms. For example, a sales budget may forecast the sales of different products in each area for a particular month.
   Since budget represents all items in numbers, it becomes easier to compare actual figures with expected figures and take corrective action subsequently. Thus, a budget is also a control device from which deviations can be taken care of.
   Since a budget which quantifies future facts and figures, and involves forecasting, therefore, it clearly comes under planning. It is a fundamental planning instrument in many organisations.
7. (a) Planning
   (b) Steps involved in planning process:
      (i) Setting organisational objectives: '...increase profits by at least 20% in the next quarter.'
      (ii) Identifying and evaluating alternative courses of action: "It has many options: to increase the working hours of labourers without additional payment, or to employ children from the local community, or to sell its products outside the schools and colleges."
      (iii) Selecting the best possible alternative(s): "It opted to employ children from the local community, and to sell its products outside the schools and colleges."
8. (a) If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.
   (b) Planning establishes standard for controlling. If there were no goals and standards, then finding deviations which are a part of controlling would not be possible. Therefore, planning provides the basis of control.
   (c) Planning is a primary function of management. Planning lays down the base for other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions. This is referred to as the primacy of planning.
   (d) Planning requires application of the mind involving foresight, intelligent imagination and sound judgement. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken.
   (e) Planning involves looking ahead and anticipating changes. Planning only shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated.
9. (i) Planning is pervasive.
   (ii) Planning is futuristic.
   (iii) Planning is a mental exercise. *(Explain)*

Self Assessment Test 3

1. specific goals are set out in the plans along with the activities to be undertaken to achieve the goals.
2. (b) Planning is continuous.
3. Strategy
4. False: planning is pervasive, i.e. it is required at all level of management as well as in all department of the organisation.
7. (a) Budget: A single use plan *(explain)*
   (b) Method: A Standing plan *(explain)*
8. (a) Planning
   Characteristic of planning – *Planning focuses on achieving objectives* *(Explain)*
   (b) Limitations of planning *(Explain)*
      (i) Planning leads to rigidity
      (ii) Planning reduces creativity
      (iii) Planning is a time-consuming process

Self Assessment Test 4

1. Strategy
2. (i)-(c), (ii)-(a),(iii)-(b)
3. (a) Coordination
4. (i) Supervisory management (ii) Top level management
6. (i) Techniques of management
   (ii) Principles of management
8. (d) Both (a) and (b)
9. (i) Planning involves huge cost.
   "With the advancement of technology, the planned to make huge investment in developing and selling even higher resolution digital cameras. The made a budget allocation of ₹1,000 crore in developing it."
   (ii) Planning is time-consuming.
   "It is a lengthy process of research and development. It may take 2 to 3 years to actually start production."
   (iii) Planning may not work in a dynamic environment.
   "In the mean time one of its competitors moved a step forward and developed and marketed mirror-less cameras in the market. It resulted in heavy losses to Prem India Limited."
13. (i) *'Management should scientifically select the person and the work assigned should suit his/her physical and intellectual capabilities'*— Development of each and every person to his/her greatest efficiency and prosperity *(Explain)*
   (ii) *'The work can be performed more efficiently if divided into specialised tasks'*— Division of work (Explain)
16. (i) Programme (ii) Budget (iii) Policy (iv) Procedure
   (v) Method *(explain)*

Self Assessment Test 5

1. (b) Policy
2. (b) Premises
3. False
4. Planning, Organising, Directing and Controlling.
6. (i) – (a), (ii) – (d), (iii) – (b), (iv) – (c), (v) – (e)
7. (a) Economic
9. (a) Legal environment *(Explain)*
   "Government of India announced 'demonetisation' of ₹ 500 and ₹1,000 currency notes..."
   (b) Economic environment *(Explain)*
   "...the existing ₹500 and ₹1,000 currency notes ceased to be legal tender from that date. New currency notes of the denomination of '500 and '2,000 issued by Reserve Bank of India after the announcement."
11. Management is an art *(Explain)*
12. Harmony, not Discord and Remuneration of employees *(Explain)*
13. (i) Orderliness will lead to increased productivity and efficiency.
   (ii) Unity of direction ensures unity of action and coordination.
   (iii) Division of work leads to specialisation and results in efficient and effective output.
14. (a) Business environment helps in tapping useful resources.
   'It assembled various inputs like finance, machines, raw materials, etc. from its environment.'
   (b) (i) Social environment *(give explanation)*
   '...it has been dumping its untreated poisonous waste on the river bank which has created many health problems for the people.'
   (ii) Legal environment *(give explanation)*
   '...the court passed an order to seal the manufacturing unit of the company.'
15. (a) Mr. Shiv Sharma, the CEO of the company is working at the top level management.
   (Give two statements highlighting functions of top level management.)
   (b) Ms. Suhasini, a branch manager at HTL Ltd. is working at the middle level management.
   (Give two statements highlighting functions of middle level management.)
16. Types of plans Sarita is discussing in the above lines are: *(explain)*
   (a) Policy (b) Procedure