

Chapter 4 · Planning

CBSE Class 12 Business Studies (054) · Part A · Unit 4+5 = 14 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap between where we are and where we want to reach.
Features (6)	Focuses on objectives, Primary function, Pervasive, Continuous, Futuristic, Involves decision-making, Mental exercise
Importance (6)	Direction, Reduces uncertainty, Reduces overlapping, Promotes innovation, Facilitates decision-making, Basis of controlling
Limitations (6)	Rigidity, Fails in dynamic environment, Reduces creativity, Huge costs, Time-consuming, No guarantee of success
Process (7 steps)	Objectives → Premises → Alternatives → Evaluate → Select → Implement → Follow-up
Types	Single-use: Programme, Budget Standing: Objective, Strategy, Policy, Procedure, Method, Rule

1. Meaning & Features

WRITE THIS VERBATIM Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It is the process of setting objectives and developing a course of action to achieve them. Planning bridges the gap between where we are and where we want to reach.

1. **Planning focuses on achieving objectives** — organisations are set up with a general purpose; planning states specific goals and the activities to reach them.
2. **Planning is a primary function of management** — it is the **base** of all other functions. Organising, staffing, directing and controlling are all performed within the framework of the plans drawn up.
3. **Planning is pervasive** — required at all levels and in all departments. Top level plans for the whole organisation, middle level for the department, lower level for day-to-day operations.
4. **Planning is continuous** — plans are made for a period, and at the end of that period a new plan is drawn based on new requirements. It is a never-ending cycle.
5. **Planning is futuristic** — it is **looking ahead**; it involves peeping into the future, analysing it and predicting it.
6. **Planning involves decision-making** — it requires a **choice from among alternatives**. If there is only one possible course of action, there is no need to plan.
7. **Planning is a mental exercise** — it is an **intellectual activity of thinking** rather than doing; it requires logical and systematic thinking, not guesswork.

2. Importance of Planning

D-U-O-I-D-C — **D**irection, **U**ncertainty reduced, **O**verlapping reduced, **I**nnovation, **D**ecision-making, **C**ontrolling basis

1. **Planning provides directions** — it states in advance how work is to be done, so departments and individuals work in a coordinated way. Without it, employees would work in different directions.
2. **Planning reduces the risks of uncertainty** — it enables a manager to anticipate changes and prepare a response, so the organisation is not caught unaware.
3. **Planning reduces overlapping and wasteful activities** — when activities of departments are coordinated in advance, confusion and duplication are avoided and wastage is reduced.
4. **Planning promotes innovative ideas** — it is the **first** function of management, so new ideas take the shape of concrete plans. It is the most challenging and creative activity.
5. **Planning facilitates decision-making** — the manager evaluates each alternative against the objectives and chooses the most feasible one.
6. **Planning establishes standards for controlling** — it provides the **standards** against which actual performance is measured. Without a plan there is nothing to control against.

3. Limitations of Planning

1. **Planning leads to rigidity** — a well-defined plan locks managers into a fixed course; they may not be able to change it even when circumstances demand it.
2. **Planning may not work in a dynamic environment** — the business environment is constantly changing, and the organisation has to adapt continuously, which planning cannot always anticipate.
3. **Planning reduces creativity** — planning is usually done by top management; the rest merely implement, so they cannot deviate or think for themselves and become mere executors.
4. **Planning involves huge costs** — formulating plans requires expert advice, scientific calculations and detailed information; sometimes the costs exceed the benefits.
5. **Planning is a time-consuming process** — it takes so much time that there may be little time left for actual implementation.
6. **Planning does not guarantee success** — a plan that worked before is no guarantee of success again. Managers may develop a false sense of security.

TRAP “Planning leads to rigidity” and “planning reduces creativity” are **different** points. Rigidity = the plan cannot be changed. Reduced creativity = the employees cannot think for themselves. Do not merge them.

4. Planning Process (7 Steps)

#	Step	What happens
1	Setting objectives	Objectives are set for the whole organisation and then for each department and unit. They specify what is to be achieved, where action is required and who is responsible.
2	Developing premises	Premises are the assumptions and forecasts about the future on which the plan is based. All managers must use the same premises , or plans will conflict.
3	Identifying alternative courses of action	All possible ways of reaching the objective are listed. Both usual and innovative alternatives should be brought out.
4	Evaluating alternative courses	Each alternative is weighed for its positive and negative consequences against the objectives, using assumptions and the resources available.

5	Selecting an alternative	The best plan is chosen — the most feasible, profitable one with the least negative consequences. Sometimes a combination of plans is chosen.
6	Implementing the plan	Putting the plan into action — organising resources, deploying manpower, purchasing machinery.
7	Follow-up action	Monitoring the plan to ensure objectives are achieved and taking corrective action where needed.

O-P-A-E-S-I-F — *Objectives, Premises, Alternatives, Evaluate, Select, Implement, Follow-up*

5. Types of Plans

Type	Category	Meaning & example
Objectives	Standing	The end points that every organisation seeks, stated in specific terms . Eg: <i>increase sales by 10% this year.</i>
Strategy	Standing	A comprehensive plan for accomplishing objectives. It involves (1) determining long-term objectives (2) adopting a particular course of action (3) allocating resources. Always formed by top management . Eg: <i>choosing to advertise on TV rather than in print.</i>
Policy	Standing	General statements that guide thinking and channelise energy; they define the boundary within which decisions are made. Eg: <i>"the customer is always right".</i>
Procedure	Standing	Routine steps on how to carry out activities, in chronological order . Eg: <i>the steps for admitting a student.</i>
Method	Standing	The prescribed way or manner in which a task has to be performed — one step of a procedure. Eg: <i>the method of teaching a topic (lecture or demonstration).</i>
Rule	Standing	Specific statements of what is to be done or not done. No flexibility, no discretion ; they are the simplest type of plan. Eg: <i>"No Smoking".</i>
Programme	Single-use	A detailed statement about a project outlining the objectives, policies, procedures, rules, tasks, resources and budget needed. Eg: <i>a programme for constructing a new plant.</i>
Budget	Single-use	A statement of expected results expressed in numerical terms . It is a plan and a control device. Eg: <i>a sales budget of ₹50 lakh.</i>

THE BIG THREE CONFUSIONS *Policy vs Procedure vs Rule* — Policy is a **general guideline** allowing discretion; Procedure is the **sequence of steps**; Rule is **rigid** and allows **no discretion**.

Single-use vs Standing — Single-use plans are used **once** for a non-repetitive situation (Programme, Budget); Standing plans are used **again and again** for repetitive situations (the other six).

Objective vs Strategy — Objective is **what** you want to achieve; Strategy is the **overall plan of how** to achieve it.

6. Case-Study Keyword Triggers 40% of the paper is competency-based

If the case says...	The answer is...
"No smoking", "must wear uniform", "strictly not allowed"	Rule
"step 1, step 2, step 3", "chronological sequence"	Procedure
"customer is always right", "general guideline for decisions"	Policy
"expressed in numbers / rupees / units"	Budget
"detailed plan for a one-time project"	Programme

"long-term direction decided by top management"	Strategy
"increase sales by 15% by March"	Objective
"the particular way of doing one step"	Method
"assumed inflation would be 5% while planning"	Developing premises
"could not change the plan even when the market changed"	Planning leads to rigidity
"employees only followed orders, could not suggest"	Planning reduces creativity
"two departments were doing the same work"	Planning reduces overlapping (importance)

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the steps in the planning process.
2. **[6M]** Explain the importance / limitations of planning. (often asked as "planning is not a guarantee of success — explain")
3. **[4-6M]** Explain the types of plans / distinguish between the types given in a case.
4. **[4M]** Distinguish between policy and procedure / rule and policy / objective and strategy.
5. **[3M]** Explain any three features of planning.
6. **[1M]** Which plan is the simplest type and allows no discretion? → **Rule**
7. **[1M]** Name the plan that is a single-use plan expressed in numerical terms. → **Budget**

KEY LINE TO REMEMBER — "Planning is the **primary** function of management and the **basis of controlling**. It is looking ahead; controlling is looking back." This one sentence links Ch 4 and Ch 8 and is worth a mark in both.