1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 03 (Class XII, Semester - 1)
Module Name/Title	Planning: Part – 2
Module Id	Lebs_10402
Pre-requisites	Knowledge about concept, features and importance of planning in business
Objectives	After going through this lesson, the learners will be able to understand the following: 1. Limitations of planning 2. Process of planning
Keywords	Limitations (Rigidity, dynamic, Huge cost, Time consuming process), Process (Objectives, Goals, Planning Premises, Follow up action)

2. Development team

Role	Name	Affiliation
National MOOC Coordinator (NMC)	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Mohd. Mamur Ali	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Subject Matter Expert (SME)	Ms. Nandini Mutreja	R.S.K.V Laxmi Nagar, Delhi
Review Team	Ms. Preeti Sharma	Kendriya Vidyalaya JNU, New Delhi

Limitations of Planning

We have seen how planning is essential for business organizations. It is difficult to manage operations without formal planning. It is important for an organization 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 analyze. The major limitations of planning are given below:

(i) 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. In other words it effects 'initiative and creativity'. Managers need to be given some flexibility to be able to cope with the changed circumstances. Following a pre-decided plan, when circumstances have changed, may not turn out to be in the organization's interest. With planning, the managers of the organization start working rigidly and they become the blind followers of the plan only. Employees become more concerned with observing the programmes and procedures rather than achieving the goals. They become reluctant to deviate from plans due to fear of criticism. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

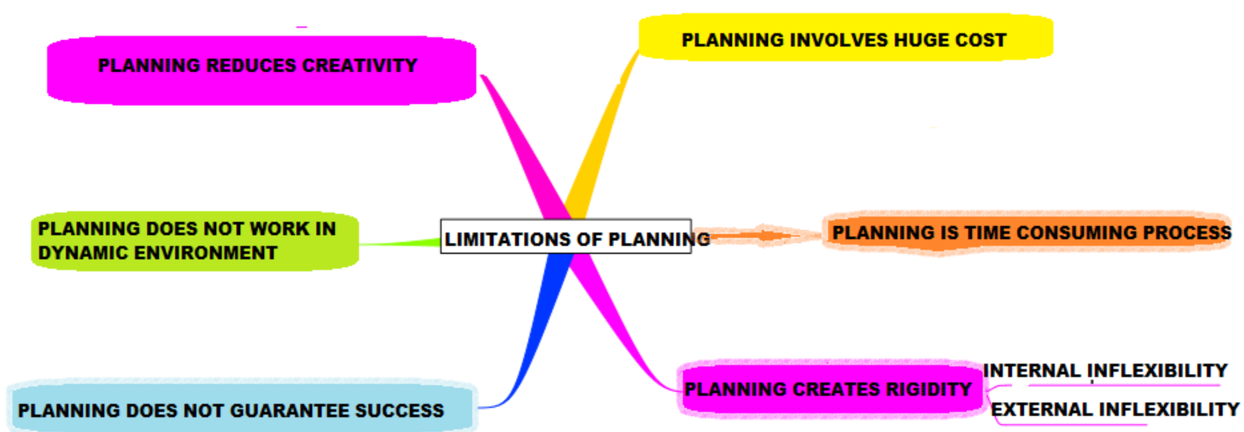
(ii) Planning may not work in a dynamic environment: Planning is based on the anticipation of future happenings. The business environment is dynamic, nothing is constant. The environment consists of a number of dimensions, economic, political, physical, legal and social dimensions. The organization has 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.

(iii) Planning reduces creativity: Planning is an activity which is done by the top management. 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.

(iv) Planning involves huge costs: Planning is an expensive process. Money, time and efforts have to be spent in forecasting, collection of information, evaluation of alternatives etc. When plans are drawn up huge costs are involved in their formulation. These may be in terms of time and money for example, checking accuracy of facts may involve lot of time. It is an intellectual process and companies need to hire professional experts to carry on this process. Detailed plans require scientific calculations to ascertain facts and figures. The costs incurred sometimes may not justify the benefits derived from the plans. There are a number of incidental costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan. Planning should be economical i.e. the cost of planning should not exceed the gains expected from it. Management must exercise intellectual judgment to balance the expenses of preparing plans against the benefits derived from them. Planning is useful only when its benefits are more than its costs.

(v) 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. It requires collection of information and data, its analysis and interpretation and then drawing of plan on its basis. All activities take a lot of time. Therefore, planning is not practicable during and crises when on the spot decisions are necessary. In such situations, the existing plans may have to be abandoned. Planning may cause delay in decisions and actions. And whenever there is need for prompt and immediate decision then we have to be avoid planning. Any delay caused by planning may deprive the business of a profitable opportunity.

(vi) Planning does not guarantees 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. However, despite its limitations, planning is not a useless exercise. It is a tool to be used with caution. It provides a base for analyzing future courses of action. But, it is not a solution to all problems.



Planning Process

Planning, as we all know 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.

i) **Setting Objectives:** The first and foremost step 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. It could mean an increase in sales by 20% which could be objective of the entire organisation. How all departments would contribute to the organisational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/units then need to set their own objectives within the broad framework of the organisation's philosophy. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting process. They must also understand how their actions contribute to achieving objectives. If the end result is clear it becomes easier to work towards the goal. Since the primary motto of the business is to earn reasonable profits, every manager has to determine certain objectives in respect of production, sales, purchases, financing, etc. for successfully running the business. Objectives have a hierarchy of their own,e.g. organisational objectives, departmental objectives, and individual objectives. They are determined and defined in the same hierarchial order. Objectives specifying the expected results indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished.

ii) **Developing Premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises.

Planning premises are the assumptions about the likely shape of events of future. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and using the same assumptions. For example, forecasting is important Planning in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecast , therefore become essential for successful plans.

Planning premises forecasts the obstacles, problems or limitations in the path of effective planning because of which the plans may deviate. It requires SWOT analysis i.e, the strengths, weaknesses, opportunities and threats for the organization are analysed.

Planning premises may be of the following kinds:

a) Tangible and Intangible Premises: Assumptions which can be expressed in quantitative terms are called tangible premises,e.g. units of production, capital investment, time available, etc. On the other hand,intangible premises like employee morale, goodwill of the enterprise, motivation, etc. cannot be expressed in quantitative terms.

b) Internal and External premises: Assumptions about the internal working of the enterprise are known as internal premises, e.g. capital, machines, personnel, etc. On the other hand, factors outside the enterprise are called external premises, e.g. changes in technology, population growth, changes in competition, government policies, etc.

c) Controllable and Uncontrollable Premises: Policies and programmes of the organization which can be fully regulated by the management are controllable premises. Uncontrollable premises are the external factors like trade cycles, political changes, etc, which are beyond the control of the management. Factors which are partly under the control of management, e.g. price policy, sales area, etc. are called semi-controllable premises.

All these premises are evaluated to know what are the points of deviation which may lead to failure of plan.

iii) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives

should be generated and thoroughly discussed amongst the members of the organisation. This is the stage where all possible alternatives are exposed without going into the merits or demerits of the alternatives. It may involve lots of research and market study to explore the possible alternatives.

iv) **Evaluating alternative courses:** The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. In financial plans, for example, 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 taken. Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences. The fourth step in planning, therefore is to search for and examine these alternative courses of action. All such possible alternatives should be located and listed for their analytical and comparative evaluation.

v) **Selecting an alternative:** This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgment and at times, intuition play an important part in selecting the most viable alternative. 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. It must be chosen on the basis of its merits, demerits, resources and consequences. This is the real point of decision making. The ideal plan has to be adopted which must be the most feasible, profitable and with least negativeconsequences.

vi) **Implement the plan:** This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action i.e., doing what is required. 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. The basic and supportive plans are drafted on paper by the managers. But there is no use of these plans unless and until these are put in action. In other words, the organization does not directly benefit from the planning process until the plans are put into action. Plans must be communicated and explained in details to all the employees very clearly because the employees actually have to carry on the activities according to the specifications of the plans. Successful implementation of plan requires the understanding and whole hearted cooperation of all the members of the orgnisation.Therefore ,employees should be motivated to execute the plans to the best of their abilities.

vii) **Follow-up action:** Planning is a continuous process so the manager's job does not get over simply by preparing the plans and putting them into action. To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved. There should always be a prior provision for following up of the proposed plan when it is put to execution. It helps to verify whether the conditions and prediction assumed in plan are holding true in present situation or not. If these are not coming true then immediately changes are made in plan. During follow up many adjustments are made in the plan. Continuous revision of plan enables the management to draw up subsequent plans on the basis of experience gained in the process of implementing the previous plans.