

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 – 3
Module Id	Lebs_10403
Pre-requisites	Knowledge about concept, importance, limitations and process of planning is necessary in business
Objectives	After going through this lesson, the learners will be able to understand the following: 1. Types of plans
Keywords	Standing plans (Objective, Strategy, Policy, Procedure, Method and Rule), Single use plans (Budget and Programme)

2. Development team

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Types of Plans

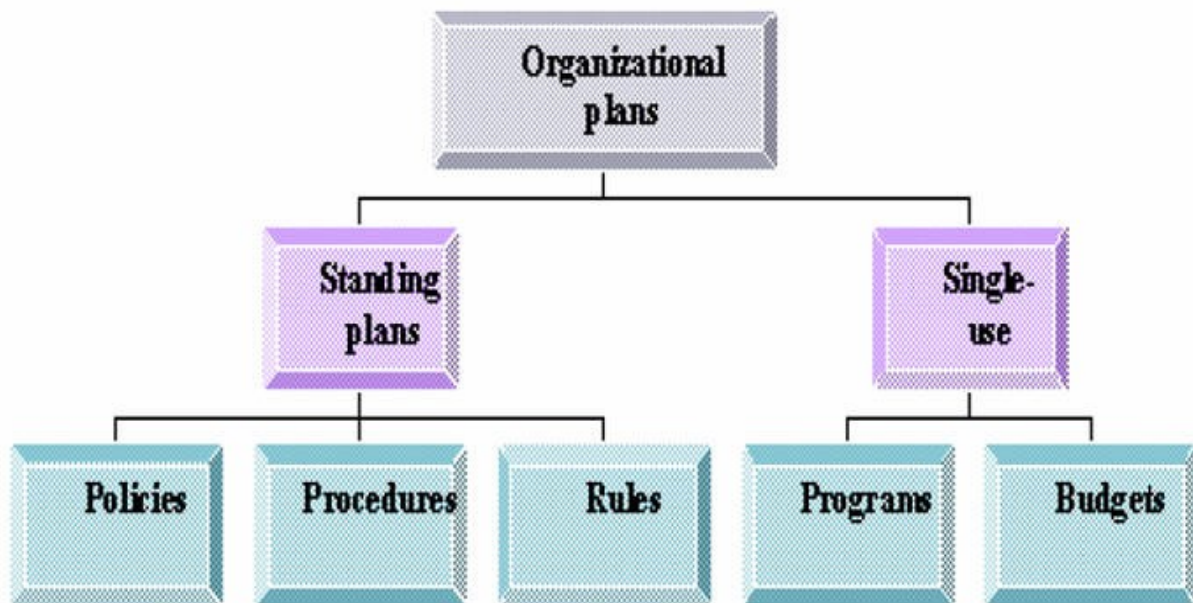


Figure 1.6: Types of plans

All businesses must create plans before making decisions relating to internal operations, short-term projects or long term development and financial growth.

Based on what the plans seeks to achieve and the method which the plan would like to adopt, plans can be classified as different types — Objectives, Strategy, Policy, Proceedure, Method, Rule, Programme and Budget.

There are several types of plans for a given business, two of which include single-use plans and standing plans.

Standing Plans

Standing plans are also known as repeated use plans since they are used over and over again because they focus on organizational situations that occur repeatedly .Standing plans are used over a long period of time, sometimes indefinitely, and can be altered to adapt to changing circumstances. A standing plan is often created with input from a wide range of individuals over a longer period of time than single-use plans. Standing plans generally encompass a wider scope than single-use plans, involving more than one department or business function.

Objectives

The first step in planning is setting objectives. Objectives, therefore, can be said to be the desired future position that the management would like to reach. Objectives are very basic to the organisation and they are defined as ends which the management seeks to achieve by its operations. Therefore, an objective simply stated is what you would like to achieve, i.e., the end result of activities. For example, an organisation may have an objective of increasing sales by 10% or earning a reasonable rate of return on investment, earn a 20% profit from business. They represent the end point of planning. All other managerial activities are also directed towards achieving these objectives. They are usually set by top management of the organization and focus on broad, general issues. They define the future state of affairs which the organization strives to realize. They serve as a guide for overall business planning. Different departments or units in the organization may have their own objectives.

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.

Strategy

A strategy provides the broad contours of an organization's business. It will also refer to future decisions defining the organizations direction and scope in the long run. Thus, we can say a strategy is a comprehensive plan for accomplishing an organization's objectives. 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.

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. Strategies usually take the course of forming the organizations identity in the business environment. Major strategic decisions will include decisions like whether the organization 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., who are the customers? 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? These and many more issues need to be resolved while formulating a marketing strategy for any organization.

Therefore, a strategy is a comprehensive plan which includes three dimensions:

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

Policy

Policies are general statements that guide thinking or channelize energies towards a particular direction. Policies provide a basis for interpreting strategy which is usually stated in general terms. They are guides to managerial action and decisions in the implementation of strategy. For example, the company may have a recruitment policy, pricing policy within which objectives are set and decisions are made. If there is an



Figure 18-1. A planning meeting

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 organization ranging from major company policies to minor policies. Major company policies are for all to know i.e., customers, clients, competitors etc., whereas minor policies are applicable to insiders and contain minute details of information vital to the employees of an organization. But there has to be some basis for divulging information to others.

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 would be in the nature of manufacturing or buying decisions. Should a company make or buy its requirements of packages, transport services, printing of stationery, water and power supply and other items? How should vendors be selected for procuring supplies? How many suppliers should a company make purchases from? What is the criteria for choosing suppliers? All these answers would be addressed by the Purchase Policy.

There are policies for all levels and departments in the organization ranging from company's major policies which deal with customers, clients, competitors, etc to minor policies which are meant for insiders.

Procedure

Procedures are routine steps on how to carry out activities. They detail the exact manner in which any work is to be performed. They are specified in a chronological order. For example, there may be a procedure for requisitioning supplies before production. Procedures are specified steps to be followed in particular circumstances. They are generally meant for insiders to follow. The sequence of steps or actions to be taken are generally to enforce a policy and to attain pre-determined objectives. Policies and procedures are interlinked with each other. Procedures are steps to be carried out within a broad policy framework.

Method

Methods provide the prescribed ways or manner in which a task has to be performed considering the objective. It deals with a task comprising one step of a procedure and specifies how this step is to be performed. Every procedure is series of related tasks organized in a sequence to perform an activity such as admission procedure in a school, bus pass procedure, purchase procedure. The Methods may vary from task to task. Selection of proper method saves time, money and effort and increases efficiency. For imparting training to employees at various level from top management to supervisory, different methods can be adopted. For example 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.

Rule

Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion. It reflects a managerial decision that a certain action must or must not be taken. They are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken. They must be followed by the employees in an organization. Rules serve as boundaries of behavior. For example, No smoking within the factory premises. It is a standing

plan that designates specific required action. It allows no room for interpretation. They are to enforced rigidly and there is generally a fine or penalty for violation of rules.

Single-use plans

A single use plan in a business environment refers to plans developed for a one-time project or event that has one specific goal or objective. The length of a single-use plan differs greatly depending on the project in question, as a single event plan may only last one day while a single project may last weeks or months. Single-use plans of budgets, programs and a description of the employees who will be contributing to the single-use plan in question. Single use plans consist of budgets, programs and a description of the employees who will be contributing to the single-use plan in question. Single use plans are used only once, or at most, couple of times, because they focus on unique or rare situations within the organization.

“Single use plans are made for handling unique or non-recurring problems.”

Types of single use plans:

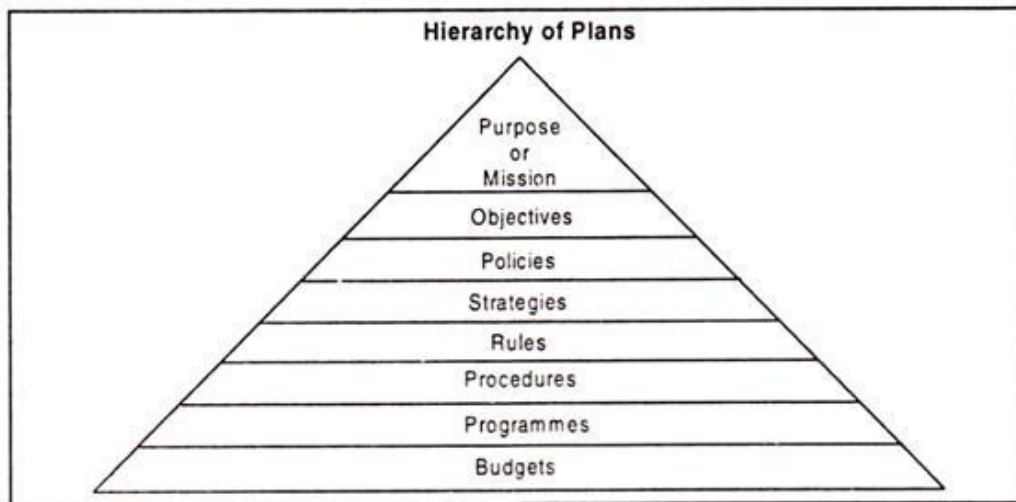
Programme

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. Programmes will include the entire gamut of activities as well as the organization’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. A program is a single use plan to carry out a special project within an organization. It is a concrete scheme of action worked out by the management to accomplish certain objectives, e.g., training programme for workers or construction of a shopping mall.

Budget

A budget is a statement of expected results expressed in numerical terms. It is a plan which quantifies future facts and figures. For example, a sales budget may forecast the sales of different products in each area for a particular month. A budget may also be prepared to show the number of workers required in the factory at peak production times.

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 in many organizations. Let us take an example of Cash Budget. 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.

Differences Between Various Types of Plans

S. No.	Basis	Policies	Objectives
1	Meaning	Policies are guidelines which facilitate the achievement of predetermined objectives.	Objectives are the ends towards which all activities of the enterprise are directed.
2	Purpose	Policies determine how the work is to be done.	Objectives determine what is to be done.
3	Nature	Policies prescribe the mode and the manner in which objectives can be achieved.	Objectives are the end points of planning.
4	Level	Policies are formulated at the top level, middle level, and lower level management.	Objectives are determined by the owners or top management of the business.

5	Source of origin	Derived from the objectives of the organization.	Derived from the mission and philosophy of the organization.
6	Example	No credit sales.	Profit maximization by 7%

S. No.	Basis	Policies	Strategy
1	Meaning	Policies are guidelines which facilitate the achievement of predetermined objectives.	A strategy is a plan prepared for meeting the challenge posed by the activities of competitors or some external environmental forces.
2	Purpose or Aim	Formulated to deal with repetitive problems.	Formulated to counter environmental threats and capitalize on opportunities.
3	Concern or Coverage	Concerned with the company as a whole or particular departments.	Concerned with the company as a whole.
4	Nature of Plan	It is a type of standing plan to be used repetitively again and again.	It is single use plan for meeting challenges. After its implementation, it is not used again.
5	Situation	The situations to be faced by policies are comparatively known.	A strategy is formulated to deal with known environment in future.
6	Example	No credit sales.	Job cutting during recession.

S. No.	Basis	Policies	Procedures
1	Meaning	Policies are organization's own way of tackling the problem.	Procedures are step by step way of doing a job.
2	Guiding Force	Policies are guide to think of decision making.	Procedures are guide to actions.
3	Origin	Policies are derived from objectives of the company.	Procedures are required for implementation of policy.
4	Flexibility	Policies are flexible.	Procedures are rigid.
5	Expression	Policies are expressed in general terms.	Procedures are expressed in specific terms.
6	Example	School's policy to give admission to students securing more than 60% marks.	Procedure for maintaining admission can be: (a) Separate file (b) Keeping admission forms in file. (c) Checking data filled in form with original document etc.

S. No.	Basis	Policies	Rule
1	Meaning	A Policy is a guide for thinking and taking decision.	Rule is a specific statement to guide the behavior of employees in a particular manner.
2	Nature	It is a general statement.	It is a specific statement.
3	Purpose	It lay down management attitude.	It indicate what should or should not be done.
4	Flexibility	Policies are flexible but may have some exceptions.	Rules are more or less rigid with no exceptions.
5	Violation	No penalty is attached for violation of policy.	Penalties and fines are attached for violation of rules.
6	Example	No credit sales.	No smoking at work place.

S. No.	Basis	Rule	Method
1	Meaning	Rules are guidelines to behavior i.e. they relate with Do's and Dont's at work.	Methods are standardized way of performing routine jobs i.e. the possible ways for doing a work.
2	Purpose	They help in maintaining discipline.	They help to increase efficiency of operations.
3	Standardization	Standardization of rules is not required.	Standardization of methods is required.
4	Scope	They are based on general knowledge and objectives.	They are based on research and analysis.
5	Violation	Penalty and punishment is attached to the violation or rule.	No penalty for violation.
6	Example	No smoking	Straight line method of depreciation.