Chapter 4: Planning

Exercises — Exercises

Q1 How does planning provide direction?

Planning provides direction by stating in advance how work is to be done. It ensures that goals or objectives are clearly stated so they act as a guide for deciding what action should be taken and in which direction. When goals are well-defined, employees are aware of what the organisation must achieve and what they individually must do to contribute. Departments and individuals can then work in coordination towards common goals, preventing employees from working in different directions and ensuring the organisation achieves its desired goals.

Q2 A company wants to increase its market share from the present 10% to 25% to have a dominant position in the market by the end of the next financial year. Ms Rajni, the sales manager has been asked to prepare a proposal that will outline the options available for achieving this objective. Her report included the following options — entering new markets, expanding the product range offered to customers, using sales promotion techniques such as giving rebates, discounts or increasing the budget for advertising activities. Which step of the planning process has been performed by Ms Rajni?

Ms Rajni has performed the step of 'Identifying alternative courses of action.' Once the objective (increasing market share from 10% to 25%) has been set, the next step in the planning process is to identify the various ways in which it can be achieved. Ms Rajni has identified multiple alternatives — entering new markets, expanding the product range, using sales promotion techniques like rebates and discounts, and increasing the advertising budget — which is exactly what this step requires.

Q3 Why are rules considered to be plans?

Rules are considered plans because they are specific statements that inform what is to be done and reflect a managerial decision that a certain action must or must not be taken. They are the simplest type of plans — there is no compromise or change unless a policy decision is taken, and they allow no flexibility or discretion. Since rules guide and direct future action, they form part of the planning process and are classified as standing plans.

Q4 Rama Stationery Mart has made a decision to make all the payments by e-transfers only. Identify the type of plan adopted by Rama Stationery Mart.

Rama Stationery Mart has adopted a 'Rule' as its type of plan. A rule is a specific statement that informs exactly what is to be done — in this case, all payments must be made by e-transfers only. It allows no flexibility or discretion and reflects a managerial decision that a certain action must be taken. Rules are the simplest type of standing plans with no compromise unless a policy decision changes them.

Q5 Can planning work in a changing environment? Give a reason to justify your answer.

Planning may not work effectively in a highly changing or dynamic environment. The business environment is dynamic — economic policies, political conditions, natural calamities, and market competition can all change unpredictably. Planning requires accurate assumptions about the future, and when those conditions change rapidly, plans become difficult to implement and may need constant revision. As the chapter states, planning cannot foresee everything; thus, there may be obstacles to effective planning in a dynamic environment.

Q6 What are the main aspects in the definition of planning?

The main aspects in the definition of planning are: (i) Planning is deciding in advance what to do and how to do it — it is future-oriented. (ii) It involves setting objectives and targets, specifying the desired end results. (iii) It requires formulating an action plan — identifying and selecting the best course of action from among alternatives. (iv) It is concerned with both ends and means, i.e., what is to be achieved and how it is to be achieved. (v) It operates within a time frame, since time is a limited resource that must be used judiciously. (vi) Planning is an intellectual, mental exercise requiring foresight, imagination, and sound judgement.

Q7 If planning involves working out details for the future, why does it not ensure success?

Planning does not guarantee success for several reasons. First, managers tend to rely on previously tried and tested successful plans, assuming they will work again; however, conditions change and past success does not ensure future success. Second, there are many unknown factors that cannot be foreseen, so complacency and a false sense of security can actually lead to failure. Third, planning is only useful when translated into action — a plan that is not properly implemented is meaningless. Fourth, the dynamic business environment — changes in economic conditions, competition, government policies — can upset even the most carefully drawn plans. Planning is a useful tool to analyse future courses of action, but it is not a solution to all problems.

Q8 What kind of strategic decisions are taken by business organisations?

Strategic decisions are taken by top management and involve three dimensions: (i) determining long-term objectives, (ii) adopting a particular course of action, and (iii) allocating resources necessary to achieve objectives. Major strategic decisions include whether the organisation will continue in the same line of business, combine new lines of activity with existing business, or seek to acquire a dominant position in the same market. A marketing strategy, for example, must address questions such as who the customers are, what the demand for the product is, which channel of distribution to use, what the pricing policy will be, and how to advertise. Strategic decisions take into account changes in the economic, political, social, legal, and technological environment.

Q9 Planning reduces creativity. Critically comment. (Hint: both the points — Planning promotes innovative ideas and planning reduces creativity — will be given).

Planning both promotes innovative ideas and reduces creativity, depending on how it is applied. On one hand, since planning is the first function of management, new ideas can take the shape of concrete plans; it is the most challenging activity for management as it guides all future actions leading to growth and prosperity. On the other hand, planning is typically done by top management, and the rest of the members simply implement these plans. Middle management and other decision makers are neither allowed to deviate from plans nor permitted to act on their own. As a result, much of the initiative or creativity inherent in them gets lost or reduced. Employees tend to think along the same lines as others and rarely attempt to formulate plans on their own — they only carry out orders. Thus, while planning creates scope for innovative thinking at the top level, it can stifle initiative and creativity at lower levels of the organisation.

Q10 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. Name the type of plan highlighted in the given example. State its three dimensions also.

The type of plan highlighted is a 'Strategy.' Bharti Airtel formulated a comprehensive strategic response to cope with competition from Reliance Jio by redefining its product offering. The three dimensions of a strategy are: (i) Determining long-term objectives — Airtel's objective is to retain its market leadership position. (ii) Adopting a particular course of action — refreshing the 149 prepaid plan by doubling the data offered to compete effectively. (iii) Allocating resources necessary to achieve the objective — committing resources to pricing adjustments and enhanced data capacity to execute the competitive response.

Q11 State the type of plan and state whether they are Single use or Standing plan: (a) A type of plan which serves as a controlling device as well. (budget) (b) A plan based on research and analysis and is concerned with physical and technical tasks. (Method)

(a) Budget — A budget is a statement of expected results expressed in numerical terms. It is a single-use plan because it is prepared for a specific period (e.g., one financial year) and is not meant to be reused. It also serves as a controlling device since actual figures can be compared with expected figures and corrective action can be taken for deviations. (b) Method — A method provides the prescribed ways or manner in which a task has to be performed. It deals with a task comprising one step of a procedure and is based on research and analysis concerned with physical and technical tasks. A method is a standing plan because it is used repeatedly for recurring activities over a period of time, guiding how specific tasks are carried out.

Q12 Why is it that organisations are not always able to accomplish all their objectives?

Organisations are not always able to accomplish all their objectives due to several limitations of planning and the uncertainties of the business environment. First, planning leads to rigidity — once a well-defined plan is drawn with specific goals, managers may not be in a position to change it, making it difficult to cope with changed circumstances. Second, the business environment is dynamic; changes in economic policies, political conditions, natural calamities, and market competition can make it difficult to accurately assess future trends, causing plans to fail. Third, planning reduces creativity — middle management and other decision makers may be constrained by top management's plans and unable to respond innovatively to new situations. Fourth, planning is time-consuming and involves huge costs; sometimes the time taken to formulate plans is so long that there is little time left for implementation. Fifth, planning does not guarantee success — managers may rely on previously tried plans that may not work in new circumstances, and a false sense of security may lead to failure. Sixth, plans may not always be implemented effectively, as translating plans into action requires effective organising, staffing, directing, and controlling. All these factors together mean organisations often fall short of accomplishing all their objectives.

Q13 What are the steps taken by management in the planning process?

The planning process involves the following steps: (i) Setting Objectives — The first step is to set clear objectives for the entire organisation and each department. Objectives specify what the organisation wants to achieve and provide direction for all departments and employees. (ii) Developing Premises — Planners make assumptions about future conditions. These assumptions (premises), based on forecasts, existing plans, or past information, must be the same for all managers involved in planning. (iii) Identifying Alternative Courses of Action — Once objectives are set and assumptions made, all possible ways to achieve the objectives are identified. Alternatives may be routine or innovative. (iv) Evaluating Alternative Courses — The pros and cons of each alternative are weighed. Each course is evaluated for its feasibility, profitability, and consequences in light of the objective. (v) Selecting an Alternative — The most feasible, profitable alternative with least negative consequences is chosen. Sometimes a combination of alternatives may be selected. The manager's experience, judgement, and intuition also play a role. (vi) Implementing the Plan — The selected plan is put into action. This step involves the other managerial functions such as organising for labour and purchasing machinery as required. (vii) Follow-up Action — Plans are monitored to ensure they are being implemented according to schedule and that objectives are being achieved.

Q14 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. realised 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. (Hint: Planning is pervasive, Planning is futuristic and Planning is a mental exercise).

The situation highlights three features of planning: (i) Planning is pervasive — C Ltd. has formed a team with representatives from all levels of management to brainstorm and determine implementation steps. This reflects the pervasive nature of planning, which is required at all levels of management and in all departments. While the scope and nature of planning differs at each level, it is not the exclusive function of top management alone. (ii) Planning is futuristic — C Ltd. has recognised the current problem of declining market share and is looking ahead to improve its market standing in the future. It plans to introduce new models with added features and technological advancements for quality-conscious consumers. This shows that planning involves looking ahead, analysing the future, and preparing for future events effectively to the best advantage of the organisation. (iii) Planning is a mental exercise — The team is required to brainstorm and think through the steps to be adopted for implementing the strategy. This reflects the intellectual nature of planning, which requires foresight, intelligent imagination, and sound judgement. Planning requires logical and systematic thinking based on the analysis of facts and forecasts, not guesswork or wishful thinking.