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**iii. Change in Business Policies:** The government policies directly impact the functioning of the business enterprises. As a result, they have to alter their policies appropriately.

**iv. Technological Changes:** As competition increases firms tend to find new and innovative ways to survive in the market. In such a scenario, technological improvements become imperative.

**v. Need for Trained Personnel:** Innovations and improvement in product, application of improved technologies requires skilled and trained personnel. Thus, there arises a need for the development of human resources.

**vi. Greater Market Orientation:** With increased competition, the production has become market oriented. That is, the enterprises produce as per the demand market.

**vii. Less Reliance on Budgetary Support by Public Sector Enterprises:** To survive the increased competition, the public sector enterprises must improve efficiency and productivity rather than relying on budgetary support to cover their losses.

#### Topic 4

### **managerial response to changes in business environment**

**1)Diversification space:** the corporate scene now witnessed a spate of diversification . for eg. At &t served initially a wide range of telecom . now it has entered into manufacturing of transmission equipment ,switching equipment and wireless products ,petrochemicals , it communication etc.

**2)brand building :**expenditure were enhanced by companies in building brands often MNCs have invested huge amounts on building such as LG samsung hyundai.

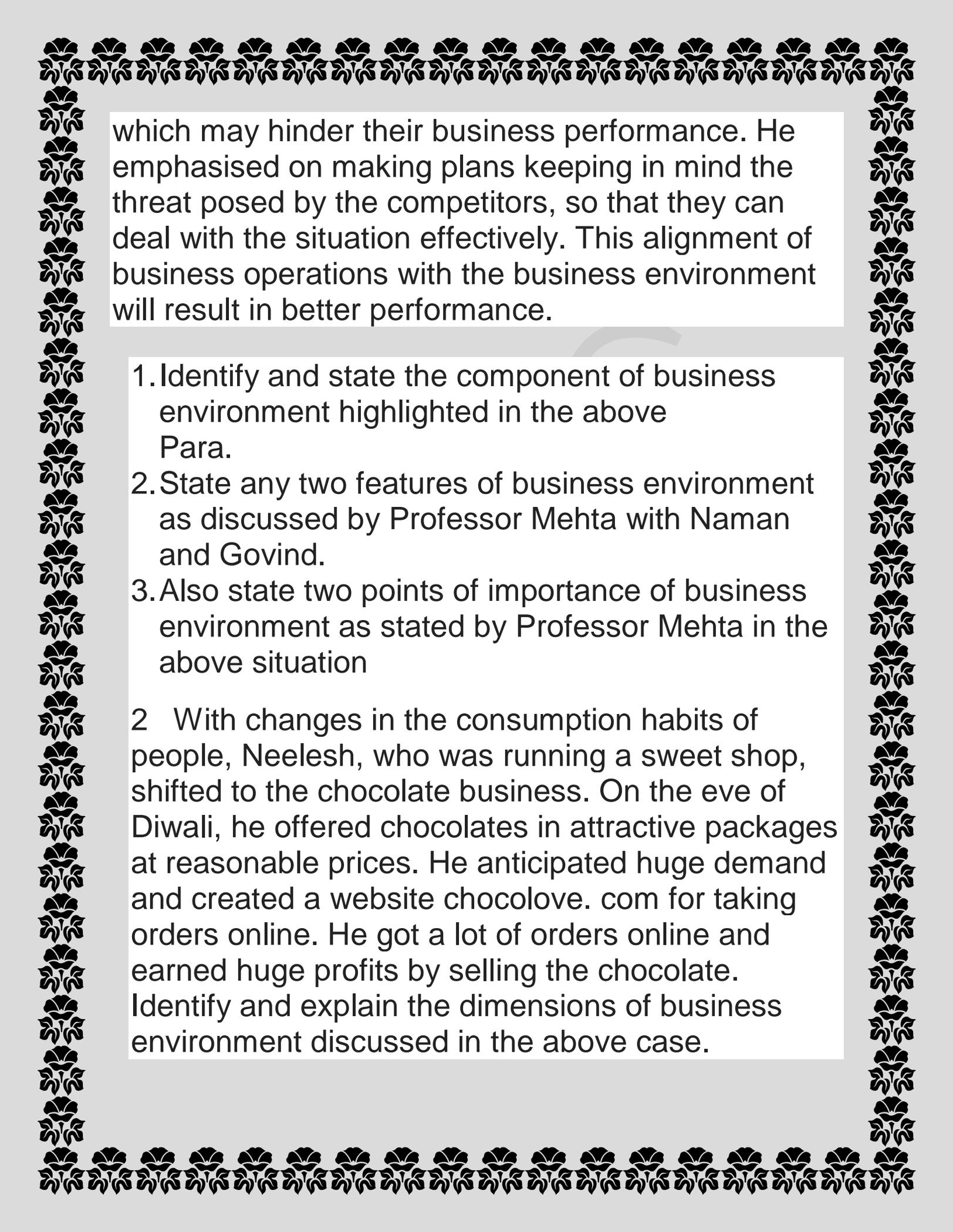
**3)use of latest technology:** use of latest technology has become the slogan of the successful companies . the best examples is that of cellular phones.

4)sharply improved compensation levels: sharply improved compensation levels for special managerial and technical services . the starting salaries for engineering and management graduates have risen significantly . incentive schemes of various kind related to performance are becoming common.

5)customer focus: increasing attention to customer needs and their satisfaction.

### Assignment

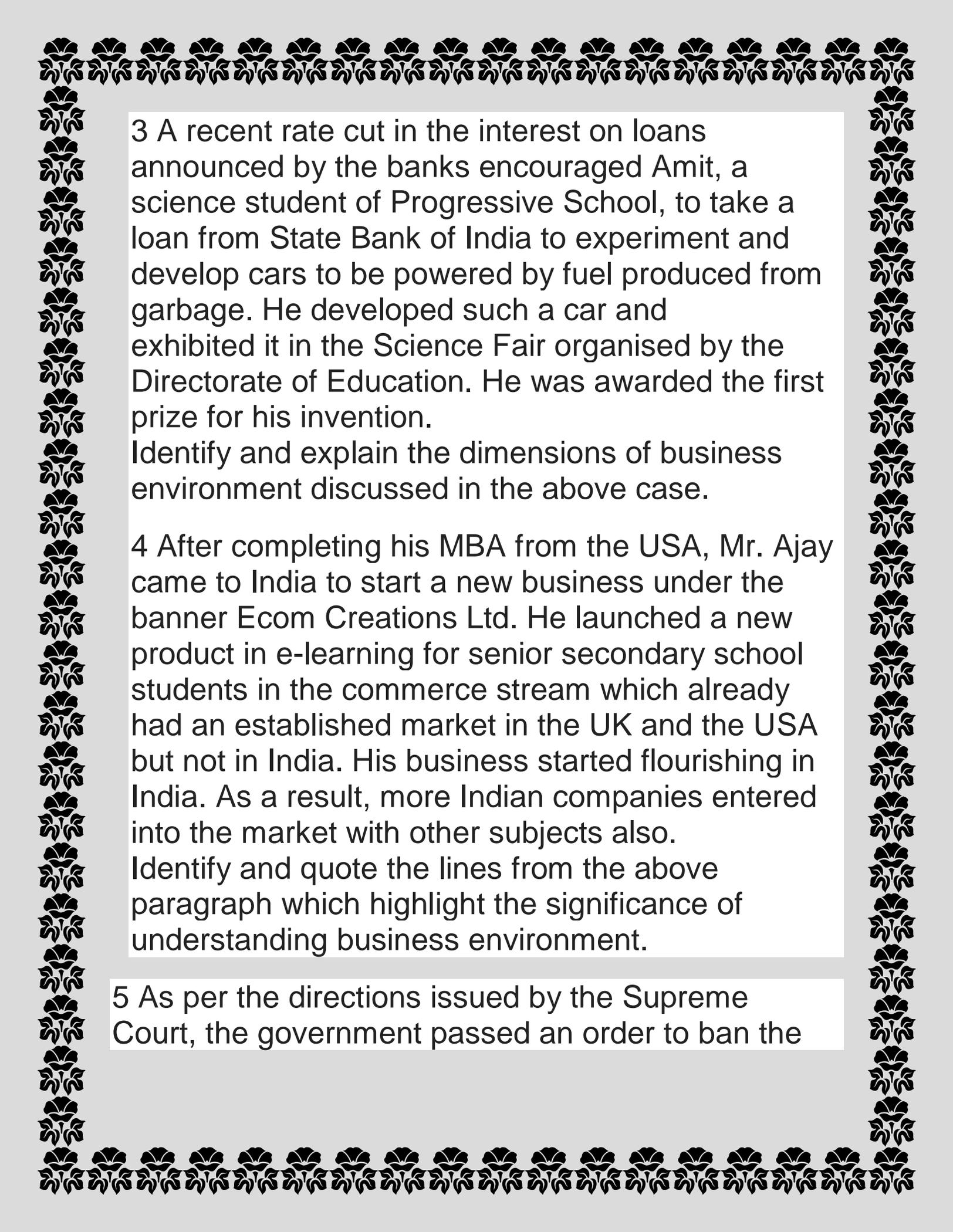
1 Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors', competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes

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which may hinder their business performance. He emphasised on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

1. Identify and state the component of business environment highlighted in the above Para.
2. State any two features of business environment as discussed by Professor Mehta with Naman and Govind.
3. Also state two points of importance of business environment as stated by Professor Mehta in the above situation

2 With changes in the consumption habits of people, Neelesh, who was running a sweet shop, shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove. com for taking orders online. He got a lot of orders online and earned huge profits by selling the chocolate. Identify and explain the dimensions of business environment discussed in the above case.

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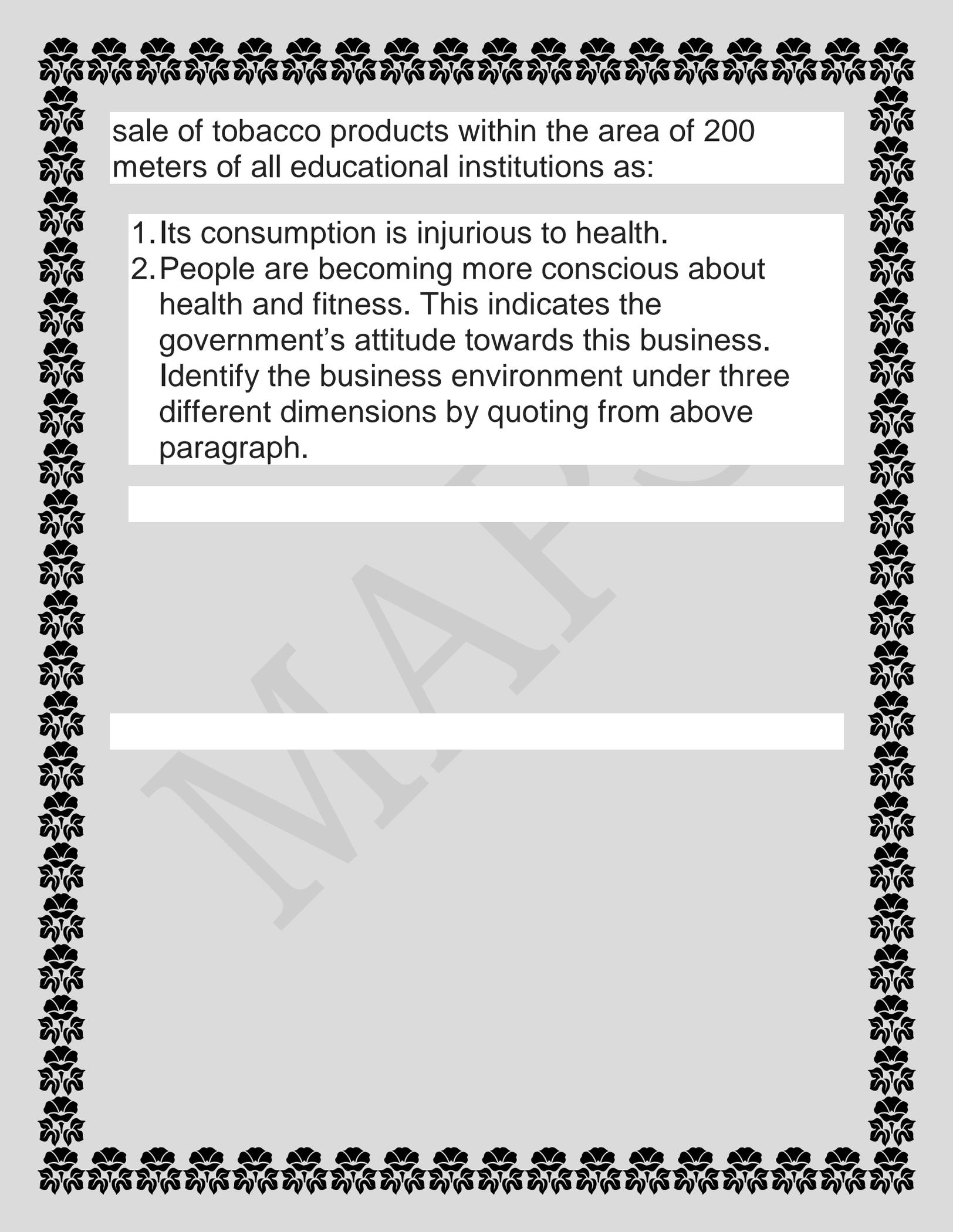
3 A recent rate cut in the interest on loans announced by the banks encouraged Amit, a science student of Progressive School, to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by the Directorate of Education. He was awarded the first prize for his invention.

Identify and explain the dimensions of business environment discussed in the above case.

4 After completing his MBA from the USA, Mr. Ajay came to India to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in the UK and the USA but not in India. His business started flourishing in India. As a result, more Indian companies entered into the market with other subjects also.

Identify and quote the lines from the above paragraph which highlight the significance of understanding business environment.

5 As per the directions issued by the Supreme Court, the government passed an order to ban the

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sale of tobacco products within the area of 200 meters of all educational institutions as:

1. Its consumption is injurious to health.
2. People are becoming more conscious about health and fitness. This indicates the government's attitude towards this business. Identify the business environment under three different dimensions by quoting from above paragraph.



# MOUNT ABU PUBLIC SCHOOL

H-Block, sector-18, Rohini, New Delhi-110085 India

## BUSINESS STUDIES

### BOOK 1

#### Unit 1- Nature and Significance of Management

##### Guidelines

- Refer to the content given below and view the links
- These notes will help you to understand the concept and complete the assignment that follows
- The assignment is to be done in the Business studies notebook
- Please read the Business studies NCERT book before you begin answering

##### Instructional Aids / Resources

NCERT links are given below:

- <https://www.youtube.com/watch?v=x-iAFkjHeEE>
- <https://www.youtube.com/watch?v=F8lpfpouoek>
- <https://www.youtube.com/watch?v=92wohnGBxUY>

##### Learning outcomes

Each student will be able to know about:

- Management as Science, Art and Profession
- Management - concept, objectives, and importance
- Levels of Management

## Subtopics:

- Management functions-planning, organizing, staffing, directing and controlling
- Coordination- concept and importance

## LESSON DEVELOPMENT

### 1. Management According to Marrie and Douglas,

“Management is the process by which a co-operative group directs actions of others toward common goals.”

Management is defined as the process of planning, organising and controlling an organisation’s operations in order to achieve the target efficiently and effectively. It is essential for all organisations.

### 2. Concepts of Management

(i) **Traditional Concept** Management is the art of getting things done through others.

(ii) **Modern Concept** Management is defined as the process (refers to the basic steps) to get the things done with the aim of achieving goals effectively and efficiently (effectiveness refers to achievement of task on time and efficiently implies optimum use of resources).

### 3. Characteristics of Management

(i) **Management is a Goal Oriented Process** Organisation’s existence is based on objectives and management is the process which unites the efforts of every individuals to achieve the goal.

(ii) **Management is All Pervasive** The use of management is not restricted, it is applicable in all organisations big or small, profit or non-profit making.

(iii) **Management is Multidimensional** It does not contain one activity, it is a complex activity including three main activities

- (a) Management of house
- (b) Management of people
- (c) Management of operations

(iv) **Management is a Continuous Process** It is a never ending process. It consists of series of interrelated functions which performs continuously.

(v) **Management is a Group Activity** Organisation is a collection of many individuals, every individual contributes towards achieving the goal.

(vi) **Management is an Intangible Force** It cannot be seen or touched only it can be felt in the way the organisation functions.

**4. Objectives of Management** Objectives can be classified into organisational, social or personal

#### (i) Organisational Objectives

(a) **Survival** It exists for a long time in the competition market.

(b) **Profit** It provides a vital incentive for the continued successful operations.

(c) **Growth** Success of an organisation is measured by growth and expansion of activities.

(ii) **Social Objectives** Involves creation of benefit for society.

(iii) **Personal Objectives** Objectives of employees like good salary, promotion, social recognition, healthy working conditions.

## 5. Importance of Management

- (i) **Management Helps Achieving Group Goals** It integrates the objective of individual along with organisational goal.
- (ii) **Management Increases Efficiency** It increases productivity through better planning, organising, directing the activities of the organisation.
- (iii) **Management Creates a Dynamic Organisation** Organisation have to survive in dynamic environment thus manager keep changes in the organisation to match environmental changes.
- (iv) **Management Helps in Achieving Personal Objectives** Through motivation and leadership, management helps in achieving the personal objectives.
- (v) **Management Helps in the Development of Society** It provides good quality products and services, creates employment, generate new technology in that sense it helps in the development of the society.

## 6. Management as an Art

Management as an art because it satisfies following points

- (i) It is based on practice and creativity.
- (ii) Lots of literature is present which gives the existence of theoretical knowledge.

## 7. Management as a Science

Management as a science because

- (i) It is a systematised body of knowledge.
- (ii) Its principles are based on experimentation.

**8. Management as a Profession** It does not meet the exact criterion of a profession, it does have some features of a profession.

## 9. Levels of Management

- (i) **Top Management** It consists of senior most executives who are usually referred to as the Chairman, Chief Executive Officer, President and Vice President.
- (ii) **Middle Management** They are usually division heads who are the link between top and lower level of management.
- (iii) **Operational Management** They are usually the foremen and supervisors who actually carry on the work or perform the activities.

## 10. Functions of Management

- (i) **Planning** It refers to deciding in advance what to do, how to do and developing a may of achieving goal efficiently and effectively.
- (ii) **Organising** It refers to the assigning of duties, grouping tasks, establishing authority and allocating of resources required to carry out a specific plan.
- (iii) **Staffing** It implies right people for the right job.
- (iv) **Directing** It involves leading, influencing, motivating employees to perform the task assigned to them.
- (v) **Controlling** It refers to the performance measurement and follow up actions that keep the actual performance on the path of plan.

**11. Co-ordination—The Essence of Management** Co-ordination means binding together all the activities such as purchase, production, sales, finance to ensure continuity in the working of the organisation. It is considered as a separate function of management, in order to achieve harmony among individual, efforts towards the accomplishment of goods.

# NATURE AND SIGNIFICANCE OF

## MANAGEMENT



### 12. Characteristics of Co-ordination

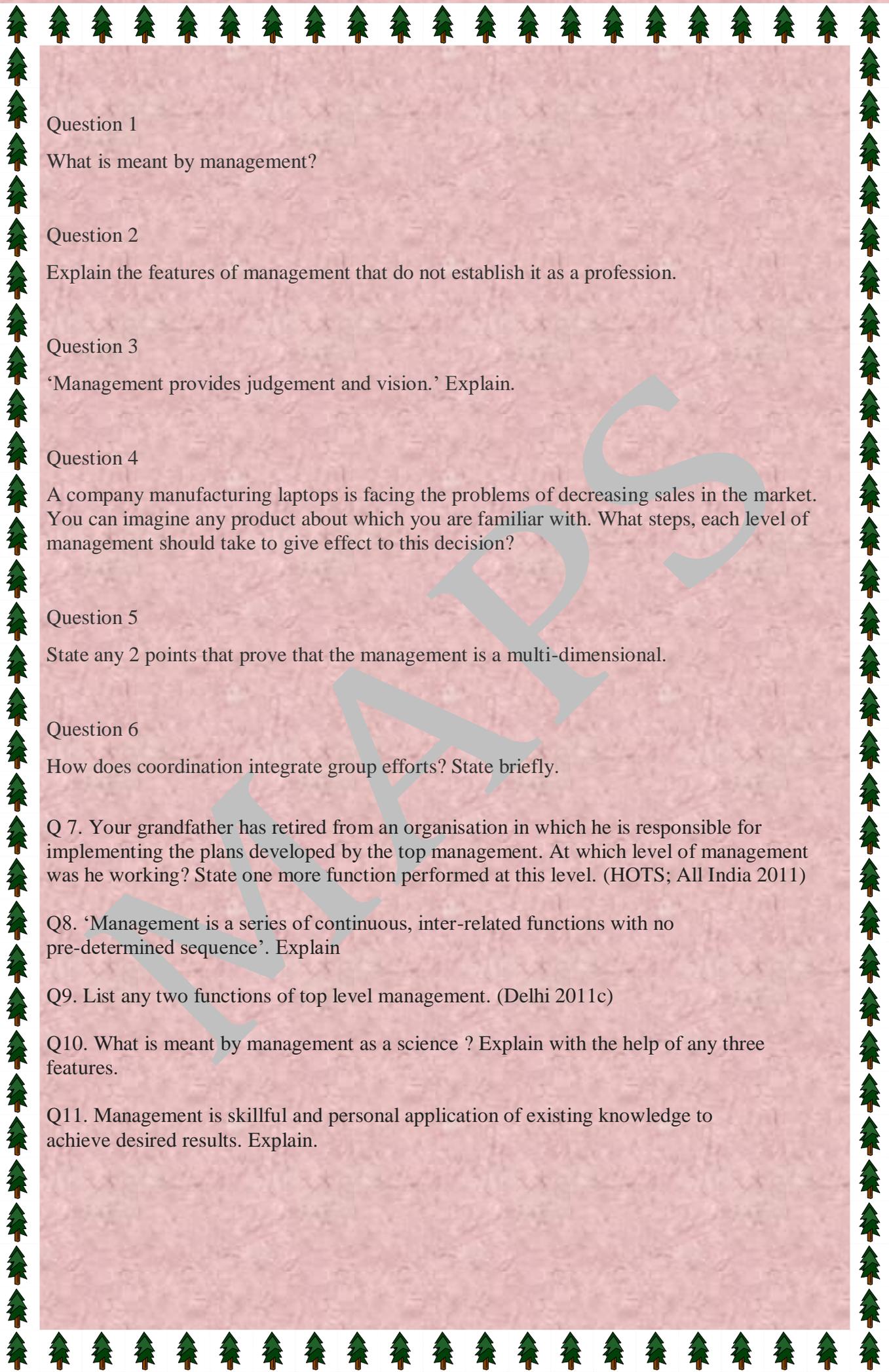
- (i) It integrates group efforts.
- (ii) It ensures units of action.
- (iii) It is a continuous process.
- (iv) It is an all pervasive function.
- (v) It is the responsibility of all managers.

### 13. Importance of Co-ordination

- (i) **Growth in Size** When there is a growth in size, the number of people employed by the organisation also increases. Thus to integrate the efforts, co-ordination is needed.
- (ii) **Functional Differentiation** In an organisation, there are separate department and different goals. The process of linking these activities is achieved by co-ordination.
- (iii) **Specialisation** Modern organisation is characterised by a high degree of specialisation. Co-ordination is required among different specialists because of their different approaches, judgement etc.

**14. Management in the Twenty-First Century** Management in 21st century means the new ways, trends, ideas, techniques of doing business and makes it possible to think of the organisation as a 'Global Organisation.'

ASSIGNMENT



Question 1

What is meant by management?

Question 2

Explain the features of management that do not establish it as a profession.

Question 3

‘Management provides judgement and vision.’ Explain.

Question 4

A company manufacturing laptops is facing the problems of decreasing sales in the market. You can imagine any product about which you are familiar with. What steps, each level of management should take to give effect to this decision?

Question 5

State any 2 points that prove that the management is a multi-dimensional.

Question 6

How does coordination integrate group efforts? State briefly.

Q 7. Your grandfather has retired from an organisation in which he is responsible for implementing the plans developed by the top management. At which level of management was he working? State one more function performed at this level. (HOTS; All India 2011)

Q8. ‘Management is a series of continuous, inter-related functions with no pre-determined sequence’. Explain

Q9. List any two functions of top level management. (Delhi 2011c)

Q10. What is meant by management as a science ? Explain with the help of any three features.

Q11. Management is skillful and personal application of existing knowledge to achieve desired results. Explain.

## Unit 2- Principles of Management

### Guidelines

- Refer to the content given below and view the links
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- The assignment is to be done in the Business studies notebook
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### Instructional Aids / Resources

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- <https://www.youtube.com/watch?v=nikDhY1z8s>
- <https://www.youtube.com/watch?v=MJ7Cqgt6pOc>
- <https://www.youtube.com/watch?v=yhY-adbGwWY>

### Learning outcomes

Each student will be able to know about:

- Principles of Management- concept and significance
- Fayol's principles of management
- Taylor's Scientific management- principles and techniques
- 

## LESSON DEVELOPMENT

1. Principle It refers to a statement which reflects the fundamental truth about some phenomenon based on cause and effect relationship.
2. Management Principles These are the statements of fundamental truth, they serve as a guide to thought and actions for managerial decision actions and their execution.
3. Derivation of Management Principles  
Management principles have been derived on the basis of  
(i) Deep observations (ii) Repeated experiments
4. Nature of Principles of Management  
(i) Universal Applicability The principles of management are universal in nature that means they can be applied to all types of organisations irrespective of their size and nature.  
(ii) General Guidelines Management principle give guidelines to solve the problems, these principles do not provide readymade solution for all the problems.

- (iii) Formed by Practice and Experiments The management principles are developed only after deep and through research work.
- (iv) Flexibility These are not set of rigid statements. These can be modified by the managers who are using them.
- (v) Mainly Behavioural Management principles are formed to guide and influence the behaviour of employees.
- (vi) Cause and Effect Relationship Management principles are based on cause and effect that means these principles tell us if a particular principle is applied in a situation, what might be the effect.
- (vii) Contingent Management principles are contingent or dependent upon the situation prevailing in organisation.



#### 5. Significance of Principles of Management

- (i) Providing managers with useful insight in to reality
- (ii) Optimum utilisation of the resources
- (iii) Scientific decisions
- (iv) Meeting changing environment requirements
- (v) Fulfilling social responsibility
- (vi) Management training, education and research

#### 6. Background and History of Henry Fayol

Henry Fayol was born in France in 1841. He got degree in mining engineering in 1860 and started working as engineer in a Coal Mining Company. In 1888, he was promoted as the

Managing Director of the company. At that time, the company was in the situation of insolvency. He accepted the challenge and applied his managerial techniques to bring out the company from this situation and he succeeded. When he retired after 30 years, the company was a leading coal-steel company with strong financial background.

#### 7. Principles of Management Developed by Henry Fayol

- (i) Principle of division of work
- (ii) Principle of authority and responsibility
- (iii) Principle of discipline
- (iv) Principle of unity of command
- (v) Unity of direction
- (vi) Subordination of individual interest to general interest
- (vii) Remuneration of employees
- (viii) Centralisation and decentralisation
- (ix) Scalar chain
- (x) Order
- (xi) Equity
- (xii) Stability of personal (xiii) Initiative
- (xiv) Esprit de Corps

8. Scientific Management It can be defined as “Application science for each and every element of management.”

According to Taylor, “Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.”

#### 9. Scientific Principles of Management

- (i) Science, not rule of thumb
- (ii) Harmony, not discord
- (iii) Co-operation, not individualism
- (iv) Development of workers to their greatest efficiency and prosperity

#### 10. Scientific Techniques of Taylor

(i) Functional Foremanship In this technique, Taylor suggested the division of factory in two departments

(a) Planning Department

- Route clerk
- Instruction card clerk
- Time and cost clerk
- Disciplinarian

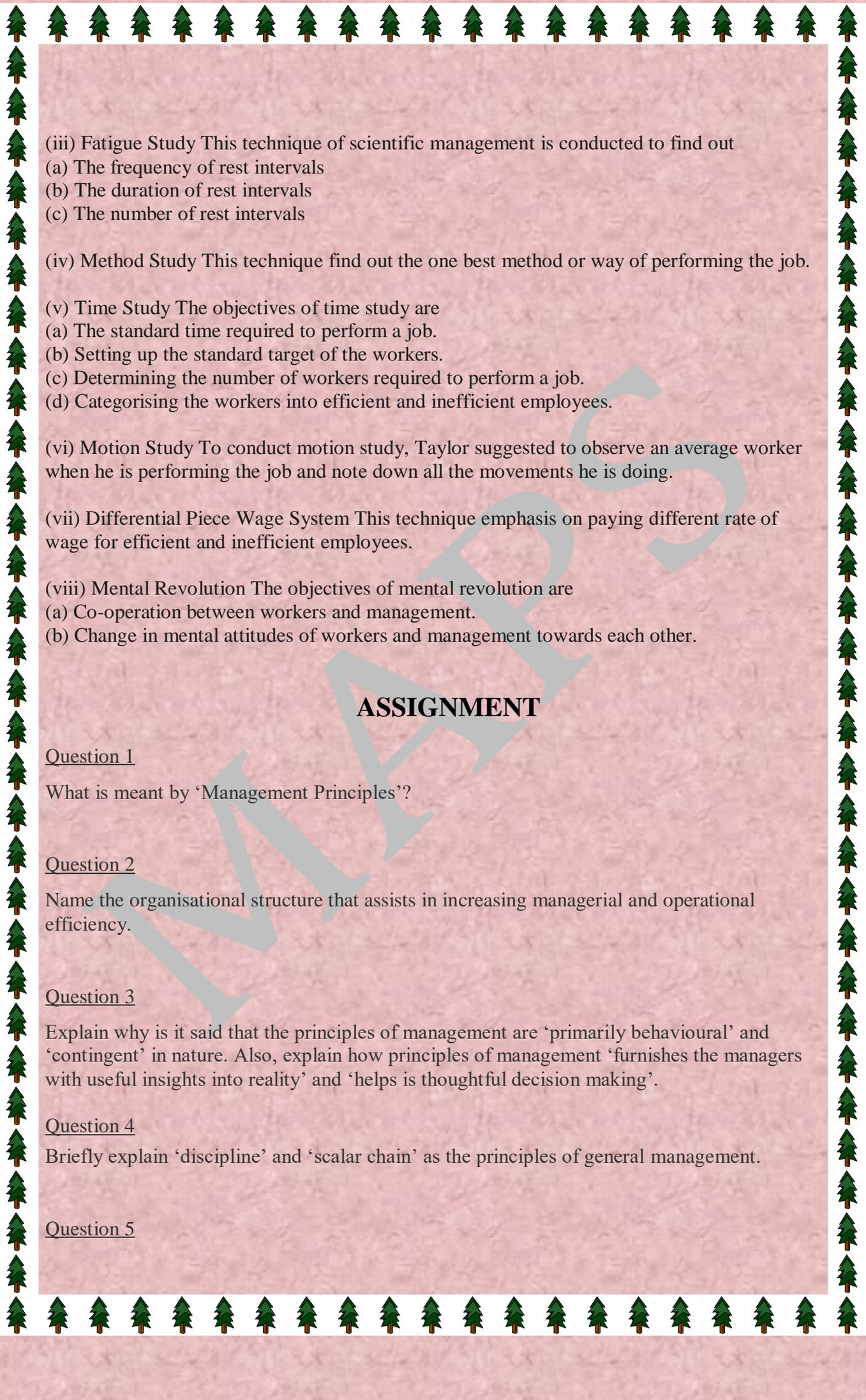
(b) Operational Department

- Gang boss & Speed boss
- Repair boss
- Inspector

(ii) Standardisation and Simplification of Work

Standardisation output possible if standard is maintained right from selection of tools, equipment and machine to use.

Simplification emphasises on elimination of unnecessary diversity of product, size and type.

- 
- (iii) Fatigue Study This technique of scientific management is conducted to find out
- (a) The frequency of rest intervals
  - (b) The duration of rest intervals
  - (c) The number of rest intervals
- (iv) Method Study This technique find out the one best method or way of performing the job.
- (v) Time Study The objectives of time study are
- (a) The standard time required to perform a job.
  - (b) Setting up the standard target of the workers.
  - (c) Determining the number of workers required to perform a job.
  - (d) Categorising the workers into efficient and inefficient employees.
- (vi) Motion Study To conduct motion study, Taylor suggested to observe an average worker when he is performing the job and note down all the movements he is doing.
- (vii) Differential Piece Wage System This technique emphasis on paying different rate of wage for efficient and inefficient employees.
- (viii) Mental Revolution The objectives of mental revolution are
- (a) Co-operation between workers and management.
  - (b) Change in mental attitudes of workers and management towards each other.

## ASSIGNMENT

### Question 1

What is meant by 'Management Principles'?

### Question 2

Name the organisational structure that assists in increasing managerial and operational efficiency.

### Question 3

Explain why is it said that the principles of management are 'primarily behavioural' and 'contingent' in nature. Also, explain how principles of management 'furnishes the managers with useful insights into reality' and 'helps is thoughtful decision making'.

### Question 4

Briefly explain 'discipline' and 'scalar chain' as the principles of general management.

### Question 5

What are the features on Principles of management?

Question 6

What is the importance of the principles of management?

Q7. Voltech India Lid is manufacturing LED bulbs to save electricity and running under heavy losses. To revive from the losses, the management thought of shifting the unit to a backward area where labour is available at a low cost. The management also asked the workers to work overtime without any additional payment and promised to increase the wages of the workers after achieving its mission. Within a short period the company started earning profits because both the management and the workers honoured their commitments. (Compartment 2014)

- State the principle of management described in the above para.
- Identify any two values that the company wants to communicate to the society.

Q8. Name and explain the principle of management according to which a manager should replace 'I' with 'We' in all his conversation with workers? (HOTS; Delhi 2013)

Q9. Name and explain the principle of management which requires judicious application of penalties by the management. (HOTS; All India 2010; Delhi 2010)

Q10. Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvement in the organisation. (HOTS; Delhi 2010c)

Q11. Nikita and Salman completed their MBA and started working in a multi-national company at the same level. Both are working hard and are happy with their employers. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal, the performance of Nikita was judged better than Salman. Even then their boss, Mohammad Sharif decided to promote Salman stating that being a female, Nikita will not be able to handle the complications of a higher post.

(i) Identify and explain the principle of management, which was not followed by this multi-national company.

(ii) Identify the values, which are being ignored quoting the lines from the above para. (VBQ; All India 2013)

Q12. Explain Fayol's principles of 'equity' and 'order' with examples.

Q13. Explain the following principles of Fayol with the help of one example for each

- Discipline
- Unity of command

Q14. What is meant by Fayol's principle of 'esprit de corps'? (Delhi 2011)



Q15. Which principle of management implies that there should be 'one head and one plan' for a group of activities having the same objective?

MAPS

## Unit 3- BUSINESS ENVIRONMENT

### Guidelines

- Refer to the content given below and view the links
- These notes will help you to understand the concept and complete the assignment that follows
- The assignment is to be done in the Business studies notebook
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### Instructional Aids / Resources

NCERT links are given below:

- [https://www.youtube.com/watch?v=la1AFa\\_IO9s](https://www.youtube.com/watch?v=la1AFa_IO9s)
- <https://www.youtube.com/watch?v=r0aO2IBAvb8>
- <https://www.youtube.com/watch?v=2RNT3PSH4Lo>

### Learning outcomes

Each student will be able to know about:

- Business Environment
- Dimensions of Business Environment- Economic, Social, Technological, Political and Legal

### LESSON DEVELOPMENT

1. **Business Environment** Business environment as such is the total of all external forces which affect the organisation and operation of business.

#### 2. Features/Characteristics of Business Environment

(i) **Totality of External Forces** Business environment includes all the external forces so it is aggregative in nature.

(ii) **Specific and General Forces** Business environment includes both specific and general forces. Specific forces such as investors, customers affect business directly. General forces such as social, political, legal and technological conditions.

(iii) **Inter-relatedness** All the forces and factors of business are inter-related.

(iv) **Dynamic Nature** Business environment is dynamic in nature. It keeps on changing whether in terms of technological improvements.

(v) **Uncertainty** Business environment is uncertain and these changes are difficult to predict.

(vi) **Complexity** Business environment is difficult to understand. It can be understood easily in parts but in totality it is difficult to understand.

### 3. Importance of Business Environment

(i) **Environment Provides Numerous Opportunities for Business Success** It enables the firm to identify opportunities and getting the first mover advantage.

(ii) **Threats and Early Warning Signals** Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.

(iii) **It Helps in Tapping Useful Resources** Environment is a source of various resources for running a business. Like as finance, machines, raw materials etc.

(iv) **It Helps in Copying with Rapid Changes** Knowledge of environmental changes sensitises the management to make new strategy to copy with the emerging problems of changes.

(v) **It Helps in Assisting in Planning and Policy Formulation** Its understanding and analysis can be the basis for deciding the future course of action or training guidelines for decision making.

(vi) **It helps in Improving Performance** With continuous scan of business environment, companies can easily improve their performance.

### 4. Dimensions of Business Environment

(i) **Economic Environment** It consists of Gross Domestic product, Income at National level and per capita level. Profit earning rate, monetary and fiscal policy of the government etc.

(ii) **Social Environment** It consists of the customs and traditions of the society in which business is existing. It includes the standard of living, taste, preferences etc.

(iii) **Political Environment** It constitutes all the factors related to government affairs such as type of government, power, attitude of government towards different groups of societies etc.

(iv) **Legal Environment** It constitutes the laws and various legislations passed in the parliament. Like as Trade Mark Act, Essential Commodity Act, Weights and Measures Act etc.

(v) **Technological Environment** It refers to changes taking place in the method of production, use of equipments and machineries to improves the quality of product.

## Business Environment



## 5. Economic Environment in India

Since 1991 India has been going on economic reforms. We have now adopted the policy of liberalisation, privatisation and globalisation. We have started modernising the country's industrial system

Unproductive control are being removed private investment, including foreign investment is being encouraged.

(i) **Liberalisation** It means removing unnecessary trade restrictions and making the economy more competitive like as freedom of production, expansion of industries.

(ii) **Privatisation** It means removing strict control over private sector and making them free to take necessary decisions. Like as reduction in the number of reserved public sector industries, increasing the share of private sector investment.

(iii) **Globalisation** Free interaction among economies of the world in the field of trade, finance, production, technologies and investment is termed as globalisation. Our new economic policy contributed towards globalisation in the following ways.

- (a) Devaluation of rupee
- (b) Raising foreign equity participation
- (c) Long period trade policy
- (d) Convertibility of rupee

## 6. Impact of Government Policy Changes on Business and Industry

(i) **Increasing Competition** There is a tough competition between multinationals and there is also competitions between Indian enterprises and foreign enterprises.

(ii) **More Demanding Customers** Customers today become more demanding because they are well-informed.

(iii) **World Class Technology** Changes in government policy regarding business and industry has provided us with world class technology.

(iv) **Necessity for Change** After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.

(v) **Need for Developing Human Resource** The new market conditions requires people with higher competence and greater commitment.

(vi) **Market Orientation** Today firms are market oriented. They research the market, need and wants of consumers and then they produce good accordingly.

(vii) **Loss of Budgetary Support to Public Sectors** The government's budgetary support for financing the public sector has declined over the years.

## ASSIGNMENT

1. Why is it said that business environment is uncertain?  
(Compartment 2014)

2. What is included in 'Political Environment' of business? State.  
(Delhi 2014)

3. Why is business environment called dynamic? State

4. Business environment includes both specific and general forces. List any four specific forces. (Delhi 2011)

Ans. Specific forces of business environment are:

(i) Suppliers

(ii) Investors

(iii) Customers

(iv) Competitors

5. Business environment includes both specific and general forces. List any four general forces. (All India 2011)

6. Why is the understanding of business environment important for Explain with the help of any four points. (Delhi 2014)

or

Understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firms? In the light of the statement, explain any four points of importance, of business environment.

7. What is meant by 'business environment'? Explain any three features of business environment.

8. The court passed an order that all schools must have water purifiers for the school children as

- Society in general is more concerned about quality of life.
- Innovative techniques are being developed to manufacture water purifiers at competitive rates.
- Incomes are rising and children at home are also drinking purified water.
- The government is also showing positive attitude towards the water purifier business.

Identify the different dimensions of business environment by quoting from the above details.

9. Management of every enterprise can be benefited from being aware of different dimensions of business environment. Explain any four such dimensions (All India 2010)

9. What is Business Environment?

10. How can a firm cope up with the varying technical environment?

## Unit 4- Planning

### Guidelines

- Refer to the content given below and view the links
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### Instructional Aids / Resources

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- [https://www.youtube.com/watch?v=FNTIIY5\\_paQ](https://www.youtube.com/watch?v=FNTIIY5_paQ)
- <https://www.youtube.com/watch?v=EzKfYFSlskY>
- <https://www.youtube.com/watch?v=Bx6OyKdtrgU>

### Learning outcomes

Each student will be able to know about:

- Planning: Concept, importance and limitation
- Planning process

## LESSON DEVELOPMENT

### 1. Planning

Planning can be defined as “thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done.”

According to Fayol, “Planning is chalking out plan of action, i.e., the result envisaged in the line of action to be followed, the stages to go through the methods to use.”

### 2. Importance of Planning

(i) **Planning Provides Directions** Planning provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do etc.

(ii) **Planning Reduces the Risk Uncertainty** Planning helps the manager to face the uncertainty because planners try to force the future by making some assumptions. The plans are made to over come uncertainties.

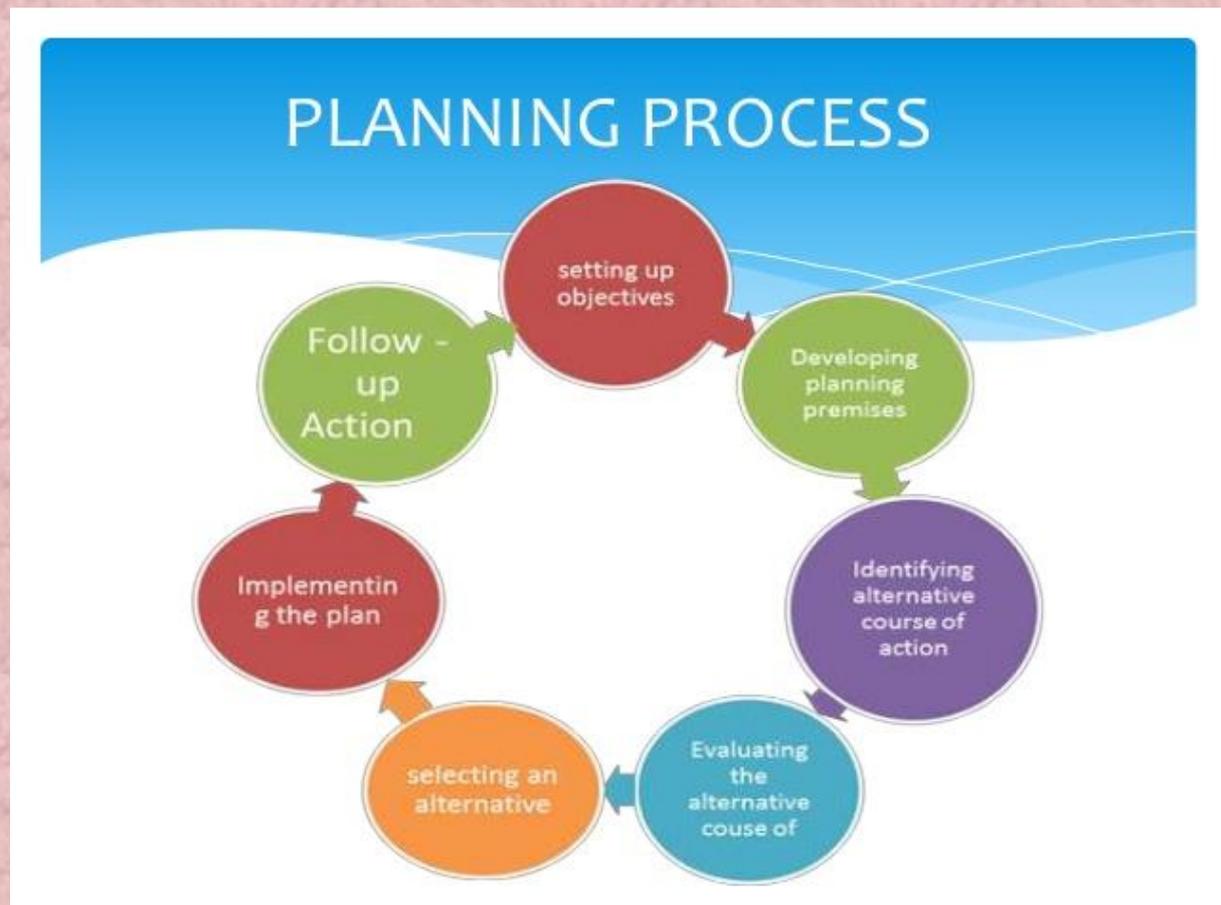
(iii) **Planning Reduces Over Lapping and Wasteful Activities** Planning evaluates the alternatives uses of the available and prospective resources of the business and makes their

must appropriate use.

(iv) **Planning Promotes Innovative Ideas** Planning requires high thinking and it is an intellectual process. So it makes the managers innovative and creative.

(v) **Planning Facilitates Decision Making** Planning helps the managers to look in to the future and make a choice from amongst various alternative courses of action.

(vi) **Planning Establishes Standards for Controlling** It has predetermined goal with which the actual performances are compared to find out deviation and suggest remedial measures.



### 3. Features of Planning

(i) **Planning Focuses on Achieving Objective** Planning is purposeful. It has no meaning unless it contributes to the achievement of predetermined organisational goals.

(ii) **Planning is a Primary Function of Management** Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function.

(iii) **Planning is Pervasive** Planning is essential for every sort of business activities. Every department whether, purchase, sales accounts, auditing, marketing etc needs systematic planning.

(iv) **Planning is Continuous** Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way.

(v) **Planning is Futuristic** Planning always means looking ahead, it is never for the past. All the managers try to make predictions and assumptions for future. ,

(vi) **Planning Involves Decision Making** Planning choice making of the best possible alternative out of various alternatives.

#### 4. Limitations of Planning

- (i) **Planning Leads to Rigidity** Once plans are made to decide the future course of action the manager may not be in a position to change them.
- (ii) **Planning May Not Work in a Dynamic Environment** Business environment is very dynamic as there are continuously changes. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.
- (iii) **Planning Reduces Creativity** With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only.
- (iv) **Planning Involves Huge Costs** Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process.
- (v) **Planning is a Time Consuming Success** Lot of time is needed in developing planning premises.
- (vi) **Planning does not Guarantee Success** Planning only provides a base for analysing future. It is not a solution for future course of action.

#### 5. Planning Process

- (i) **Setting Objectives** In planning function manager begin with setting up of objectives because all the policies, procedures and methods are framed for achieving objectives only.
- (ii) **Developing Premises** Premises refers to making assumptions regarding future. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information.
- (iii) **Identifying Alternative Courses of Action** After setting up of objectives the managers make a list of alternatives through which the organisation can achieve its objectives.
- (iv) **Evaluating Alternative Courses** After making the list of various alternatives along with the assumptions supporting them the manager starts evaluating each and every alternative.
- (v) **Selecting an Alternative** The best alternative is selected but as such there is no mathematical formula to select the best alternative. Some times instead of selecting one alternative a combination of different alternatives can also be selected.
- (vi) **Implementing the Plan** This is the step where other managerial functions also come in to the picture. The step is concerned with putting the plan into action i.e., doing what is required.
- (vii) **Follow-up Action** Planning is a continuous process so the manager's job does not get over simply by putting the plan into action. The manager monitor the plan carefully while it is implemented.

#### 6. Types of Plans

- (i) **Objectives** Objectives are the ends towards which the activities are directed. They are the end result of every activity, e.g., increase in sale by 10%.
- (ii) **Strategy** A strategy is a comprehensive plan to achieve the organisational objectives.
- (iii) **Policies** Policies are general statements that guide thinking or channelise energies towards a particular direction.
- (iv) **Procedures** Procedures are required steps established in advance to handle future conditions. The procedure can be defined as the exact manner in which an activity has to be accomplished.
- (v) **Method** Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.
- (vi) **Rule Rules** are specific statements that inform what is to be done. They do not allow for any flexibility or discretion.
- (vii) **Programme** Programme are detailed statements about a project which outlines the

objectives, policies, procedures, rules.

(viii) **Budget** A budget is a statement of expected results expressed in numerical terms.

## ASSIGNMENT

1. State how planning 'leads to rigidity'? (All India 2010)
2. State how planning reduces creativity? (Delhi 2010c)
3. 'Planning always leads to success'. Do you agree? Give reasons in support of your answer. (HOTS; Delhi 2009C)
4. List any two limitations of planning. (All India 2009)  
or  
State any one limitation of planning. (Delhi 2008C)
5. In spite of many advantages, state how planning can be detrimental? (HOTS; All India 2008)
6. Explain any five limitations of planning.
7. How does planning lead to rigidity and reduce creativity? Explain. (Compartment 2014)  
or  
State any two limitations of planning. (Delhi 2012)
8. How does planning not work in a dynamic environment and does not guarantee success. Explain. (Compartment 2014)
9. Rahul, a worker, is given a target of assembling two computers per day. Due to his habit of doing things differently, an idea struck him which would not only reduce the assembling time of computers but would also reduce the cost of production of the computers. Rahul's supervisor instead of appreciating him, ordered him to complete the work as per the methods and techniques decided earlier as nothing could be changed at that stage. The above para describes one of the limitation of planning function of management. Name and explain that limitation. (HOTS; All India 2011; Delhi 2011c)
10. 'Planning is the basic function of management.' Explain.