

CHAPTER 4

Planning

CBSE Class 12 · Business Studies · Chapter 4

CBSE · Business Studies · Class 12

WHAT THIS CHAPTER DOES



Define planning and state its 7 features.



Explain the importance and limitations of planning.

Boards prep that builds confidence, not anxiety.

TODAY'S MISSION

Today's mission

1

Define planning and state its 7 features.

2

Explain the importance and limitations of planning.

3

Walk through the 7-step planning process in order.

4

Distinguish the types of plans — single-use vs standing (O-S-P-P-M-R).

WHY THIS MATTERS

Why this chapter matters

- 1 5-7 marks every CBSE board paper, with three high-frequency questions (types of plans, importance, process).
- 2 Planning is the FIRST function of management — sets up Organising, Staffing, Directing and Controlling.
- 3 Standards for controlling (Ch 8) are SET in planning — weakness here cascades into other chapters.

TOPIC

A

What is planning?

THEOREM · LOAD-BEARING RESULT

Definition of Planning

Planning is 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 BE** (Koontz & O'Donnell).

STATEMENT

Planning is **GOAL-ORIENTED** (set objectives first), **FUTURISTIC** (looks ahead), and a **MENTAL EXERCISE** involving **DECISION-MAKING**. It is the **PRIMARY** function — all other functions

WHY THIS MATTERS

- Without planning, action is directionless: resources are wasted, departments pull in different directions, and there is no standard against which to control performance
- Planning gives the firm a roadmap.

WATCH OUT FOR

NOTE Planning is **NOT** just forecasting. Forecasting only assesses future events; planning **DECIDES** the action to take in the light of that forecast. Planning = forecasting + decision-making.

TOPIC

Seven features of planning

1. GOAL-ORIENTED + 2. PRIMARY FUNCTION

Planning is GOAL-ORIENTED because it starts with stating the objectives the organisation wants to achieve — there is no planning without a goal. It is also the PRIMARY function of management because every other function (organising, staffing, directing,

3. PERVASIVE + 4. CONTINUOUS

Planning is PERVASIVE — it is required at ALL LEVELS of management and in ALL DEPARTMENTS. Top management does strategic long-range planning, middle management does departmental/tactical planning, and supervisors plan day-to-day

5. FUTURISTIC + 6. MENTAL EXERCISE

Planning is FUTURISTIC — it looks ahead and prepares for what is to come. It is sometimes called 'looking ahead' because no manager plans for the past. It is also a MENTAL EXERCISE — it requires intelligent thinking, imagination, foresight and sound judgement rather than

7. INVOLVES DECISION-MAKING

Planning ESSENTIALLY INVOLVES DECISION-MAKING because at every step a choice must be made between alternatives — what objective to pursue, which premises to accept, which alternative course of action to select, and how to implement it. If only one

TOPIC

B

Importance of planning

TOPIC

Why planning matters

**PROVIDES DIRECTION +
REDUCES RISK OF
UNCERTAINTY**

Planning PROVIDES DIRECTION by stating objectives in advance so every department and employee knows what is to be achieved, how, and by when — effort converges instead of scattering. Without planning, teams work towards conflicting goals and resources are

**REDUCES OVERLAPPING +
WASTEFUL ACTIVITIES**

Planning REDUCES OVERLAPPING AND WASTEFUL ACTIVITIES because departmental plans are coordinated under one organisational umbrella. With clear plans, two teams don't end up doing the same task; useless or duplicative activity is eliminated; coordination

**PROMOTES INNOVATIVE
IDEAS + FACILITATES
DECISION-MAKING**

Planning PROMOTES INNOVATIVE IDEAS because the process requires managers to scan the environment, anticipate change and generate alternative courses of action — fresh approaches and creative solutions are surfaced during the alternative-identification

**ESTABLISHES STANDARDS
FOR CONTROLLING**

Planning ESTABLISHES THE STANDARDS for CONTROLLING. Controlling means comparing actual performance against planned standards and correcting deviations — without planned standards (a sales target, a cost budget, a production schedule),

TOPIC

C

Limitations of planning

TOPIC

What planning cannot do

RIGIDITY + MAY NOT WORK IN A DYNAMIC ENVIRONMENT

RIGIDITY: once detailed plans are drawn up, managers tend to stick to them even when circumstances change, which restricts flexibility.

Departments are locked into plans that may no longer fit.

MAY NOT WORK IN A DYNAMIC ENVIRONMENT:

REDUCES CREATIVITY + INVOLVES HUGE COST + TIME-CONSUMING

REDUCES CREATIVITY: planning is mostly done by top management, which leaves middle and lower managers little room for creative input — they are required to follow set plans rather than think for themselves, which dampens

DOES NOT GUARANTEE SUCCESS + FALSE SENSE OF SECURITY

DOES NOT GUARANTEE SUCCESS: a planned firm is not automatically a successful one. Plans can fail if premises prove wrong, if the environment shifts, or if execution falters. CBSE explicitly rewards 'does not guarantee success' as a

TOPIC

D

The planning process — 7 steps

WORKED EXAMPLE

The 7-step planning process

- 1** STEP 1 — SETTING OBJECTIVES: define what is to be achieved by the organisation as a whole and by each department, in specific and measurable terms with a time-frame. Objectives are the starting point — everything else flows from them.
- 2** STEP 2 — DEVELOPING PREMISES: form ASSUMPTIONS about the future — demand forecasts, competitor moves, government policy, raw-material prices. These planning premises are the BASE on which plans rest, so consistency in premises is critical.
- 3** STEP 3 — IDENTIFYING ALTERNATIVE COURSES OF ACTION: list all the possible alternative routes to achieving the objectives given the premises (e.g. expand domestically vs export; build in-house vs outsource).
- 4** STEP 4 — EVALUATING ALTERNATIVE COURSES OF ACTION: weigh each alternative against the premises — pros, cons, costs, risks, feasibility — using both quantitative and qualitative analysis.

TOPIC

E

Types of plans

THEOREM · LOAD-BEARING RESULT

Single-use vs Standing plans



Plans are classified by their **FREQUENCY OF USE**. **SINGLE-USE** plans are designed for a non-recurring situation and used **ONCE** — examples are Programme and Budget. **STANDING** plans are made once and used **REPEATEDLY** for recurring activities — examples are Objective, Strategy, Policy, Procedure, Method and Rule.

STATEMENT

Mnemonic for **STANDING** plans: **O-S-P-P-M-R** (Objective, Strategy, Policy, Procedure, Method, Rule). Single-use plans: Programme + Budget.

WHY THIS MATTERS

- Some situations are one-off (a new product launch, a financial year's budget) and need a plan used only that time
- other situations recur every day (handling customer orders, dealing with leave requests) and need a stable, repeatedly-usable plan.

WATCH OUT FOR

NOTE **STANDING** does NOT mean **OUTDATED**. A standing plan is one that 'stands ready' to be used again whenever the same situation recurs.

TOPIC

Objective · Strategy · Policy · Procedure · Method · Rule

OBJECTIVE + STRATEGY

OBJECTIVE: the END the firm wants to achieve, stated in specific and measurable terms with a time-frame — e.g. 'achieve 20% market share in 2 years' or 'increase sales by 15% next year'. Objectives are the **STARTING POINT** of planning; all other plans flow from them.

POLICY + PROCEDURE

POLICY: a **GENERAL GUIDELINE** for decision-making — sets the **BOUNDARIES** within which managers may decide without seeking higher approval. Example: 'we promote from within' or 'we offer credit to customers with proven track record

METHOD + RULE

METHOD: the **PRESCRIBED WAY** of doing **ONE PARTICULAR STEP** within a procedure. Example: the straight-line method of charging depreciation (one step within the larger accounting procedure), or the moving-average method of valuing inventory. A

TOPIC

Programme + Budget

PROGRAMME

A PROGRAMME is a SINGLE-USE plan containing a DETAILED SEQUENCE of activities to be undertaken to carry out a specific project or one-time event. It specifies the objectives, the policies to be followed, the procedures, the rules, the resources required and the timeline — bundling many smaller plans into one comprehensive 'project plan'.
Example: a programme for the launch of a new product, or for setting up a new factory, or for

BUDGET

A BUDGET is a SINGLE-USE plan that expresses expected results in NUMERICAL (usually financial) terms for a specific future period — typically a financial year. It can be a sales budget, a cash budget, a production budget, a capital expenditure budget, or a master budget combining all of these. The budget serves a dual purpose: it is both a PLAN (the target) and a STANDARD for control (actual results are compared against budgeted

TOPIC

F

Procedure vs Method vs Rule — the critical distinction

MODEL 5-MARK ANSWER

Distinguish: Procedure, Method, Rule

PYQ PATTERNS

Most-tested PYQ patterns

MARKS DISTRIBUTION

Marks distribution across past CBSE papers (2017-2024)

TOPIC

Mistakes that cost marks

DON'T CONFUSE PROCEDURE, METHOD AND RULE

The single most-tested distinction in this chapter is between procedure, method and rule. Students routinely blur them. PROCEDURE is a SEQUENCE of steps for a recurring activity (e.g. processing a customer order — receive → check stock →

STRATEGY IS NOT JUST A LONG-TERM PLAN

Many students define strategy as 'any long-term plan' and stop there — losing marks. CBSE's prescribed definition requires THREE distinguishing dimensions: (1) it is LONG-TERM in nature; (2) it accounts for the BUSINESS ENVIRONMENT;

DON'T SKIP 'DEVELOPING PREMISES' OR 'FOLLOW-UP' IN THE 7-STEP PROCESS

The 7-step planning process must be reproduced in CORRECT ORDER: Setting Objectives → Developing Premises → Identifying Alternatives → Evaluating Alternatives → Selecting an Alternative → Implementing → Follow-up. The two most-

TOPIC

Planning vs forecasting

TRAP → TRUTH

× **MISTAKE** Planning is the same as forecasting the future.

✓ **CORRECT** Forecasting is only ASSESSING future events; PLANNING goes further and DECIDES the COURSE OF ACTION to take in the light of that forecast. Planning is goal-oriented and involves decision-making, while forecasting is only one input (planning premises). Writing 'planning = forecasting' loses marks.

TOPIC

Planning is only for top management

TRAP → TRUTH

- × **MISTAKE** Only top managers do planning — supervisors and workers just execute.
- ✓ **CORRECT** Planning is PERVASIVE — it is done at ALL levels and in ALL departments. Top management sets strategic plans, middle management sets tactical/departmental plans, and supervisors plan day-to-day operations. The scope and time-horizon differ, but planning itself is everywhere.

TOPIC

Objective vs strategy vs policy

TRAP → TRUTH

× **MISTAKE** Objective, strategy and policy all mean the same thing.

✓ **CORRECT** OBJECTIVE = the END a firm wants to achieve (e.g. 20% market share). STRATEGY = a comprehensive plan to achieve objectives — accounting for environment + competition (3 dimensions). POLICY = a general guideline for decision-making (e.g. 'we promote from within'). They are at different LEVELS and serve different roles in the standing-plans hierarchy.

TOPIC

Procedure vs method vs rule

TRAP → TRUTH

× **MISTAKE** Procedure, method and rule are interchangeable.

✓ **CORRECT** PROCEDURE = a SEQUENCE of routine steps to perform a recurring activity (the 'how it flows'). METHOD = the prescribed way of doing ONE step within a procedure (the 'how this step is done'). RULE = a SPECIFIC statement of what MUST or MUST NOT be done, allows NO discretion (e.g. 'No smoking on the premises'). They form a hierarchy of decreasing flexibility.

TOPIC

Planning guarantees success

TRAP → TRUTH

× **MISTAKE** If we plan, success is guaranteed.

✓ **CORRECT** Planning DOES NOT guarantee success — it is a clear CBSE limitation. Plans can fail if premises prove wrong, if the environment shifts, or if rivals react. CBSE specifically rewards 'does not guarantee success' as a distinct limitation, alongside 'false sense of security' where managers over-rely on past plans.

TOPIC

Planning is rigid

TRAP → TRUTH

× **MISTAKE** Planning makes management more flexible and creative.

✓ **CORRECT** RIGIDITY is in fact a textbook LIMITATION — once plans are drawn up, managers tend to stick to them and lose flexibility. Planning also REDUCES CREATIVITY of middle and lower managers who must follow plans set by top management. CBSE rewards stating these as limitations, not strengths.

TOPIC

Single-use vs standing plans

TRAP → TRUTH

- × **MISTAKE** Single-use plans are for one project; standing plans are old plans that are not used.
- ✓ **CORRECT** SINGLE-USE plans are designed for a NON-RECURRING situation and are used ONCE (e.g. a Programme for a product launch; a Budget for the next financial year). STANDING plans are made ONCE and used REPEATEDLY for RECURRING activities (e.g. Objectives, Strategy, Policy, Procedure, Method, Rule). Standing ≠ outdated; it means 'standing ready to be used again'.

TOPIC

Strategy is just a long-term plan

TRAP → TRUTH

× **MISTAKE** Strategy is any long-term plan.

✓ **CORRECT** A STRATEGY is a COMPREHENSIVE plan that has THREE distinguishing dimensions: (1) it is LONG-TERM; (2) it accounts for the BUSINESS ENVIRONMENT (linking back to Ch 3); (3) it factors in COMPETITION. Without all three dimensions it is not a strategy. CBSE explicitly tests these three dimensions.

TOPPER TEMPLATE · MARK-BY-MARK

5-mark: 'Explain any 5 points of importance of planning.'

- | | |
|---|--|
| <p>1 PROVIDES DIRECTION
1 m</p> | <p>Planning PROVIDES DIRECTION by stating the objectives in advance, so every department and employee knows what is to be achieved and how. Without planning, employees work in different directions and effort is wasted. Example: a sales team given a clear quarterly target acts in unison instead of pulling in different directions.</p> |
| <p>2 REDUCES RISK OF UNCERTAINTY
1 m</p> | <p>Planning REDUCES THE RISK OF UNCERTAINTY by forcing managers to anticipate future change and prepare for it through planning premises. Future events are uncertain, but planned anticipation lets the firm act, not merely react. Example: forecasting raw-material price rises and locking in supply contracts.</p> |
| <p>3 REDUCES OVERLAPPING + WASTEFUL ACTIVITIES
1 m</p> | <p>Planning REDUCES OVERLAPPING AND WASTEFUL ACTIVITIES because departmental plans are coordinated under one umbrella. With clear plans, two teams don't end up doing the same task, and useless activity is eliminated — improving efficiency and cost-control.</p> |
| <p>4 PROMOTES INNOVATIVE IDEAS
1 m</p> | <p>Planning PROMOTES INNOVATIVE IDEAS because it requires managers to think ahead, scan the environment and explore new ways of achieving goals — generating fresh approaches and solutions during the alternative-identification step of the planning process.</p> |
| <p>5 FACILITATES DECISION-MAKING + ESTABLISHES STANDARDS FOR CONTROLLING
1 m</p> | <p>Planning FACILITATES DECISION-MAKING by laying down objectives and evaluating alternatives in advance, and it ESTABLISHES STANDARDS FOR CONTROLLING — actual performance is later compared against the planned standards, and deviations are corrected. Without planned standards, control becomes meaningless.</p> |

TOPPER TEMPLATE · MARK-BY-MARK

5-6 mark: 'Explain the steps in the planning process.'

1 **SETTING OBJECTIVES + DEVELOPING PREMISES**

1 m

STEP 1 — SETTING OBJECTIVES: planning begins by defining objectives for the entire organisation and for each department, stating what is to be achieved, when and by whom. STEP 2 — DEVELOPING PREMISES: assumptions about the future (planning premises) are made about demand, prices, competitor moves and government policy — these form the base on which plans rest.

2 **IDENTIFYING + EVALUATING ALTERNATIVES**

1 m

STEP 3 — IDENTIFYING ALTERNATIVE COURSES OF ACTION: once objectives are set and premises developed, managers list possible alternative routes (e.g. expand domestically vs export). STEP 4 — EVALUATING ALTERNATIVES: each alternative is evaluated against the planning premises, considering pros, cons, costs, risks and feasibility.

3 **SELECTING AN ALTERNATIVE**

1 m

STEP 5 — SELECTING AN ALTERNATIVE: the best alternative is chosen. The ideal plan should be the most feasible, profitable, and least negative consequence. Sometimes a combination of alternatives is selected rather than a single one.

4 **IMPLEMENTING THE PLAN**

1 m

STEP 6 — IMPLEMENTING THE PLAN: the chosen plan is put into action — resources are organised, employees informed, and procedures activated. This step links planning to the other management functions (organising, staffing, directing).

5 **FOLLOW-UP ACTION**

1 m

STEP 7 — FOLLOW-UP ACTION: managers monitor whether the plan is working as intended; actual results are compared with planned standards and deviations are corrected. Follow-up keeps planning a living, dynamic process and feeds back into the next planning cycle.

TOPPER TEMPLATE · MARK-BY-MARK

5-6 mark: 'Explain / distinguish the types of plans (Objective, Strategy, Policy, Procedure.'

- | | | |
|-----------------|---|--|
| <p>1</p> | <p>OBJECTIVE
1 m</p> | <p>OBJECTIVE: the ENDS the firm wants to achieve, stated in specific, measurable terms with a time-frame. They are the starting point of planning. Example: 'achieve 20% market share in 2 years' or 'increase sales by 15% next year'.</p> |
| <p>2</p> | <p>STRATEGY
1 m</p> | <p>STRATEGY: a COMPREHENSIVE plan to achieve objectives with THREE distinguishing dimensions — (1) it is LONG-TERM; (2) it accounts for the BUSINESS ENVIRONMENT; (3) it factors in COMPETITION. Example: launching a low-price variant to counter a rival's entry.</p> |
| <p>3</p> | <p>POLICY + PROCEDURE
1 m</p> | <p>POLICY: a GENERAL GUIDELINE for decision-making at all levels — sets the boundaries within which managers decide (e.g. 'we promote from within'). PROCEDURE: a SEQUENCE of routine steps for performing a recurring activity (e.g. the steps to process a customer order).</p> |
| <p>4</p> | <p>METHOD + RULE
1 m</p> | <p>METHOD: the prescribed way of doing a PARTICULAR step within a procedure (e.g. straight-line method of depreciation). RULE: a SPECIFIC, RIGID statement of what must or must not be done — allows no discretion (e.g. 'No smoking on the premises').</p> |
| <p>5</p> | <p>SINGLE-USE VS STANDING CLASSIFICATION
1 m</p> | <p>CLASSIFICATION: SINGLE-USE plans are for non-recurring situations used once — Programme (a single-use plan with sequence of activities for a specific project) and Budget (a single-use plan expressing expected results in numerical terms). STANDING plans are made once and used repeatedly — Objective, Strategy, Policy, Procedure, Method and Rule.</p> |

PYQ PATTERNS

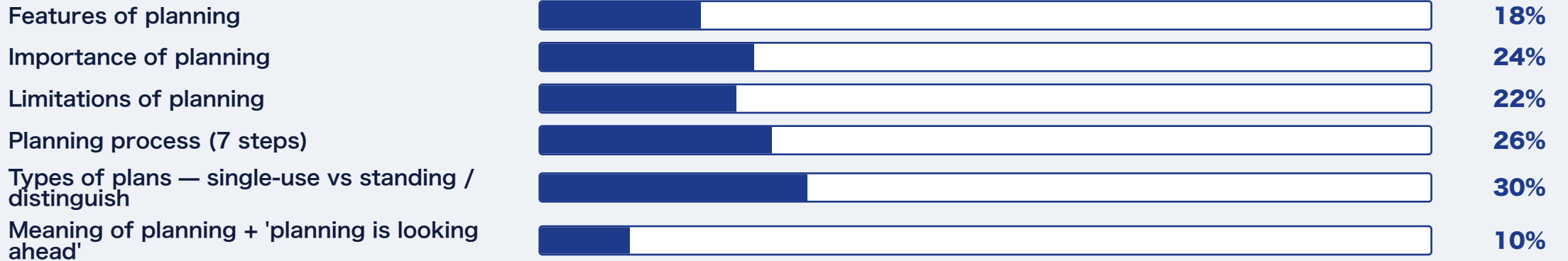
Top PYQ patterns to drill

#1	Distinguish between / explain the types of plans (Objective, Strategy, Policy, Procedure, Method, Rule). (5-6 marks)	Annual
#2	Explain any 5 points of importance of planning. (5 marks)	2018, 2020, 2022, 2024
#3	Explain the steps in the planning process. (5-6 marks)	2017, 2019, 2021, 2023
#4	Explain any 4-5 limitations of planning. (4-5 marks)	Most years
#5	State / explain any 3 features of planning. (3 marks)	Most years

MARKS DISTRIBUTION

10-year marks distribution

10-YEAR PYQ MARKS DISTRIBUTION



RECAP · MEMORISE THESE

Recap

1 What planning IS —
Deciding in advance
what/how/when/who.
7 features: goal-
oriented, primary,
pervasive, continuous,
futuristic, mental
exercise, decision-
making.

2 Importance +
limitations — 6
importance: direction,
reduces uncertainty,
reduces overlap,
innovation, decision-
making aid, control
standards. 6
limitations: rigidity,
dynamic env, reduces
creativity, cost, time,
no guarantee of
success.

3 Process + types — 7
steps: Objectives →
Premises →
Alternatives →
Evaluate → Select →
Implement → Follow-
up. Types: SINGLE-
USE (Programme,
Budget) vs STANDING
(Objective, Strategy,
Policy, Procedure,
Method, Rule = O-S-P-
P-M-R).

WHAT'S NEXT

What's next

- Chapter 5 — Organising (structuring resources to execute the plan).
- Sit the 15-MCQ Quick Drill.
- Then the full Board-Pattern Paper — 26 marks.

You can now plan before you act.

Features, importance, process, and types of plans — now prove it.

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Boards prep that builds confidence, not anxiety.