



Collegedunia NCERT Notes

The Ultimate NCERT Revision Guide for Class 12 Business Studies

Chapter 4: Planning

What this chapter covers: the planning function, its features, importance, limitations, the seven-step planning process, and the eight types of plans (objective, strategy, policy, procedure, method, rule, programme, budget). Session 2026-27.

Contents

1. Meaning of Planning

Core Definition

Planning is the managerial function of 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 the organisation is today and where it wants to be tomorrow.

Place in the management cycle: Planning → Organising → Staffing → Directing → Controlling. Planning is the primary function because every other function is based on the plans drawn up here.

CBSE Definition to Memorise

“Planning is deciding in advance what to do, how to do it, when to do it and who is to do it.” Use this line verbatim in 1-mark VSA questions and as the opening sentence in any long-answer.

2. Features (Nature) of Planning

1. **Planning focuses on achieving objectives.** Objectives come first; plans show how to reach them.
2. **Planning is a primary function of management.** It precedes all other functions. Organising, staffing, directing and controlling all support the plan.
3. **Planning is pervasive.** It happens at every level, top, middle, and lower, and in every department.
4. **Planning is continuous.** Plans are made for a period, reviewed, and then a fresh plan is drawn up. The cycle never ends.
5. **Planning is futuristic.** Plans are made for the future, looking ahead and not behind.
6. **Planning involves decision-making.** The planner identifies alternatives, evaluates them, and selects the best one.
7. **Planning is a mental exercise.** It is intellectual work based on logical thinking, judgement, and forecasting, not guesswork.

Memory Aid - O-P-P-C-F-D-M

Objective focused, Primary function, Pervasive, Continuous, Futuristic, Decision-making, Mental exercise. Seven features in one mnemonic.

3. Importance of Planning

1. **Provides direction.** Objectives, once written down, point every employee in the same direction.
2. **Reduces the risks of uncertainty.** Planning forces managers to look ahead and prepare for likely change.
3. **Reduces overlapping and wasteful activities.** Coordinated plans across departments avoid duplicate effort.
4. **Promotes innovative ideas.** The planning process itself encourages identifying new courses of action.
5. **Facilitates decision-making.** The plan supplies a ready framework for choosing among alternatives during execution.
6. **Establishes standards for controlling.** The plan is the benchmark against which actual performance is measured.

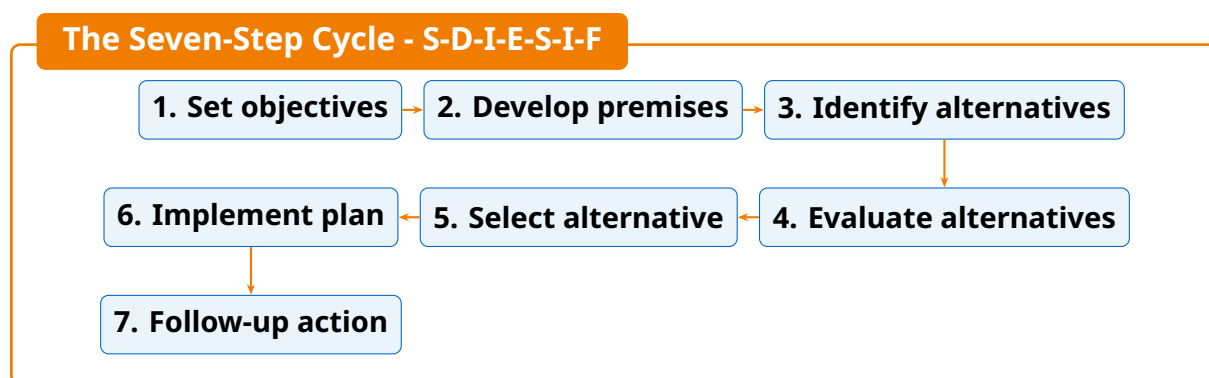
[Why CBSE Loves Importance] Importance and limitations together appear in 75 percent of CBSE board papers for this chapter, either as a 3-mark short answer or a 5-mark long answer. Memorise both lists as single blocks.

4. Limitations of Planning

1. **Planning leads to rigidity.** Once a plan is drawn, managers tend to follow it even when conditions change.
2. **Planning may not work in a dynamic environment.** Premises about the future may be invalidated by sudden change in technology, government policy, or customer taste.
3. **Planning reduces creativity.** Lower-level managers must follow the plan as given; they may not raise better alternatives.
4. **Planning involves huge costs.** Detailed plans require market surveys, expert opinions, and significant management time.
5. **Planning is a time-consuming process.** If too much time is spent at the planning stage, the first-mover advantage is lost.
6. **Planning does not guarantee success.** A well-drafted plan still may fail due to execution errors, employee resistance, or unexpected competitor moves.

[Common Error] Many students conflate *does not guarantee success* (limitation) with *is useless* (a wrong statement). Planning is always necessary even when it cannot promise success.

5. The Planning Process (7 Steps)



Brief on each step:

1. **Setting objectives.** Objectives are decided for the whole organisation and for each department. They state what to achieve in the planning period.
2. **Developing premises.** Premises are assumptions about future conditions (demand, prices, competition, policy) on which the plan is built.
3. **Identifying alternative courses of action.** Once the objective and premises are set, list out the different ways to reach the objective.
4. **Evaluating alternative courses.** Weigh each alternative for pros and cons - cost, time, feasibility, risk, return.
5. **Selecting an alternative.** Choose the best alternative based on the evaluation; this is the actual point of decision-making.

6. **Implementing the plan.** Allocate resources, communicate the plan to employees, and give each department its share of the work.
7. **Follow-up action.** Monitor actual results, compare with the plan, correct any deviation; this closes the loop.

Case-study Verb Cheatsheet

Set / decide goal ⇒ Step 1. **Assume / forecast** ⇒ Step 2. **List options / outline** ⇒ Step 3. **Weigh / compare** ⇒ Step 4. **Choose / adopt** ⇒ Step 5. **Put into action** ⇒ Step 6. **Monitor / review** ⇒ Step 7.

6. Types of Plans (Eight Types)

Plans come in eight varieties. Knowing how to identify each in a case study is the single highest-yield skill in this chapter.

6.1 The Eight Types

1. **Objective.** The desired future position the organisation wants to reach. Stated in measurable terms with a deadline (e.g. “increase market share from 10 percent to 25 percent by next financial year-end”).
2. **Strategy.** A comprehensive plan that gives the broad direction of the organisation. Strategy has three dimensions: long-term objective, course of action, and resource allocation.
3. **Policy.** A general statement that guides thinking in decision-making. Policies provide *a framework* within which managers operate (e.g. “we hire only graduates”).
4. **Procedure.** The chronological sequence of steps for performing a routine task (e.g. the recruitment procedure or the leave-application procedure).
5. **Method.** The prescribed way of doing a specific operation, developed through research and analysis (e.g. the method of valuing closing inventory).
6. **Rule.** A specific statement of what is or is not to be done in a given situation. Rules are rigid; violation invites disciplinary action (e.g. “no smoking”).
7. **Programme.** A detailed statement of project objectives, policies, procedures, rules, tasks, resources and budget required to carry out a course of action (e.g. an MBA-recruitment programme).
8. **Budget.** A statement of expected results expressed in numerical terms (sales budget, cash budget, capital budget). Also serves as a control device.

6.2 Single-Use vs Standing Plans

Two-List Memory Aid

Standing plans are used repeatedly: objective, strategy, policy, procedure, rule, method.

Single-use plans are prepared for a one-time activity: programme, budget.

6.3 How to Identify the Plan in a Case

1. **Goal statement with a deadline** ⇒ Objective.
2. **Broad competitive response, all departments** ⇒ Strategy.
3. **Guideline / general rule that allows discretion** ⇒ Policy.
4. **Sequence of steps for a recurring task** ⇒ Procedure.
5. **Research-based “best way” to perform one task** ⇒ Method.
6. **One fixed instruction, no flexibility, “must” / “never”** ⇒ Rule.
7. **One large project with sub-plans** ⇒ Programme.
8. **Numerical statement of expected results** ⇒ Budget.

7. Differences Often Tested in CBSE

7.1 Policy vs Procedure vs Rule

Basis	Policy	Procedure Method /	Rule
Nature	Guideline, broad	Sequence of steps / best way	Specific, rigid
Discretion	High	Low	None
Violation	May be defensible	Inefficiency follows	Disciplinary action
Example	“Hire only graduates”	Recruitment procedure	“No smoking”

7.2 Strategy vs Policy

Basis	Strategy	Policy
Purpose	Direction in response to competitive environment	Guideline for repeated decisions
Scope	Organisation-wide	Departmental or functional
Frequency of change	As environment changes	Stable for a long period
Example	Reliance Jio's entry into telecom	"Pay annual bonus on Diwali"

8. Case-study Patterns from Past Boards

1. **Identify the plan type** from a one-paragraph description (e.g. Airtel refreshing its Rs. 149 plan = strategy; Rama Stationery Mart paying only by e-transfer = rule).
2. **Identify the step of the planning process** performed by a manager (e.g. Ms Rajni listing options to raise market share = step 3, identifying alternatives).
3. **Explain the features of planning** highlighted in a case (with hints in brackets; cover only the features named in the hint).
4. **State whether a plan is single-use or standing** alongside its type identification.

[Worked Example - C Ltd] The case in NCERT Long Answer Q3: "C Ltd. forms a team with representatives from all levels of management" highlights *pervasiveness*; "improve market standing in the future" highlights *futuristic*; "team will brainstorm" highlights *mental exercise*. Quote the case phrase in italics under each feature.

9. JEE / CUET-style Conceptual Cuts (For Toppers)

1. **Why planning is the primary function.** Every other function builds on the plan: organising creates structure to deliver the plan, staffing fills the structure, directing energises staff to execute the plan, and controlling measures performance against the plan.
2. **Planning vs Forecasting.** Forecasting predicts what will happen; planning decides what should be done about it. Forecasts feed into planning premises.
3. **Planning vs Decision-making.** Decision-making is one step within planning (selecting an alternative); planning is the wider process.
4. **Why planning fails.** The two structural reasons are (a) wrong premises and (b) rigidity in execution. Both can be hedged: the first by frequent review, the second by built-in flexibility.

10. Quick Recap - Exam-Ready Summary

10-Point Cheat Sheet

1. Planning = deciding in advance *what, how, when, who*.
2. 7 features = O-P-P-C-F-D-M (Objective focused, Primary, Pervasive, Continuous, Futuristic, Decision-making, Mental exercise).
3. Importance: direction, reduces uncertainty, reduces overlap, promotes innovation, decision-making, basis of control.
4. 6 limitations: rigidity, dynamic environment, reduces creativity, cost, time, no guarantee.
5. 7-step planning process = S-D-I-E-S-I-F.
6. Types of plans: objective, strategy, policy, procedure, method, rule, programme, budget.
7. Standing plans = first 5 plus method (used repeatedly); single-use = programme and budget.
8. Strategy has 3 dimensions: long-term objective, course of action, resource allocation.
9. Case-study identification rules from Section 6.3 cover 90 percent of CBSE plan identification questions.
10. Always quote a phrase from the case under each feature or step you identify.

CBSE Tip

Case studies almost always test **plan-type identification** (rule vs procedure vs policy) or **step-of-process identification** (list options vs weigh options vs select). Spot the keyword: "must" / "only" ⇒ rule; "sequence of steps" ⇒ procedure; "guideline" ⇒ policy; "outline / list options" ⇒ step 3; "weigh / compare" ⇒ step 4.

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