

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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### Planning

#### Question 1:

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. For quality conscious consumers, the company is introducing new models with added features and new technological advancements.

#### Questions

1. Prepare a model business plan for C Ltd. to meet the existing challenge. You need not be very specific about quantitative parameters. You may specify which type of plan you are preparing.
2. Identify the limitations of such plans.
3. How will you seek to remove these limitations?

#### ANSWER:

1. The types of plans that can be adopted are **strategy and policy**.

A strategy provides the broad contours of a plan for achieving the objectives of an organisation. It includes determining long-term objectives, adopting the required course of action and allocating the necessary resources. Policies, on the other hand, are the statements that act as a guide to channelise the efforts of the organisation in a particular direction. They provide the basis for the interpretation of the organisation's strategies and define broad parameters for the functions of the management. They are usually flexible in nature. With strategies and policies the company would be able to draft the plan and take steps to survive in the increased market competition.

2. The following are the limitations of strategy and policy.

i. **Rigidity**: Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles at times of unforeseen changes. Rigidity in plans sometimes creates obstacles in the completion of the objectives.

ii. **Cannot Deal With Dynamic Environment:** Business environment is dynamic and thereby, very uncertain. However, planning cannot foresee such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives.

iii. **Gigantic Costs:** Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analysing. It involves scientific calculations along with the figures and the facts, which are to be used in formulating the course of action. This involves high costs. Moreover, sometimes it might also happen that the benefits derived from planning fall short of the costs incurred.

iv. **False Security:** Good planning does not mean a guarantee to success. Often the managers tend to rely on pretested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may fail the plan. Sometimes managers think that planning can prevent the problems from occurring, however, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away solutions to the problems.

v. **Time Consuming:** Formulating plans is a very time consuming task, as it involves looking forward in the unforeseen situations. It involves a lot of research and evaluation. This increases the time consumed by the managers and the actual actions may get delayed.

3. The following are the steps that can be taken to remove the limitations of planning.

i. The plans must not be too rigid in the sense that certain degree of flexibility must be provided to the managers to deal with the unforeseen changes that might come up in the course of planning.

ii. The planning must be done keeping in mind that the business environment is highly dynamic in nature. The plans should be such that they can be easily adjusted as per the need of the hour.

iii. The cost and the time invested in the course of planning should be curtailed.

iv. It must not be the case that only the pretested plans are relied upon. New plans can be drafted as per the situation and circumstances.

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