

Topic: 5 Planning

Principles of Management

What is Planning

Planning

A primary managerial activity that involves:

- ❑ Defining the organization's goals
- ❑ Establishing an overall strategy for achieving those goals
- ❑ Developing plans for organizational work activities
- Types of planning
 - ❖ Informal: not written down, short-term focus; specific to an organizational unit
 - ❖ Formal: written, specific, and long-term focus, involves shared goals for the organization

Why Do Managers Plan?

Purposes of Planning

- ▶ Provides direction
- ▶ Reduces uncertainty
- ▶ Minimizes waste and redundancy
- ▶ Sets the standards for controlling

Planning and Performance

The Relationship Between Planning And Performance

- ▶ Formal planning is associated with:
 - ❖ Higher profits and returns on assets
 - ❖ Positive financial results.
- ▶ The quality of planning and implementation affects performance more than the extent of planning.
- ▶ The external environment can reduce the impact of planning on performance,
- ▶ Formal planning must be used for several years before planning begins to affect performance

How Do Managers Plan?

Elements of Planning

- ▶ Goals (also Objectives)
 - ❖ Desired outcomes for individuals, groups, or entire organizations
 - ❖ Provide direction and evaluation performance criteria
- ▶ Plans
 - ❖ Documents that outline how goals are to be accomplished
 - ❖ Describe how resources are to be allocated and establish activity schedules

Types of Goals

▶ Financial Goals

- ❖ Are related to the expected internal financial performance of the organization.

▶ Strategic Goals

- ❖ Are related to the all other areas of an organization's performance.

▶ Stated Goals versus Real Goals

- ❖ Official statements of what an organization says, what it wants its shareholders to believe.
- ❖ The goals an organization actually pursues, what organizational members are doing.

Stated Goals of Large Global Companies

Exhibit 7–1 Stated Goals of Large Global Companies

Execute strategic roadmap—"Plan to Win."
Grow the business profitably.
Identify and develop diverse talent.
Promote balanced, active lifestyles.
(McDonald's Corporation)

Continue to win market share globally.
Focus on higher-value products.
Reduce production costs.
Lower purchasing costs.
Integrate diversity.
Gain ISO 14001 certification for all factories.
(L'Oreal)

Respect the environment.
Respect and support family unity and national traditions.
Promote community welfare.
Continue implementing quality systems.
Continue to be a strong cash generator.
(Grupo Bimbo)

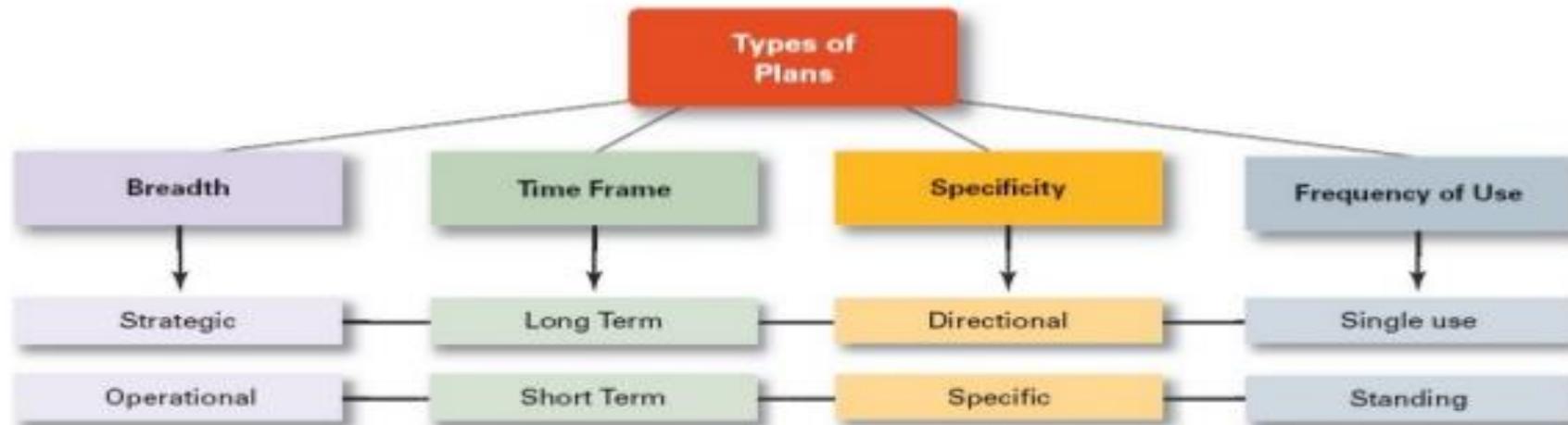
Control inventory.
Maintain industry's lowest inventory shrinkage rate.
Open 25–30 new locations in fiscal 2006.
Live by the code of ethics every day.
(Costco)

Expand selection of competitively priced products.
Manage inventory carefully.
Continue to improve store format every few years.
Operate 2,000 stores by the end of the decade.
Continue gaining market share.
(Target)

Roll out newly-designed environmentally friendly cup in 2006.
Open approximately 1,800 new stores globally in 2006.
Attain net revenue growth of approximately 20 percent in 2006.
Attain annual EPS growth of between 20 percent to 25 percent for the next 3 to 5 years.
(Starbucks)

Types of Plans

Exhibit 7-2 Types of Plans



Types of Plan

- **Strategic Plans**

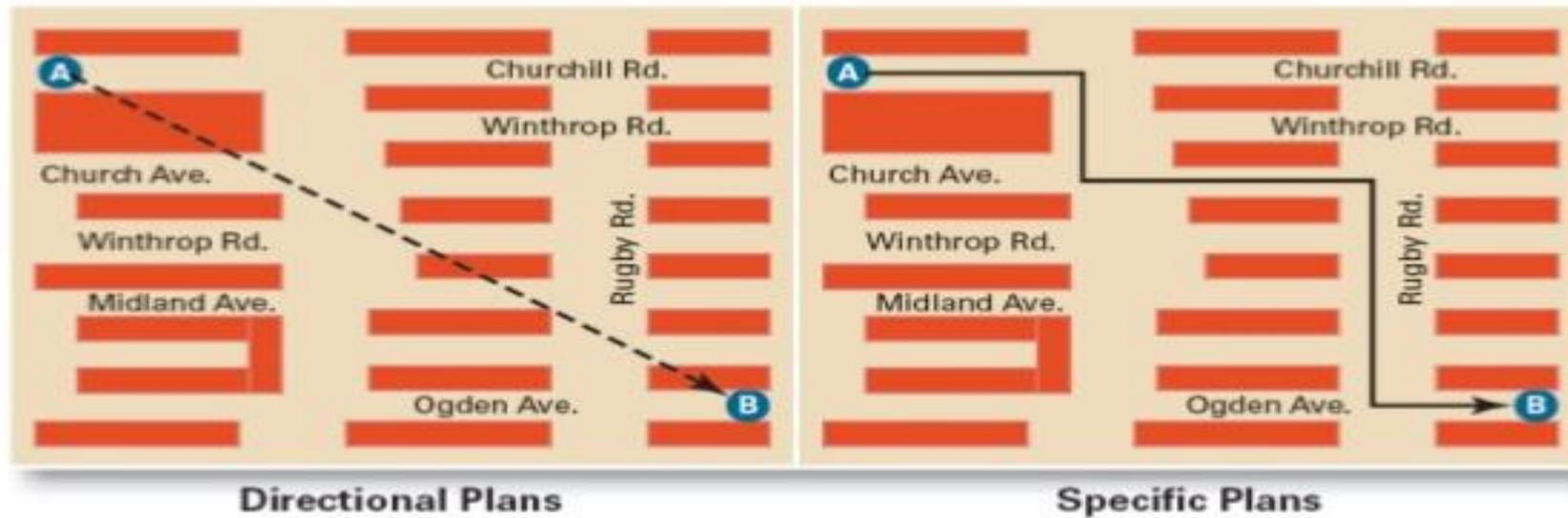
- Apply to the entire organization.
- Establish the organization's overall goals.
- Seek to position the organization in terms of its environment.
- Cover extended periods of time.

- **Operational Plans**

- Specify the details of how the overall goals are to be achieved.
- Cover short time period.

Specific VS Directional Plan

Exhibit 7-3 Specific Versus Directional Plans



Types of Plan

- **Single-Use Plan**

- A one-time plan specifically designed to meet the need of a unique situation.

- **Standing Plans**

- Ongoing plans that provide guidance for activities performed repeatedly.

Establishing Goals and Developing Plans

• **Traditional Goal Setting**

An approach to setting goals in which top managers set goals that flow down through organization and become sub goals for each organizational area.

- **Broad goals are set at the top of the organization.**
- **Goals are then broken into sub goals for each organizational level.**
- **Assumes that top management knows best because they can see the “big picture.”**
- **Goals are intended to direct, guide, and constrain from above.**
- **Goals lose clarity and focus as lower-level managers attempt to interpret and define the goals for their areas of responsibility.**

Traditional Goal setting



Establishing Goals & Developing Plans

- **Maintaining the Hierarchy of Goals**

- **Means–Ends Chain**

An integrated network of goals in which the accomplishment of goals at one level serves as the means for achieving the goals at the next level.

- ❖ Achievement of lower-level goals is the means by which to reach higher-level goals (ends).

Establishing Goals & Developing Plans

- **Management By Objectives (MBO)**

A process of setting mutually agreed upon goals and using these goals to evaluate employee performance.

- Specific performance goals are jointly determined by employees and managers.
- Progress toward accomplishing goals is periodically reviewed.
- Rewards are allocated on the basis of progress towards the goals.

Does MBO Works?

- **Reason for MBO Success**

- Top management commitment and involvement

- **Potential Problems with MBO Programs**

- Not as effective in dynamic environments that require constant resetting of goals.
- Overemphasis on individual accomplishment may create problems with teamwork.
- Allowing the MBO program to become an annual paperwork shuffle.

Characteristics of Well-Design Goals

Exhibit 7–6 Characteristics of Well-Designed Goals

- **Written in terms of outcomes, not actions**
 - Focuses on the ends, not the means.
- **Measurable and quantifiable**
 - Specifically defines how the outcome is to be measured and how much is expected.
- **Clear as to time frame**
 - How long before measuring accomplishment.
- **Challenging yet attainable**
 - Low goals do not motivate.
 - High goals motivate if they can be achieved.
- **Written down**
 - Focuses, defines, and makes goals visible.
- **Communicated to all necessary organizational members**
 - Puts everybody “on the same page.”

Steps in Goal Settings

1. Review the organization's mission statement.
 - ▶ Do goals reflect the mission?
2. Evaluate available resources.
 - ▶ Are resources sufficient to accomplish the mission?
3. Determine goals individually or with others.
 - ▶ Are goals specific, measurable, and timely?
4. Write down the goals and communicate them.
 - ▶ Is everybody on the same page?
5. Review results and whether goals are being met.
 - ▶ What changes are needed in mission, resources, or goals?

Developing Plans

- **Contingency Factors in A Manager's Planning**

- **Manager's level in the organization**

- ❖ **Strategic plans at higher levels**

- ❖ **Operational plans at lower levels**

- **Degree of environmental uncertainty**

- ❖ **Stable environment: specific plans**

- ❖ **Dynamic environment: specific but flexible plans**

- **Length of future commitments**

- ❖ **Commitment Concept:** current plans affecting future commitments must be sufficiently long-term to meet those commitments.

Planning in the Hierarchy of Organization

Exhibit 7-7 Planning in the Hierarchy of Organizations



Approaches to Planning

- **Establishing a formal planning department**
 - A group of planning specialists who *help* managers write organizational plans.
 - Planning is a function of management; it should never become the sole responsibility of planners.
- **Involving organizational members in the process**
 - Plans are developed by members of organizational units at various levels and then coordinated with other units across the organization.

Contemporary issues in Planning

- **Criticisms of Planning**

- Planning may create rigidity.
- Plans cannot be developed for dynamic environments.
- Formal plans cannot replace intuition and creativity.
- Planning focuses managers' attention on today's competition not tomorrow's survival.
- Formal planning reinforces today's success, which may lead to tomorrow's failure.

Contemporary Issues in Planning

- **Effective Planning in Dynamic Environments**

- Develop plans that are specific but flexible.
- Understand that planning is an ongoing process.
- Change plans when conditions warrant.
- Persistence in planning eventually pay off.
- Flatten the organizational hierarchy to foster the development of planning skills at all organizational levels.

References

- ▶ <https://www.slideshare.net/hcc79/robbins9-ppt07-28612533>