

Week 5

Foundation of Planning

Topic Outline:

1. The Definition of Planning
2. Purpose of Planning
3. Planning and Performance
4. The Role of Goals and Plans in Planning
5. Contemporary Issues in Planning



What is planning?

Planning involves defining the organization's goals, establishing an overall strategy for achieving these goals, and developing a comprehensive set of plans to integrate and coordinate organizational work.

Purpose of Planning

1. Planning gives direction to the organization.
2. Planning reduces the impact of change.
3. Planning establishes a coordinated effort.
4. Planning reduces uncertainty.
5. Planning reduces overlapping and wasteful activities.
6. Planning establishes objectives or standards that are used in controlling.

Planning and Performance

First - Generally formal planning associated with higher profits, higher returns on assets and other positive financial results.



Second - The quality of planning process and the appropriate implementation of the plan probably contribute more to higher performance than the extent of planning.

Planning and Performance

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Next – Sometimes the formal planning does not lead to higher performance because of the external environment – government regulations, powerful labour unions and other constraints that can reduce the impact of planning on an organization's performance.

Finally – Planning / performance relationship is influenced by the planning time frame.

The Role of Goals and Plans in Planning

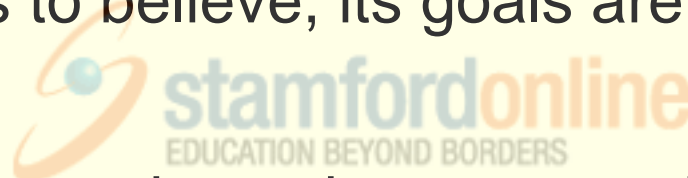
There are TWO important elements in planning:

Goals – desired outcomes for individuals, groups, or entire organizations.

Plans – documents that outline how goals are going to be met including resources allocations, schedules, and other necessary actions to accomplish the goals.

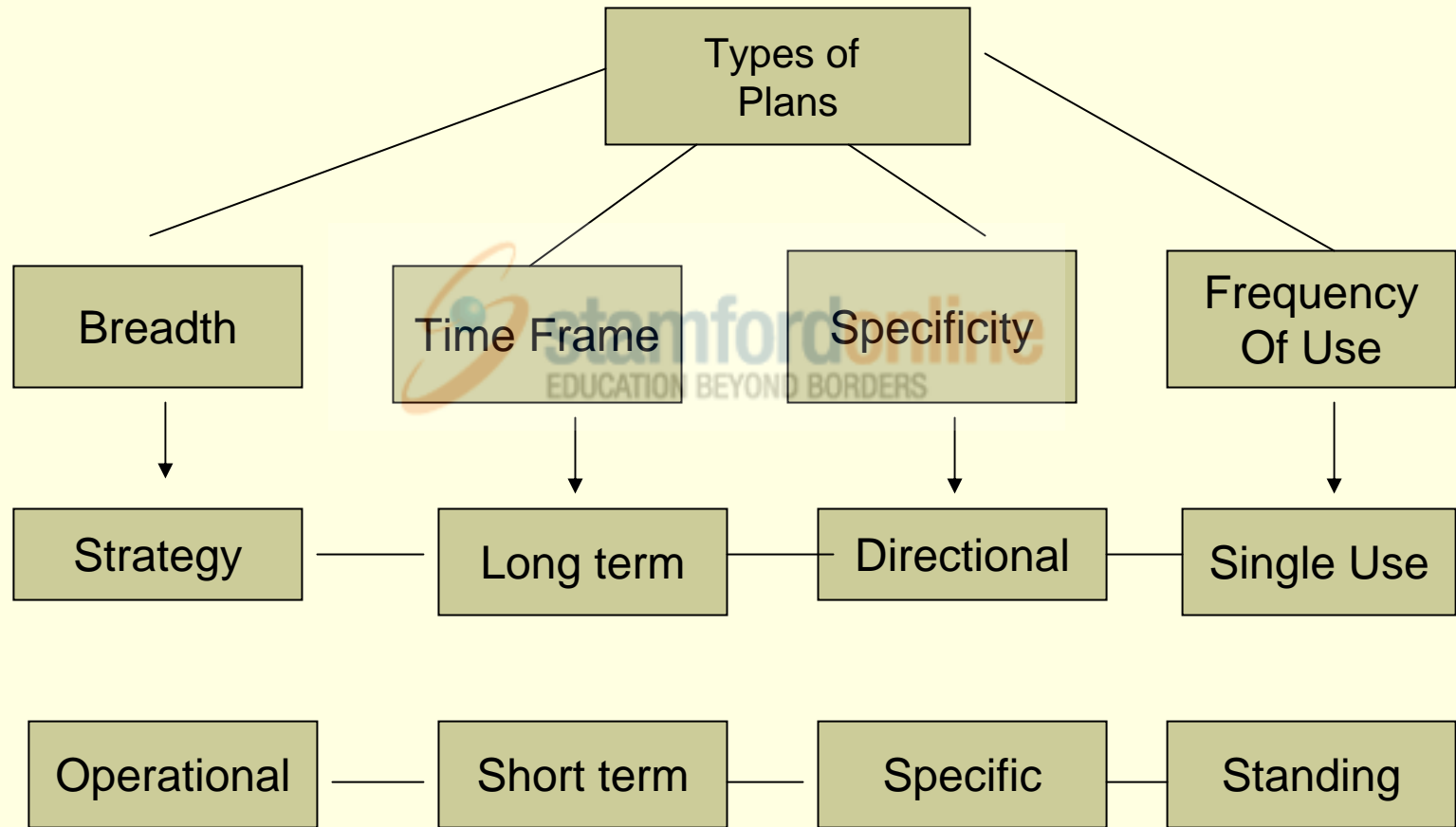
Types of Goals

- Stated goals – Official statements of what an organization says, and what it wants its various stakeholders to believe, its goals are.



- Real goals – are those that an organization actually pursues, as defined by the actions of its members.

Types of Plans



Types of Plans

- Breadth – Strategic versus operational plans.
- Time frame – short-term versus long-term plans.
- Specificity – specific versus directional plans.
- Frequency of use – single-use versus standing plans.

Breadth

- Strategic – Plans that apply to the entire organization, establish the organization's overall goals, and seek to position the organization in terms of its environment.
- Operational plans – Plans that specify the details of how the overall goals are to be achieved.



Time Frame

3. Long term – Plans with a time frame beyond three years.
4. Short-term – Plans covering one year or less.



Specificity

- Directional plans – Plans that are flexible and that set out general guidelines.
- Specific plans – Plans that are clearly defined and that leave no room for interpretation.



Frequency of Use

1. Single use plan – A one-time specifically designed plan to meet the needs of a unique situation.
2. Standing plans – Ongoing plans that provide guidance for activities performed repeatedly.

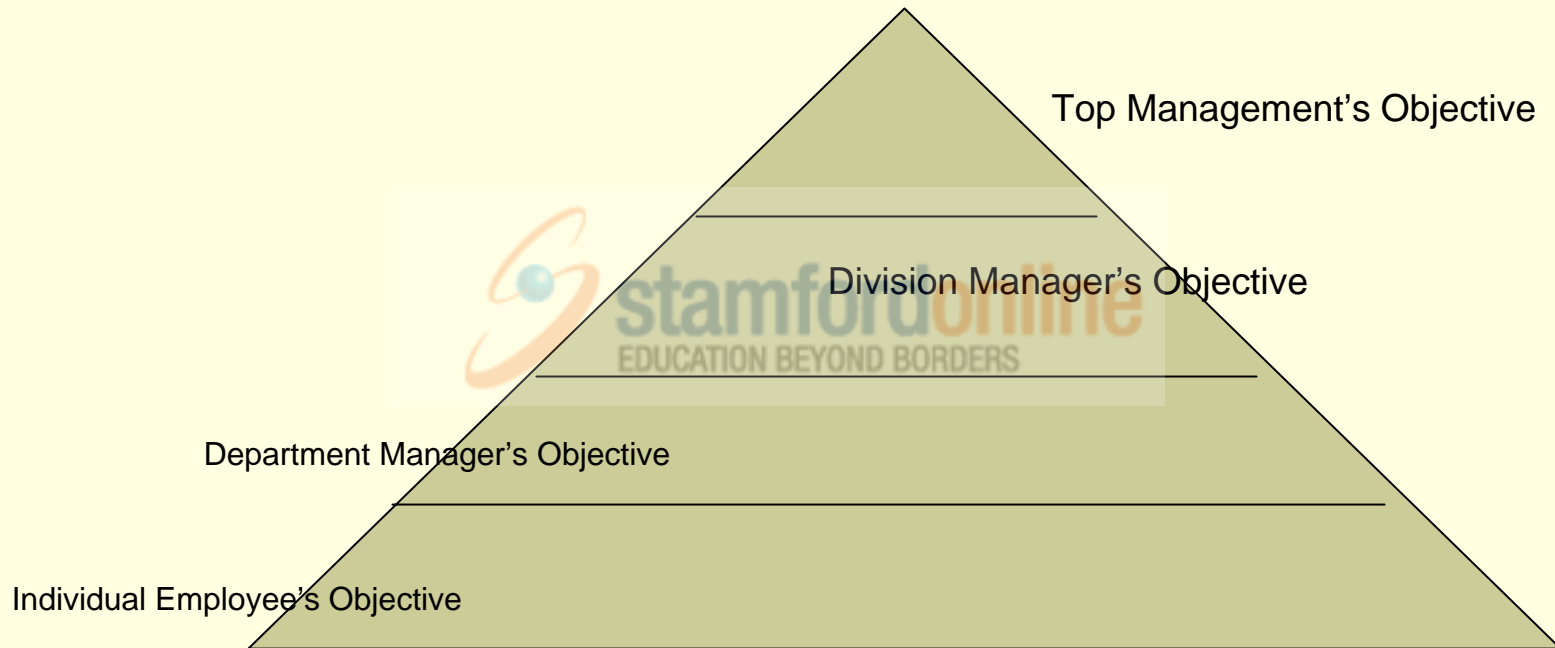


Establishing Goals And Developing Plans

Goals can be established through a process of traditional goal setting or through management by objectives:

1. Traditional goal setting is defined as the process whereby goals are set at the top of the organization and then broken down into sub goals for each level in an organization.

The Downside of Traditional Objective Setting



Means-ends chain

When the hierarchy of organizational goals is clearly defined, it forms an integrated network of goals or means-ends chain.



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, or ends, at the next level.

Management by objectives (MBO)

Instead of traditional goal setting many organizations use management by objectives (MBO).

Management by objectives (MBO) – A management system in which specific performance goals are jointly determined by employees and their managers, progress towards accomplishing those goals is periodically reviewed, and rewards are allocated on the basis of the progress.

Management by Objectives

MBO was described by Peter Drucker and consists of four elements:

1. Goals specificity
2. Participative decision-making
3. Explicit time period
4. Performance feedback



Management by Objectives

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MBO makes objectives through the process by which they fall down through the organization.

Whether an organization uses a more traditional (top to bottom) approach, managers must define objectives before they can effectively and efficiently complete other planning activities.

Characteristics of Well-Designed Goals

1. Written in terms of outcomes.
2. Measurable and quantifiable.
3. Clear as to a time frame.
4. Challenging but attainable.
5. Written down.
6. Communicated to all organizational members.

Steps in Goals Setting

1. Review the organization's mission-goals should reflect what the mission statement says.
2. Evaluate available resources.
3. Determine individually, or with input from others, the goals.
4. Write down the goals and communicate them to all who need to know.
5. Review results and whether goals are being met.



Developing Plans

The process of developing plans is influenced by three contingency factors and by planning approach:

1. **Contingency factors in planning** - Manager's level in the organization. Operational planning usually dominates the planning activities of lower-level managers. As managers move up through the levels of the organization, their planning becomes more strategy oriented.

Developing Plans

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1.1 Degree of environmental uncertainty. The greater the environmental uncertainty, the more plans should be directional and emphasis placed on the short term.

- When uncertainty is high, plans should be specific, but flexible.
- Managers must be prepared to rework and amend plans, or even to abandon their plans.

Developing Plans

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1.2 Length of future communication

- Commitment concept means that plans should extend far enough to meet those commitments made when the plans were developed.



Developing Plans

2. Approaches to Planning:

2.1 Traditional Approach – planning was done entirely by top-level managers who were often assisted by formal planning department.

2.2 Organizational Members Involvement – plans are not handed down from one level to the next, but are developed at the various levels to meet specific needs.

Contemporary Issues In Planning

- Criticisms of planning and how managers can plan effectively in dynamic environments.

- FIVE major arguments have been directed against planning:
 1. Planning may create rigidity.
 2. Plans cannot be developed for a dynamic environment.
 3. Formal plans cannot replace intuition and creativity.
 4. Planning focuses managers' attention on today's competition not on tomorrow's survival.