

Planning

In the beginning Microsoft's mission was to have **"a computer on every desk and in every home.."**

Gates admits that Microsoft should have changed their plans to build their own search engine – by not doing so they lost out heavily to Google.



Bill Gates

Failing to plan is planning to fail.

Alan Lakein

Learning Outcomes

After studying this chapter, you will be able to:

- Define planning.
- Differentiate between formal and informal planning.
- Describe the purposes of planning.
- Define goals and plans.
- Describe the types of goals organizations might have.
- Describe each of the different types of plans.
- Discuss how traditional goal setting works.
- Explain the concept of the means–end chain.
- Describe the management by objective (MBO) approach.
- Describe the characteristics of well-designed goals.
- Explain the steps in setting goals.
- Discuss the contingency factors that affect planning.
- Describe the approaches to planning.

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.

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 performance of the firm relative to factors in its external environment (e.g., competitors).

Stated Goals versus Real Goals

Broadly-worded official statements of the organization (intended for public consumption) that may be irrelevant to its real goals (what actually goes on in the organization).

Purposes of Planning

- Provides direction
- Reduces uncertainty
- Minimises waste and redundancy
- Establishes the goals or standards that are used in controlling
- Provides a starting point for further managerial actions

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.

Who makes plans?

- **A formal planning department** takes sole responsibility for planning in the traditional approach to planning.
- **Participatory planning** includes the people who will be affected by plans and/or whose help is needed to implement them.
- To create and implement the best plans, proper attention must be given to **genuinely involving others** during all planning steps.
- Even though this process may mean that planning takes more time, it can improve results by improving implementation.

The planning process

There are five sequential action steps in the systematic planning process:

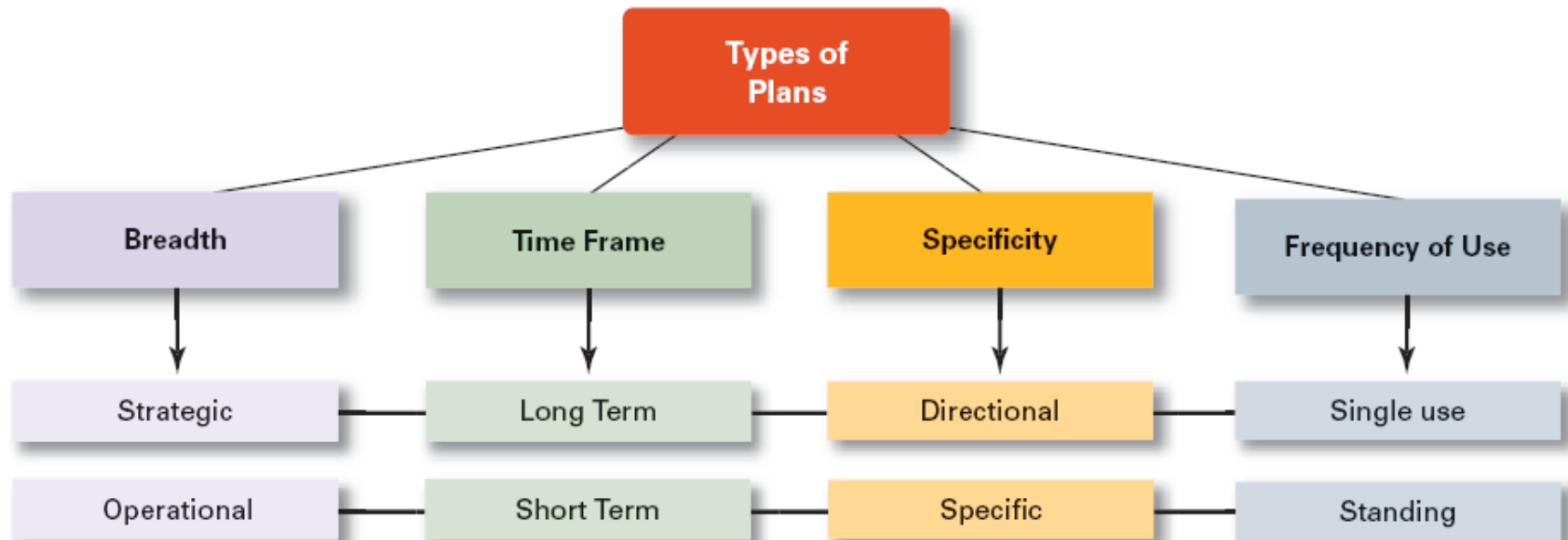
1. Define your objectives
2. Determine where you stand in relation to objectives
3. Develop premises regarding future conditions
4. Analyse and choose among alternative actions
5. Implement the plan and evaluate the results.



Setting goals is the first step
in turning the invisible into
the visible.

Tony Robbins

Types of plans



Types of plans

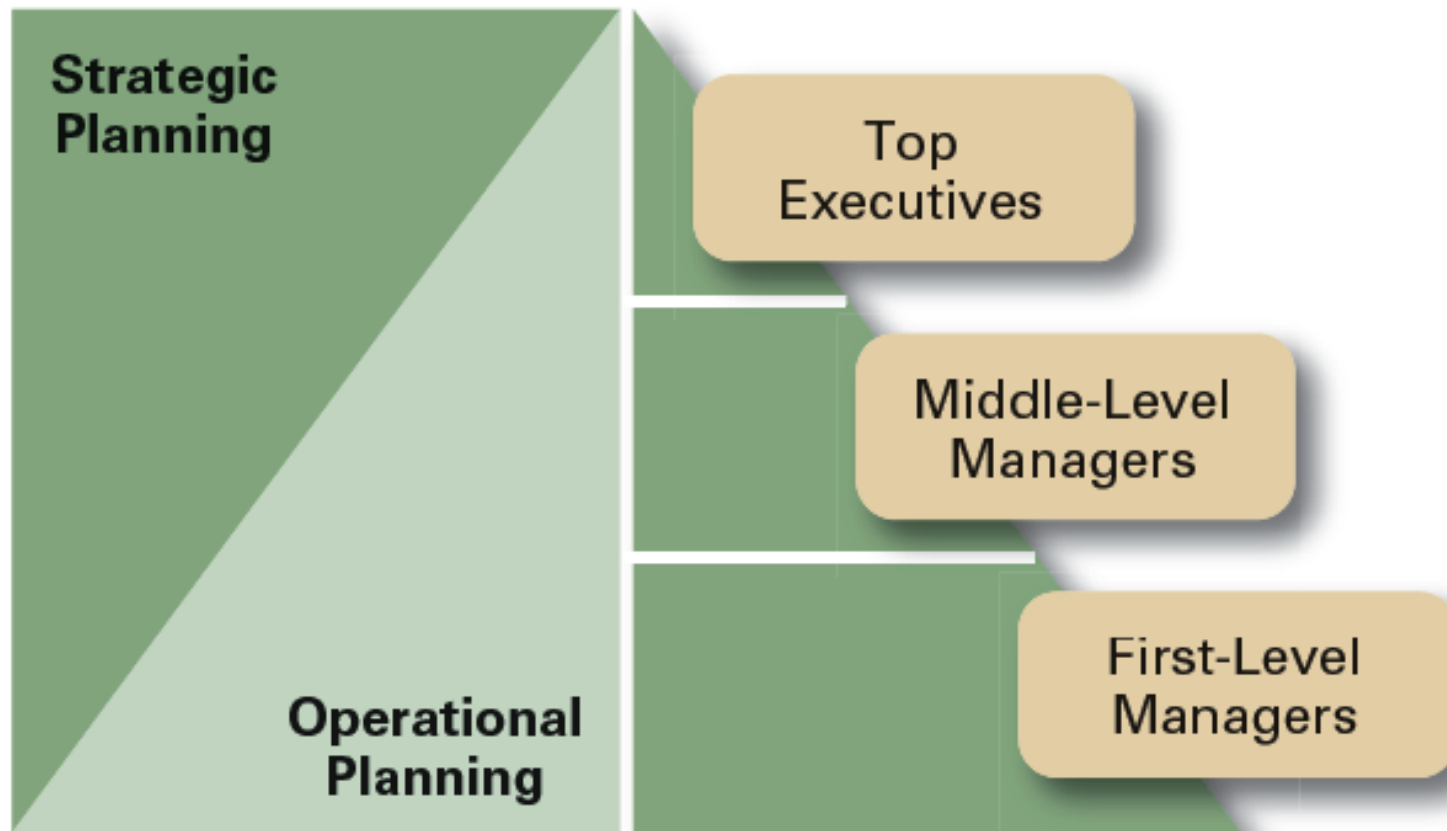
Strategic Plans

- 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.

Planning in the Hierarchy of Organizations



Types of plans (Cont'd)

Long-Term Plans

Plans with time frames extending beyond three years

Short-Term Plans

Plans with time frames on one year or less

Specific Plans

Plans that are clearly defined and leave no room for interpretation

Directional Plans

Flexible plans that set out general guidelines, provide focus, yet allow discretion in implementation.

Single-Use Plan

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

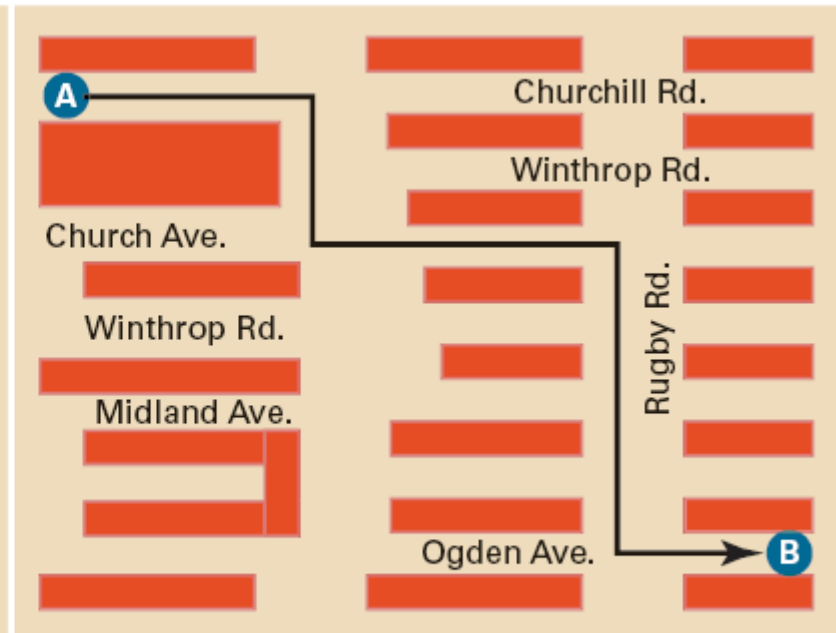
Standing Plans

Ongoing plans that provide guidance for activities performed repeatedly.

Specific Versus Directional Plans



Directional Plans



Specific Plans

Approaches to planning

- Traditional goal setting
- Management by Objectives (MBO)
- Gantt Chart
- Critical Path model

Approaches to planning

Traditional Goal Setting

- Broad goals are set at the top of the organization.
- Goals are then broken into subgoals 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.

The Downside of Traditional Goal Setting



Planning and the environment

Contingency planning

- Identifying alternative courses of action that can be implemented if and when an original plan proves inadequate because of changing circumstances.
- ‘Trigger points’ that indicate that an existing plan is no longer desirable must be preselected and then monitored.



Things which you do not hope
happen more frequently than
things which you do hope.

~ Plautus

The minute you have a
back-up plan, you've
admitted you're not
going to succeed.

– Elizabeth Holmes
Theranos Founder & CEO



Planning and the environment

Scenario planning

- The long-term, strategic version of contingency planning.
- Scenarios help 'condition the organisation to think' and remain better prepared than its competitors for 'future shocks'.

Among the issues and concerns for scenario planning today are geopolitical change, terrorism, climate change, sustainable development, human rights and biodiversity.

Benefits of contingency and scenario planning

Contingency/scenario planning improves:

- Flexibility
- Places organisations in a state of readiness
- Coordination and,
- Control

Approaches to planning

Maintaining the Hierarchy of Goals Means–Ends Chain

- The integrated network of goals that results from establishing a clearly-defined hierarchy of organizational goals.
- Achievement of lower-level goals is the means by which to reach higher-level goals (ends).

Approaches to planning

Management By Objectives (MBO)

- 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.
- Key elements of MBO:
 - Goal specificity, participative decision making, an explicit performance/evaluation period, feedback

Steps in a Typical MBO Program

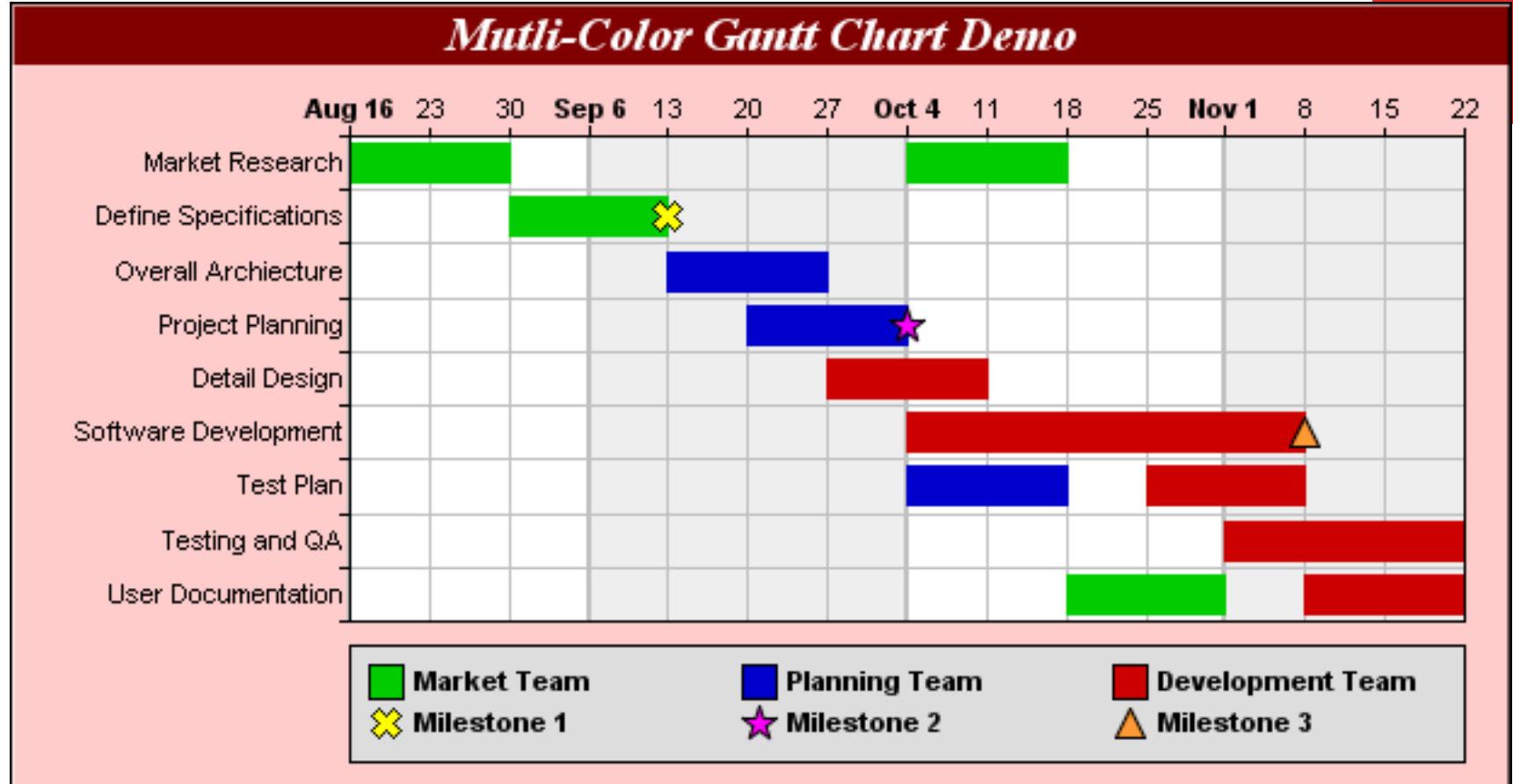
1. The organization's *overall objectives and strategies* are formulated.
2. Major objectives are allocated among *divisional and departmental units*.
3. Unit managers *collaboratively set specific objectives* for their units with their managers.
4. Specific objectives are collaboratively set with *all department members*.
5. *Action plans*, defining how objectives are to be achieved, are specified and agreed upon by managers and employees.
6. The action plans are *implemented*.
7. Progress toward objectives is *periodically reviewed*, and *feedback* is provided.
8. Successful achievement of objectives is reinforced by *performance-based rewards*.

Objectives of MBO contract

Three types of objectives may be specified in an MBO contract:

1. Improvement objectives document intentions for improving performance in a specific way.
2. Personal development objectives pertain to personal growth activities; often those resulting in expanded job knowledge or skills.
3. Some MBO contracts also include maintenance objectives that formally express intentions to maintain performance at an existing level.

Gantt Chart

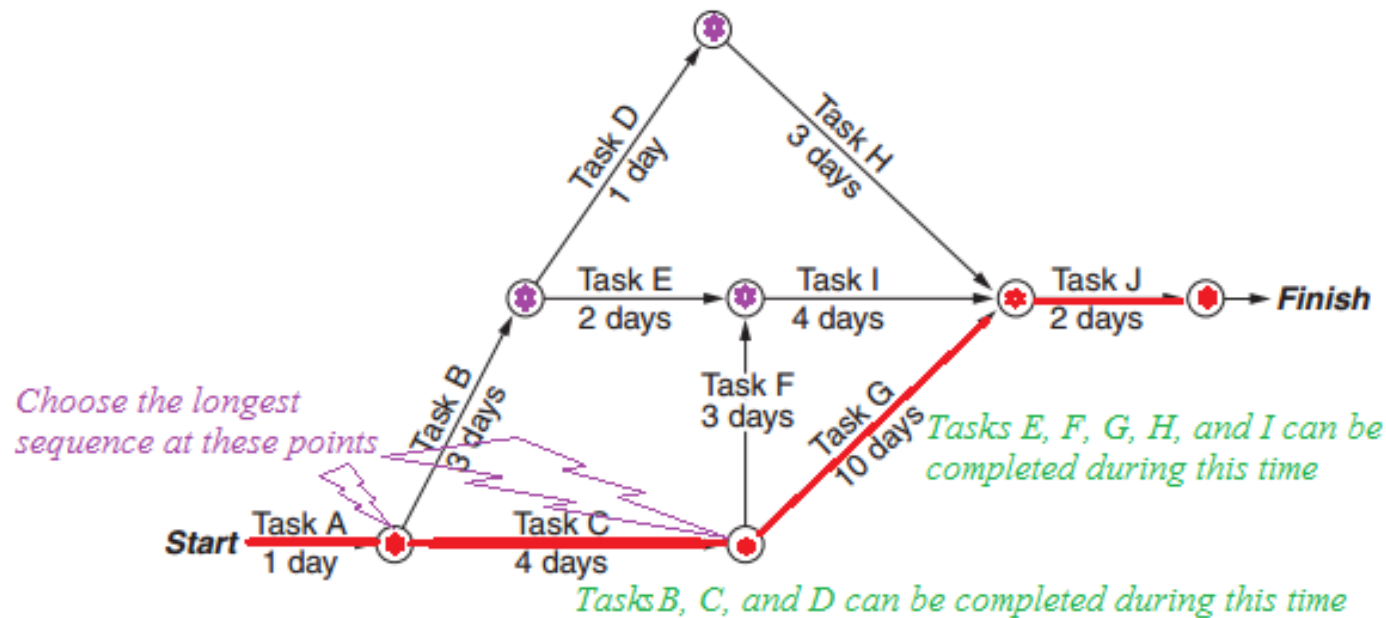


The Gantt Chart is a useful tool for the presentation of time information concerning plans. This can be a presentation of predictions of future timings or graphical representation of past achievements and disasters (Maylor 2001).

Source: Maylor, H. 2001, 'Beyond the Gantt chart:: Project management moving on', *European Management Journal*, vol. 19, no. 1, pp. 92-100.

Critical Path Analysis

The diagram below shows a critical path analysis for a project.



What is the minimum number of days needed to complete the project?

(A) 10

(B) 12

(C) 17

(D) 33

Longest sequence of activities in a project plan which must be completed on time for the project to complete on due date.

Strategic planning tools

Environmental scanning

Screening large amounts of information to anticipate and interpret changes in the environment.

Benchmarking/Competitor intelligence

A technique that makes use of external comparisons to better evaluate an organisation's current performance and identify possible actions for the future.

Forecasting

A technique that uses quantitative or qualitative information to predict outcomes.

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Bibliography

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thank you!