

## LEARNING OUTCOMES

*After studying this chapter, student will be able to:*

1. Define planning.
2. Explain the potential benefits of planning.
3. Identify potential drawbacks to planning.
4. Distinguish between strategic and tactical plans.
5. Recognize when directional plans are preferred over specific plans.
6. Define management by objectives and identify its common elements.

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## LEARNING OUTCOMES (cont'd)

*After reading this chapter, I will be able to:*

7. Outline the steps in the strategic management process.
8. Describe the four grand strategies.
9. Explain SWOT analysis.
10. Describe how entrepreneurs identify a competitive advantage.

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## Definition of planning

- A basic bridge between the current and the future of an organization or a department/unit or an individual
- A pre-condition to implement successfully strategies of an organization or a department or an individual
- The successful implementation of other management functions (O, L and C) is depended heavily on the quality of the planning

As the first function in the management process, **Planning plays a very important role** in management process

→ Planning is the developing an action plan, **in advance**, for an organization or unit or individual in future based on setting the goals and the approaches/means to achieve these goals

## Planning Defined

- Defining the organization's objectives or goals
- Establishing an overall strategy for achieving those goals
- Developing a comprehensive hierarchy of plans to integrate and coordinate activities effectively and efficiently

*Planning is concerned with ends (RESULTS) (what is to be done) as well as with MEANS (how it is to be done).*

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## Definition of planning....

- *Planning can be done in formal or informal methods*
  - informal planning
    - Informal Planning is not be done in written documents, goals are rarely shared to other members in the organization;
    - Informal Planning is always implemented in small companies where the manager is the owner of the company;
    - Informal Planning is not be done continuously.

## Definition of planning....

### ■ Formal planning

- Identifies specific goals for long term (several years)
- Goals are written in the documents and shared with all members in the organization.
- The manager develops action plans to achieve the given goals



## Identify advantages and disadvantages of informal and formal planning?

Characteristics	Informal Planning	Formal planning
Advantages	+ quick and easy to implement + maintain the privacy and the owner of company + productive in some way + enhance the relationship between employees and the employer	+ proper cooperation between the employees + unity of action + proper coordination and control + choosing the right objective and future plan
Disadvantages	_ difficult to handle the un-expectation - Create the rumor inside the company - Lack of specialization (lack of details)	- Time consuming - Define each goal - Less creative and productive - Written documents --- leaking information and privacy - More effort

## 4 Reasons for Planning

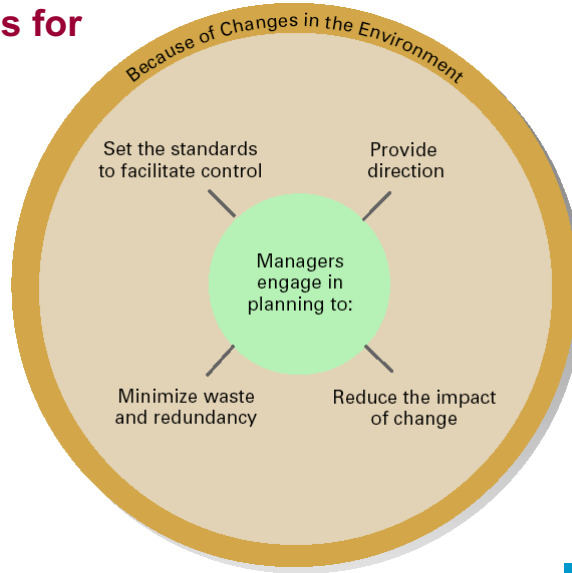


EXHIBIT 4.1

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## Types of Plans

BREADTH OF USE	TIME FRAME	SPECIFICITY	FREQUENCY OF USE
Strategic	Long term	Directional	Single use
Tactical	Short term	Specific	Standing

EXHIBIT 4.2

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## Types of Plan

By time frame: **long-term**(>5 years), **middle term**(1-5 years) and **short term**(<1year)

By Scope of business (levels of plan): strategic, tactical and operational strategy



## Planning: Focus and Time

- Strategic plans
  - Plans that are organization-wide, establish overall objectives, and position an organization in terms of its environment
- Tactical plans
  - Plans that specify the details of how an organization's overall objectives are to be achieved
- Long-term plans
  - Plans that extend beyond five years
- Short-term plans
  - Plans that cover less than one year

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## Strategic Planning

- Strategic plans
  - Apply broadly to the entire organization
  - Establish the organization's overall objectives
  - Seek to position the organization in terms of its environment
  - Provide direction to drive an organization's efforts to achieve its goals.
  - Serve as the basis for the tactical plans.
  - Cover extended periods of time
  - Are *less specific* in their details

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## Tactical Planning

- Tactical plans (operational plans)
  - Apply to specific parts of the organization.
  - Are derived from strategic objectives
  - Specify the details of how the overall objectives are to be achieved.
  - Cover shorter periods of time
  - Must be *updated continuously* to meet current challenges

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## Product strategy & tactics: Microsoft vs Apple

- Microsoft aims at mass market. It works with computer manufacturers to design computers around their operating system and even sell some of them with this operating system preinstalled. After consumers buy the computers, Microsoft then sells them software to run on the operating system.

Microsoft focused on business tools like spreadsheet, database and email applications. Microsoft sought to *maximize productivity*.

- Apple on the other hand concentrates on high-end markets, making its own brand of computers and they all come with Apple's operating system. Apple was primarily concerned with graphic designers and people who produced graphic media. Apple focuses on enhancing creativity.

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## Directional versus Specific Plans

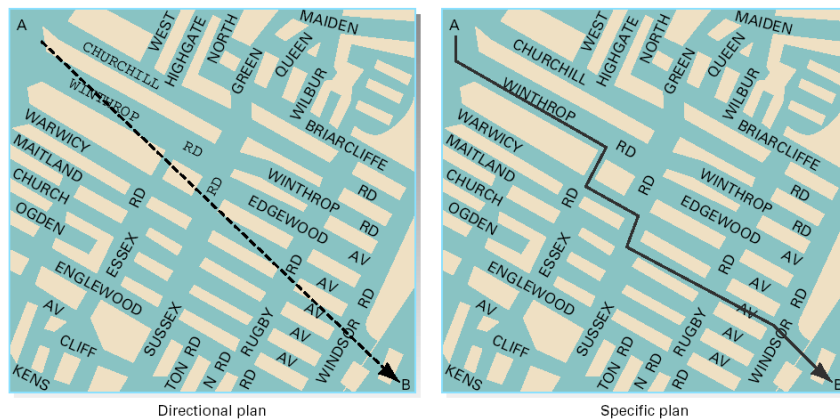


EXHIBIT 4.3

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## Specific and Directional Plans

- Specific plans
  - Plans that have clearly defined objectives and leave no room for misinterpretation
    - ❖ “What, when, where, how much, and by whom” (process-focus)
- Directional plans
  - Flexible plans that set out general guidelines
    - ❖ “Go from here to there” (outcome-focus)

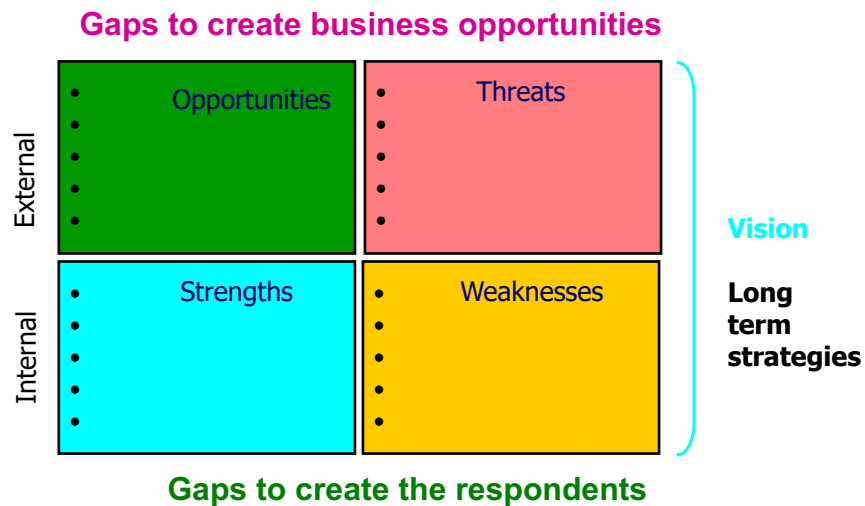
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## Single-Use and Standing Plans

- Single-use plans
  - A plan that is used to meet the needs of a particular or unique situation
    - ❖ Single-day sales advertisement
- Standing plan
  - A plan that is ongoing and provides guidance for repeatedly performed actions in an organization
    - ❖ Customer satisfaction policy

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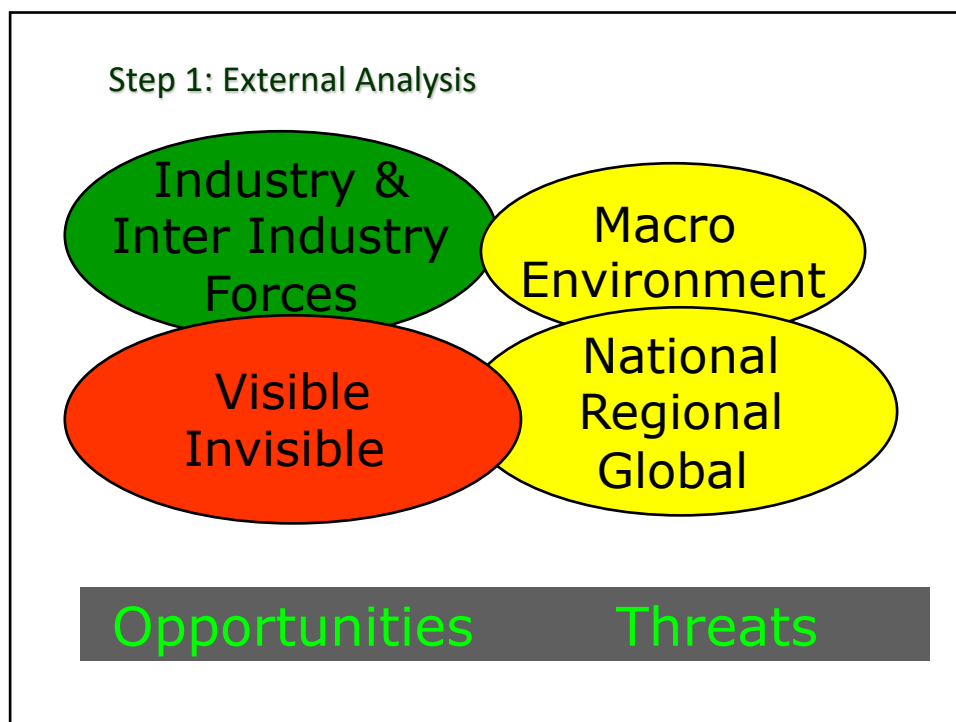
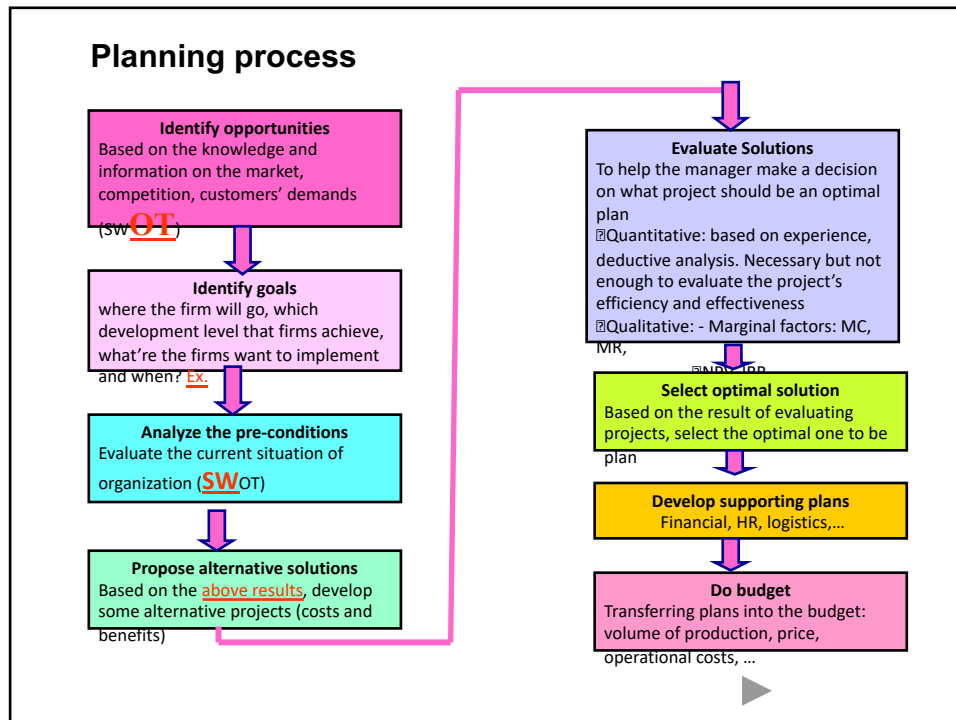
## SWOT analysis – Tool for planning



## SWOT Analysis

- **Strengths (strategic)**
  - Internal resources that are available or things that an organization does well
    - ❖ Core competency: a unique skill or resource that represents a competitive edge
- **Weaknesses**
  - Resources that an organization lacks or activities that it does not do well
- **Opportunities (strategic)**
  - Positive external environmental factors
- **Threats**
  - Negative external environmental factors

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## Analyze the Environment

- Environmental scanning
  - Screening large amounts of information to detect emerging trends and create a set of scenarios
- Competitive intelligence
  - Accurate information about competitors that allows managers to anticipate competitors' actions rather than merely react to them

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- Step 2: Goals setting

### ■ *Methods*

#### ➤ *Traditional method* -

- Common goals will be set by the top management
- Common goals will be divided into the lower levels of management and implement the direction role, guide and limit the individual behavior.
- With the assumption that the top manager understands what is the best thing to organization because she/he see the "overall picture of the company".

#### Disadvantages:

- ✓ It is usually a general and ambiguous goal
- ✓ Goals at the top management level will be specified in the lower level, there will be a distortion by explaining from lower managers.

#### Advantages:

- ✓ If the organizational ranks are clearly identified, it will create a network of goals and create a chain of **means - results**.
- ✓ Goals of top management level links with goals of lower management level, the goals of lower levels are the means to achieve the goals of higher level.



*Step 2: Goals setting*

■ **Methods**

➤ **Management by Objectives-MBO**

Process through which specific goals are set collaboratively for the organization as a whole and every unit and individual within it; the goals are then used as a basis for planning, managing organizational activities and assessing and rewarding contribution.

## *Step 2: Goals setting*

### Management by Objectives

- A system in which specific performance objectives are jointly determined by subordinates and their supervisors, progress toward objectives is periodically reviewed, and rewards are allocated on the basis of that progress.
- **Links individual and unit performance** objectives at all levels with overall organizational objectives
- Focuses operational efforts on organizationally important results.
- **Motivates** rather than controls

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### Cascading of Objectives

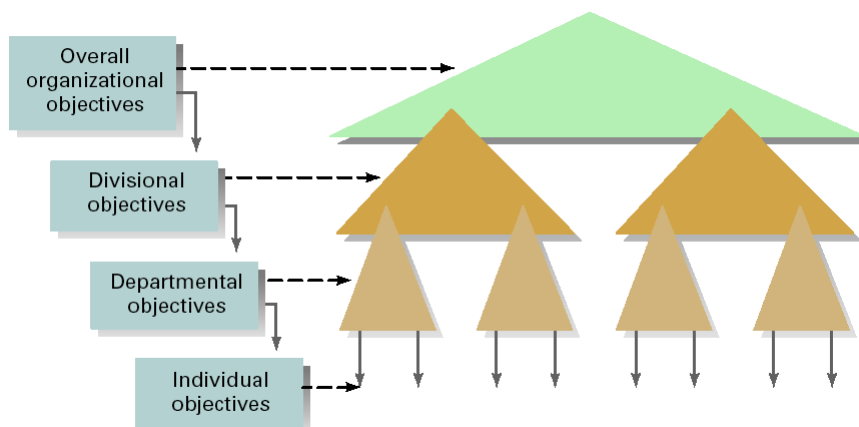


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## Elements of MBO

- Goal specificity
- Participative decision making
- Explicit time period for performance
- Performance feedback

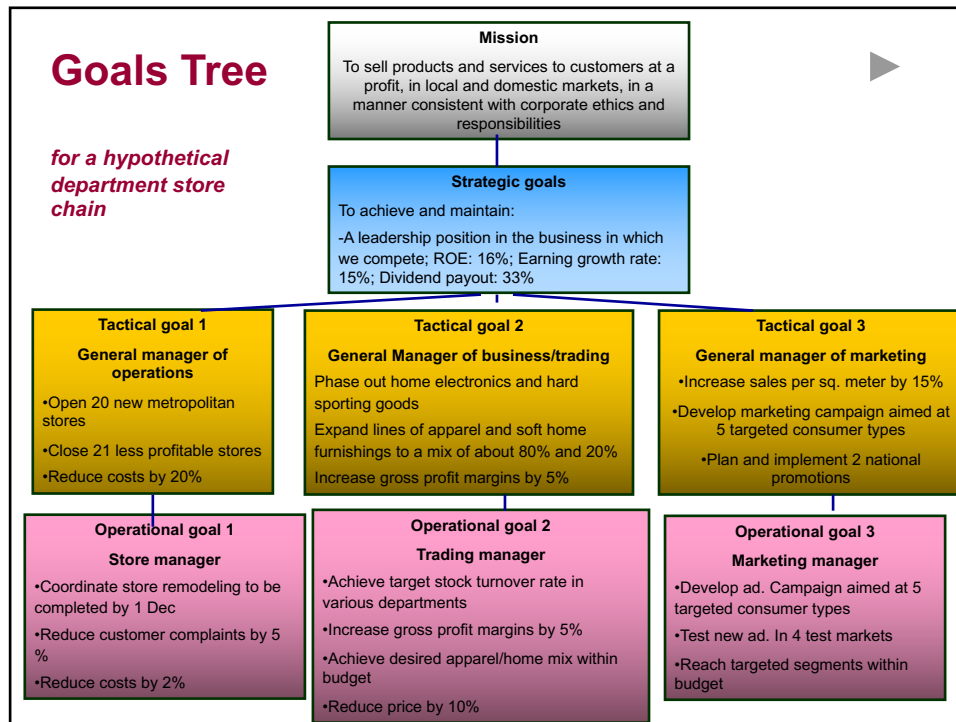


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## Setting Employee Objectives

- Identify an employee's key job tasks.
- Establish specific and challenging goals for each key task.
- Allow the employee to actively participate.
- Prioritize goals.
- Build in feedback mechanisms to assess goal progress.
- Link rewards to goal attainment.

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## Step 3: Internal Analysis

Identify Strengths



and Weaknesses



### Step4: SWOT and Strategic Choice



### Individual SWOT analysis

1. Analyze your strengths and weaknesses
2. Identify opportunities and threats for your future career
3. Set up your career goals in the next 5 years
4. Make the plan for your career in the next 5 years

## Factors influencing to quality of a plan

What is a **plan**?

a. Capability of planner:

- Have knowledge on economics, culture, society, etc...
- Have perceptual skills, planning skills
- Have ability to synthesize and analyze the problems

These knowledge, skills and abilities will help the planner understand clearly the components of a plan and relationships between these components. Therefore the planner can develop a high reasonable, feasible and reliable plan

b. Information:

- **Information is enough and reliable or not?**
- **These information are based on market forecasting, environmental forecasting, competition analysis, and organizational resources and capabilities**
- **These information are bases for forecasting**

c. Involvement of management levels and related staff in planning process:

- **Getting expert opinions from related fields.**
- **Getting the consensus on bases to do planning as the results, there will be close cooperation between units and individuals in implementing the plan. The staff will understand clearly what they have to do?**

d. Planning methodology and process

- **Planning steps are conducted in logical way or not?**
- **Is there enough bases and principles for planning?....**

→ All of these factors will influence on the quality of a plan: The plan is high quality or not? Feasible or infeasible?

### **Question for Review**

1. What is a plan? Distinguish types of plan
2. What is the planning? Please describe the roles of planning
3. Why the planning is the most management function in the management process.
4. Analyze the pre-conditions and principles to make a plan
5. Analyze factors influencing to the quality of a plan
6. Describe each step of planning process
7. Distinguish a policy, strategy and program
8. Distinguish a goal and an objective. Please describe SMART principle.  
Please set your SMART goals (at least 5 goals)