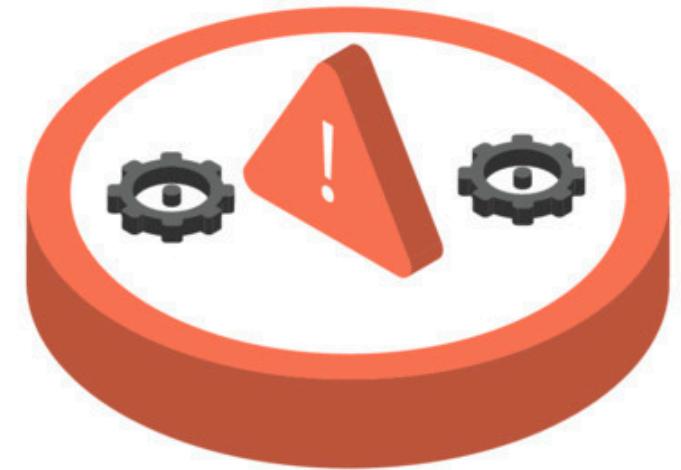




## LECTURE 6

# TYPES OF ORGANIZATIONAL PLANS

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21<sup>st</sup> February 2024





# LEARNING OUTCOMES

**On successful completion of this lesson, the learner will be able to:**

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- LO1:** Identify the need of different plans for successful business management.
- LO2:** Explore different types of organizational plans.
- LO3:** Discuss organizational planning process in terms of hierarchical plans.
- LO4:** Discuss benchmarking as a planning tool.
- LO5:** Critically analyze a business scenario in order to understand practical applications of diverse organizational plans.



# WHAT IS AN ORGANIZATIONAL PLAN ?

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- A **detailed proposal** for doing or achieving something.
- An organizational plan is **how businesses prepare their affairs** to achieve success in their industry.
- An organizational plan usually **begins with big, long-term objectives** but is then broken down into smaller, attainable goals.
- This makes it easier for your organization to define success, plan ahead, and achieve its goals.



# SOME ORGANIZATIONAL PLANS

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- Workforce development plan
- Product and services plan
- Expansion plan
- Risk management plan
- Communication plan

Including but not limited to



# WHY DIFFERENT PLANS ?

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- Organizations are relatively complex systems as they are involved in numerous activities.
- Many of these activities require management's attention from planning perspective.
- Managers therefore create different types of plans to guide operations that in turn helps to monitor and control organizational activities.

**At times, planning organizational activities is difficult.**

**But, without planning organizational activities, it is even more difficult.**



# PHASES OF AN ORGANIZATIONAL PLAN

- Strategic phase
- Tactical phase
- Operational phase
- Contingency phase

**Strategic Planning:**  
The setting of broad, long-range goals by top managers.

**Tactical Planning:**  
The identification of specific, short-range objectives by lower-level managers

**Contingency Planning:**  
Backup plans in case primary plans fail

**Operational Planning:**  
The setting of work standards and schedules



# TYPES OF ORGANIZATIONAL PLANS

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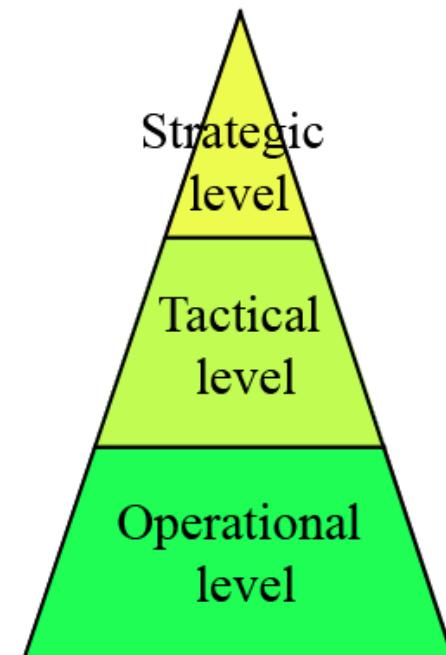
- Hierarchical plans (time-frame & scope)
- Frequency-of-use (repetitiveness) plans
- Contingency plans



# HIERARCHICAL PLANS

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- Organizations can be viewed as a **three-layer cake**, with its three levels of organizational needs.
  
- Institutional, administrative, and technical core is associated with a particular type of plan.
  - ✓ Strategic plans (institutional)
  - ✓ Tactical plans (administrative)
  - ✓ Operational plans (technical core)





# STRATEGIC PLANS (INSTITUTIONAL)

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**Hierarchical plans that address an organization's institutional-level needs and attempt to position it advantageously within its task environment.**

- Define the organization's **long-term vision**.
- Articulate the organization's **mission and value** statements.
- Define what business the organization is in or hopes to be in.
- Articulate how the organization will integrate itself into its general and task environments.

**"Strategy is not the consequence of planning, but the opposite; it's the starting point." ~ Henry Mintzberg**

## Strategic Plan

## **Acme Corporation Strategic Plan 2014-2016**

# **SAMPLE - STRATEGIC PLAN**

Foundation		Strategic Objectives and Organization Goals		Key Performance Indicators	
Our Mission		Financial		How we measure success	
The mission of Acme Corporation Technology is to create technology solutions for forward-thinking organizations		<b>1 Revenue Growth: Grow our revenue by 30% each year</b> 1.1 KPI - Generate sales of \$1.5 million by the end of the year.		<b>Measure</b> \$ in sales \$ per billable hour. # of new consulting clients avg monthly # of new maintenance contracts % increase in customer base annually	
<b>Our Core Values</b> <ol style="list-style-type: none"> <li>Purpose &amp; Growth - our foundation is built on our purpose and provides a place for our team's passion</li> <li>Client Focus - a razor-sharp focus on our customer's growth is essential and the only way to succeed.</li> <li>Integrity - to have honesty and respect for all individuals.</li> <li>Leadership - to empower and inspire entrepreneurial leaders.</li> <li>Professionalism - to be professional in our actions to our clients, partners and each other.</li> <li>Excellence - to continually pursue knowledge and learn.</li> <li>Community Service - to effectively help organizations to make an impact.</li> <li>Fun - to have enjoyment and fulfillment in our work</li> </ol>		<b>2 Productivity Improvement: Maintain a 20% Net Profit Margin each year</b> 2.1 Maintain profitability with a budget allocation of 50% for business re-investment for product development. 2.2 Increase average billable hour factor. (Source: Time-tracking Program)		<b>Target</b> \$1,500,000 \$220 0 0 85%	
<b>Competitive Advantages</b> <p><b>What we do best</b></p> <ol style="list-style-type: none"> <li>Reoccurring revenue that is scalable</li> <li>Assets and software products in place outside our services</li> <li>Innovative in marrying business process with technology</li> <li>Business Network - domestic and international</li> <li>Patented Intellectual Property - interactive, integrated web-based</li> </ol>		<b>Customer</b> <p><b>3 Professional Services: To be the professional partner of choice.</b>            3.1 Professional Service: Acquire 2 new consulting clients \$10,000+ per month.</p> <p><b>4 Maintenance Contracts: To be viewed as the top technology resource in the western region.</b>            4.1 Maintenance Contracts: Acquire an average of 5 new maintenance contracts per month            4.2 Licensing: Acquire 1,500 total licenses by the end of the year.            4.3 Maintain 85% of our current customers.</p>		<b>Vision</b> <b>What our Organization will look like</b> To be known as the technology experts and resource center for small to medium-sized organizations. This is where you type your description.	
<b>Organization-Wide Strategies</b> <p><b>How we will get there</b></p> Organization-Wide Focus: 2013 - Lay the foundation for the organization. 2014 - Execute a market penetration strategy to increase top line. 2015 - Standardization of all processes. 2016 - Develop the infrastructure to prepare for growth.		<b>Internal/Operational</b> <p><b>5 Innovation/Product Development: Continue to develop technology innovation.</b>            5.1 Launch integration with 2 other applications.</p> <p><b>6 Overall Operations: Develop and maintain an infrastructure that allows for a virtual office and efficient overhead.</b>            6.1 Set up computers to be accessed from any destination.            6.2 Define all procedures and process in writing in order to support projected growth.            6.3 Blogs &amp; Newsletters: Consistently timely relevant thought leadership that is developed, published and preserved.</p>		<b>Implementation</b> <p><b>How we make strategy a habit</b></p> Appoint a strategic plan manager Hold people accountable (now that they are able) Put in place an incentive compensation plan Coach for achievement Empower managers Hold effective strategy meetings - first Mondays Hold annual retreat - second week in December	
<b>People and Learning</b> <p><b>7 Training: Actively help our team to develop and grow professional and personally by supporting a flexible work life, providing intellectually engaging work, and fair compensation.</b>            7.1 Train sales people in best practices            7.2 Develop better communication and presentation skills to increase ability to work with and assist clients.</p> <p><b>8 Community Involvement: Develop and implement a corporate giving strategy that is in line with our competitive advantages.</b>            8.1 Manage the selection, contribution and customer communication of nonprofit donations.            Target is 15% of revenue.</p> <p><b>9 Long Term Strategic Objective (No assignment, far reaching and broad based, 3-5 years out) [**Sample Goal Cascading**]</b>            9.1 Organizational Goal (Corporate-wide, generally not assigned, 18-24 months) [**Sample Goal Cascading**]</p>					



# TACTICAL PLANS

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Hierarchical plans that work to integrate institutional-level plans with the operational plans and tie together all of the plans created for the organization's technical core.

- Specify the **allocation of organizational resources** to internal units of the organization.
- Address the **integration** of the institutional level of the organization (eg. vision formulation) with the technical core (vision implementation).
- Address the **integration** of the diverse units of the organization.

“Strategy without tactical planning is the slowest route to victory.”



# SAMPLE - TACTICAL PLAN

Strategy	Action	Target	Responsibility	Date	Resources
Reduce Cost	Renegotiate with steel suppliers to obtain a lower cost based on recent price weakness.	Reduce unit cost by \$300 per passenger car.	Department A	Q1	
	Install rooftop solar panels to all facilities.	Reduce energy costs by 14%.		Q2	
Improve Productivity	Reorganize production lines 5 and 6 into a system of cell production.	Increase worker productivity to \$900 an hour on lines 5 and 6.	Department C	Q2	
Improve Quality	Introduce a quality control inspection at workstation 5 on all lines to capture and fix seating defects.	Zero defects at final quality control inspection.	Department D	Q2	
Reduce Order Turnaround Time	Improve packaging and shipping procedures.	Reduce packaging and shipping time by 33% and improve order turnaround time by a half day.	Department E	Q2	



# OPERATIONAL PLANS (TECHNICAL CORE)

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Hierarchical plans that provide direction and action statements for activities in the technical core.

- Cover the day-to-day operations of the organization.
- Short-term plans developed to create specific action steps that support the strategic and tactical plans.
- Include **work schedules, policies, rules, or regulations** that set standards for employees, as well as specific task assignments.



# SAMPLE - OPERATIONAL PLAN

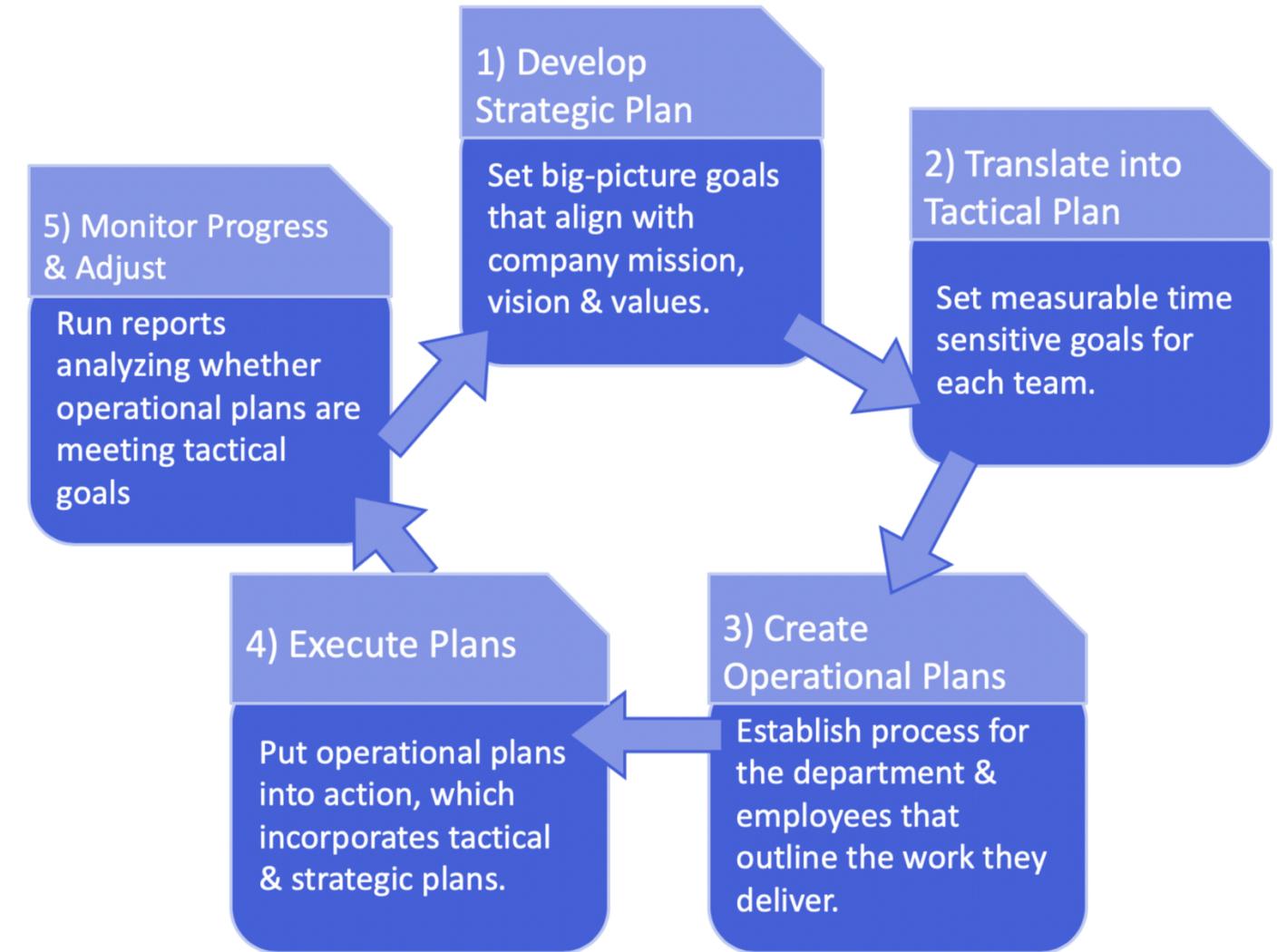
Priority	Items	Who	Start Date/ End Date	EOY Target, Measure	% Complete/ Actual	Status/ Variance
Normal	<b>3.1 Professional Service: Acquire 2 new consulting clients \$10,000+ per month.</b>	Administration	01/12/13 12/31/15	# of new consulting clients	0	<span style="color: green;">→</span> As of 06/02/15
	3.1.1 Develop 2 new webinars a quarter to assist Sales Team.	Marketing	07/01/15 12/31/15	4 # of new webinars		<span style="color: lightblue;">○</span> -4 As of 06/02/15
	3.1.1.3 Create a consistent slide template for Webinars. <i>Comments on Status: 3/18/15- Ahead of schedule to have slide template done. Awaiting approval from Marketing Director.</i>	Thomas Wright	07/13/15 12/31/15	100% % Complete of standard templates		<span style="color: lightblue;">○</span> As of 05/14/15
Normal	<b>8.1 Manage the selection, contribution and customer communication of nonprofit donations. Target is 15% of revenue.</b>	Administration	01/01/13 12/31/15	15% % of license revenue		<span style="color: green;">→</span> As of 06/02/15
	8.1.1 Determine budget for Community Involvement party.	Customer Service	01/01/13 05/31/15	100% % Complete	80%	<span style="color: red;">!</span> As of 05/14/15
Normal	8.1.1.1 Solicit ideas for theme, entertainment, catering for Community Involvement party. <i>Comments on Status: 6/16/14 - a new goal for you Thomas! We need some help to move this forward.</i>	Thomas Wright	01/01/15 07/31/15	100% % Complete	15%	<span style="color: yellow;">←</span> As of 05/14/15

○ Not Started... Deferred→ On Target← Off Target● Waiting on Someone! Critical✓ Achieved



# CREATING AN ORGANIZATIONAL PLAN

The organizational planning process includes five phases that, ideally, form a cycle.





# FREQUENCY-OF-USE PLANS

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**Frequency of use refers to the number of times or instances a plan may be used.**

- Some plans are used repeatedly and others are used for a single purpose.
  - ✓ Single-use plans
  - ✓ Standing plans



# SINGLE-USE PLANS

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**Plans developed for unique situations or problems and one-time use**

- Single-use plans are developed for unique situations or problems and are usually replaced after one use.
- Managers generally use three types of single-use plans:
  - ✓ **Programs:** A complex set of policies, rules, and procedures necessary to carry out a course of action.
  - ✓ **Projects:** Specific action plans often created to complete various aspects of a program.
  - ✓ **Budgets:** Plans expressed in numerical terms.



# STANDING PLANS

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**Rules, policies, and procedures about how to deal with issues that managers face repeatedly**

- **Policies:** general statements of understanding or intent; guide decision-making, permitting the exercise of some discretion; guide behavior.
- **Rules:** guides to action that do not permit discretion in interpretation; specify what is permissible and what is not permissible.
- **Procedures:** like rules, they guide action; specify a series of steps that must be taken in the performance of a particular task (eg. SOP).



# CONTINGENCY PLANS

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**Plans created to deal with events that might come to confront the organization.  
The planning process is based on certain premises about what is likely to happen in an organization's environment.**

- Also referred to as scenario or “what if” planning.
- Organizations often engage in contingency planning.
- Are created to deal with what might happen if these assumptions turn out to be wrong.
- Contingency planning is thus the development of alternative courses of action to be implemented if events disrupt a planned course of action.
- A contingency plan allows management to act immediately if an unplanned occurrence, such as a strike, boycott, natural disaster, or major economic shift, renders existing plans inoperable or inappropriate.
- Most contingency plans are never implemented, but when needed, they are of crucial, importance.



# SAMPLE - CONTINGENCY PLANS

## Contingency Plan

Risk	Probability	Preparation	Response	Impact
Network Failure	High	Three redundant networks from different providers.	Switch to backup network(s).	Low
Power Failure	High	Two separate backup power systems based on fuel and battery from solar.	Switch to backup power.	Low
Core Equipment Failure	High	Maintain a cold backup of core equipment such as routers.	Install backup	Up to six hour outage
Facility Physically Unreachable	Low	Remote access for network operations teams.	Support the data center remotely as far as is possible.	High



# BENCHMARKING – A PLANNING TOOL

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**A benchmark is a standard used for comparison purposes.  
The standard can be set at performance levels outside the organization or internally across departments or divisions.**

- Organizations can benchmark using several different criteria:
  - ✓ **Industry:** This is a type of competitive benchmarking. It compares how a company is doing in comparison to competitors.
  - ✓ **Geography:** Benchmarking to determine how well a company is performing compared to the regional economy.
  - ✓ **Organization:** Benchmarking to answer whether the economic climate is friendlier to a particular business than other types of businesses.
  - ✓ **Processes:** This is strategic/process benchmarking, which is to determine what processes other firms are using and their impact on them.
  - ✓ **Innovation:** Benchmarking to discover what techniques/functions are missing in an organization compared with the competitors. This is key in technology-related organizations.



# REFERENCES

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- Richard L. Daft, *Management* (USA: Cengage, Boston, 2021), pp.3-29.
- Openstax. *Principles of Management* (Texas: Rice University, Houston), pp. 16-28.
- <https://pingboard.com/blog/organizational-planning-guide-types-of-plans-steps-and-examples/>



# IN-CLASS ACTIVITY: CRITICAL THINKING CASE STUDY

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George completed his degree in business administration last year and started his own business very recently selling fast food and beverages mainly targeting schoolchildren. Accordingly, he initially set the vision, mission, goals, objectives, strategies, and formulated an action plan along with relevant KPIs in order to guide himself. George also prepared the budget for his new venture. His vision is to be the best food provider in the area. One of his strategic objectives is to earn 10% profit on the amount invested in the first year. It was decided to purchase the food ingredients on a three-month credit basis from some chosen whole-sellers throughout the first year of the business. He also decided to take the steps required for the marketing of his food items through his own outlets. George decided to manage all accounting work on his own for the first three months until a suitable individual was hired. He appointed Peter as the production manager, who decided the SOPs for all production activities. Peter also prepared a document showing the number of jobs to be filled to carry out the business throughout the year. George informed Peter about his item-wise food sales targets for the forthcoming quarter. Peter announced a penalty of 100 rupees per day for not wearing caps, gloves, and an apron while working on the production tables. George also plans to introduce organic food items to his outlets in case the demand for fast food drops.

- ✓ Draft a one-page strategic plan for this startup.
- ✓ Identify and explain different types of plans used in the above business.

# Q & A