

5- FOUNDATIONS OF PLANNING

● Learning outcomes:

1. Define the nature and purposes of planning.
2. Classify the types of goals organizations might have and the plans they use.
3. Compare and contrast approaches to goal-setting and planning.
4. Discuss contemporary issues in planning.

● What Is Planning?

- **Planning**—defining the organization's goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities.

- Formal planning:

1. Specific goals covering a specific time period.
2. Written and shared with organizational members.

● Why Do Managers Plan?

Four reasons for planning:

1. Provides direction.
2. Reduces uncertainty.
3. Minimizes waste and redundancy.
4. Sets the standards for controlling.

● Planning and Performance:

Formal planning is associated with:

- **Positive financial results**—higher profits, higher return on assets, and so forth.
- **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.
- The planning-performance relationship seems to be influenced by the planning time frame.

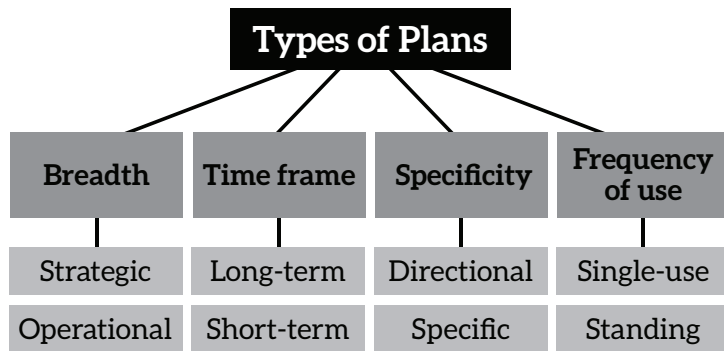
● Goals and Plans:

- **Goals (objectives)**—desired outcomes or targets.
- **Plans**—documents that outline how goals are going to be met.

● Types of Goals:

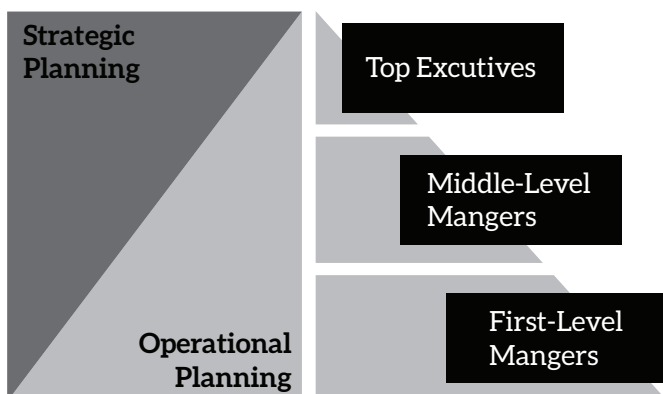
- **Financial Goals**—related to the expected internal financial performance of the organization.
- **Strategic Goals**—related to the performance of the firm relative, to factors in its external environment (e.g. competitors).
- **Stated goals**—official statements of what an organization says, and what it wants its various stakeholders to believe, its goals are
- **Real goal**—goals that an organization actually pursues, as defined by the actions of its members.

• Types of Plans:



- **Strategic plans**— plans that apply to the entire organization and establish the organization's overall goals.
- **Operational plans**—plans that encompass a particular operational area of the organization.
- **Long-term plans**—plans with a time frame beyond three years.
- **Short-term plans**—plans covering one year or less.
- **Specific plans**—that are clearly defined and leave no room for interpretation.
- **Directional plans**—plans that are flexible and set out general guidelines.
- **Single-use plan**—a one-time plan specifically designed to meet the needs of a unique situation.
- **Standing plans**— ongoing plans that provide guidance for activities performed repeatedly.

• Planning and Organizational Level:



• Approaches to Setting Goals:

- **Traditional goal-setting**—an approach to setting goals in which top managers set goals that then flow down through the organization and become subgoals for each organizational area.
- **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)**—a process of setting mutually agreed-upon goals and using those goals to evaluate employee performance.

• The Downside of Traditional Goal-Setting:



• Steps in Goal-Setting:

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

- **Well-Written Goals:**

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

- **Contingency Factors in Planning:**

1. **Length of future commitments:**

- Commitment Concept— Current plans affecting future commitments must be sufficiently long-term in order to meet those commitments.

2. **Environmental Uncertainty:**

- When uncertainty is high, plans should be specific, but flexible.
- Managers must be prepared to change or amend plans as they're implemented.
- At times, they may even have to abandon the plans.

- **Approaches to Planning:**

- In the traditional approach, planning is done entirely by top-level managers often are assisted by a formal planning department.
- **Formal planning department**—a group of planning specialists whose sole responsibility is helping to write organizational plans.

- **Contemporary Issues in Planning:**

1. **How Can Managers Plan Effectively in Dynamic Environments?**

- In an uncertain environment, managers should develop plans that are specific, but flexible.
- Managers need to recognize that planning is an ongoing process.

2. **How Can Managers Use Environmental Scanning?**

- Environmental scanning—screening information to detect emerging trends
- Competitor intelligence—gathering information about competitors that allows managers to anticipate competitors' actions rather than merely react to them.

—Review Learning Outcome 8.1—

- **Define the nature and purposes of planning**

- Planning involves defining the organization's goals, establishing an overall strategy for achieving those goals, and developing plans for organizational work activities.
- The four purposes of planning include providing direction, reducing uncertainty, minimizing waste and redundancy, and establishing the goals or standards used in controlling.

—Review Learning Outcome 8.2—

- **Classify the types of goals organizations might have and the plans they use.**

- **Goals** are desired outcomes.
- **Plans** are documents that outline how goals are going to be met.
- **Strategic plans** apply to the entire organization while operational plans encompass a particular functional area.
- **Long-term plans** are those with a time frame beyond three years. Short-term plans cover one year or less.
- **Specific plans** are clearly defined and leave no room for interpretation.
- **Directional plans** are flexible and set out general guidelines.
- **A single-use plan** is a one-time plan designed to meet the needs of a unique situation.
- **Standing plans** are ongoing plans that provide guidance for activities performed repeatedly.

—Review Learning Outcome 8.3 —

- **Compare and contrast approaches to goal-setting and planning.**

- In traditional goal-setting, goals are set at the top of the organization and then become subgoals for each organizational area.
- MBO (management by objectives) is a process of setting mutually agreed-upon goals and using those goals to evaluate employee performance.

- **Well-written goals have six characteristics:**

1. Written in terms of outcomes
2. Measurable and quantifiable
3. Clear as to time frame

4. Challenging but attainable

5. Written down

6. Communicated to all organizational members who need to know them.

- **Goal-setting involves these steps:**

- Review the organization's mission.
- Evaluate available resources.
- Determine the goals individually or with input from others.
- Write down the goals and communicate them to all who need to know them.
- Review results and change goals as needed.

- **The two main approaches to planning include:**

- The traditional approach, which has plans developed by top managers that flow down through other organizational levels and which may use a formal planning department.
- The other approach is to involve more organizational members in the planning process.

—Review Learning Outcome 8.4 —

- **Discuss contemporary issues in planning.**

- Dynamic environments—usually means developing plans that are specific but flexible
- Contemporary planning issue involves using environmental scanning to help do a better analysis of the external environment.
- One form of environmental scanning, competitive intelligence, can be especially helpful in finding out what competitors are doing.