

Programs

Program A complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action.

Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets. They may be as major as an airline's program to acquire a \$400 million fleet of jets or a five-year program to improve the status and quality of its thousands of supervisors. Or they may be as minor as a program formulated by a single supervisor to improve the morale of workers in the parts manufacturing department of a farm machinery company.

Budgets

Budget A statement of expected results expressed in numerical terms.

A **budget** is a statement of expected results expressed in numerical terms. It may be called a "quantified" plan. In fact, the financial operating budget is often called a *profit plan*. A budget may be expressed in financial terms; in terms of labor-hours, units of product, or machine-hours; or in any other numerically measurable terms. It may deal with operation, as the expense budget does; it may reflect capital outlays, as the capital expenditure budget does; or it may show cash flow, as the cash budget does. One of the most comprehensive budgets is prepared by the Office of Management and Budget of the White House.⁵ The budget proposal is then presented to the Congress by the President of the United States.

Since budgets are also control devices, we reserve our principal discussion of them for Chapter 19 on control techniques. However, making a budget is clearly planning. The budget is the fundamental planning instrument in many companies. It forces a company to make in advance—whether for a week or for five years—a numerical compilation of expected cash flow, expenses and revenues, capital outlays, or labor- or machine-hour utilization. The budget is necessary for control, but it cannot serve as a sensible standard of control unless it reflects plans.

Steps in Planning

1. Being aware of opportunities: Although it precedes actual planning and is therefore not strictly a part of the planning process, an awareness of opportunities in the external environment as well as within the organization is the real starting point for planning. All managers should take a preliminary look at possible future opportunities and see them clearly and completely, know where their company stands in light of its strengths and weaknesses, understand what problems it has to solve and why, and know what it can expect to gain. Setting realistic objectives depends on this awareness. Planning requires a realistic diagnosis of the opportunity situation.
2. Establishing objectives: The second step in planning is to establish objectives for the entire enterprise and then for each subordinate work unit. This is to be done for the long term as well as for the short range. Objectives specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the network of strategies, policies, procedure, rules, budgets and programs.
Enterprise objectives gives direction to the major plans, which, by reflecting these objectives define the objectives of every major department. Major departmental objectives in turn control the objectives of subordinate departments and so on down the line. In other words objectives form a hierarchy.

3. Developing Premises: The next logical step in planning is to establish, circulate and obtain agreement to utilize critical planning premises such as forecasts, applicable basic policies and existing company plans. Premises are assumption about the environment in which the plan is to be carried out. It is important for all the managers involved in planning to agree on the premises.

Forecasting is important in planning. What kind of market will be there? What volume of sale? What prices? What products? What technical developments? What wage rate? What tax rates and policies? What new plants? etc.

4. Determining alternative courses: The fourth step in planning is to search for and examine alternative courses for of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

5. Evaluating alternative courses: After seeking out alternative courses and examining their strong and weak points, the next step is to evaluate the alternatives by weighing them in light of premises and goals. One course may appear to be the most profitable but may require a large cash outlay and have a slow payback; another may look less profitable but may involve less risk; still another may better suit the company's long range objectives.

6. Selecting a Course : This is the point at which plan is adopted - the real point of decision making. Occasionally, an analysis and evaluation of alternative courses will disclose that two or more are advisable and the manager may decide to follow several courses rather than the one best course.
7. Formulating Derivative plans : When a decision is made, planning is seldom complete and a seventh step is indicated. Derivative plans are almost invariably required to support the basic plan.
8. Quantifying Plans by Budgeting : After decisions are made and plans are set, the final step in giving them meaning, as was indicated in the discussion on types of plans, is to quantify them by converting them into budgets. The overall budget of an enterprise represents the sum total of income and expenses, with resultant profit or surplus and the budget of major balance sheet items such as cash and capital expenditures. Each department or program of a business or some other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.