

## ■ Managerial Planning and Its Importance

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**Planning** Selecting missions and objectives as well as the actions to achieve them, which requires decision making, that is, choosing a course of action from among alternatives.

In designing an environment for the effective performance of individuals working together in a group, a manager's most essential task is to see that everyone understands the group's mission and objectives and the methods for attaining them. If group effort is to be effective, people must know what they are expected to accomplish. This is the function of planning. It is the most basic of all the managerial functions. **Planning** involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision making that is, choosing a course of action from among alternatives. Plans thus provide a rational approach to achieving preselected objectives. Planning also strongly implies managerial innovation, as will be discussed in Chapter 6. Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable—the Siamese twins of management (see Figure 4.1). Any attempt to control without plans is meaningless, since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control.

SYSTEMS APPROACH TO MANAGEMENT: PLANNING



## ■ Types of Plans

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Plans can be classified as (1) missions or purposes, (2) objectives or goals, (3) strategies, (4) policies, (5) procedures, (6) rules, (7) programs, and (8) budgets.

### Missions or Purposes\*

**Mission or purpose** The basic purpose or function or tasks of an enterprise or agency or any part of it.

The **mission**, or **purpose** (the terms are often used interchangeably),<sup>1</sup> identifies the basic purpose or function or tasks of an enterprise or agency or any part of it. Every kind of organized operation has, or at least should have if it is to be meaningful, a mission or purpose. In every social system, enterprises have a basic function or task assigned to them by society. For example, the purpose of a business generally is the production and distribution of goods and services. The purpose of a state highway department is the design, building, and operation of a system of state highways. The purpose of the courts is the interpretation of laws and their application. The purpose of a university is teaching, research, and providing services to the community.

Although we do not do so, some writers distinguish between mission and purpose. While a business, for example, may have a social purpose of producing and distributing goods and services, it can accomplish this by fulfilling a mission of producing certain lines of products. The mission of an oil company, like Exxon, is to search for oil and to produce, refine, and market petroleum and petroleum products, from diesel fuel to chemicals. The

\* Often the term *vision* is mentioned in connection with the discussion of mission. Popular books on management discuss concepts such as goal setting, team management, and orientation toward the future, in connection with the discussion of vision.



[www.exxon.com](http://www.exxon.com)

[www.dupont.com](http://www.dupont.com)

[www.kimberly-clark.com](http://www.kimberly-clark.com)

[www.nasa.gov](http://www.nasa.gov)

**Synergy** means that the whole is greater than its parts.

**Objectives or goals** The ends toward which an activity is aimed.

mission of Du Pont has been expressed as "better things through chemistry," and Kimberly-Clark (noted for its Kleenex trademark) regards its business mission as the production and sale of paper and paper products. In the 1960s, the mission of the National Aeronautics Space Administration (NASA) was to get a person to the moon before the Russians. It is true that in some businesses and other enterprises, the purpose or mission often becomes fuzzy. For example, many conglomerates have regarded their mission as **synergy**, which is accomplished through the combination of a variety of companies.

## Objectives or Goals

**Objectives**, or **goals** (the terms are used interchangeably in this book), are the ends toward which activity is aimed. They represent not only the end point of planning but also the end toward which organizing, staffing, leading, and controlling are aimed. The nature of objectives and management by objectives will be discussed in greater detail later in this chapter.

## Strategies

**Strategy** The determination of the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

For years, the military used the word *strategies* to mean grand plans made in light of what it was believed an adversary might or might not do. While the term still usually has a competitive implication, managers increasingly use it to reflect broad areas of an enterprise's operation. In this book, **strategy** is defined as the determination of the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

## Policies

**Policies** General statements or understandings that guide or channel thinking in decision making.

**Policies** also are plans in that they are general statements or understandings that guide or channel thinking in decision-making. Not all policies are "statements"; they are often merely implied from the actions of managers. The president of a company, for example, may strictly follow—perhaps for convenience rather than as policy—the practice of promoting from within; the practice may then be interpreted as policy and carefully followed by subordinates. In fact, one of the problems of managers is to make sure that subordinates do not interpret as policy minor managerial decisions that are not intended to serve as patterns.

Policies define an area within which a decision is to be made and ensure that the decision will be consistent with, and contribute to, an objective. Policies help decide issues before they become problems, make it unnecessary to analyze the same situation every time it comes up, and unify other plans, thus permitting managers to delegate authority and still maintain control over what their subordinates do.

There are many types of policies. Examples include policies of hiring only university-trained engineers, encouraging employee suggestions for improved cooperation, promoting from within, conforming strictly to a high standard of business ethics, setting competitive prices, and insisting on fixed, rather than cost-plus, pricing.

\*The concept of synergy can be expressed simply as a situation in which 2 plus 2 becomes equal to 5, or in which the whole is greater than the sum of the parts.



## Procedures

**Procedures**  
Plans that establish a required method of handling future activities.

**Procedures** are plans that establish a required method of handling future activities. They are chronological sequences of required actions. They are guides to action, rather than to thinking, and they detail the exact manner in which certain activities must be accomplished. For example, Case Western University outlines three steps for its appraisal process: (1) setting performance objectives, (2) performing a mid-year review of the objectives, and (3) conducting a performance discussion at the end of the period.<sup>2</sup> Procedures often cut across departmental lines. For example, in a manufacturing company, the procedure for handling orders may involve the sales department (for the original order), the finance department (for acknowledgment of receipt of funds and for customer credit approval), the accounting department (for recording the transaction), the production department (for the order to produce the goods or the authority to release them from stock), and the shipping department (for determination of shipping means and route).<sup>3</sup>

A few examples illustrate the relationship between procedures and policies. Company policy may grant employees vacations; procedures established to implement this policy will provide for scheduling vacations to avoid disruption of work, setting rates of vacation pay and methods for calculating them, maintaining records to ensure each employee of a vacation, and spelling out the means for applying for leave.

## Rules

**Rules** spell out specific required actions or non-actions, allowing no discretion.

**Rules** spell out specific required actions or nonactions, allowing no discretion. They are usually the simplest type of plan. "No smoking" is a rule that allows no deviation from a stated course of action. The essence of a rule is that it reflects a managerial decision that a certain action must—or must not—be taken. Rules are different from policies in that policies are meant to guide decision making by marking off areas in which managers can use their discretion, while rules allow no discretion in their application.