Chapter 4

Essentials of Planning and Managing by Objectives

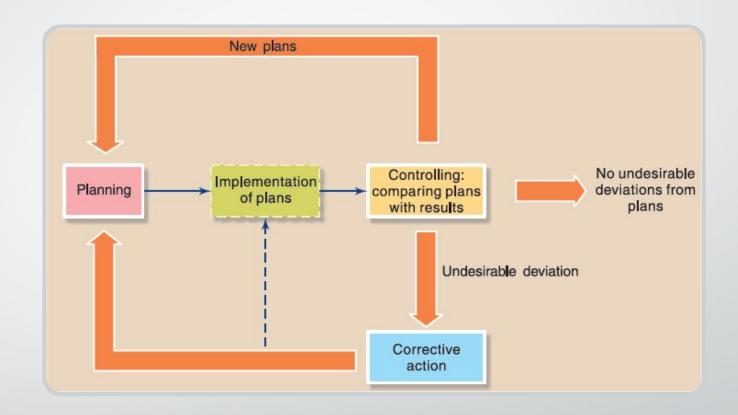
Learning Objectives

- LO 1 Understand what managerial planning is and why it is important
- LO 2 Identify and analyze the various types of plans and show how they relate to each other
- LO 3 Outline and discuss the logical steps in planning and see how these steps are essentially a rational approach to setting objectives and selecting the means of reaching them
- LO 4 Explain the nature of objectives

- LO 5 Describe how verifiable objectives can be set for different situations
- LO 6 Outline the evolving concepts in management by objectives (MBO)
- LO 7 Understand the model of the systems approach to MBO
- LO 8 Describe the benefits of MBO
- LO 9 Recognize the weaknesses of MBO and suggest ways to overcome them

Planning

 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.



Nature of Planning

- (1) Primary--first thing to do!
- (2) Contemplative- being intellectual exercise, it involves a lot of thinking and conceptual skills
- (3) Time taking
- (4) Decision making- identifying more than one way to achieve a goal and choosing
- (5) Pervasive-shadow of planning is cast upon all other managerial functions
- (6) Continuous-End/Implement/Correct

Purpose of Planning

- (1) Minimises risk and uncertainty
- (2) Better chance to succeed
- (3) Attention on goals
- (4) Facilitates control
- (5) Trains executives

Types of Plans

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.

Types of Planning

Strategic Planning: Long-term goals and objectives. It involves defining an organization's mission, vision, and values, and then developing strategies to achieve them. A time horizon of 3 to 5 years or even longer.

Tactical Planning: More short-term than strategic planning. It involves setting specific, actionable goals and objectives that are aligned with the organization's overall strategy. A time horizon of 1 to 3 years.

Operational Planning: Even more short-term than tactical planning and deals with day-to-day activities. It includes developing plans and procedures to ensure that daily operations run smoothly and efficiently.

Contingency Planning: Contingency planning, also known as crisis planning, involves preparing for unexpected events or emergencies. It includes identifying potential risks and developing strategies to mitigate or respond to them.

Steps in Planning

- 1. Being Aware of Opportunities
- 2. Establishing Objectives
- 3. Developing Premises
- 4. Determining Alternative Courses
- 5. Evaluating Alternative Courses
- 6. Selecting a Course
- 7. Formulating Derivative Plans
- Quantifying Plans by Budgeting

Steps in Planning

Being aware of opportunities

In light of:

- · The market
- Competition
- · What customers want
- · Our strengths
- · Our weaknesses



Setting objectives or goals

Where we want to be and what we want to accomplish and when



Considering planning premises

In what environment—internal or external—will our plans operate?



Identifying alternatives

What are the most promising alternatives to accomplishing our objectives?



Which alternative will give us the best chance of meeting our goals at the lowest cost and highest profit?



Choosing an alternative

Selecting the course of action we will pursue



Formulating supporting plans

Such as plans to:

- Buy equipment
- Buy materials
- Hire and train workers
- Develop a new product



Quantifying plans by making budgets

Developing such budgets as:

- Volume and price of sales
- Operating expenses necessary for plans
- Expenditures for capital equipment

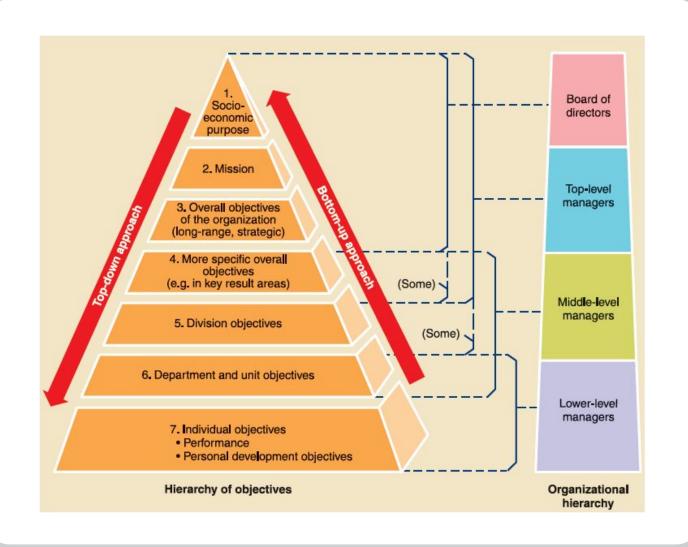
Objectives

The Nature of Objectives

- Hierarchy of Objectives
- Setting Objectives and the Organizational Hierarchy
- Multiplicity of Objectives

How to Set Objectives

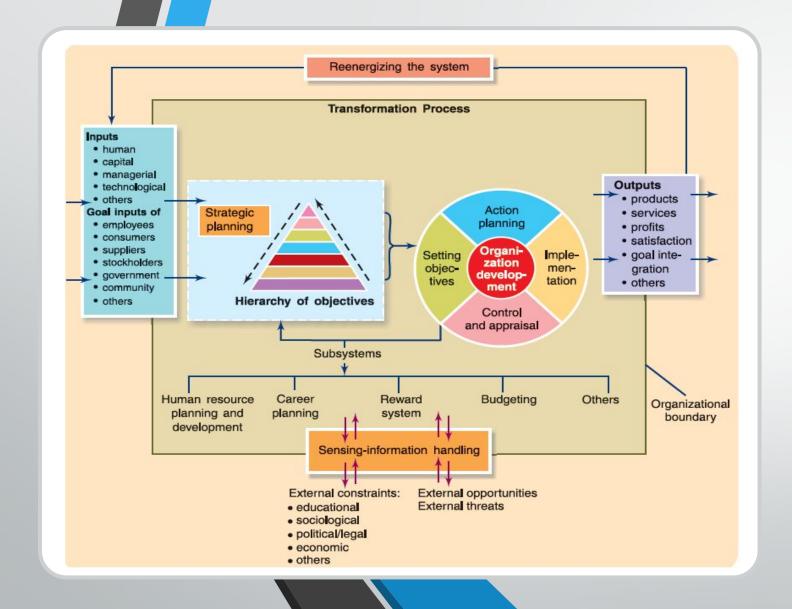
- Quantitative and Qualitative Objectives
- Guidelines for Setting Objectives



Relationship of objectives and the organizational hierarchy

Evolving
Concepts in
Management
by
Objectives

 Management by objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and is consciously directed toward the effective and efficient achievement of organizational and individual objectives.



Systems approach to management by objectives

- Benefits and Weaknesses of Management by Objectives
 - Benefits of Management by Objectives
 - Improvement of managing through results-oriented planning
 - Clarification of organizational roles and structures as well as delegation of authority according to the results expected from the people occupying the roles
 - Encouragement of commitment to personal and organizational goals
 - Development of effective controls that measure results and lead to corrective actions
 - Failures of Management by Objectives and Some Recommendations