

Principles of Management

Foundations of Planning



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LEARNING OUTLINE

Below are the outline , you'll learn after reading

❑ What Is Planning?

- Define planning.
- Formal Planning Vs Informal planning.
- The purposes of planning
- Criticism of Planning

❑ Plans

- Define plans
- Describe types of Plans

□ Goals

- **Define goals**
- **Stated goals and Real Goals**

□ Establishing Goals and Developing Plans

- **Traditional goal setting**
- **Management by Objective (MBO)**

□ What Is Planning?

Definition:

A primary managerial activity that involves:

- ❖ Defining the organization's goals
- ❖ Establishing an overall strategy for achieving those goals
- ❖ Developing plans for organizational work activities.

➤ Types of planning

- ❖ **Informal:** not written down, short-term focus; specific to an organizational unit.
- ❖ **Formal:** written, specific, and long-term focus, involves shared goals for the organization.

■ Purposes of Planning

1-Provides direction: When employees know what their organization or work unit is trying to accomplish and what they must contribute to reach goals, they can coordinate their activities, cooperate with each other, and do what it takes to accomplish those goals. Without planning , departments and individuals might work at cross-purposes and prevent the organization from efficiently achieving its goals.

2- Reduces uncertainty by forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate responses. Although planning won't eliminate uncertainty, managers plan so they can respond effectively

3- Minimizes waste and redundancy : When work activities are coordinated around plans, **inefficiencies become obvious** and can be corrected or eliminated.

4- Sets the standards for controlling: When managers plan, they develop goals and plans. When they control, they see whether the plans have been carried out and the goals met. Without planning, there would be no goals against which to measure work effort

■ Criticisms of Formal Planning

1. Planning may create rigidity.

Once plans are made to decide the future course of action the manager may not be in a position to change them.

Following predefined plan when circumstances are changed may not bring positive results for organization.

This kind of rigidity in plan may create difficulty.

2. Formal plans can't replace intuition and creativity

With the planning the managers of the organization start working rigidly and they become the blind followers of the plan only.

The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment.

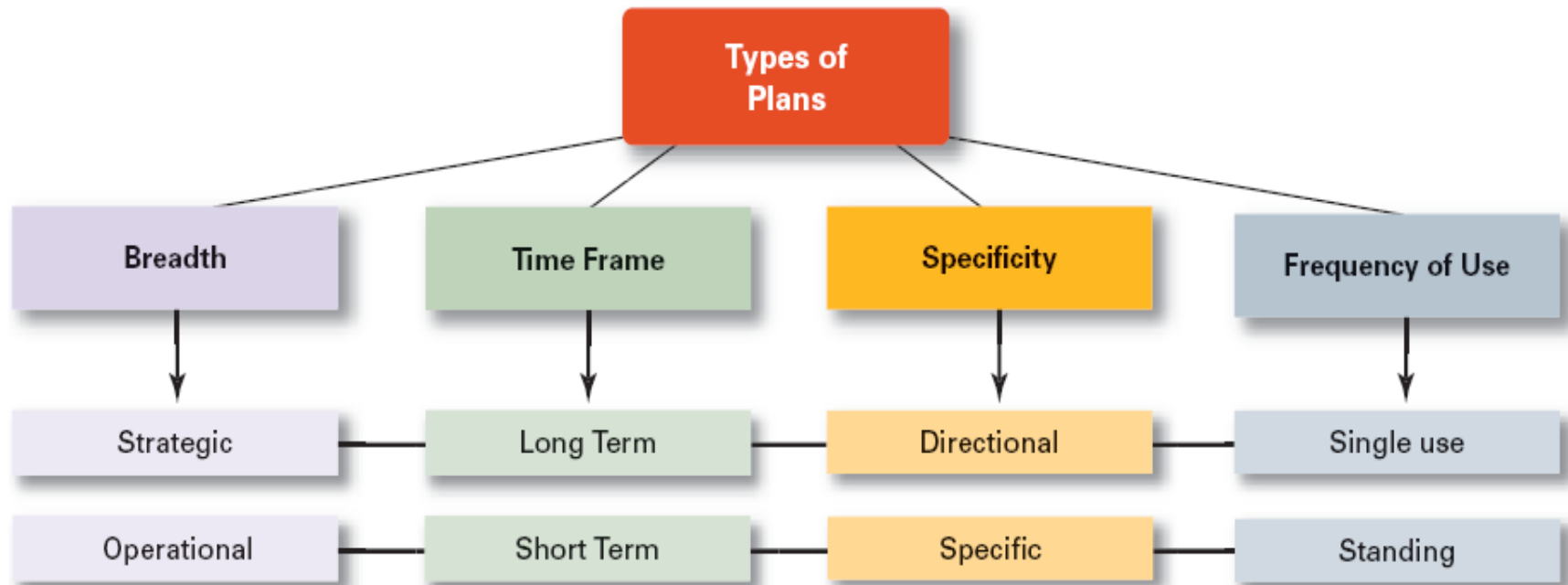
They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only

3- Planning focuses managers' attention on today's competition, not on tomorrow's survival.

4- Formal planning reinforces success, which may lead to failure

□ Plans

Definition: Documents that outline how goals are going to be met.



- **Strategic Plans**

- **Apply to the entire organization , establish the organization's overall goals. cover extended periods of time.**
- **Outlines your mission, vision, and high-level goals for the next three to five years.**

- **Operational Plans**

- **Specify the details of how the overall goals are to be achieved. Cover short time period.**

An operational plan addresses four questions:

- **Where are we now?**
- **Where do we want to be?**
- **How do we get there?**
- **How do we measure our progress?**

Long-Term Plans

Plans with time frames extending beyond three years

Short-Term Plans

Plans with time frames on one year or less

Specific Plan

Plans that are clearly defined and leave no room for interpretation

Example 1- Cut cost by 10 percent and increase revenues by 8 percent in the next six months

Example 2- a manager who seeks to increase her firm's sales by 10 percent over a given 12 month period might establish specific procedures, budget allocations and schedules of activities to reach that objective. These actions represent specific plans.

Directional Plans

Flexible plans that set out general guidelines, They provide focus but don't lock managers into specific goals or courses of action.

Example: Improving corporate profits between 6 and 12 percent during the next six months.

- **Single-Use Plan**

- A one-time plan specifically designed to meet the need of a unique situation.
- Single-use plans typically include **projects, Event**.

- **Standing Plans**

- Ongoing plans that provide guidance for activities performed repeatedly.
- It may include Rules , Policy etc...

□ Goals

Goals are “Desired outcomes or targets”

- They guide management decisions and form the criterion against which work results are measured.
- Essential elements of planning.

Types of Goals

1-Financial Goals

- Are related to the expected internal financial performance of the organization.

Examples: **Increased Revenue** (example: you can increase your revenues without increasing your sales by raising your prices),
Decreased Costs (expenses to learn if you can cut your utility costs, reduce waste, negotiate better contracts, decrease interest payments)
Improve Margins (Another way to improve your profits without increasing sales or revenues is to set a goal for improving your profit margins. You can do this by reducing your cost of production)

2- Strategic Goals

- Are related to the performance of the firm relative to factors in its external environment (e.g., competitors , customer satisfaction , Open new locations, Improve training programs)

An other Example: Bloomberg : “we want to be the world’s most influential news organization”

3- Stated Goals:

Official statements of what an organization says, and what it wants its stakeholders to believe, its goals are.

Examples:

Nike's goal is “delivering inspiration and innovation to every athlete.”

4- Real Goals:

Goals that an organization actually pursues, as defined by the actions of its members.

What organizational members are doing. actions define priorities.

For example, company may publicly commit to increasing worker participation in management, while actually practicing a hierarchical, top-down approach.

Stated Goals versus Real Goals

Broadly-worded official statements of the organization (intended for public consumption) that may be irrelevant to its real goals (what actually goes on in the organization).