

FOUNDATIONS OF PLANNING

We can proper define planning as:

- A process that involves defining the organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive set of plans to integrate and coordinate organizational work.
 - **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.

Why Plan ?

- Planning is a way to anticipate and offset change.
- Planning reduces contradictions, inconsistency, overlapping and wasteful activities
- Planning establishes coordinated efforts.
- Finally planning establishes the objectives and standards which will be used for facilitating control.

Relationship between Planning & Performance

On the basis of research we draw following conclusions:

2. Formal planning results in high profit, high return on assts and other positive financial results.
3. Quality of planning process and its implementation contributes to high performance than does the extent of planning.

Elements of Planning

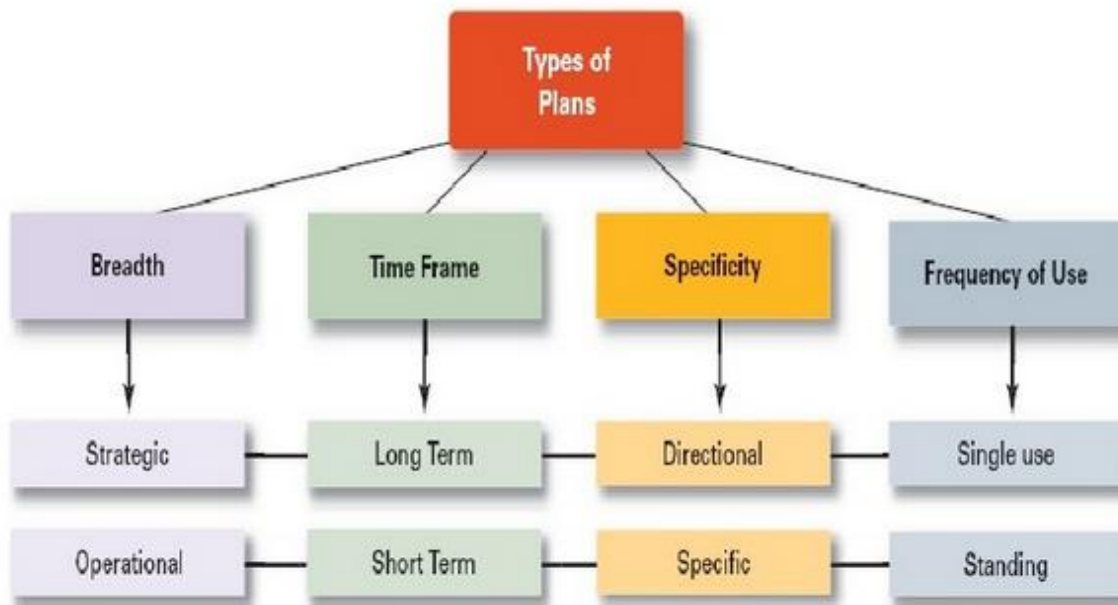
- **Goals**

- Desired outcomes for individuals, groups, or entire organizations

- **Plans**

- Plans are documents that outline how goals are going to be met
- Describe how resources are to be allocated and establish activity schedules

Types of Plan



On the basis of Breadth

Strategic Plans

Plans that apply to the entire organization's overall goals and seek to position the organization in term of its environment..e.g. A bigger market share, lower costs relative to key competitors, recognition as a leader in technology or product innovation etc.

Operational Plans

Plans that specify the details of how the overall goals are to be achieved. e.g. an organizations monthly, weekly or day-to-day plans.

On the basis of Specificity

Specific Plans

Planes that are clearly defined and that leave no room for interpretation. e.g. a manager who seeks to increase his or her unit's work output by 8 percent over a given 12-month period might establish budgets allocation, procedures

Directional Plans

Plans that are flexible and that set out general guidelines, e.g. instead of detailing increase percentage of output manager formulates the plan for improving profits by 5-10 percent over next 6 months.

Frequency of Use

Single use plans:

A one time plan specifically designed to meet the needs of a unique situation e.g. programs of changing name of brands, projects.

Standing Plans:

on going plans that provide guidance for activities performed repeatedly e.g. rules, policies, SOP.

On the basis of Time Frame

With reference to time frame plans are divided into three categories i.e.

- Short term plans
- Intermediate term plans
- Long term plans

Commonly **Short Term Plans** are those which cover a period of less than one year, **Intermediate Term Plans** ranges from one to three years and any plan which exceeds three year is termed as **Long Term Plan**.

Planning Process

Planning process consists of following steps

- iii. Goal setting
- iv. Forecasting
- v. Strategy formation
- vi. Setting specific standards
- vii. Continual review & revision

Goal Setting

Goal setting is first step in
planning process.

Approaches of Goal Setting

- **Traditional goal setting** is an approach in which goals are set at the top level of an organization and then broken-down into subgoals for each level of the organization.
 - Broad goals are set at the top of the organization.
 - Goals are then broken into sub-goals for each organizational level.
 - Assumes that top management knows best because they can see the "big picture."
 - Goals are intended to direct, guide, and constrain from above.
 - Goals lose clarity and focus as lower-level managers attempt to interpret and define the goals for their areas of responsibility.

Approaches of Goal Setting

- **MBO** is a management system in which specific performance goals are jointly determined by employees and their managers, progress towards accomplishing those goals is periodically reviewed, and rewards are allocated on the basis of this progress.

Implementing MBO

The MBO process is made up of four essential elements:

1. Goal Setting
2. Action planning
3. Self control
4. Periodic reviews

The Essential Elements



Goal Setting

In Goal setting, we establish objectives from the overall goals of the organization to the individual level.

Action Planning

In action planning, we work in the means to the ends established in goal setting. This step includes identifying the activities necessary to accomplish the objective, establishing the critical relationships between these activities, assigning responsibility for each activity, estimating the time requirement for each activity and determining the resource required to complete each activity.

Self Control

By self-control, we mean systematic monitoring and measuring of performance. The MBO philosophy is built in the assumptions that individuals can be responsible, can exercise self direction, and do not require external controls and threats of punishment for the motivation.

Periodic Reviews

Finally, with periodic progress reviews, corrective action is initiated when behavior deviates from the standards established in the goal-setting phase. In MBO philosophy reviews are not meant to degrade the individuals but to aid the future performance.

Problems in Implementation

- a. Setting unclear immeasurable goals
- b. Time consuming
- c. Lack of commitment by top management
- d. Inconsistent with top management's philosophy
- e. Failure of organization is reward performance.
- f. Failure to provide differentiating rewards

Types of Goals

Goals may be internal or external but all the profitable or non profitable organizations have a common goal of
“SURVIVAL”

Some of the following goals directly contribute towards **SURVIVAL**

- **Internal Goal** (i.e) profitability, growth market, penetration, leadership, productivity.
- **External Goal** includes client satisfaction and social awareness.

Profitability

Profitability is the main goal of profit making organizations.

- If a business organization is not earning a reasonable profit it's survival is doubtful.
- In contrast with profit making institutes non profit making organization's basic goal is to provide better service. But it does not serve as standard of performance.

Growth

It has been said that in business you go either forward or backward ____there is no middle ground.

Administrator can establish growth goals for total revenue, profit, number of employee and expansion of plant etc.

Market Penetration

The position an organization holds in its industry is called Market Penetration and it is closely related with growth.

Administrator always try to maintain and expand their relative market show.

Leadership

- Leadership can result form innovation or change in new product or service or process of creating these products or services.
- It may be a new banking service, an innovative academic curriculum, a low cost product.

Productivity

An organization's ability to transfer inputs to outputs at the lowest cost is the measure of its productivity.

All the organizations tries to generate given output from least input or maximum output from minimum inputs.

Client Satisfaction

No organization can survive without client satisfaction.

- Government exists if it serve the people
- Business exists if it serve the customer
- Church exists if it serve the humanity

Social Awareness

Our final goal that exists in theories only
is social awareness.

Real vs. Stated Goals

- **Stated Goals:**

Official statements of what an organization says and what it wants various stake holders to believe, it's goals are e.g. annual reports, mission statement, public announcement.

- **Real Goals:**

Goals than an organization actually pursues, as defined by the actions of it's member e.g. profit motive

Steps in Goal Settings

1. Review the organizations mission statement
2. Evaluate available resources
3. Determination of goals
4. Write down and communicate the goals
5. Review of results.

1. Review the organizations mission statement

A mission statement is the purpose of an organization and it provide an overall guideline to what organizational members think is important.

A mission statement serves many purposes

- ✂ **For managers** it is bench mark to evaluate success against.
- ✂ **For employees** it defines a common purpose, bring up organizational loyalty and foster sense of community for workers.
- ✂ **For external parties** such as investors, government agencies and the public it helps provide unique insight into the organization's value and future direction.

Components of Mission Statement

Usually a mission statement comprises of some or all of the following nine components: -

- ✂ **Customer:** who are organizational customer?
- ✂ **Product or services:** what are organizational major products or services?
- ✂ **Location:** where does the organization compete?
- ✂ **Technology:** What is the firm's basic technology?
- ✂ **Concern for survival:** what is the organization's commitment to economic objective?
- ✂ **Philosophy:** what are organization's basic beliefs, values, aspiration and philosophical priorities.
- ✂ **Self Concept:** what are organization's major strength and competitive advantages?
- ✂ **Concern for public image:** what are the organization's public responsibilities and what image is desired?
- ✂ **Concern for employees:** what is the organization's attitude towards its employees.

Major Components and sample extracts

Major components	Sample extracts
Customers	To deliver quality welfare service to New Zealanders in the most co-efficient way and in accordance with the policies of the government. (New Zealand Department of social welfare) The purpose of Motorola is to honourable serve the needs of the community by providing products and services of superior quality at a fair price to our customers. (Motorola)
Products or Services	We will become a world leader in defining and delivering valued telecommunications services by setting new levels of excellence in service, quality and productivity, through the application of leading-edge technology. (Optus) We deliver service of an international standard in a professional and personalized way. (ANA Hotel, Singapore)
Location	Sara Lee Corporation's mission is to be leading consumer marketing company in the United States and internationally. (Sara Lee Corporation)
Technology	Du Pont is a diversified chemical, energy and specialty products company with a strong tradition of discovery. Our global businesses are constantly evolving and continually searching for new and better ways to use our human, technological and financial resources to improve the quality of life of people around the world. (Du Pont)

Concern for survival	To serve the worldwide need for knowledge at a fair profit by gathering evaluating, producing and distributing valuable information in a way that benefits our customers, employees, authors, investors and our society. (McGraw-Hill)
Philosophy	It's all part of the Mary Kay philosophy- a philosophy based on the golden rule. A spirit of sharing and caring where people give cheerfully of their time, knowledge and experience. (Marry Kay Cosmetics)
Self-concept	Crown Zellerbach is committed to rapid competition within 1000 days by unleashing the constructive and creative liabilities and energies of each of its employees. (Crown Zellerbach)
Concern for public image	The company feels and obligation to be a good corporate citizen wherever it operates (Eli Lilly & Company)
Concern for employees	The people of Airways Corporation are qualified, motivated professionals committed to providing- on a sound commercial basis- safe, efficient and cost effective air-traffic management and related services which meet the needs of our customers. We aim to make Corporation the best it can be- to work for and to do business with. (Airways Corporation New Zealand)

2. Evaluate Available Resources

Don't set goals that are impossible to achieve given your available resources. Even though goals should be challenging, they should be realistic.

Analyzing the organizational resources and capabilities include financial, physical, human and other organizational assets for production of goods and services and art of performing different activities like marketing, productions, R & D, HRM, etc. Here

- ✂ **Financial Resources:** means debt, equity, retain earnings and selected matters.
- ✂ **Physical Resources:** means building, machinery, vehicle and other material.
- ✂ **Human Resource:** includes skills, abilities, experience and other work related characteristics of people associated with the organization.
- ✂ **Organizational Resources:** include the history of groups in the organization, relationship, level of trust and associated culture dimensions, as well as formal reporting structure, control system and compensation system.

3. Determination of Goals

Determine the goals individually or with input from others but these goals should be

SMART

- S Specific
(in terms of outcomes)
- M Measurable
(Quantifiable)
- A Action oriented
(Contains plan of action)
- R Realistic
(Not too small, nor too big)
- T Time Bound

4. Write down and communicate the goals

A well designed goal should be written in terms of results rather than actions, moreover the process of writing the goals force people to think thoroughly and make them committed.

Finally goals should also be communicated to all the organizational members who need to know the goals. Because making people aware of the goals ensures that they all are “On the Same Page” and working in ways to ensure the accomplishment of the organizational goals.

5. Review of Results

The last step of Goal setting is review of results to see whether goals are being met and if change is needed do so.

Forecasting

- Predictions of outcomes
- Quantitative Forecasting
 - Forecasting that applies a set of mathematical rules to a series of past data to predict outcomes
- Qualitative Forecasting
 - Forecasting that uses the judgment and opinions of knowledgeable individuals to predict outcomes.

Contingency Planning

The determination of alternative course of action to be taken if an intended plan is unexpectedly disrupted or rendered inappropriate.

Contemporary Issues in Planning (cont'd)

- **Effective Planning in Dynamic Environments**
 - Develop plans that are specific but flexible.
 - Understand that planning is an ongoing process.
 - Change plans when conditions warrant.
 - Persistence in planning eventually pay off.
 - Flatten the organizational hierarchy to foster the development of planning skills at all organizational levels.

Criticism of Planning

- Planning may create rigidity
- Plans can't be developed for a dynamic environment.
- Formal plans can't replace intuition & creativity
- Focus is on today's competition
- Formal planning may lead to failure.