Why do managers plan?

Define Planning

Formal and informal planning

The purpose of planning

The relationship between planning and performance

What is Planning?

Establishing goals and developing plans

How do managers plan?
How do managers plan

- Define goals and planning
- Describe the types of goals organizations might have
- Explain why it’s important to know an organization’s stated and real goals
- Describe each of the different types of plans

Establishing goals and developing plans

- Discuss how traditional goal setting works
- Explain the concept of means-end chain
- Describe the management by objective approach
- Describe the characteristics of well-designed goals
- Explain the steps in setting goals
- Discuss the contingency factors that affect planning
- Describe the approaches to planning
What is planning?

• 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.
  ➢ What’s to be done
  ➢ How it’s to be done
• Planning can be formal and informal

Why do managers plan?

• Purposes of planning
  ➢ Provides direction
    • Employees can coordinate their activities, cooperate other and do what it takes to accomplish goals
  ➢ Reduces uncertainty
    • Managers can anticipate change and develop the most effective response
  ➢ Minimizes waste and redundancy
    • Because work activities are coordinate
  ➢ Sets the standards used in controlling
Why do managers plan?

• Planning and performance
  ➢ First, formal planning is associated with higher profits, higher return on assets, and other positive financial results
  ➢ Second, the quality of plans and the appropriate implementation contribute to high performance
  ➢ Next, if the formal planning didn't lead to good performance, the external environment often was culprit
  ➢ Finally, plan/performance relationship is influenced by planning time frame

Why Planning Is Important

• Planning determines where the organization is now and where it will be in the future.
  ➢ Participation: all managers are involved in setting future goals.
  ➢ Sense of direction and purpose: planning sets goals and strategies for all managers.
  ➢ Coordination: plans provide all parts of the firm with understanding about how their systems fit with the whole.
  ➢ Control: Plans specify who is in charge of accomplishing a goal.
How do managers plan?

• The role of goals and plans in planning
  - Goals: goals are desired outcomes for individuals, groups, or entire organizations. (objectives)
    • Types of goals
  - Plans: plans are documents that outline how goals are going to be met and that typically describe resource allocations, schedules, and other necessary actions to accomplish the goals.
    • Types of plans

• Types of goals
  - A single objective and multiple objectives
    • Actually businesses have multiple objectives
    • Using a single objective (profit) can result in unethical practices
  - Stated goals and real goals
    • Stated goals: official statements of what an organization says, and what it wants its stakeholders to believe.
      - The reason to exist: organizations respond to a variety of stakeholders, these stakeholders evaluate the organization by different criteria
    • Real goals: those goals that an organization actually pursue
      - An awareness that real and stated goals differ is important for understanding what might otherwise seem to be management inconsistencies
Determining the Organization’s Mission and Goals

- **Defining the Business**
  - Who are our customers?
  - What customer needs are being satisfied?
  - How are we satisfying customer needs

- **Establishing Major Goals**
  - Provides the organization with a sense of direction
  - Stretches the organization to higher levels of performance.
  - Goals must be challenging but realistic with a definite period in which they are to be achieved.

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Three Mission Statements

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>MISSION STATEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cisco</td>
<td>Cisco solutions provide competitive advantage to our customers through more efficient and timely exchange of information, which in turn leads to cost savings, process efficiencies, and closer relationships with their customers, prospects, business partners, suppliers, and employees.</td>
</tr>
<tr>
<td>Compaq</td>
<td>Compaq, along with our partners, will deliver compelling products and services of the highest quality that will transform computing into an intuitive experience that extends human capability on all planes—communication, education, work, and play.</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>We work for you. We think of ourselves as buyers for our customers, and we apply our considerable strengths to get the best value for you. We've built Wal-Mart by acting on behalf of our customers, and that concept continues to propel us. We're working hard to make our customers' shopping easy.</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>We are dedicated to being the world's best at bringing people together—giving them easy access to each other and to the information and services they want and need—anytime, anywhere.</td>
</tr>
</tbody>
</table>
**Types of plans**

- **Breath**
  - Strategic
  - Operational

- **Time frame**
  - Long term
  - Short term

- **Specificity**
  - Directional
  - Specific

- **Frequency of use**
  - Single use
  - Standing

**Strategic plans**: plans apply to entire organization, establish the organization’s overall goals, and seek to position the organization in terms of its environment.

**Operational plans**: plans specify the details of how the overall goals are to be achieved.

**Long-term plans**: plans with a time frame beyond 3 years.

**Short-term plans**: plans covering 1 year or less.
• Types of plans

- Directional plans: flexible plans that set out general guidelines
- Specific plans: plans that are clearly defined and which leave no room for interpretation
- Single-use plans: one-time plans specifically designed to meet the needs of a unique situation
- Standing plans: ongoing plans that provide guidance for activities performed repeatedly, include policies, rules, and procedures

One of you have been elected president of student union

Wang was promoted to manager of a 10-person department of marketing

You want the union to be actively involved in your school

Wang hopes to strengthen the department’s financial contributions to the firm

**What should they do now?**

First, Establishing goals, then, developing plans
Establishing goals and developing plans

**Approaches to establishing goals**

- Traditional goal setting
  - Goals are set at the top of the organization, and then broken into subgoals for each organizational level
  - They think the top managers can see the “big pic”
  - Employees work to meet the goals that have been assigned in their areas of responsibility

- Means-ends chain: an integrated network of goals in which the accomplishment of goals at one level serves as the means for achieving the goals, or ends, at the next level
Establishing goals and developing plans

• Approaches to establishing goals
  ➢ Management by objectives (MBO)
    • A management system in which specific performance goals are jointly determined by employees and their managers, progress toward accomplishing those goals is periodically reviewed, and rewards are allocated on the basis of this progress
    • Four elements
      - Goal specificity
      - Participative decision making
      - An explicit time period
      - Performance feedback

• Positive
  - MBO increases employee performance and organizational productivity.
  - But it needs top management commitment and involvements as important conditions for MBO to succeed.

• Negative
  - One problem is that they may not be as effective in times of dynamic environment change
  - Another problem is that an employee’s overemphasis on accomplishing his or her goals without regard to others can be counterproductive
Establishing goals and developing plans

• Approaches to establishing goals
  ➢ Characteristics of well-designed goals
    • Result-oriented
    • Measurable
    • Time-bound
    • Achievable
    • Written down
    • Communicated
  ➢ SMART principle

Steps in goal setting
1. Review the organization’s mission
2. Evaluate available resources
3. Determine the goals individually or with input from others
4. Write down the goals and communicate them to all who need to know
5. Review results and whether goals are being met
Establishing goals and developing plans

• Developing plans

   Approaches to planning
   Contingency factors in planning
   Level in the organization
   Degree of environmental uncertainty
   Length of future commitment

   Contingency factors in planning
   • Level in the organization
     - top strategic
     - First-level operational
   • Degree of environmental uncertainty
     - High uncertainty specific but flexible
   • Length of future commitments
     - Commitment concept: plans should extend far enough to meet those commitments made today.
Levels and Types of Planning

Levels of Planning at General Electric
Levels of Planning

• Corporate-Level Plan
  ➢ Top management’s decisions pertaining to the organization’s mission, overall strategy, and structure.
  ➢ Provides a framework for all other planning.

• Corporate-Level Strategy
  ➢ A plan that indicates in which industries and national markets an organization intends to compete.

Levels of Planning

• Business-Level Plan:
  ➢ Divisional managers’ decisions pertaining to divisions long-term goals overall strategy, and structure.
    • Identifies how the business will meet corporate goals.

• Business-Level Strategy
  ➢ A plan that indicates how a division intends to compete against its rivals in an industry
    • Shows how the business will compete in market.
Levels of Planning

- Functional-Level Plan
  - Functional managers' decisions pertaining to the goals that they propose to pursue to help the division attain its business-level goals.

- Functional Strategy
  - A plan that indicates how a function intends to achieve its goals.

Establishing goals and developing plans

- Developing plans
  - Approaches to planning
    - Traditional approach
      - A formal planning department
      - Top-level managers
      - Like traditional approaches of goal-setting
  - Another approach
    - To involve more organizational members in the process
Three Steps in Planning

- Determining the Organization’s Mission and Goals
  - Defining the organization's overriding purpose and its goals.
- Formulating strategy
  - Managers analyze current situation and develop the strategies needed to achieve the mission.
- Implementing strategy
  - Managers must decide how to allocate resources between groups to ensure the strategy is achieved.
Contemporary issues in planning

• Criticisms of planning
  1. Planning may create rigidity
  2. Planning can't be developed for a dynamic environment
  3. Formal plans can't replace intuition and creativity
  4. Planning focuses manager's attention on today's competition, not on tomorrow's survival
  5. Formal planning reinforces success, which may lead to failure

Effective planning in dynamic environments

- In an uncertain environment, managers want to develop plans that are specific, but flexible
- Flattening the organizational hierarchy