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# PLANNING

For Internal Circulation and  
Academic Purpose Only

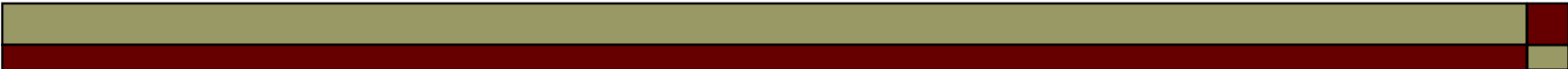
# Programme Educational Objectives

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- *Our program will create graduates who:*
- *1. Will be recognized as a creative and an enterprising team leader.*
- *2. Will be a flexible, adaptable and an ethical individual.*
- *3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Principles of Management Course Outcomes

- CO1-Student manager will be able to identify application of various management theories in the organization / establishment under study.
- CO2-For a given profile, student manager will be able to map the desired skill set with available skills through interaction with the employees of the organization / establishment under study
- CO3-Given the task / event, student manager will be able to formulate plan, design the team structure with authority and responsibility, and devise a control mechanism for effective management.

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- CO4- In the organization/establishment under study, student manager will be able to calculate Span of Control and analyze Scalar Chain.
  - CO5- Student manager will be able compare the motivational practices and its suitability in the organization/establishment under study.
  - CO6- Student manager will be able determine sources of recruitment and comment on its suitability in the organization/establishment under study.

# What is planning?

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- Planning is deciding in advance what to do, how to do it, when to do it and who will do it. It involves anticipating the future and consciously choosing the future course of action.
- **Planning**
  - 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.

# Definitions

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- “Generally speaking, planning is deciding in advance what is to be done”

**-W H Newman**

- “Planning is deciding in advance what to do, how to do, when to do and who is to do it. Planning bridges a gap between from where we are to where we want to go”

**-Harold, Koontz and O’Donnel**

- “Planning is that function of manner in which he decides in advance what he will do. It is a decision making process of a special kind, its essence is futurity.”

**-Hayness and Massie**

# Planning for the Future

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Most organizations are facing turbulence and growing uncertainty

- Economic, political, & social turmoil = managers wonder how to cope
- Renewed interest in organizational planning



**Planning**—to  
set the direction

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- Decide where you want to go
- Decide how to best go about it

**Organizing**—  
to create structures

**Leading**—  
to inspire effort

**Controlling**—  
to ensure results

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- Measure performance
- Take corrective action

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# Elements of Planning

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- **Elements of Planning**

- **Goals (also Objectives)**

- A desired future state that the organization attempts to realize
    - Desired outcomes for individuals, groups, or entire organizations
    - Provide direction and evaluation performance criteria



## □ **Plans**

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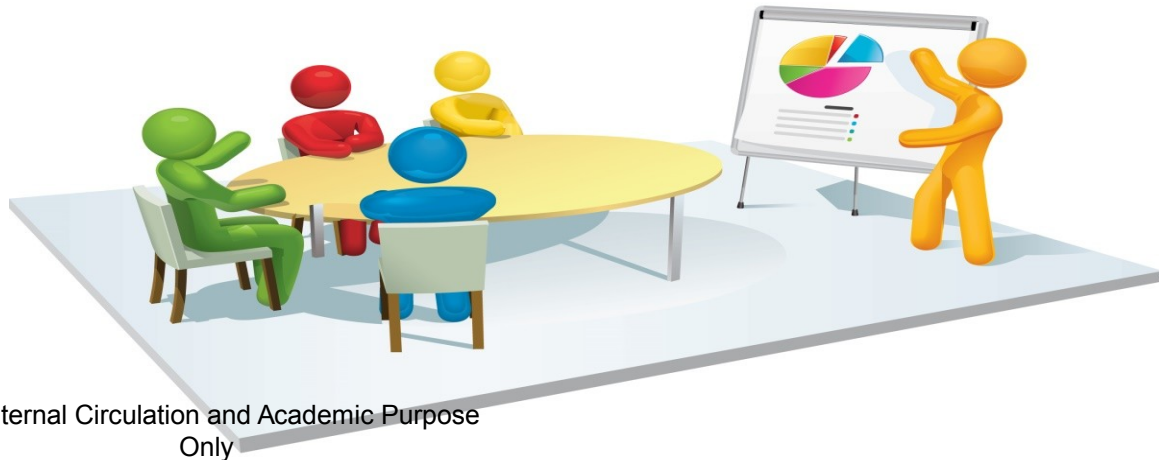
- A blueprint specifying the resource allocations, schedules, and other actions necessary for attaining goals
- Documents that outline how goals are to be accomplished
- Describe how resources are to be allocated and establish activity schedules

## □ **Planning**

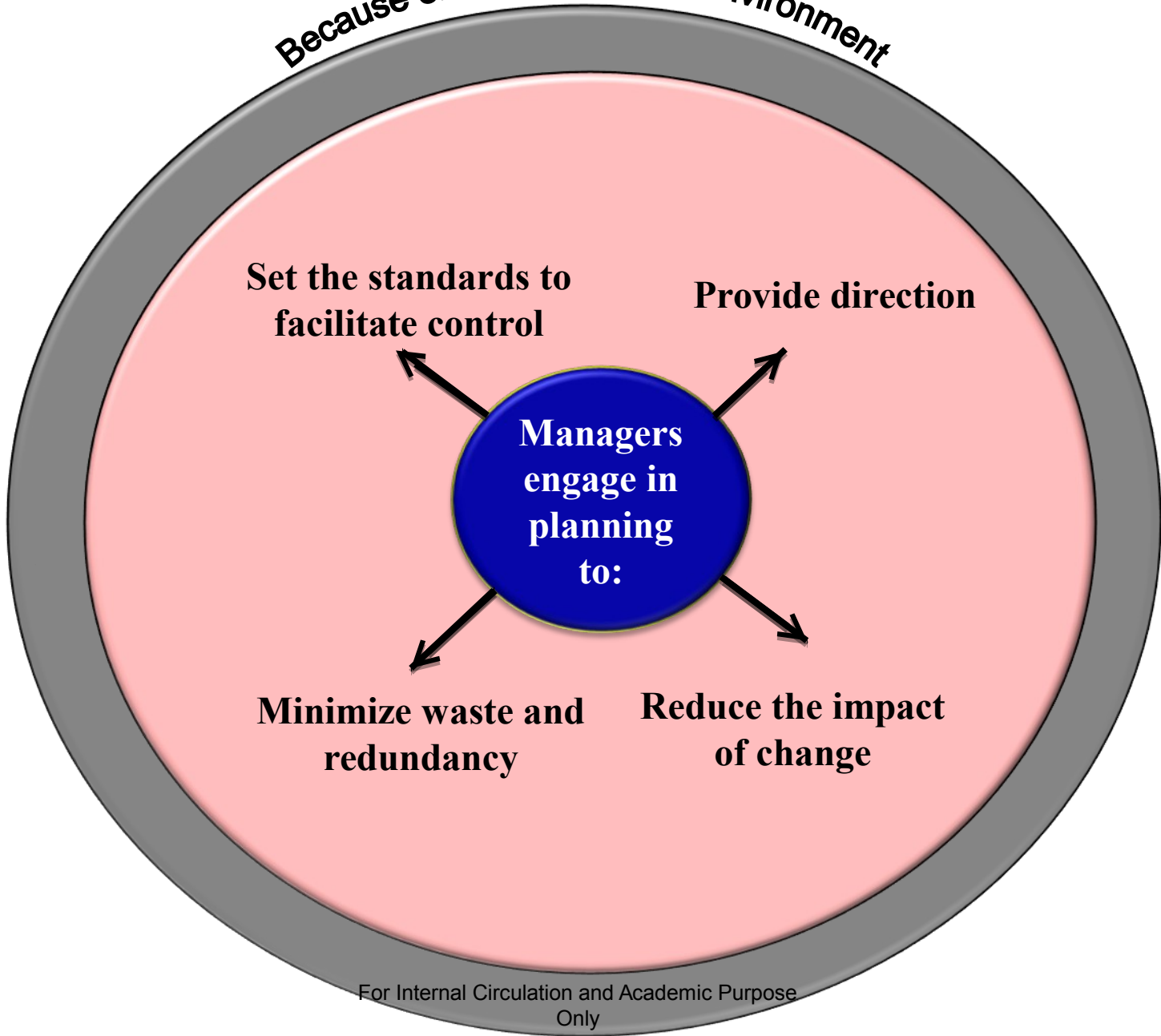
- Determining the organization's goals and the means for achieving them

# Why Do Managers Plan?

- Purposes of Planning
  - Provides direction
  - Reduces uncertainty
  - Minimizes waste and redundancy
  - Sets the standards for controlling



*Because of changes in the environment*



# Nature of Planning

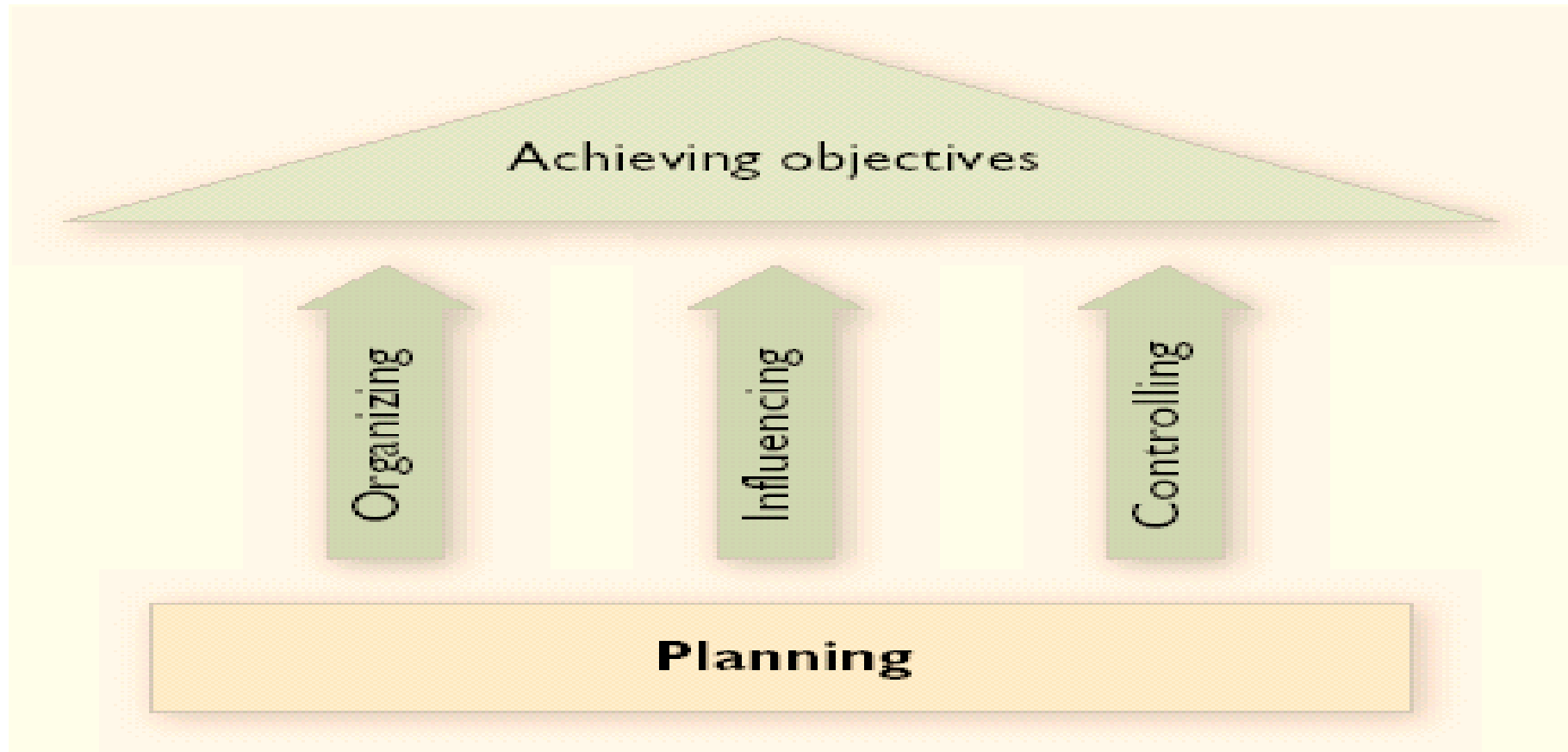
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- Planning is a primary function
- Planning is goal-oriented
- Planning is all-pervasive
- Planning is a continuous process
- Planning is forward-looking/flexible
- Planning involves choice
- Planning is directed toward efficiency
- Basis for all the managerial functions

# Importance of Planning

- ❑ Planning helps in effective utilization of resources
- ❑ Provides direction and a sense of purpose.
- ❑ Reduces the risk of uncertainty
- ❑ Planning reduces overlapping and wasteful activities
- ❑ Planning promotes innovative ideas
- ❑ Planning facilitates decision making
- ❑ Helps identify threats and opportunities and reduces risks.
- ❑ Facilitates managerial control through the setting of standards for monitoring and measuring performance.

# Characteristics Of Planning



**Figure 6–1** Planning as the foundation for organizing, influencing, and controlling

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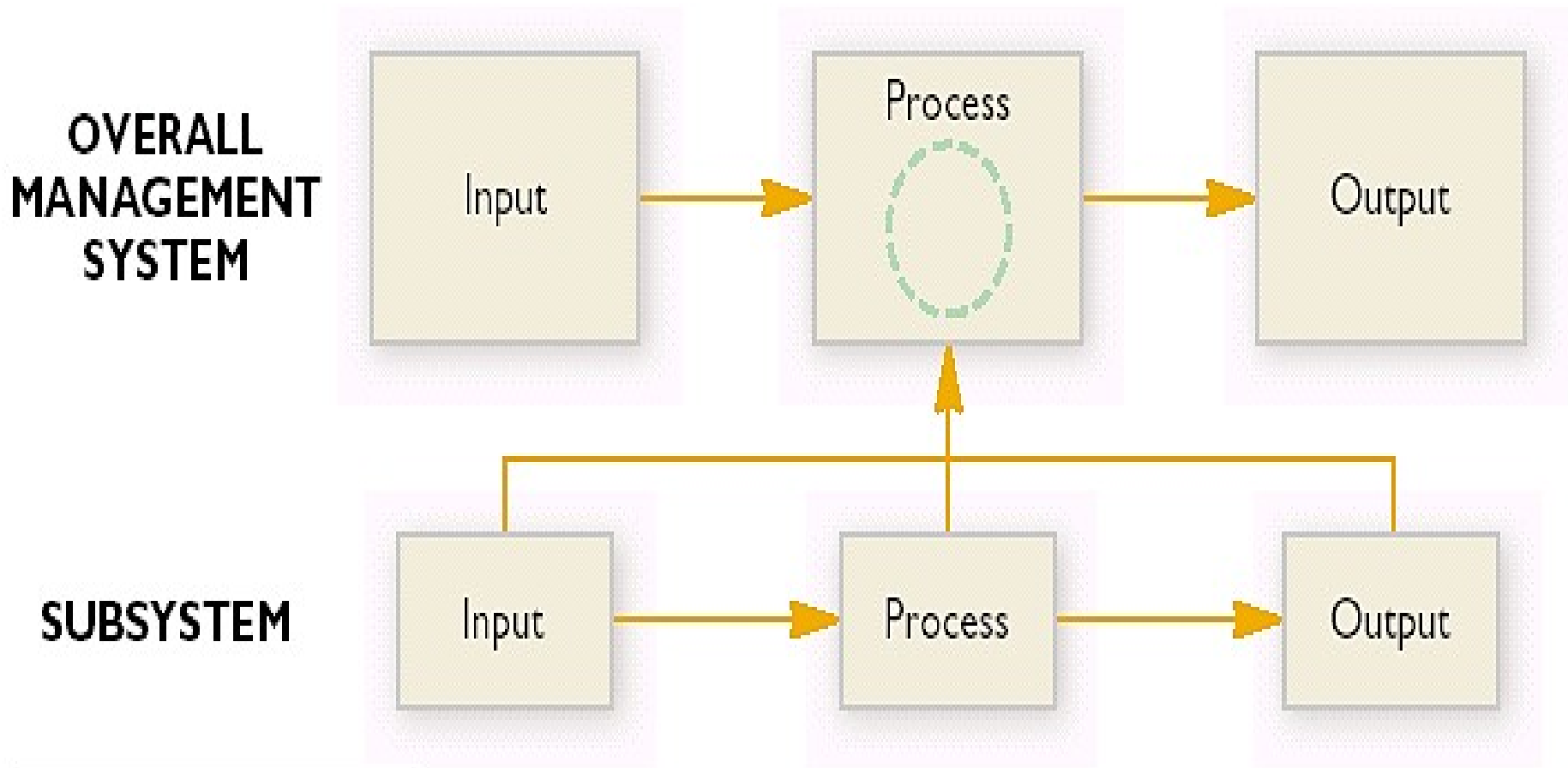
# Advantages

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- ❑ Increases the organization's efficiency and competitive strength
- ❑ Helps crystallize objectives
- ❑ Economy in the operations
- ❑ Minimize future uncertainties
- ❑ Reduces hasty judgment- reduce mistakes and oversights
- ❑ Ensures a more productive use of resources
- ❑ Makes control easier
- ❑ Increases effectiveness of a manager
- ❑ Promote growth and improvement by setting standards
- ❑ Increase motivation and coordination

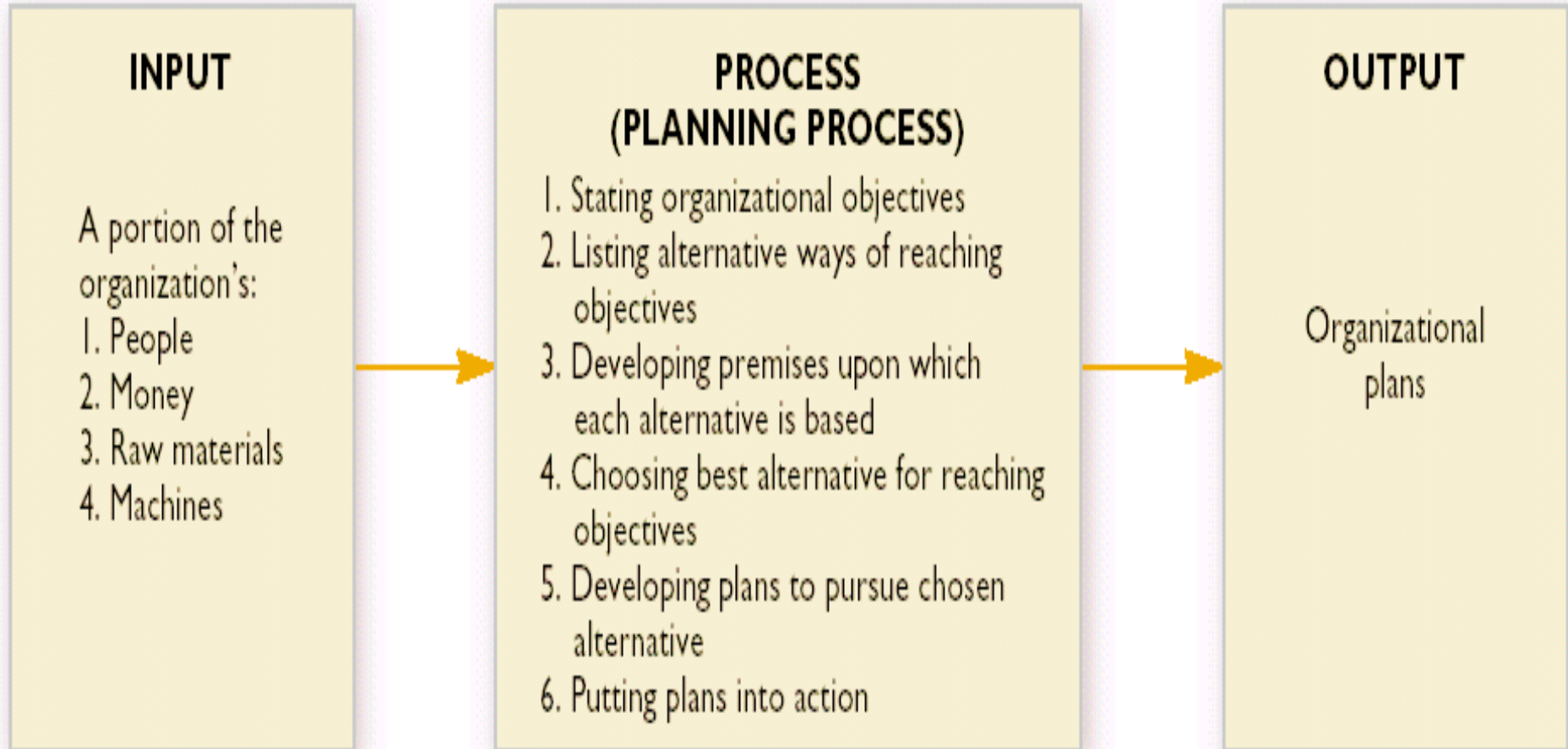


# The Planning Subsystem



*Figure 6-3* Relationship between overall management system and subsystem

# The Planning Subsystem



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*Figure 6-4* the planning subsystem

# Process of Planning



*Figure 6-2* Elements of the planning process

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# Establishment of objectives

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- Planning starts with the setting of goals and objectives to be achieved.
- Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- Moreover objectives focus the attention of managers on the end results to be achieved.
- Objectives should be **stated in a clear, precise and unambiguous language**. Otherwise the activities undertaken are bound to be ineffective.
- Goals should be specified in **qualitative terms**.
- Objective should be SMART

# Types of Goals

## □ **Financial Goals**

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

## □ **Strategic Goals**

Are related to the performance of the firm relative to factors in its external environment (e.g., competitors).

- Where the organization wants to be in the future
- Pertain to the organization as a whole



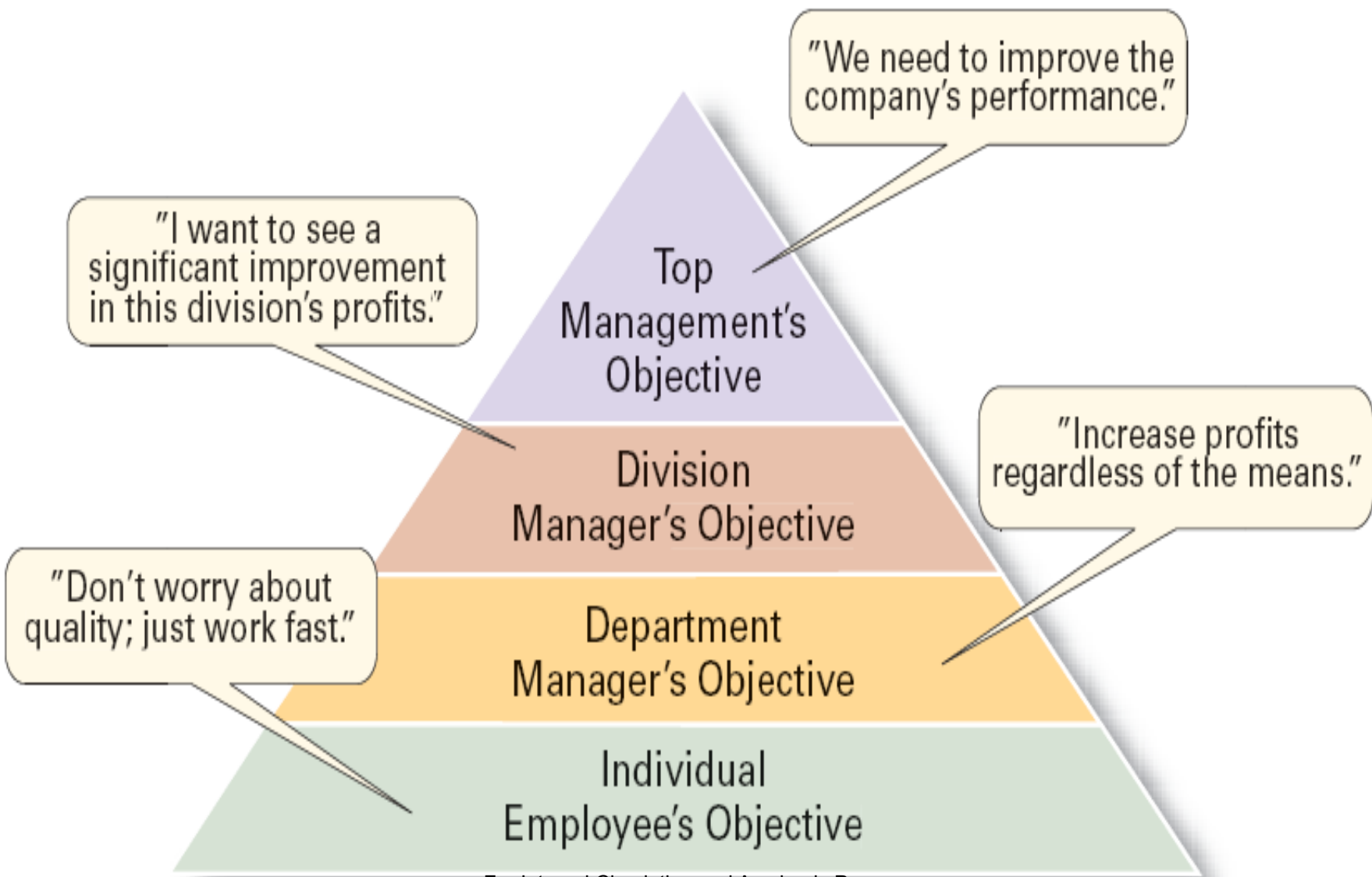
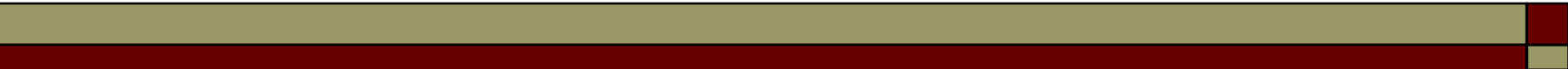
## □ **Tactical Goals**

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- Apply to middle management
- Goals that define the outcomes that major divisions and departments must achieve

## □ **Operational Goals**

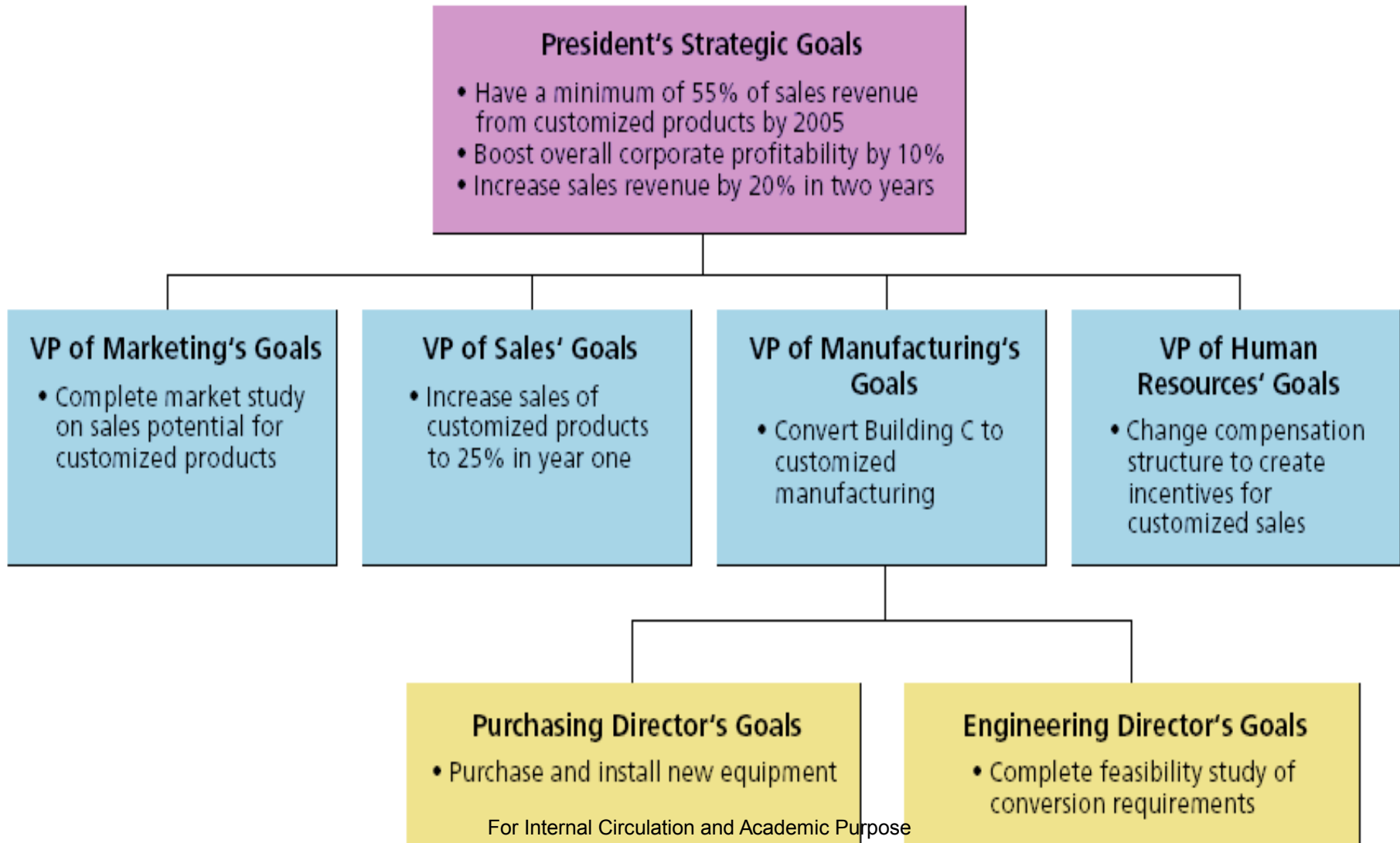
- Specific, measurable results
- Expected from departments, work groups, and individuals



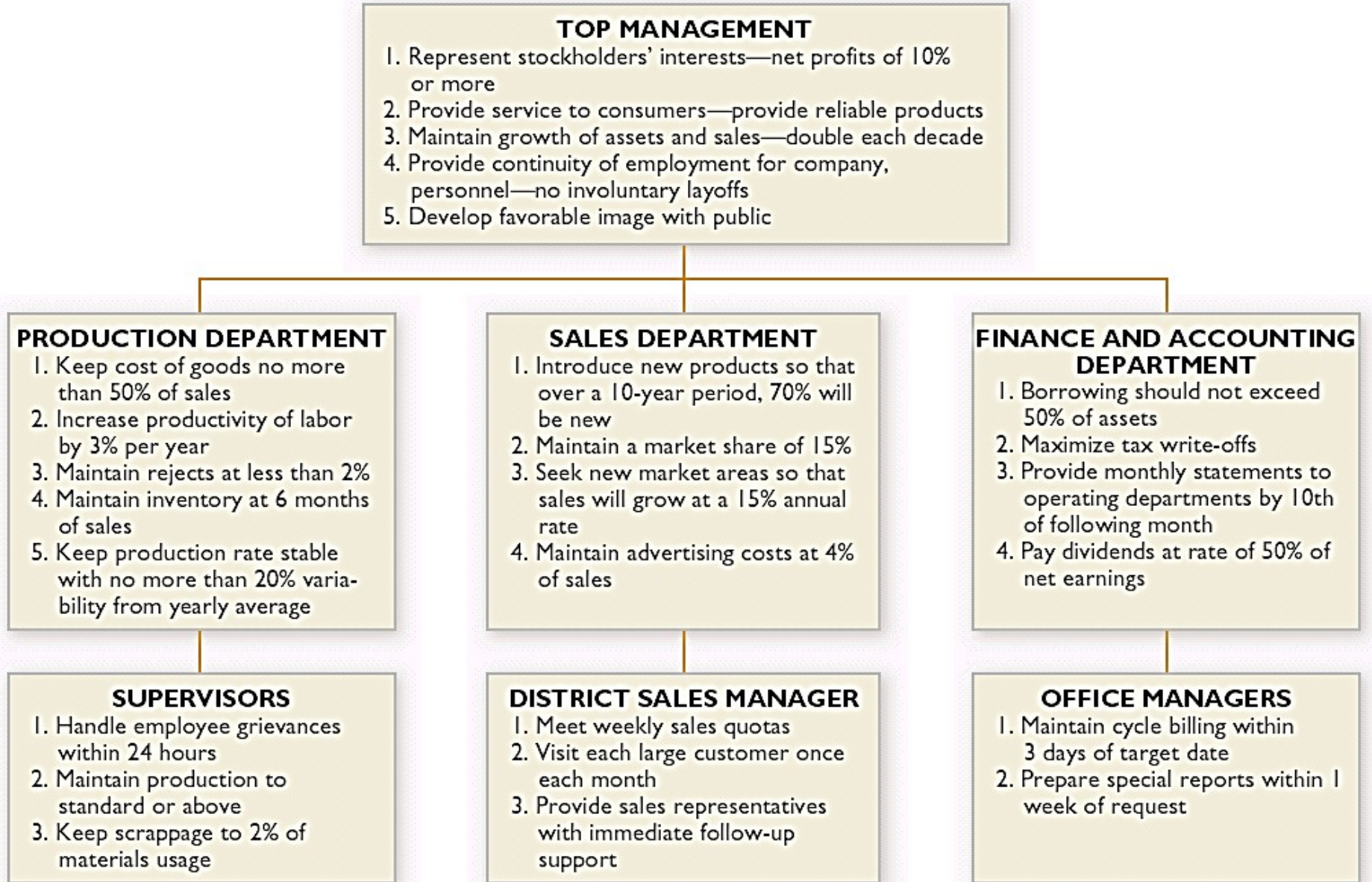
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# Hierarchy of Goals



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**Figure 6–6** Hierarchy of objectives for a medium-sized organization

# **Environment Analysis**

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## **Planning Premises**

# Developing or Planning Premises

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- These are the conditions under which planning activity is carried out.
- Planning external premises- Consider external environment; Political, social, technological, competitor's plans and actions, government policies etc.
- Planning internal premises- organization policies, resources of various types, ability of the organization to withstand the environmental pressure.

# Internal Environment

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- Human Resource
  - Technology, functions of business
  - Capital
  - Managerial Abilities and competence, business policies
  - Available resources
  - Organization culture image, management structure
- Analyze- **Strength And Weaknesses**

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# Market

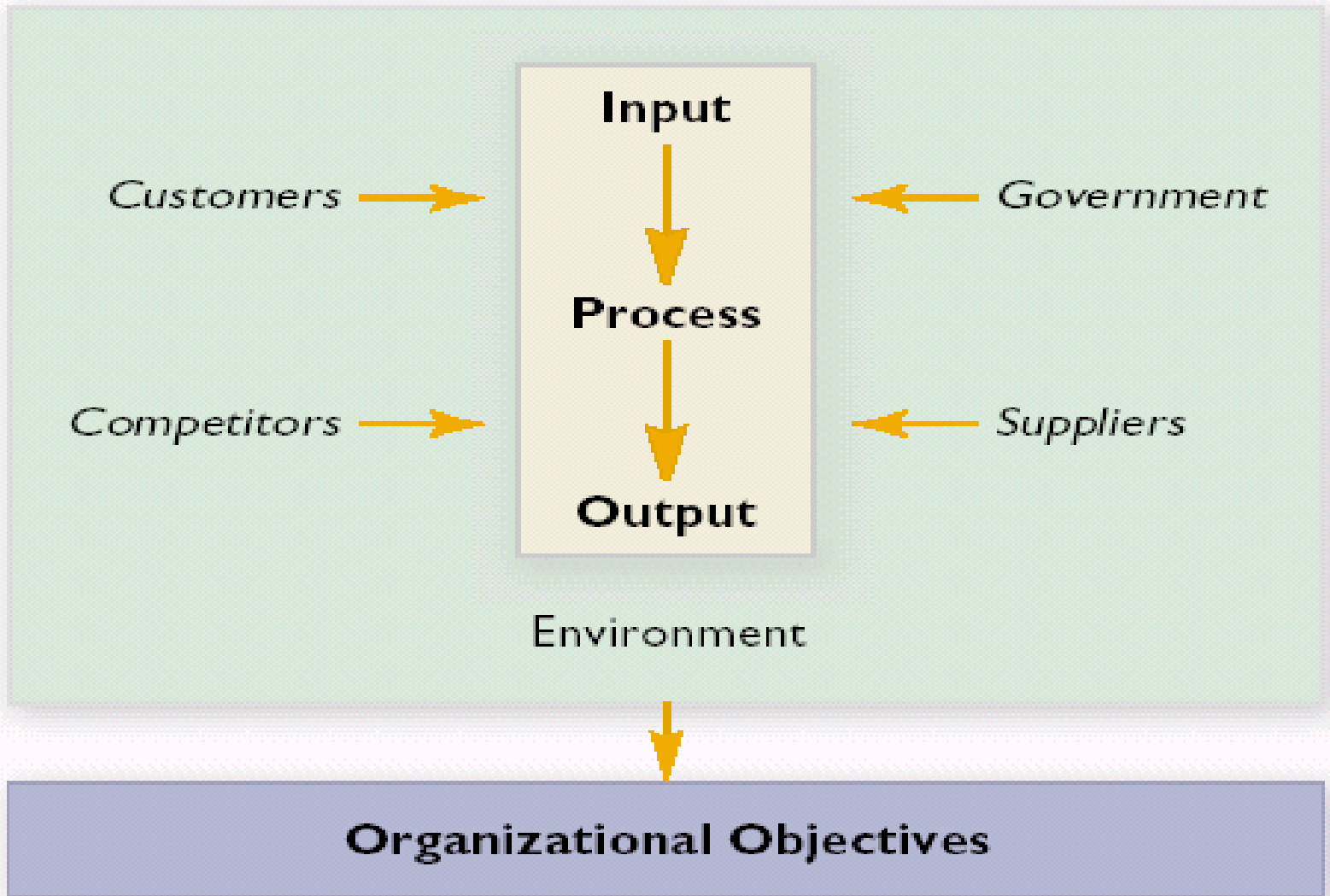
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- Customer
- Supplier
- Competitor
- Society
- Industry regulations
- strategies

# External Environment-

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- Customer
  - Competitors
  - Technology
  - Political and legal Factors
  - Society
  - Environment
  - Ethics
  - Economic
- **Analyze- Opportunities And Threats**  
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*Figure 6–5* For Internal Circulation and Academic Purpose Only  
 How an open management system operates to reach organizational objectives



# Identification of Alternatives

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- Base- organization objectives and planning premises
  - E.g. growth in future
  - Expanding business or product line
  - Diversifying in other area
  - Joint ventures
  - takeover etc.

# Evaluation of Alternatives

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- Contribution of each alternatives to the organization objectives in the light of resources and constraints
- Pros and cons should be identified
- Uncertainty in the outcome



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- **Choice of Alternative**

- Choose the best fit alternative

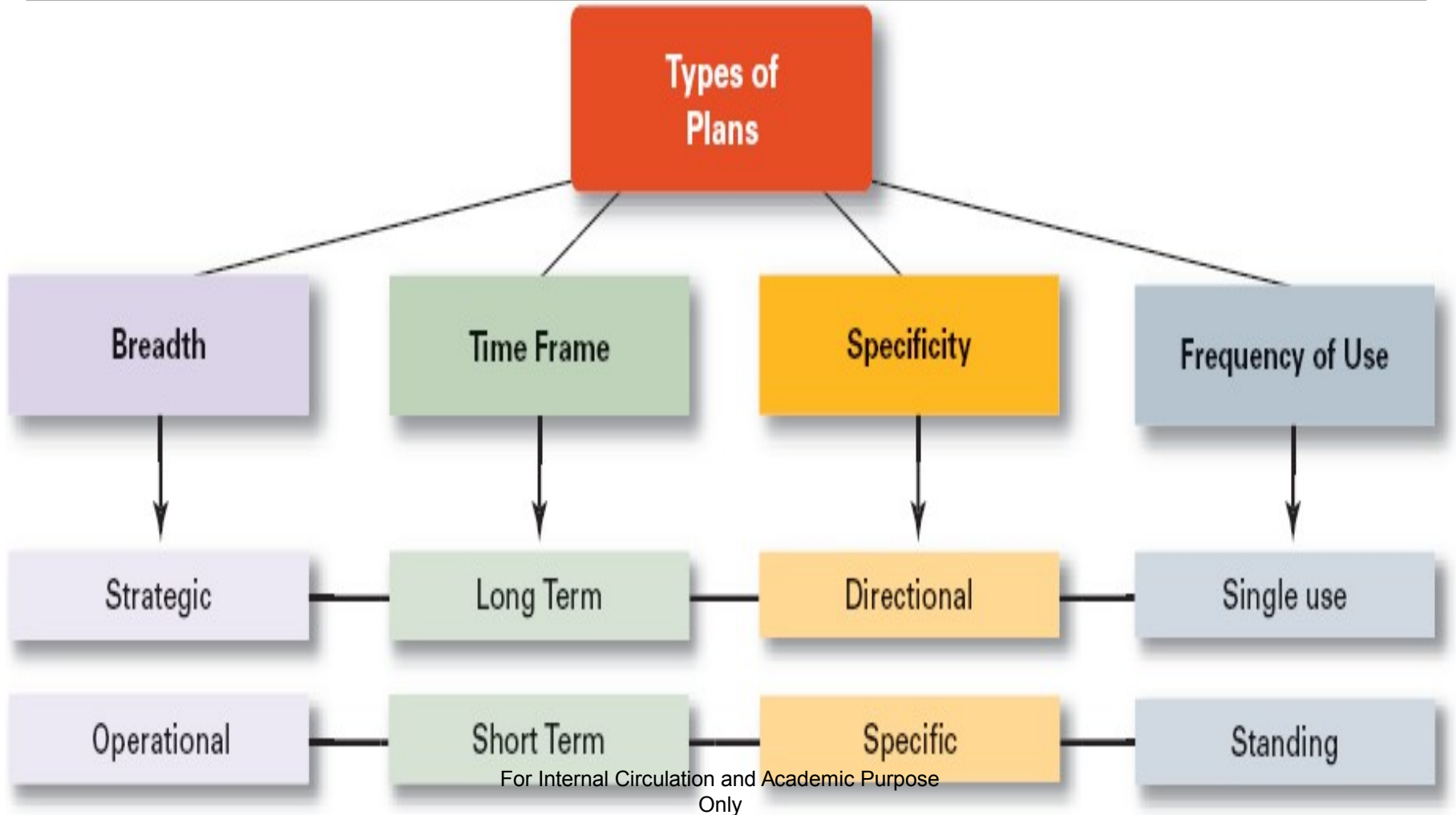
- **Formulation of supporting plans-**

Developing new product, buying raw material, buying equipments, recruiting and training

- **Establishing the sequence of activities**

- **Numberizing into the Budget**

# Types of Plans



# Types of Plans

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## □ Strategic Plans

- Apply to the entire organization.
- Establish the organization's overall goals.
- Seek to position the organization in terms of its environment.
- Cover extended periods of time.

## □ Operational Plans

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

# Classification of Plans

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- **Long-Term Plans**
  - Plans with time frames extending beyond three years
- **Short-Term Plans**
  - Plans with time frames on one year or less
- **Specific Plans**
  - Plans that are clearly defined and leave no room for interpretation
- **Directional Plans**
  - Flexible plans that set out general guidelines, provide focus, yet allow discretion in implementation.

# Exhibit 7-3 Specific Versus Directional Plans



# Single-Use Plans

## For Goals Not Likely To Be Repeated

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- A *program* is a complex set of objectives and plans to achieve an important, one-time organizational goal
- A *project* is similar to a program, but generally smaller in scope and complexity



# Standing Plans

## For Tasks Performed Repeatedly

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- A **policy** is a general guide to action and provides direction for people within the organization
- **Rules** describe how a specific action is to be performed
- **Procedures** define a precise series of steps to be used in achieving a specific job

# Contingency Plans

Specific Situations - unexpected conditions

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## □ Identify Uncontrollable Factors

- Economic turndowns
- Declining markets
- Increases in costs of supplies
- Technological developments
- Safety accidents

## □ Minimize Impact of Uncontrollable Factors

- Forecast a range of alternative responses to most-likely high-impact contingencies

# Purpose of Strategy

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- The plan of action that prescribes resource allocation and other activities for dealing with the environment, achieving a competitive advantage, that help the organization attain its goals

## Strategies focus on:

- Core competencies
- Developing synergy
- Creating value for customers



# Three Levels of Strategy in Organizations

## Corporate-Level Strategy:

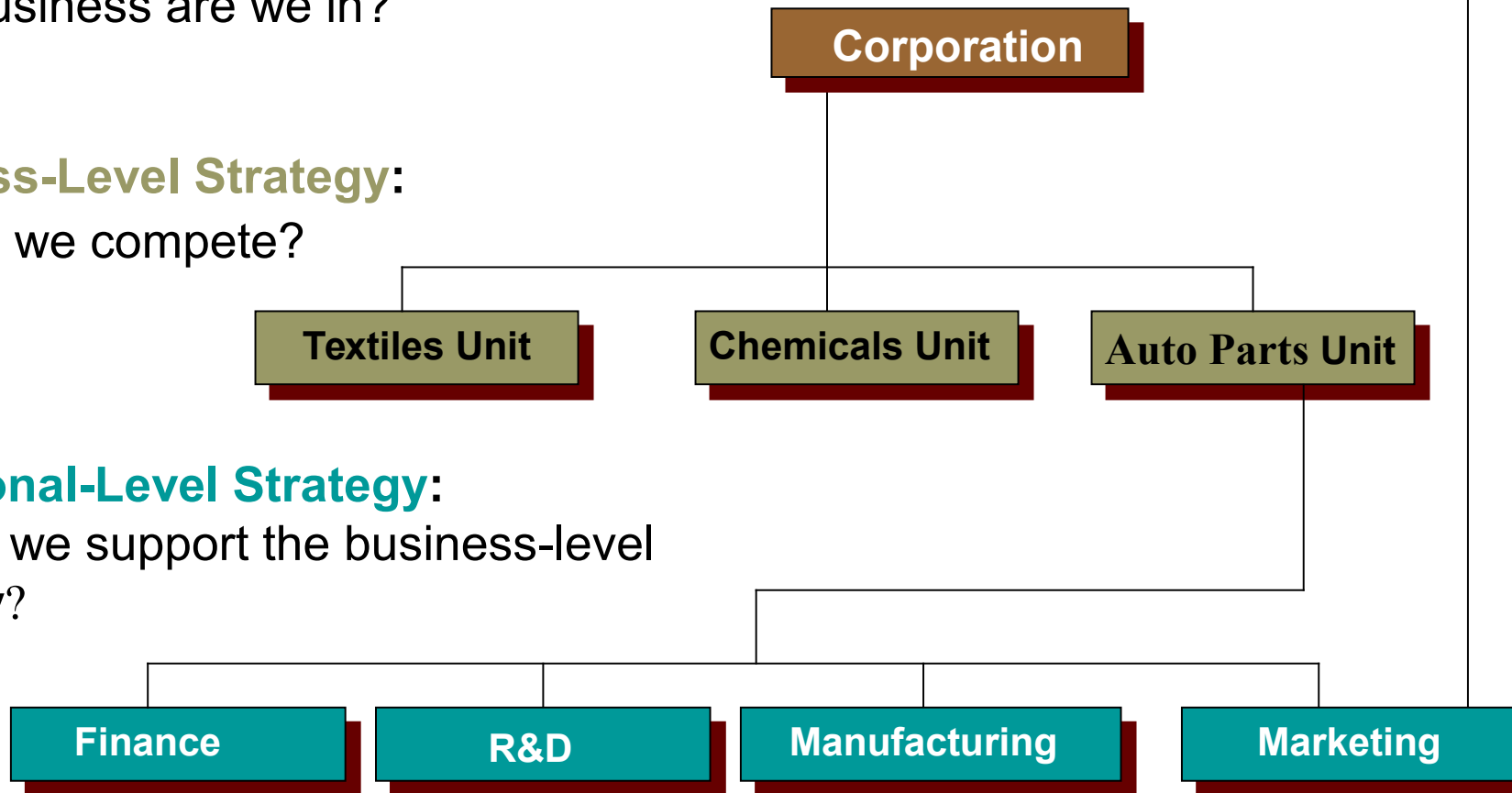
What business are we in?

## Business-Level Strategy:

How do we compete?

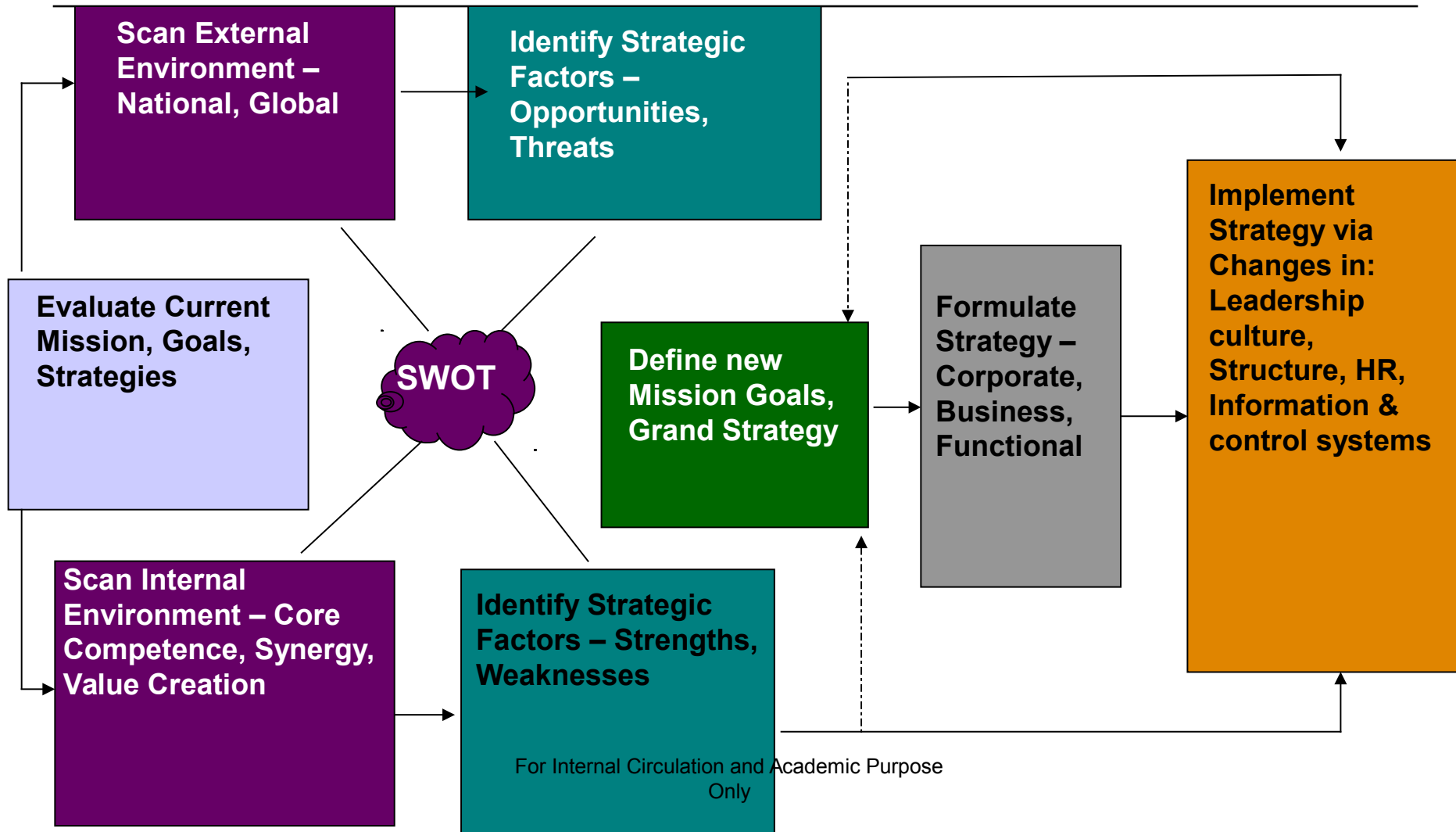
## Functional-Level Strategy:

How do we support the business-level strategy?



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# Strategic Management Process



# Criticisms of Planning

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- Planning may create rigidity.
- Plans cannot be developed for dynamic environments.
- Planning involves huge Cost and time
- Planning focuses managers' attention on today's competition not tomorrow's survival.
- Formal planning reinforces today's success, which may lead to tomorrow's failure.

# External Limitations of Planning

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- Natural calamity
- Change in competitors' policies
- Change in taste/fashion and trend in the market
- Change in technologies
- Change in government/economic policy

# WHAT IS MBO ?

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Peter Drucker, (1954, “The Practice of Management”)

- Is a systematic and organized approach that allows management to **focus on achievable goals** and attain the best possible results from available resources
- Aims to increase individual and organizational effectiveness by
  - **Aligning organizational goals and subordinate objectives**
- Clarifies and quantifies objectives to allow for
  - **Monitoring, evaluation, and feedback** throughout the hierarchy of objectives



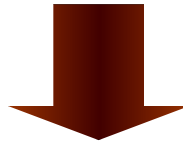
# MBO

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- Short and long-term planning
- Optimization of organization structure
- Better work and collaboration quality



Appraisal based on objective results



**BONUSES**  
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# Objectives

## President's Strategic Goals

- Have a minimum of 55% of sales revenue from customized products by 2005
- Boost overall corporate profitability by 10%
- Increase sales revenue by 20% in two years

## VP of Marketing's Goals

- Complete market study on sales potential for customized products

## VP of Sales' Goals

- Increase sales of customized products to 25% in year one

## VP of Manufacturing's Goals

- Convert Building C to customized manufacturing

## VP of Human Resources' Goals

- Change compensation structure to create incentives for customized sales

## Purchasing Director's Goals

- Purchase and install new equipment
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## Engineering Director's Goals

- Complete feasibility study of conversion requirements

# MBO; CROSS SECTION

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# Management by Objectives (MBO)

## □ The MBO strategy:

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- All individuals are assigned a specialized set of objectives
- Performance reviews are conducted periodically
- Rewards are given to individuals

## □ The MBO process:

- Review organizational objectives
- Set worker objectives
- Monitor progress
- Evaluate performance
- Give rewards

# Model of the MBO Process

## Step 1: Set Goals

- Corporate Strategic Goals
  - Departmental goals
  - Individual goals

## Step 2: Develop Action Plans

Action Plans

Review Progress

Take Corrective Action

Step 3:  
Review Progress

Appraise Performance

Step 4: Appraise Overall  
Performance

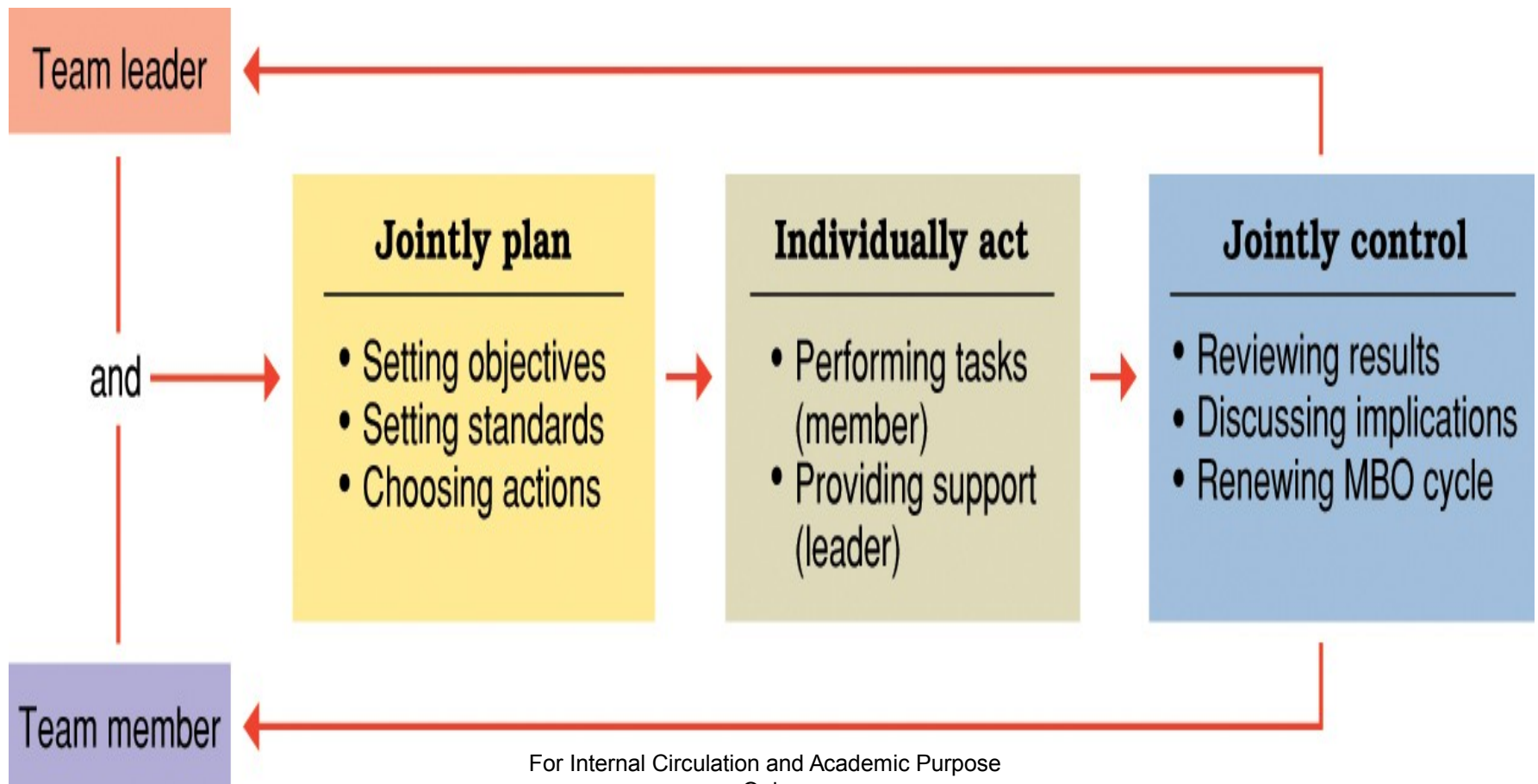


# Management by Objectives (MBO)

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- ❑ Factors Necessary for a Successful MBO Program
- ❑ Top management must be committed and set appropriate objectives
- ❑ Managers and subordinates must develop and agree on individual's goals
- ❑ Employee performance should be evaluated against established objectives
- ❑ Management must follow through on employee performance evaluations

# Figure 8.6 Management by objectives as an integrated planning and control framework.



# Common organizational controls

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- MBO involves a formal agreement specifying ...
  - Workers' performance objectives for a specific time period.
  - Plans through which performance objectives will be accomplished.
  - Standards for measuring accomplishment of performance objectives .
  - Procedures for reviewing performance results.



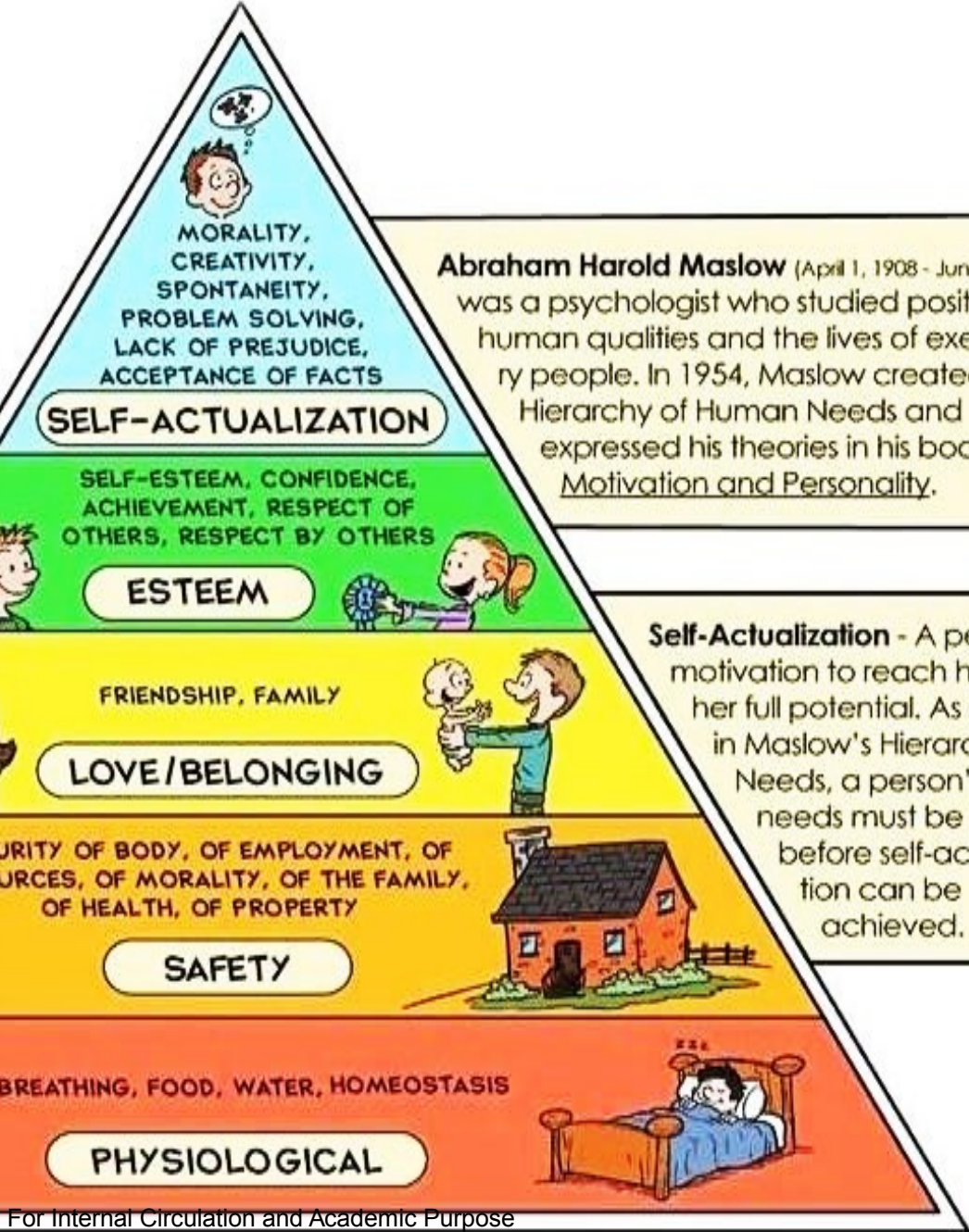
# ADVANTAGES OF MBO

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- ❑ Manager and employee efforts are focused on activities that will lead to goal attainment
- ❑ Performance can be improved at all company levels
- ❑ Employees are motivated
- ❑ Departmental and individual goals are aligned with company goals
- ❑ Secures employee commitment to attaining goals
- ❑ Highlights training needs required to achieve objectives
- ❑ Attainment of goals can lead to the satisfaction of Maslow's higher order needs

# MASLOW'S HIERARCHY OF NEEDS

ABRAHAM MASLOW



**Abraham Harold Maslow** (April 1, 1908 - June 8, 1970) was a psychologist who studied positive human qualities and the lives of exemplary people. In 1954, Maslow created the Hierarchy of Human Needs and expressed his theories in his book, Motivation and Personality.

**Self-Actualization** - A person's motivation to reach his or her full potential. As shown in Maslow's Hierarchy of Needs, a person's basic needs must be met before self-actualization can be achieved.

# DISADVANTAGES OF MBO

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- ❑ Development of objectives can be time consuming
- ❑ Constant change prevents MBO from taking hold
- ❑ An environment of poor employer-employee relations reduces MBO effectiveness
- ❑ Strategic goals may be displaced by operational goals
- ❑ Mechanistic organizations and values that discourage participation can harm the MBO process
- ❑ Too much paperwork saps MBO energy
- ❑ May demotivate staff if targets are too high and unrealistic, also if imposed rather than agreed

# Reference

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