

Planning The Foundation of Successful Management

PPT3(A)

Chapter Five

Major Questions You Should Be Able to Answer

- 5.1** What are planning, strategy, and strategic management, and why are they important to me as a manager?
- 5.2** What are mission and vision statements and what are three types of planning and goals?
- 5.3** What are the three types of goals, and what are different kinds of plans?
- 5.4** What are SMART goals and MBO, and how can they be implemented?
- 5.5** How does the planning/control cycle help keep a manager's plans headed in the right direction?

Planning: Coping with Uncertainty

✦ Planning

- ↳ coping with uncertainty by formulating future courses of action to achieved specified results
- ↳ setting goals and deciding how to achieve them



Planning: Coping with Uncertainty

★ Business plan

↪ a document that outlines a proposed firm's goals, the strategy for achieving them, and the standards for measuring success.

★ Business model

↪ outlines the need the firm will fill, the operations of the business, its components and functions, as well as the expected revenues and expenses


Strategy

Strategy

- ↪ a large-scale action plan that sets the direction for an organization
- ↪ represents an “educated guess” about what must be done in the long term for the survival or the prosperity of the organization or its principal parts.

Strategic Management

Strategic management

 a process that involves managers from all parts of the organization in the formulation and the implementation of strategies and strategic goals.

Planning & Strategic Management

Figure 5.1



Why Planning & Strategic Management Are Important

1. Provide direction and momentum
2. Encourage new ideas
3. Develop a sustainable competitive advantage.

Encouraging New Ideas

★ Management scholar Gary Hamel says that companies such as Apple have been successful because they have been able to unleash the spirit of “**strategy innovation.**”

★ **Strategy innovation**

↪ the ability to reinvent the basis of competition within existing industries—“bold new business models that put incumbents on the defensive.”

Making Plans

Figure 5.2



Mission & Vision Statements

★ **Mission statement**

↪ expresses the purpose of the organization

★ **Vision statement**

↪ expresses what the organization should become, where it wants to go strategically

Example: Amazon and Patagonia

- ★ Amazon - “Our vision is to be earth’s most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.”
- ★ Patagonia - “We prefer the human scale to the corporate, vagabonding to tourism, and the quirky to the toned-down and flattened out.”

Three Types of Planning for Three Levels of Management

★ Strategic planning

- ↪ Top managers determine what the organization's long-term goals should be for the next 1-5 years with the resources they expect to have available

★ Tactical planning

- ↪ Middle managers determine what contributions their departments or similar work units can make during the next 6-24 months

Three Types of Planning for Three Levels of Management

✦ Operational planning

- ↳ First-line managers determine how to accomplish specific tasks with available resources within the next 1-52 weeks



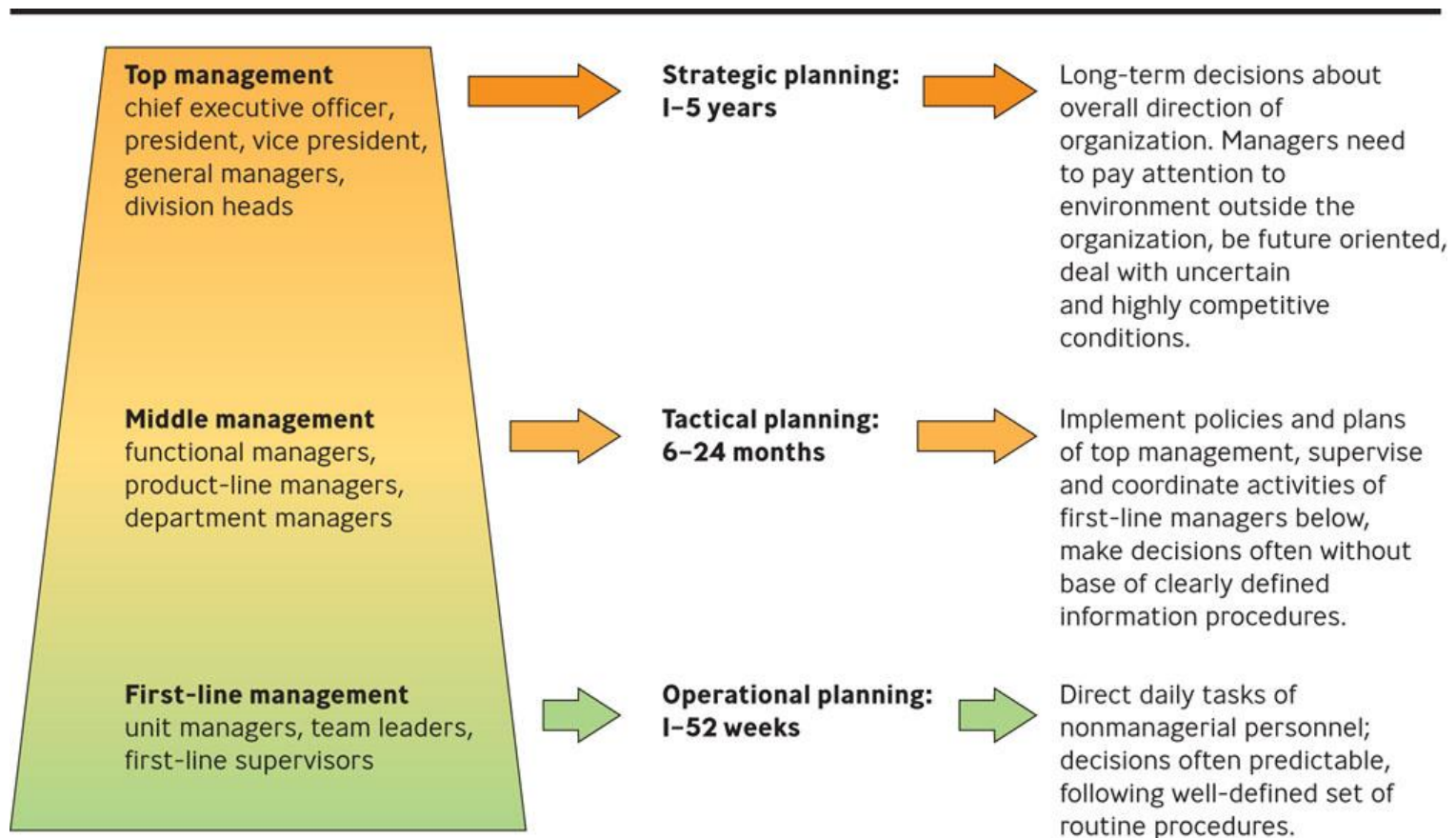
Question

Danny is participating with other managers in a discussion about what his organization's goals should be for the next decade. He is participating in:

- A. Strategic planning
- B. Operational planning
- C. Tactical planning
- D. Controlling

Three Levels of Management, Three Types of Planning

Figure 5.3



Three Types of Goals: Strategic, Tactical, & Operational

Goals

- ↪ specific commitment to achieve a measurable result within a stated period of time
- ↪ also known as an objective
- ↪ strategic, tactical, operational

Three Types of Goals: Strategic, Tactical, & Operational

★ Strategic goals


↪ set by and for top management and focus on objectives for the organization as a whole.

★ Tactical goals

↪ set by and for middle managers and focus on the actions needed to achieve strategic goals.

Three Types of Goals: Strategic, Tactical, & Operational

Operational goals

 set by and for first-line managers and are concerned with short-term matters associated with realizing tactical goals.

The Action Plan & the Operating Plan

★ Action plan

- ↪ defines the course of action needed to achieve the stated goal



The Action Plan & the Operating Plan

★ Operating plan

- ↪ designed for a 1-year period
- ↪ defines how you conduct your business based on the action plan
- ↪ identifies clear targets such as revenue, cash flow, and market share

Types of Plans: Standing Plans & Single-Use Plans

Table 5.1

PLAN	DESCRIPTION
Standing plan	For activities that occur repeatedly over a period of time
<ul style="list-style-type: none">• Policy	Outlines general response to a designated problem or situation
<ul style="list-style-type: none">• Procedure	Outlines response to particular problems or circumstances
<ul style="list-style-type: none">• Rule	Designates specific required action
Single-use plan	For activities not likely to be repeated in the future
<ul style="list-style-type: none">• Program	Encompasses a range of projects or activities
<ul style="list-style-type: none">• Project	Has less scope and complexity than a program

Standing Plans: Policies, Procedures, & Rules

★ Standing plans

- ↪ plans developed for activities that occur repeatedly over a period of time
- ↪ consist of policies, procedures, and rules.

○ Policy

- ↪ outlines the general response to a designated problem or situation

Standing Plans: Policies, Procedures, & Rules

- **Procedure**

- ↪ outlines the response to a particular problem or circumstances

- **Rule**

- ↪ designates specific required action

Single Use Plans: Programs & Projects

★ Single-use plans

↪ plans developed for activities that are not likely to be repeated in the future

○ Program

single-use plan encompassing a range of projects or activities

○ Project

single-use plan of less scope and complexity than a program

SMART Goals

Specific

Measurable

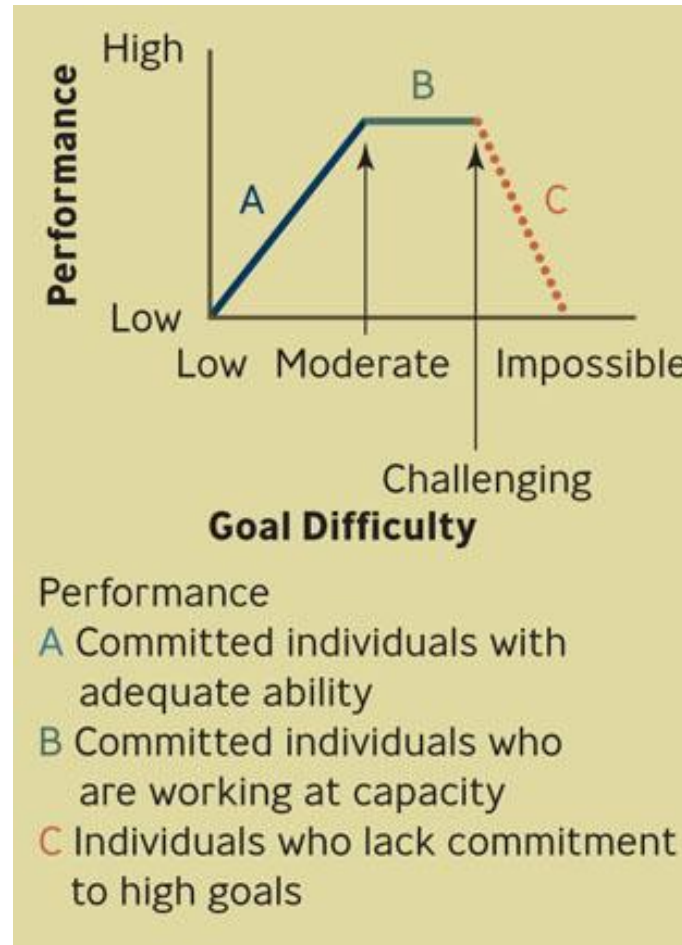
Attainable

Results-oriented

Target dates

Relationship Between Goal Difficulty and Performance

Figure 5.4



Management by Objectives: The Four-Step Process for Motivating Employees

★ Management by objectives (MBO)

↪ a four-step process in which (1) managers and employees jointly set objectives for the employee, (2) managers develop action plans, (3) managers and employees periodically review the employee's performance, and (4) the manager makes a performance appraisal and rewards the employee according to results

Three Types of Objectives Used in MBO

Table 5.2

Improvement Objectives

Purpose Express performance to be accomplished in a specific way for a specific area
Examples “Increase sport utility sales by 10%.” “Reduce food spoilage by 15%.”

Personal Development Objectives

Purpose Express personal goals to be realized
Examples “Attend five days of leadership training.” “Learn basics of Microsoft Office software by June 1.”

Maintenance Objectives

Purpose Express the intention to maintain performance at previously established levels
Examples “Continue to meet the increased sales goals specified last quarter.” “Produce another 60,000 cases of wine this month.”

Cascading Objectives: MBO from the Top Down

1. Top management must be committed
2. It must be applied organization-wide
3. Objectives must “cascade”



Cascading Objectives: MBO from the Top Down

- ★ MBO works by *cascading objectives down* through the organization
- ★ Objectives are structured in a unified hierarchy, becoming more specific at lower levels of the organization.

Question?

Melissa wants her employee, Ralph, to turn in his monthly sales report by the 5th of every month. This meets the _____ requirement of SMART goals.

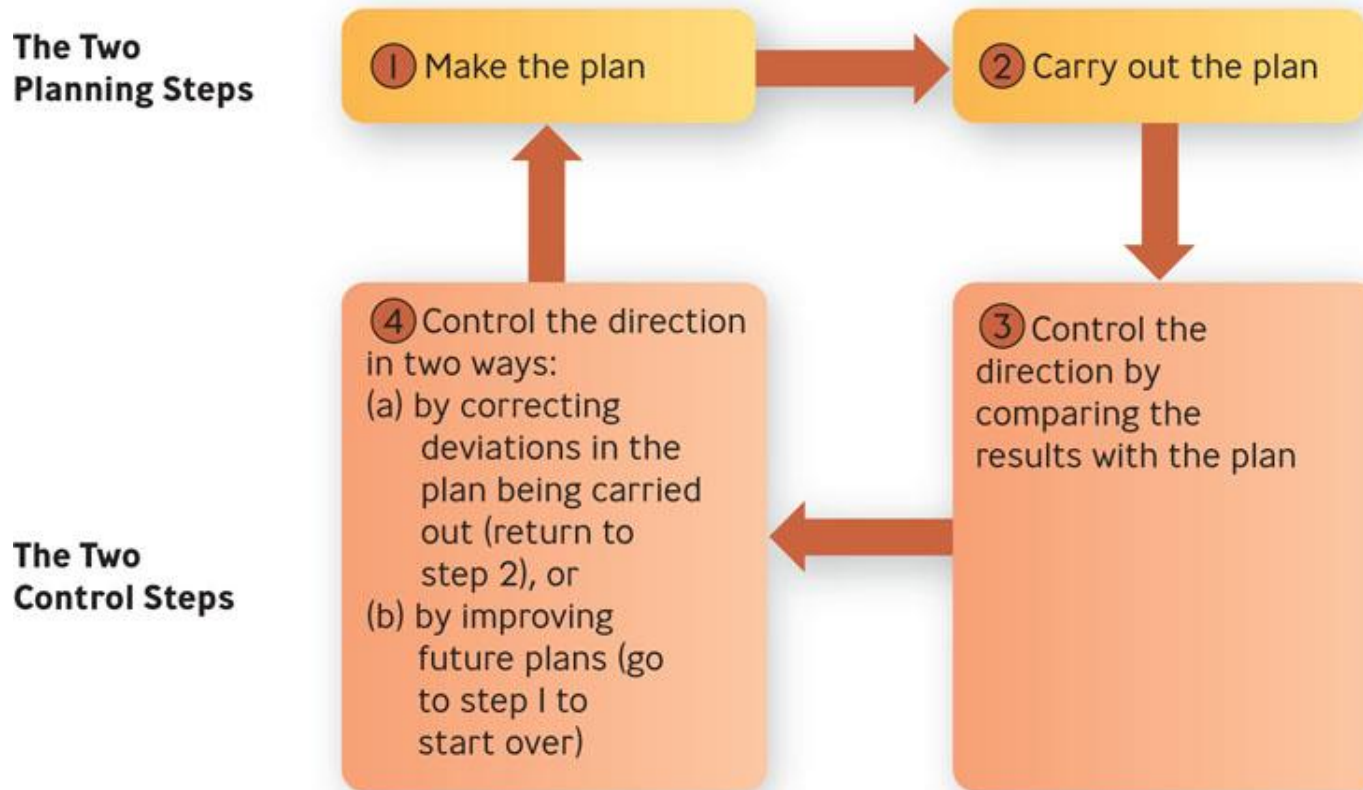
- A. Specific
- B. Measurable
- C. Attainable
- D. Target dates

The Planning/Control Cycle

1. Make the plan
2. Carry out the plan
3. Control the direction by comparing results with the plan
4. Control the direction by taking corrective action in two ways
 - a) Correcting deviations
 - b) Improving future plans

The Planning/Control Cycle

Figure 5.5



Question?

Apple has fired employees who have leaked news about unannounced products. Which step of the Planning/Control is this?

- A. Make the plan
- B. Carry out the plan
- C. Take corrective action
- D. Document the plan