

PLANNING: FUNCTIONS & BENEFITS

WHAT IS PLANNING?

Planning involves defining the organization's goals, establishing an overall strategy for achieving these goals, and developing a comprehensive set of plans to integrate and coordinate organizational work. The term *planning* as used in this chapter refers to *formal* planning. The *quality* of the planning process and appropriate *implementation* probably contribute more to high performance than does the *extent* of planning.

WHY DO MANAGERS PLAN?

Purposes of Planning.

Planning is important and serves many significant purposes.

1. Planning gives direction to the organization.
2. Planning reduces the impact of change.
3. Planning establishes a coordinated effort.
4. Planning reduces uncertainty.
5. Planning reduces overlapping and wasteful activities.
6. Planning establishes objectives or standards that are used in controlling.

HOW DO MANAGERS PLAN?

Planning is often called the primary management function because it establishes the basis for all other functions. Planning involves two important elements: goals and plans.

The Role of Goals and Plans in Planning

1. Goals—desired outcomes for individuals, groups, or entire organizations.
2. Goals are objectives—the two terms are used interchangeably.
3. Types of goals.
 - a. Financial performance versus strategic goals
 - b. Stated versus Real.
 - 1) **Stated goals** are official statements of what an organization says, and what it wants its various stakeholders to believe, its goals are.
 - 2) **Real goals** are those that an organization actually pursues.

Questions and Answers

1. Define planning.

Planning 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. It's concerned with both ends (what's to be done) and means (how it's to be done).

2. What purposes does planning serve?

Planning gives direction, reduces the impact of change, establishes coordinated effort, reduces uncertainty, minimizes waste and redundancy, and sets the standards used in controlling.

3. What is the relationship between planning and organizational performance?

Formal planning is associated with higher profits, higher return on assets, and other positive financial results. The quality of the planning process and the appropriate implementation of the plans probably contribute more to high performance than does the extent of planning.

4. Differentiate between goals and plans.

Goals are desired outcomes for individuals, groups, or entire organizations. 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.

5. What are the different types of goals?

Organizations may utilize financial and/or strategic goals, stated and/or real goals.

6. Describe each of the different types of plans.

Strategic plans apply to the entire organization, establish the organization's overall goals, and seek to position the organization in terms of its environment. Operational plans specify the details of how the overall goals are to be achieved. Long-term plans are plans with a time frame beyond three years. Short-term plans cover one year or less. Specific plans are clearly defined and leave no room for interpretation. Directional plans are flexible plans that set out general guidelines. Single-use plans are one-time plans specifically designed to meet the needs of a unique situation. Standing plans are ongoing plans that provide guidance for activities performed repeatedly and include policies, rules, and procedures.

The Nature of organizational Goals

The use of goals has several benefits.

1. **Performance** can be improved.
2. **Expectations** can be improved.
3. The **Controlling function** can be facilitated so that progress can be assessed and corrective action taken.
4. Meeting goals can increase **motivation**.

The three levels of goals within an organization form a hierarchy of goals, with lower-level goals forming a mean-end chain with the next level of goals.

1. **Strategic goals** are broadly defined targets or future end results set by top management.
2. **Tactical goals** are the targets or future end results usually set by middle management for specific departments or units.
3. **Operational goals** are those targets or future end results set by lower management that address specific, measurable outcomes required from the lower levels.

Linkage of goals and plans.

Goal and plans are closely related in that plans specify the means to achieving the goals.

- A. Plans, like goals, enter into a **hierarchy** of levels and priority.
 1. **Strategic plans** are detailed action steps mapped out to reach strategic goals.
 - a. Strategic plans are organizational wide and are developed by top management
 - b. The time horizon tends to be long 3 to 5 years or more.

2. **Tactical plans** are the means charted to support implementation of the strategic plan and achievement of tactical goals.
 - a. Tactical plans tend to be more specific and concrete than strategic plans.
 - b. Tactical plans are important to the success of strategic plans.
 - c. The time horizon tends to be intermediate in range 1 to 3 years.
 3. **Operational plans** are the means devised to support implementation of tactical plans and achievement of operational goals.
 - a. Operational plans spell out specifically what must be accomplished to achieve operational goals.
 - b. The time horizon is relatively short-term—usually less than 1 year as a maximum.
- B. Plans can be categorized according to the extent to which they will be used on a recurring basis.
1. **Single-use plans** are plans aimed at achieving a specific goal that, once reached, will most likely not recur in the future.
 - a. A **program** is a comprehensive plan that coordinates a complex set of activities related to a major non-recurring goal.
 - b. A **project** is a plan that coordinates a set of limited-scope activities that do not need to be divided into several major projects in order to reach a major non-recurring goal. Programs are broader than projects.
 2. **Standing plans** are plans that provide ongoing guidance for performing recurring activities.
 - a. A **policy** is a general guide that specifies the broad parameters within which organization members are expected to operate in pursuit of organizational goals.
 - b. A **procedure** is a prescribed series of related steps to be taken under certain recurring circumstances.
 - 1) Procedures are detailed and inflexible; policies are general.
 - 2) Well established and formalized procedures are often called standard operating procedures (SOPs).
- C. Different **levels** of goals and plans are related to different **time horizons**. Strategic plans typically involve time periods of 5 years or more, but the time frame is dependent upon the stability of the industry in question.
1. Tactical goals and plans typically involve time periods of 1 to 5 years.
 2. Operational goals and plans can be for as short a period as 1 week or as long as 1 year.
- D. The planning process can be used to promote **innovation** in organizations.
1. The organizational mission statement can be a primary means of encouraging innovation.
 2. The goals component can translate the mission in a way supporting innovation.

The plans component can provide actual plans for achieving innovative outcomes.