

**Ch. 5: Planning: The Foundation of Successful Management**

- ❖ **Planning:** previously defined as setting goals and deciding how to achieve them—another definition: Planning is coping with uncertainty by formulating future courses of action to achieve specified results.
- ❖ **Planning Difficult?:**
  - You need to devote time to do it
  - It takes discipline to do it, then follow it
  - You may not have a lot of information
  - Once you do it, you need to maintain and modify it
- ❖ **How Planning Helps You:**
  - Planning helps you think ahead
  - Planning helps you coordinate activities
  - Planning helps you check your progress
  - Planning helps you cope with **uncertainty**
- ❖ **How Organizations Respond to Uncertainty**
  - **Defenders:** are expert at producing and selling narrowly defined products and services.
  - **Prospectors:** focus on change, developing and seeking new markets or services rather than waiting for things to happen.
  - **Analyzers:** let the prospectors take the risks of product development and marketing and then imitate what seems to work best.
  - **Reactors:** make adjustments only when finally forced to by outside pressures.
- ❖ **Planning and Strategic Management:**
  - Establish the organization's mission and vision
  - Formulate the grand strategy
  - Formulate the strategic plans, then tactical plans and then operational plans
  - Implement the strategic plans
  - Control / Adjust the strategy
- ❖ **Making Plans**
  - **Vision Statement** "What do we want to become?"
  - **Mission Statement** "What is our reason for being?"
  - **Strategic Planning** Done by top managers for the next 5-7 years → **Goals** →
  - **Tactical Planning** Done by middle managers for the next 12-24 months → **Goals** →

- o **Operational Planning** Done by first-line managers for the next 1-52 weeks → Goals → Action Plans
- ❖ **Mission & Vision Statements**
  - o **Mission Statements:** expresses the purpose of the organization.
  - o **Vision Statement:** expresses what the organization should become, where it wants to go strategically.
- ❖ **3 Types of Planning for 3 Levels of Management**
  - o **Strategic planning:** top managers decide what the organization's long-term goals should be for the next 5-7 years with the resources they expect to have available.
  - o **Tactical planning:** middle managers decide what contributions their departments or similar work units can make with their given resources during the next 12-24 months.
  - o **Operational planning:** first-line managers determine how to accomplish specific tasks with available resources within the next 1-52 weeks.
- ❖ **Three Levels of Management, Three Types of Planning**
  - o **Top Managers:** Chief executive officer, president, vice president, general managers, division heads (Strategic Planning 5-7 Years)
  - o **Middle Managers:** Functional managers, product-line managers, department managers (Tactical Planning 12-24 Months)
  - o **First-line Managers:** Unit manager, team leaders, first-line supervisors (Operational Planning 1-52 Weeks)
- ❖ **Types of Goals**
  - o **Strategic Goals:** are set by and for top management and focus on objectives for the organization as a whole.
  - o **Tactical Goals:** are set by and for middle managers and focus on the actions needed to achieve strategic goals.
  - o **Operational Goals:** are set by and for first-line managers and are concerned with short-term matters associated with realizing tactical goals.
- ❖ **Setting SMART Goals and Action Plans**
  - o S: specific
  - o M: Measurable
  - o A: Attainable
  - o R: Results-Oriented
  - o T: Target Dates
- ❖ **Relationship Between Goal Difficulty and Performance**
  - o Performance of committed individuals with adequate ability
  - o Performance of committed individuals who are working at capacity
  - o Performance of individuals who lack commitment to high goals
- ❖ **The Planning Control Cycle**
  - o **The Two Planning Steps**
    - 1) Make the Plan
    - 2) Carry out the Plan

- o **The Two Control Steps**
  - 3) Control the direction by comparing the results with the plan.
  - 4) Take Corrective Actions: By correcting deviations in the plan being carried out (return to Step 2) or By improving future plans (go to Step 1 to start over)
- ❖ **Management By Objectives**
  - o **Is a four-step process in which:**
    - Managers and employees jointly set objectives for the employee
    - Managers develop action plans
    - Managers and employees periodically review the employee's performance
    - The manager makes a performance appraisal and rewards the employee according to the results
  - o If MBO is to be successful, three things must occur:
    - 1. Top management must be committed
  - o Commitment translates to productivity gains
    - 2. It must be applied organization-wide
  - o To be successful, MBO must be applied in all divisions and departments
    - 3. Objectives must cascade
  - o MBO works by *cascading* objectives down through the organization
  - o **Three Examples of Objectives Used in MBO**
    - Improvement objective: Increase sport utility sales by 10% by 10/1/2008
    - Personal development objective: attend five days of leadership training by YE 2008
    - Sales by objectives: meet the increased sales goals, 5% increase over prior quarter
- ❖ **The Project Life Cycle**
  - o **Stage 1: Definition** - state the problem, look at assumptions and risks, identify goals and objectives, determine budget and schedule
  - o **Stage 2: Planning** - identify the details...facilities, equipment, people, duties, schedule, coordination
  - o **Stage 3: Execution** - the work stage.... establish the management style, control tools, monitor progress, review schedule, issue change orders, prepare status
  - o **Stage 4: Closing** - acceptance by the client...deliverables, training, final report
- ❖ **Good Planning Makes you Look Smart**
  - o It is a point to deviate from
  - o Quicker at dealing with unforeseen events
  - o Critical Path Method
    - Quantitative Management
- ❖ **Using CPM to Build a House**
  - o Foundation
  - o Frame
  - o Roof