



Planning Concepts

Learning Objectives

Participants should be able to:

1. Describe basic concepts in strategic planning,
2. Identify main steps of the planning process
3. Identify planning levels
4. Determine time horizon in planning,
5. Identify basic types and forms of planning

Planning

- ▶ Planning includes all the activities that lead to the definition of objectives and to the determination of appropriate courses of action to achieve those objectives
- ▶ Important elements of the planning process include Strategy, Policy, mission statement, broad goals, objectives, decisions and course of actions among others.

Planning and Strategy

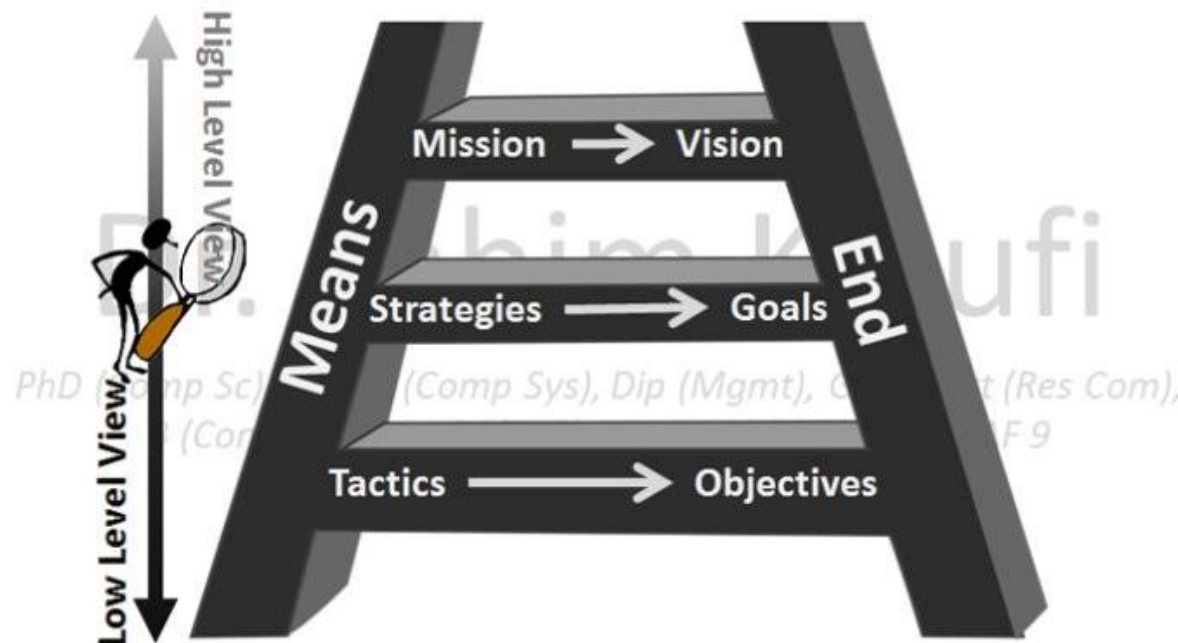
► Strategy

- The cluster of decisions and actions that managers take to help an organization reach its goals...business growth.



Strategy and mission, goals, objectives & actions

- **Strategy** is the determination of the mission (or the fundamental purpose) and the basic goals (long-term objectives) of an enterprise, and the adoption of courses of action and allocation of resources necessary to achieve these aims.



Strategy and mission statement

► Mission Statement

- A broad declaration of an organization's overriding purpose
- Identifies what is unique or important about its products
- Seeks to distinguish or differentiate the organization from its competitors

Strategy and mission statement



To challenge the status quo.
To think differently.



To refresh the world and inspire
moments of optimism and happiness.

facebook.

To give people the power to build
community so that we can bring
the world closer together.



To empower every person and organization
on the planet to achieve more.



To fulfill dreams of personal,
All-american freedom.



To organize the world's information and
make it universally accessible and useful.



To create happiness for people
of all ages, everywhere.



To accelerate the world's transition
to sustainable energy.



To inspire and nurture the human spirit
– one person and one cup at a time.

Strategy and Policy

- **Policies** are general statements or understandings that guide managers' thinking in decision making.

STRATEGY



A strategy is devised at the relevant level of management and is a long-term plan of change and improvement for an organisation.

POLICY



A policy is a document written to structure and outline the strategy to those that it affects and to those who must implement it.

Benefits of Planning

► Four major benefits of planning-

1. Planning forces managers to think ahead
2. It leads to the development of performance standards that enables more effective management control
3. Having to formulate plans forces management to articulate clear objectives
4. Planning enables an organization to be better prepared for sudden development

Types of Planning

1. Purpose / mission task of an enterprise
2. Objectives
3. Strategies –Future action or plan
4. Policies
5. Procedures
6. Rules
7. Programs
8. Budgets

The Nature of the Planning Process

To perform the planning task, managers:

1. Establish where an organization is at the present time
2. Determine its desired future state
3. Decide how to move it forward to reach that future state

Why Planning is Important

- **Planning provides direction** :Necessary to give the organization a sense of direction and purpose
- **Planning provides a unifying framework**
- **Reduces the risk of uncertainty**
- **Facilitates decision making:** Useful way of getting managers to participate in decision making
- **Helps coordinate managers of the different functions and divisions of an organization**
- **Can be used as a device for controlling activities.**

Why Planning is Important

- ▶ **Unity** - at any one time only one central, guiding plan is put into operation
- ▶ **Continuity** – planning is an ongoing process in which managers build and refine previous plans and continually modify plans at all levels
- ▶ **Accuracy** – managers need to make every attempt to collect and utilize all available information at their disposal
- ▶ **Flexibility** – plans can be altered and changed if the situation changes

Three Stages in Planning

DETERMINING THE ORGANIZATION'S MISSION AND GOALS

Define the business
Establish major goals

FORMULATING STRATEGY

Analyze current situation and develop strategies

IMPLEMENTING STRATEGY

Allocate resources and responsibilities to achieve strategies

Steps in Planning Process

1. Establishing Objectives

- ▶ The first step in the planning process is to identify the goals of the organization. The objectives are derived clearly indicating what is to be achieved, where action should take place, who is to perform it, how is to be undertaken and when is it to be accomplished.

2. Developing Premises

- ▶ Outline planning premises. Premises are assumptions about the environment in which plans are made and implemented.

3. Evaluating alternatives and selection

Steps in Planning Process

4. Formulating Derivative Plans

- Management has to formulate the secondary plans to support the basic plan. The plans derived for various departments, units, activities etc., in a detailed manner are known as ‘derivative plans’.

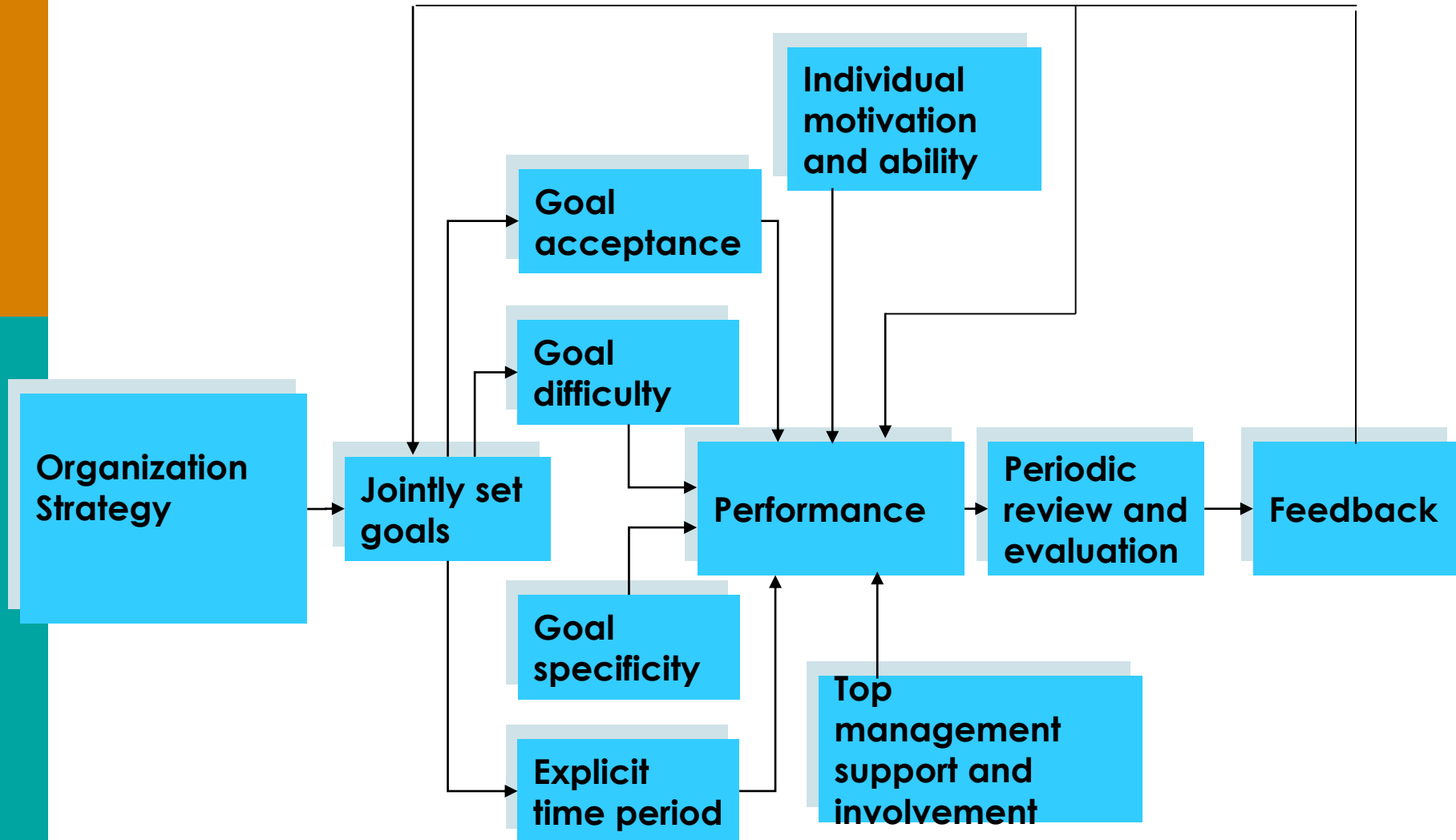
5. Securing Cooperation and Participation

- “Plans have to be set in an atmosphere of close participation and a high degree of concurrence.”

6. Providing Follow-up

- Plans have to be reviewed continually to ensure their relevance and effectiveness.

Planning Process



Levels of Planning

- ➔ **Division** – business unit that has its own set of managers and departments and competes in a distinct industry
- ➔ **Divisional managers** – Managers who control the various divisions of an organization



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:**

- Long-term divisional goals that will allow the division to meet corporate goals
- Division's business-level and structure to achieve divisional goals

► **Business-Level Strategy**

- Outlines the specific methods a division, business unit, or organization will use to compete effectively against its rivals in an industry

Levels of Planning

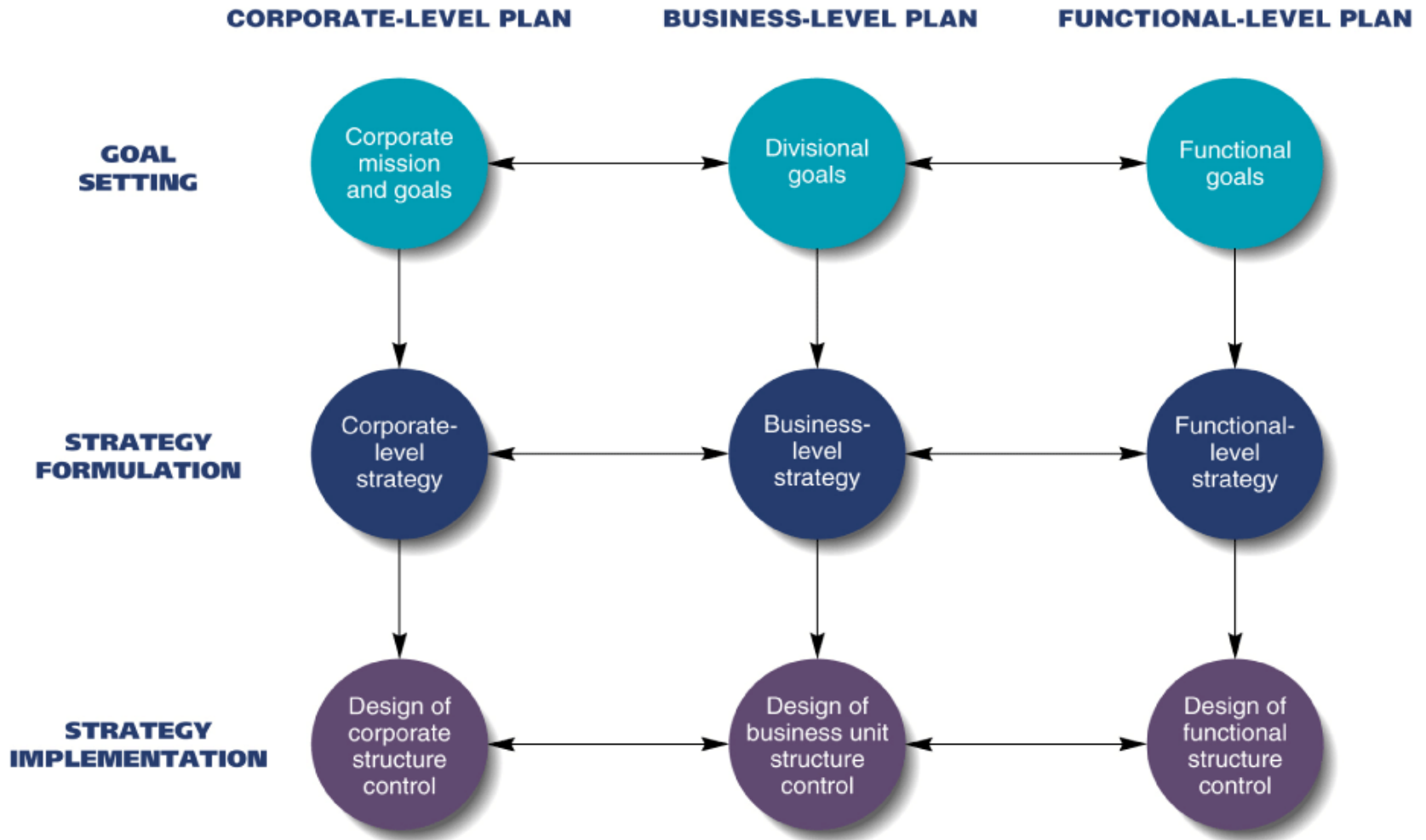
► Functional-Level Plan

- Goals that the managers of each function will pursue to help their division attain its business-level goals

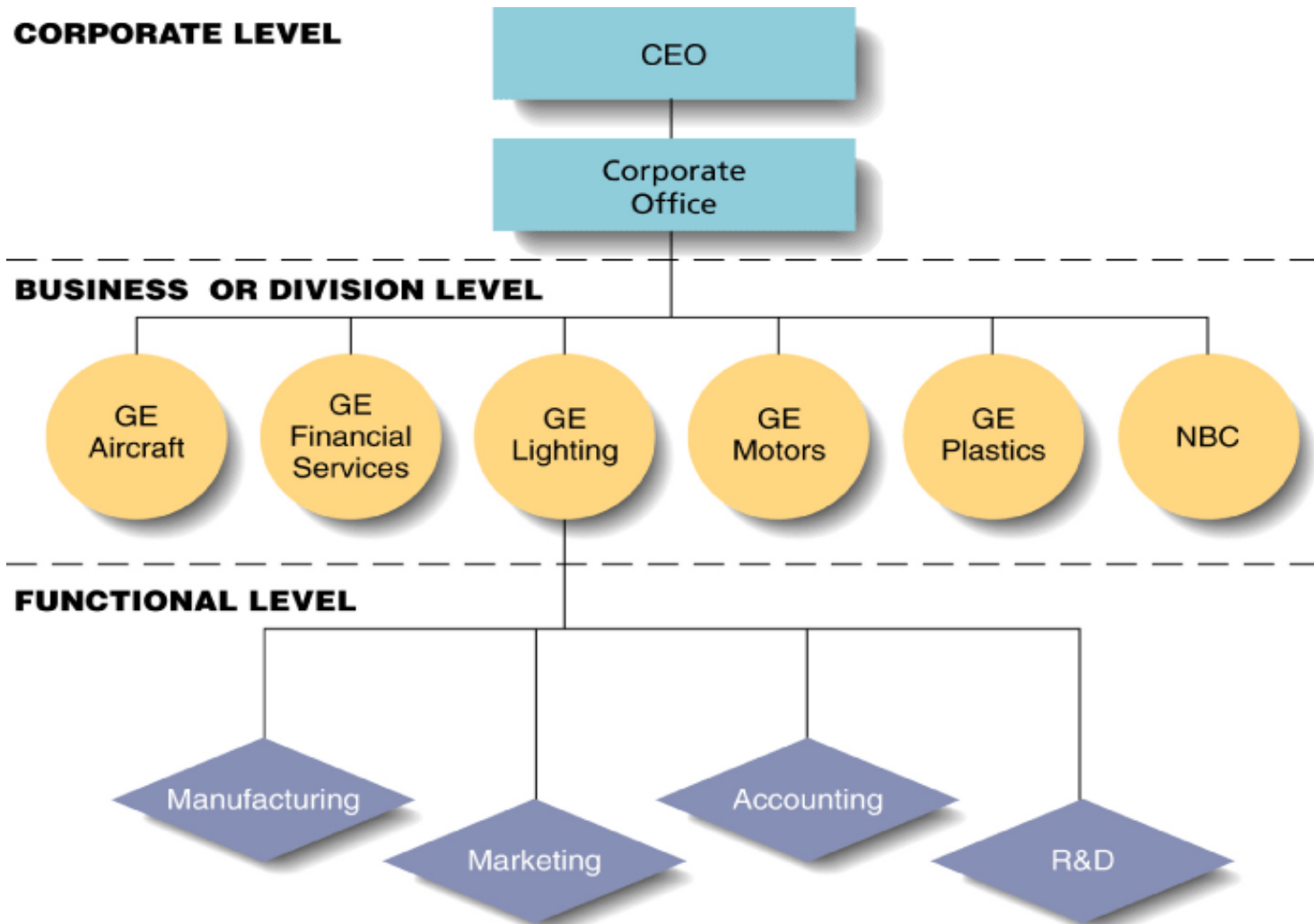
► Functional Strategy

- A plan of action that managers of individual functions can take to add value to an organization's goods and services

Levels of Planning



Levels of Planning at General Electric



Time Horizons of Plans

Time Horizon

- ▶ Period of time over which they are intended to apply or endure.
 - ▶ Long-term plans are usually 5 years or more.
 - ▶ Intermediate-term plans are 1 to 5 years.
 - ▶ Short-term plans are less than 1 year.

Types of Plans

► Standing Plans

- Use in programmed decision situations
 - Policies are general guides to action.
 - Rules are formal written specific guides to action.
 - Standard operating procedures (SOP) specify an exact series of actions to follow.

Types of Plans

► Single-Use Plans

► Developed for a one-time, nonprogrammed issue.

► **Programs:**

Integrated plans achieving specific goals.

► **Project:**

Specific action plans to complete programs.

Forms of Planning

1. Short range vs. long rang planning
2. Operational vs. strategic planning
3. Formal and informal planning
4. Functional and corporate planning
5. Proactive and reactive planning

REFERENCES

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- ▶ VSP Rao. Management, Excel Publication.