CHAPTER 4

Planning in the Contemporary Organization

Planning Defined

• Planning

• A Plan

Purpose of Planning

• Ensure effectiveness

• Ensure efficiency
**Planning as a Linking Mechanism**

- Goals
- Plans
- Control

**Benefits of Planning**

- Coordination
- Forward Thinking
- Work Environment
- Control System

**Costs of Planning**

- Managerial Time
- Delay in Decision Making
Planning

Benefits vs. Costs

Where Should Planning Take Place?

Top-Down Planning

Bottom-Up Planning

Levels of Planning

- Strategic Planning
- Operational Planning

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Chapter 4 - 3
Strategic Planning

- Affects its long-run performance
- Defines the market

The Purpose of Strategic Planning

Today
Vision for the Future

Levels of Strategic Planning

<table>
<thead>
<tr>
<th>Planning Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate</strong></td>
</tr>
<tr>
<td><strong>Business</strong></td>
</tr>
<tr>
<td><strong>Functional</strong></td>
</tr>
</tbody>
</table>
### Levels of Strategic Planning (slide 2 of 3)

<table>
<thead>
<tr>
<th>PARTICIPANTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>Board of directors and top-level executives</td>
</tr>
<tr>
<td>Business</td>
<td>Top-level executives and managers within the business unit</td>
</tr>
<tr>
<td>Functional</td>
<td>Mid-level managers and lower-level managers</td>
</tr>
</tbody>
</table>

### Levels of Strategic Planning (slide 3 of 3)

<table>
<thead>
<tr>
<th>SCOPE &amp; TIME HORIZONS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>Broad strategies 5 to 10 year time horizon</td>
</tr>
<tr>
<td>Business</td>
<td>More specific strategies 1 to 5 year time horizon</td>
</tr>
<tr>
<td>Functional</td>
<td>Very specific strategies 1 to 2 year time horizon</td>
</tr>
</tbody>
</table>

### Functional Strategic Planning

- Operations
- R&D
- Financial
- Human resource management
- Marketing
### Strategic Planning Process

- Creates value
- Specific and unique needs

### Levels of Planning

- Strategic Planning
  - **Operational Planning**

### Operational Planning

- Day-to-day activities
- More specific
  - Standing
  - Single-use plans
### Standing Plans

**Issues** - recur frequently

- Policies
- Procedures
- Rules

### Single-Use Plans

Specific organizational situation

- Programs
- Projects
- Budgets

### Individual Plans

- Management by Objectives
- The Balanced Scorecard
Management by Objectives (MBO)

<table>
<thead>
<tr>
<th>MBO Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides a foundation</td>
</tr>
<tr>
<td>• Requires communication</td>
</tr>
<tr>
<td>• Participatory work environment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MBO Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Time</td>
</tr>
<tr>
<td>• Paperwork</td>
</tr>
<tr>
<td>• Short-term planning</td>
</tr>
<tr>
<td>• Difficult to operationalize</td>
</tr>
</tbody>
</table>
MBO Program Steps

- Preparation of next period’s objectives by employee
- Revised periodic review by employee and supervisor
- Intermittent review of ongoing performance as needed
- Action planning and job performance by employee
- Mutual setting of objectives by employee and supervisor
- Mutual agreement on criteria for measuring accomplishment of objectives

The Balanced Scorecard (BSC)

- Strategy into Operational action
- Individual action plans

Contingency Planning

Contingency planning requires the development of two or more plans, each of which is based on a different set of strategic or operating conditions that could occur.
### Information Technology and Planning

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### Barriers to Effective Planning

- Leader’s time
- Ambiguous environments
- Resistance to change

### Overcoming the Barriers to Planning

- Involve Employees
- Tolerate Views
- Encourage Strategic Thinking

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