

CHAPTER 4

Planning in the Contemporary Organization

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Planning Defined

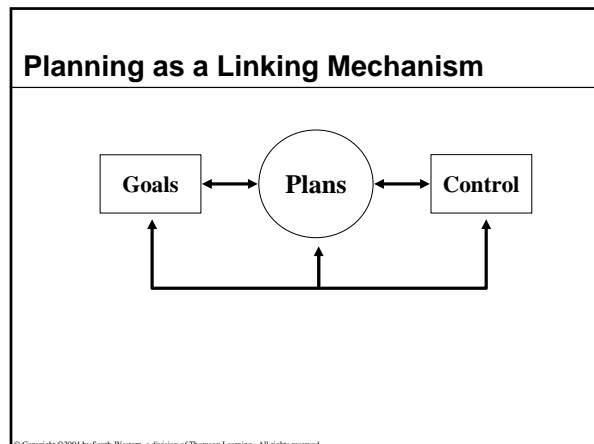
- Planning
- A Plan

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Purpose of Planning

- Ensure effectiveness
- Ensure efficiency

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- Benefits of Planning**
- **Coordination**
 - **Forward Thinking**
 - **Work Environment**
 - **Control System**
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- Costs of Planning**
- **Managerial Time**
 - **Delay in Decision Making**
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Planning

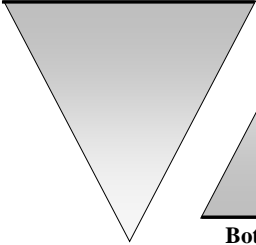
Benefits vs. Costs

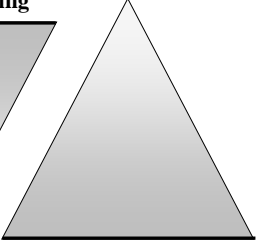


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Where Should Planning Take Place?

Top-Down Planning





Bottom-Up Planning

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Levels of Planning

- **Strategic Planning**
- Operational Planning

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Strategic Planning

- Affects its long-run performance
- Defines the market

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The Purpose of Strategic Planning

Today

Vision for the Future

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Levels of Strategic Planning

slide 1 of 3

	PLANNING FOCUS
Corporate	“What business should we be in?”
Business	“How do we compete in our existing lines of business?”
Functional	“How do we implement our corporate and business strategies?”

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Levels of Strategic Planning		slide 2 of 3
PARTICIPANTS		
Corporate	Board of directors and top-level executives	
Business	Top-level executives and managers within the business unit	
Functional	Mid-level managers and lower-level managers	

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Levels of Strategic Planning		slide 3 of 3
SCOPE & TIME HORIZONS		
Corporate	Broad strategies 5 to 10 year time horizon	
Business	More specific strategies 1 to 5 year time horizon	
Functional	Very specific strategies 1 to 2 year time horizon	

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Functional Strategic Planning
<ul style="list-style-type: none"> – Operations – R&D – Financial – Human resource management – Marketing

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Strategic Planning Process

- **Creates value**
- **Specific and unique needs**

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Levels of Planning

- Strategic Planning
- **Operational Planning**

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Operational Planning

- **Day-to-day activities**
- **More specific**
- **Standing**
- **Single-use plans**

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Standing Plans

Issues - recur frequently

- **Policies**
- **Procedures**
- **Rules**

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Single-Use Plans

Specific organizational situation

- **Programs**
- **Projects**
- **Budgets**

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Individual Plans

- **Management by Objectives**
- **The Balanced Scorecard**

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Management by Objectives (MBO)



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MBO Benefits

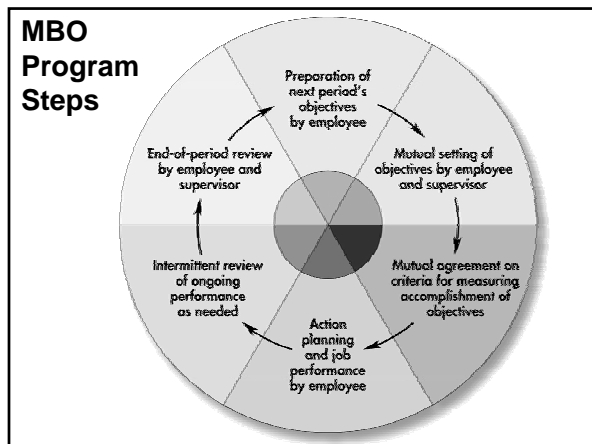
- Provides a foundation
- Requires communication
- Participatory work environment

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MBO Disadvantages

- Time
- Paperwork
- Short-term planning
- Difficult to operationalize

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The Balanced Scorecard (BSC)

– Strategy into Operational action

– Individual action plans

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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.

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Information Technology and Planning

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Barriers to Effective Planning

- **Leader's time**
- **Ambiguous environments**
- **Resistance to change**

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Overcoming the Barriers to Planning

- **Involve Employees**
- **Tolerate Views**
- **Encourage Strategic Thinking**

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