

Fundamentals of Management

1



Part Two: Planning

2

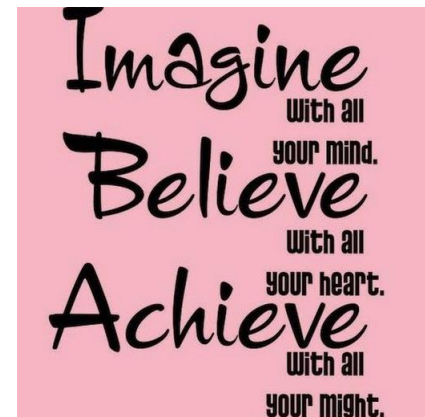
- Chapter Five: Foundations of Planning
 - Discuss the nature and purpose of planning.
 - Explain what managers do in the strategic management process.
 - Compare and contrast approaches to goal setting and planning.
 - Discuss contemporary issues in planning.



Planning

3

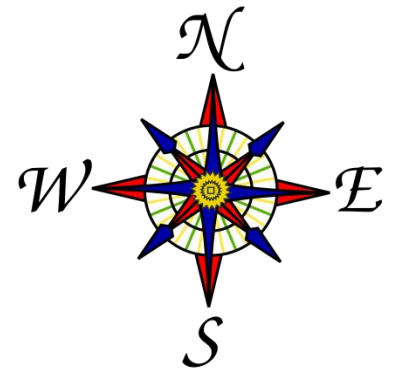
- Organizations have a purpose, people (employees), and a structure to support and enable those people in carrying out that purpose.
 - And, in those organizations, managers must develop goals, plans, and strategies for how to best achieve that purpose.



What is Planning and Why Do Managers Need to Plan?

4

- Planning is often called the Primary Management Function because it establishes the basis for all other things managers do as they organize, lead, and control.
 - Planning involves:
 - ✦ Defining the organization's goals and objectives.
 - ✦ Establishing an overall strategy for achieving those goals.
 - ✦ Developing a comprehensive hierarchy of plans (prioritization) to integrate and coordinate activities.



Formal Planning

5

- Formal Planning, is:
 - Defining specific goals covering a specific time period.
 - Writing down these goals and making them available to members.
 - Using these goals to develop specific action plans that define the path needed to get from where the organization is to where it wants to be.



Why Should Managers Formally Plan?

6

- Managers should plan for at least four reasons:
 1. Planning establishes coordinated effort.
 - ✦ It gives direction and fosters teamwork and cooperation.
 2. Planning reduces uncertainty.
 - ✦ It forces members to look ahead and anticipate change.
 3. Planning reduces overlapping and wasteful activities.
 - ✦ When ends and means are clear, inefficiencies become obvious.
 4. Planning establishes the goals or standards that facilitate control.
 - ✦ Without planning, there are no goals against which to measure or evaluate work efforts.

4

Criticisms of Formal Planning and Manager's Response

7

- Planning may create rigidity.
 - Managers need to remain flexible and not be tied to a course of action simply because it's the plan.
- Formal plans can't replace intuition and creativity.
 - Planning should enhance and support intuition and creativity, not replace it.
- Planning focuses managers' attention on today's competition, not on tomorrow's survival.
 - When manager's plan, they should be open to forging into uncharted waters if there are untapped opportunities.
- Planning reinforces success, which may lead to failure.
 - Manager's may need to face that unknown and be open to doing things in new ways to be even more successful.

Criticism

Does Formal Planning Improve Organizational Performance?

8

- The evidence supports the position that organizations should have formal plans.
 - Formal planning generally means higher profits.
 - The quality of the planning process and the appropriate implementation of the plan contributes more to high performance than does the extent of planning.



Strategic Management

9

- What is Strategic Management?
 - Strategic Management is what managers do to develop an organization's strategies.
 - ✦ Strategies are the plans for how the organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals.



Strategic Management

10

- Why is Strategic Management so Important?
 - It can make a difference in how well an organization performs.
 - Managers face continually changing situations and uncertainty.
 - Organizations are complex and diverse, and each part needs to work together to achieve the organization's goals.



IMPORTANT NOTICE

Steps in the Strategic Management Process

11

1. Identify the Organization's Mission, Goals, and Strategy's.
 - Purpose and Plan
2. Do an External Analysis.
 - Environmental Assessment (Opportunities and Threats)
3. Do an Internal Analysis.
 - Resources – Capabilities – Competencies (Strengths and Weaknesses)
4. Formulate Strategies.
 - Specific Plan to Achieve Goals
5. Implement Strategies.
 - Execution and Performance
6. Evaluate Results.
 - Review and Feedback



Components of a Mission Statement

12

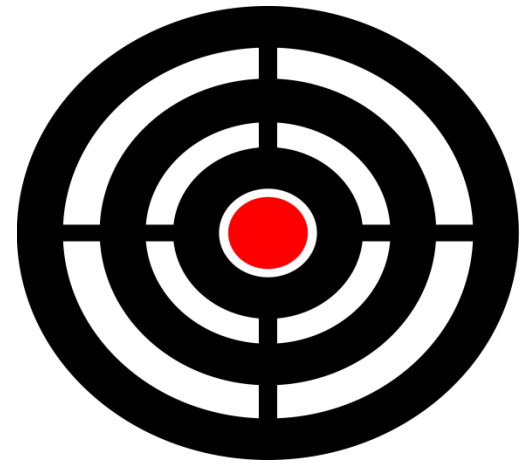
- Customer's
 - Who are they?
- Markets
 - Where does the organization compete geographically?
- Concern for Survival, Growth, and Profitability
 - Is the organizations committed to growth and financial stability?
- Philosophy
 - What are the organization's basic beliefs, values, and ethical priorities?
- Concern for Public Image
 - How responsive is the organization to societal and environmental concerns?
- Products or Services
 - What are the organization's major products or services?
- Self-Concept
 - What are the organization's major competitive advantages and core competencies?
- Concern for Employees
 - Are employees a valuable asset of the firm?



What Strategic Weapons do Managers Have?

13

- Six Strategic Weapons Important in Today's Environment:
 1. Customer Service
 2. Employee Skills and Loyalty
 3. Innovation
 4. Quality
 5. Social Media
 6. Big Data



Quality

14

- Quality can be a way for an organization to create a sustainable competitive advantage.
 - If a business is able to continuously improve the quality and reliability of its products, it may have a competitive advantage that can't be taken away.
 - ✦ Organizations should be constantly benchmarking – that is, searching for the best practices among competitors that lead to superior performance, and improve its quality through analyzing and copying the methods of leaders in various fields.



Benchmark

Three Strategies Managers Use

15

- 1. Corporate Strategy

- Growth Strategy

- ✦ Organization expands the number of markets served or products offered, either through its current business or through new business.

- Stability Strategy

- ✦ Organization continues – often during periods of uncertainty – to do what it is currently doing; to maintain things as they are.

- Renewal Strategy

- ✦ Organization is in trouble and needs to address declining performance.
 - Stabilize operations, revitalize organizational resources and capabilities, and prepare organization to compete once again.



Three Strategies Managers Use

16

• 2. Competitive Strategy

- Developing an effective competitive strategy requires understanding competitive advantage, which is what sets an organization apart; that is, its distinct edge, which comes from:
 - ✦ The organization's core competencies
 - Doing something that others cannot do or doing it better than others can do it.
 - ✦ The company's resources
 - Having something that its competitors do not.



Competitive Strategy

17

- (Porter's) Competitive Strategies Framework:
 - Cost Leadership Strategy
 - ✦ Having the lowest costs in its industry and aimed at broad market.
 - Differentiation Strategy
 - ✦ Offering unique products that are valued by customers and market.
 - Focus Strategy
 - ✦ A cost or differentiation advantage in a narrow segment or niche – based on product variety, customer type, distribution channel, or geography.
 - Stuck in the Middle
 - ✦ Inability to develop a cost or differentiation advantage.



Three Strategies Managers Use

18

- 3. Functional Strategy

- Those strategies used by an organization's various functional departments (marketing, operations, finance/accounting, HR) to support the competitive strategy.



How Do Managers Set Goals and Develop Plans?

19

- Planning Involves Setting Goals and Developing Plans.
 - Goals/Objectives
 - ✦ Desired outcomes or targets.
 - Guide manager's decisions and form the criteria against which work results are measured.
 - Plans
 - ✦ Documents that outline how goals are going to be met.
 - Tools which provide guidance/feedback.



Types of Goals and How They're Set

20

- Types of Goals

- Most company goals can be classified as either strategic or financial.
 - ✦ Financial goals are related to financial performance
 - ✦ Strategic goals are related to all other areas of performance



- Setting Goals

- Goals provide direction for all management decisions and actions, and form the criterion against which accomplishments are measured.
 - ✦ Traditional Goal Setting
 - Goals set by top managers, which flow down through the organization and become sub-goals for each organizational area.
 - ✦ Management by Objectives
 - A process of setting mutually agreed-upon goals and using those goals to evaluate employee performance.

Management by Objectives

21

- MBO focuses on employees working to accomplish goals they've had a hand in setting.
- MBO increases employee performance and overall organizational productivity.
- MBO Programs have Four Elements:
 - Goal Specificity
 - Participative Decision Making
 - Explicit Time Period
 - Performance Feedback



Goal Setting

22

- No matter what approach is used, goals have to be written, and some goals more clearly indicate what the desired outcomes are.
- Steps in Setting Goals:
 - Review the organization's mission and employee's key job tasks.
 - Evaluate available resources.
 - Determine the goals individually or with input from others.
 - Make sure goals are well-written and then communicate them to all who need to know.
 - Build in feedback mechanisms to assess goal progress.
 - Link rewards to goal attainment.



KEEP
CALM
AND
SET NEW
GOALS

Types of Plans and How They are Developed

23

- Managers need plans to help them clarify and specify how goals will be met. Most popular ways to describe plans are in terms of:
 - Breadth
 - ✦ Strategic Plans (Overall Goals) vs. Tactical Plans (Detail of Each Goal)
 - Time Frame
 - ✦ Long Term (Beyond 3 Years) vs. Short Term (One Year or Less) Goals.
 - Specificity
 - ✦ Specific Plans (Clearly Defined) vs. Directional Plans (Flexible)
 - Frequency of Use
 - ✦ Single Use Plan (One-Time Plan for Specific Goal) vs. Standing Plan (Ongoing Plan that Provides Guidance for Repeated Activities).



Developing Plans

24

- The process of developing plans is influenced by three contingency factors and by the planning approach followed.
 - Contingency Factors in Planning
 - ✦ Organizational Level – Strategic or Tactical Planning?
 - ✦ Degree of Environmental Uncertainty – Rigid or Flexible Planning?
 - ✦ Length of Future Commitments – Timeframe Supports Achievement?
 - Approaches to Planning
 - ✦ In the traditional approach, planning is done entirely by top-level managers. As plans flow down through the organization, they are tailored to the particular needs of each level. Plans often get lost in this process.
 - ✦ Another approach to planning is to involve more members in the process. This approach generates more commitment.

I N F L U E N C E


Contemporary Issues in Planning

25

- Dynamic Environment

- The external environment is constantly changing.
 - ✦ In an uncertain environment, managers should develop plans that are specific, but flexible. Managers need to reconcile that planning is an ongoing process. Persistence in planning contributes to performance improvement.
 - ✦ Managers need to stay alert to environmental changes that may impact implementation and respond as needed.
 - ✦ Managers need to make the organizational hierarchy flatter to effectively plan in dynamic environments. This allows lower levels to respond timely set goals and develop plans that they will have influence and commitment.



Contemporary Issues in Planning

26

- Managers should be aware of and take advantage of the tools available to help them analyze and respond to the external environment, such as:
 - Environmental Scanning
 - ✦ An analysis of the external environment, which involves screening large amounts of information to detect emerging trends.
 - Competitive Intelligence
 - ✦ A type of environmental scanning that gives managers accurate information about its competitors.



Conclusion

27

- It has been said that if you don't know where you're going, any road will get you there. It has also been said that the shortest distance between two points is a straight line. These two "adages" emphasize the importance of goals.
- Managers are typically judged on their ability to achieve goals. If individuals or units in the organization lack goals, there can be no direction or unity of effort.
 - ✦ Successful managers are good at setting their own goals and helping others to set goals.



CONCLUSION
SUMMARY OVERVIEW



That's all Folks!