

Planning assignment

[Business](#), [Management](#)



Describe how verifiable objectives can be set for different situations. 6.

Outline the evolving concepts in management by objectives (MOB). 7.

Understand the model of the systems approach to MOB. 8. Describe the benefits of MOB. 9. Recognize the weaknesses of MOB and suggest ways to overcome them. You are now familiar with the basic management theory and have been introduced to the five essential managerial functions: planning, organizing, staffing, leading, and controlling. In Part 2 of this book, we shall discuss planning.

In designing an environment for the effective performance of individuals working together in a group, a manager's most essential task is to see that everyone understands the group's mission and objectives and the methods for attaining them. If group effort is to be effective, people must know what they are expected to accomplish. This is the function of planning. It is the most basic of all the managerial functions. Planning involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision making, that is, choosing a course of action from among alternatives.

Plans thus provide a rational approach to achieving prosecuted objectives.

Planning also strongly implies managerial innovation, as will be discussed in Chapter 6. Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable? the Siamese twins of management (see Figure 4-1). Any attempt to control without plans is meaningless, since there is no way for people to tell whether they are going where they want to go (the result of

the task of control) unless they first know where they want to go (part of the task of planning).

Plans thus furnish the standards of control . Types of Plans Plans can be classified as (1) missions or purposes, (2) objectives or goals, (3) strategies, (4) policies, (5) procedures, (6) rules, (7) programs, and (8) budgets.

Missions or Purposes* basic purpose or function or tasks of an enterprise or agency or any part of it. Every kind of organized operation has, or at least should have if it is to be meaningful, a mission or purpose. In every social system, enterprises have a basic function or task assigned to them by society.

For example, the purpose of a business generally is the production and distribution of goods and services. The purpose of a state highway department is the design, building, and operation of a system of state highways. The purpose of the courts is the interpretation of laws and theft application. The purpose f a university is teaching, research, and providing services to the community. Although we do not do so, some writers distinguish between mission and purpose.

While a business, for example, may have a social purpose of producing and distributing goods and services, it can accomplish this by fulfilling a mission of producing certain lines of products. The mission of an oil company, like Exxon, is to search for oil and to produce, refine, and. Market petroleum and petroleum products, from diesel fuel to chemicals. The mission of Du Pont has been expressed as “ better things through chemistry,” and Kimberly-

Clark (noted for its Kleenex redeemer) regards its business mission as ten production and sale of paper and paper products.

In the sass, the mission of the National Aeronautics Space Administration (NASA) was to get a person to the moon before the Russians. It is true that in some businesses and other enterprises, * Often the term vision is mentioned in connection with the discussion of mission. Popular books on management discuss concepts such as goal setting, team management; and orientation toward the future, in connection with the discussion of vision. A recent study found no agreement among executives of the meaning of Sino.

Seven factors, however, were identified in the structure and content of vision statements. They were ‘ formulation, implementation, innovative realism, general, degree of detail, risk propensity, and profit orientation. ““ the purpose or mission often becomes fuzzy. For example, many conglomerates have regarded their mission as synergy,* which is accomplished through the combination of a variety of companies. Objectives or Coals Objectives, or goals (the terms are used interchangeably in this book), are the ends toward which activity is aimed.

They represent not only the end point of planning but also the end toward which organizing, staffing, leading, and controlling are aimed. The nature of objectives and management by objectives will be discussed in greater detail later in this chapter. Strategies For years, the military used the word strategies to mean grand plans made in light of what it was believed an adversary might or might not do. While the term still usually has a

competitive implication, managers increasingly use it to reflect broad areas of an enterprise's operation.

In this book, strategy is defined as the determination of the basic long-term objectives of an enterprise and the adoption of courses of action and location of resources necessary to achieve these goals. Policies guide or channel thinking in decision making. Not all policies are “ statements”; they are often merely implied from the actions of managers. The president of a company, for example, may strictly follow? perhaps for convenience rather than as policy? the practice of promoting from within; the practice may then be interpreted as policy and carefully followed by subordinates.

In fact, one of the problems of managers is to make sure that subordinates do not interpret as policy minor managerial decisions that are not intended to serve as patterns. Policies define an area within which a decision is to be made and ensure that the decision will be consistent with, and contribute to, an objective. Policies help decide issues before they become problems, make it unnecessary to analyze * The concept of synergy can be expressed simply as a situation in which 2 plus 2 becomes equal to 5, or in which the whole is greater than the sum of the parts. The same situation every time it comes up, and unify other plans, thus permitting managers to delegate authority and still maintain control over what their subordinates do. There are many types of policies. Examples include policies of hiring only university- trained engineers, encouraging employee suggestions for improved cooperation, promoting from within, conforming strictly to a high standard of business

ethics, setting competitive prices, and insisting on fixed, rather than cost-plus, pricing.

Procedures Procedures are plans that establish a required method of handling future activities. They are chronological sequences of required actions. They are guides to action, rather than to thinking, and they detail the exact manner in which certain activities must be accomplished. For example, Case Western University outlines three steps for its appraisal process: (1) setting performance objectives, (2) performing a mid-year review of the objectives, and (3) conducting a performance discussion at the end of the period. ' Procedures often cut across departmental lines.

For example, in a manufacturing company, the procedure for handling orders may involve the sales department (for the original order), the finance department (for acknowledgment of receipt of funds and for customer credit approval), the accounting department (for recording the transaction), the production department (for the order to produce the goods or the authority to release them from stock), and the shipping department (for determination of shipping means and route). A few examples illustrate the relationship between procedures and policies.

Company policy may grant employees vacations; procedures established to implement this policy will provide for scheduling vacations to avoid disruption of work, setting rates of vacation pay and methods for calculating them, maintaining records to ensure each employee of a vacation, and spelling out the means for applying for leave. **Rules** Rules spell out specific required actions or inactions, allowing no discretion. They are usually the

simplest type of plan. “ No smoking” is a rule that allows no deviation decision that a certain action must? or must not? be taken.

Rules are different from policies in that policies are meant to guide decision making by marking off areas in which managers can use their discretion, while rules allow no discretion in their application. Programs Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets. They may be as major as an airline’s program to acquire a \$400 million fleet of Jets or a five-year program to improve the status and quality of its thousands of supervisors.

Or they may be as minor as a program formulated by a single supervisor to improve the morale of workers in the parts manufacturing department of a farm machinery company. Budgets A budget is a statement of expected results expressed in numerical terms. It may be called a “ quantified” plan. In fact, the financial operating budget is often called a profit plan. A budget may be expressed in financial terms; in terms of labor-hours, nits of product, or machine-hours; or in any other numerically measurable terms.

It may deal with operation, as the expense budget does; it may reflect capital outlays, as the capital expenditure budget does; or it may show cash flow, as the cash budget does. One of the most comprehensive budgets is prepared by the Office of Management and Budget of the White House. 6 The budget proposal is then presented to the Congress by the President of the United States. Since budgets are also control devices, we reserve our

principal discussion of them for Chapter 19 on control techniques. However, making a budget is clearly planning.

The budget is the fundamental planning instrument in many companies. It forces a company to make in advance? whether for a week or for five years? a numerical compilation of expected cash flow, expenses and revenues, capital outlays, or labors- or machine-hour utilization. The budget is necessary for control, but it cannot serve as a sensible standard of control unless it reflects plans. The practical steps listed below, and diagramed in Figure 4-2, are of general application. In practice, however, one must study the feasibility of possible courses of action at each stage.

Steps in Planning 1. Being Aware of Opportunities Although it precedes actual planning and is therefore not strictly a part of the planning process, an awareness of opportunities* in the external environment as well as within the organization is the real starting point for planning. All managers should take a preliminary look at possible future opportunities and see them clearly and completely, know where their company stands in light of its strengths and weaknesses, understand what problems it has to solve and why, and know what it requires a realistic diagnosis of the opportunity situation. The word problems might be used instead of opportunities. However, a state of confusion or confusion and a need for a solution to achieve a given goal can more constructively be regarded as an opportunity. In fact, one very successful and astute company president does not permit his colleagues to speak of problems: they must speak only of opportunities 2. Establishing Objectives The second step in planning is to establish objectives for the

entire enterprise and then for each subordinate work unit. This is to be done for the long term as well as for the short range.

Objectives specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets, and programs. Enterprise objectives give direction to the major plans, which, by reflecting these objectives, define the objective of every major department. Major departmental objectives in turn control the objectives of subordinate departments, and so on down the line. In other words, objectives form a hierarchy.

The objectives of lesser departments will be more accurate if subdivision managers understand the overall enterprise objectives and the derivative goals. Managers should also have the opportunity to contribute ideas for setting their own goals and those of the enterprise.

3. Developing Premises
The next logical step in planning is to establish, circulate, and obtain agreement to utilize critical planning premises such as forecasts, applicable basic policies, and existing company plans. Premises are assumptions about the environment in which the plan is to be carried out.

It is important for all the managers involved in planning to agree on the premises. In fact, the major principle of planning premises is this: the more thoroughly individuals charged with planning understand and agree to utilize insistent planning premises, the more coordinated enterprise planning will be. Forecasting is important in premising: What kinds of markets will there be? What volume of sales? What prices? What products? What technical

developments? What costs? What wage rates? What tax rates and policies? What new plants? What policies with respect to dividends?

What political or social environment? How will expansion be financed? What are the long-term trends? 4. Determining Alternative Courses The fourth step in planning is to search for and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best. The more common problem is not finding alternatives but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical be thoroughly examined.

The planner must usually make a preliminary examination to discover the most fruitful possibilities. 5. Evaluating Alternative Courses After seeking out alternative courses and examining their strong and weak points, the next step is to evaluate the alternatives by weighing them in light of premises and oils. One course may appear to be the most profitable but may require a large cash outlay and have a slow payback; another may look less profitable but may involve less risk; still another may better suit the company's long-range objectives.

There are so many alternative courses in most situations and so many variables and limitations to be considered that evaluation can be exceedingly difficult. Because of these complexities, the newer methodologies and applications and analysis are discussed in Part 6 on controlling. 6. Selecting a Course This is the point at which the plan is

adopted? the real point of decision making. Occasionally, an analysis and evaluation of alternative courses will disclose that two or more are advisable, and the manager may decide to follow several courses rather than the one best course. 7.

Formulating Derivative Plans When a decision is made, planning is seldom complete, and a seventh step is indicated. Derivative plans are almost invariably required to support the basic plan. 8. Quantifying Plans by Budgeting After decisions are made and plans are set, the final step in giving them meaning, as was indicated in the discussion on types of plans, is to quantify them by converting them into budgets. The overall budget of an enterprise represents the sum total of income and expenses, with resultant profit or surplus, and the budgets of major balance sheet items such as cash and capital expenditures.

Each department or program of a business or some other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget. If done well, budgets become a means of adding the various plans and set important standards against which planning progress can be measured. Coordination of Short- and Long-Range Plans Often short-range plans are made without reference to long-range plans. This is plainly a serious error. The importance of integrating the two types can hardly be overemphasized, and no short-run plan should be made unless it contributes to the achievement of the relevant long-range plan.

Much waste arises from decisions about immediate situations that fail to consider their effect on more remote objectives. Responsible managers

should continually review and revise immediate decisions to managers should be regularly briefed on long-range plans so that they will make decisions consistent with the company's long-range goals. Doing this is far easier than to correct inconsistencies later, especially since short-term commitments tend to lead to further commitments along the same line.

Objectives were defined earlier as the important ends toward which organizational and individual activities are directed. Since writers and practitioners make no clear distinction between the terms goal and objectives, they are used interchangeably in this book. Within the context of the discussion, it will become clear whether the objectives are long term or short term, broad or specific. The emphasis is on verifiable objectives, which means at the end of the period it should be possible to determine whether or not the objective has been achieved.

The goal of every manager is to create a surplus (in business organizations, this means profit). Clear and verifiable objectives facilitate measurement of the surplus as well as the effectiveness and efficiency of managerial actions. The Nature of Objectives Objectives state end results, and overall objectives need to be supported by sub objectives. Thus, objectives form a hierarchy as well as a network. Moreover, organizations and managers have multiple goals that are sometimes incompatible and may lead to conflicts within the organization, within the group, and even within individuals.

A manager may have to choose between shorter and long-term performance, and personal interests may have to be subordinated to organizational objectives. Hierarchy of objectives As Figure 4-3 shows,

objectives form a hierarchy, ranging from the broad aim to specific individual objectives. The zenith of the hierarchy is the purpose or mission, which has two dimensions. First, there is the social purpose, such as contributing to the welfare of people by providing goods and services at a reasonable price.

Second, there is the mission or purpose of the business, which might be to furnish convenient, low-cost transportation for the average person. The stated mission might be to produce, market, and service automobiles. As you will notice, the distinction between purpose and mission is a fine one, and therefore many writers and practitioners do not differentiate between the two terms. At any rate, these aims are in turn translated into general objectives and strategies, such as designing, producing, and marketing reliable, low-cost, fuel-efficient automobiles.

The next level of the hierarchy contains more specific objectives, such as those in the key result areas. These are the areas in which performance is essential for the success of the enterprise. Although there is no complete agreement on what the key result areas of a business following: market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude, and public responsibility. ⁸ More recently, however, two other key result areas have ' become of strategic importance: service and quality.

Examples of objectives for key result areas are the following: to obtain a 10 percent return on investment by the end of calendar year 2005 (profitability); to increase the number of units of product X produced by 7 percent by June 30, 2005 without raising costs or reducing the current

quality level (productivity). The objectives have to be further translated into those of divisions, departments, and units down to the lowest level of the organization. Setting objectives and the organizational hierarchy As Figure 4-3 shows, managers at different levels in the organizational hierarchy are concerned with different kinds of objectives.

The board of directors and top-level managers are very much involved in determining the purpose, the mission, and the overall objectives of the firm, as well as the more specific overall objectives in the key result areas. Middle-level managers, such as the vice president or manager of marketing or the production manager, are involved in the setting of key-result area objectives, division objectives, and departmental objectives. The primary concern of lower-level managers is setting the objectives of departments and units as well as of their subordinates.

Although individual objectives, consisting of performance and development goals, are shown at the bottom of the hierarchy, managers at higher levels also should set objectives for their own performance and development.

There are different views about whether an organization should use the top-down or the bottom-up approach in setting objectives, as indicated by the arrows in Figure 4-3. In the top-down approach upper-level managers determine the objectives for subordinates, while in the bottom-up approach subordinates initiate the setting of objectives for their positions and present them to their superior.

Proponents of the top-down approach suggest that the total organization needs direction through corporate objectives provided by the chief executive

officer (in conjunction with the board of directors). Proponents of the bottom-up approach, on the other hand, argue that top management needs to have information from lower levels in the form of objectives. In addition, subordinates are likely to be highly motivated by, and committed to, goals that they initiate. Personal experience has shown that the bottom-up approach is neutralized but that either approach alone is insufficient. Multiplicity of objectives Objectives are normally multiple.

For example, merely stating that a university's mission is education and research is not-enough. It would be much more accurate but still not verifiable) to list the overall objectives, which might be the following:

- Attracting students of high quality professional fields
- Granting postgraduate degrees to qualified candidates
- Attracting highly regarded professors
- Discovering and organizing new knowledge through research
- Operating as a private school supported principally through tuition and gifts of alumni and friends

Likewise, at every level in the hierarchy of objectives, goals are likely to be multiple.

Some people think that a manager cannot effectively pursue more than two to five objectives. The argument is that too many objectives tend to dilute the drive for their accomplishment. But the limit of two to five objectives seems too arbitrary; managers might pursue more significant objectives. It would be wise to state the relative importance of each objective so that major goals receive more attention than lesser ones.

At any rate, the number of objectives managers should realistically set for themselves depends on how much they will do themselves and how much

they can assign to subordinates, thereby limiting their role to one of assigning, supervising, and controlling. How to Set Objectives Without dear objectives, managing is haphazard. No individual and no group can expect to perform effectively and efficiently unless there is a dear aim. Table 4-1 illustrates some objectives and how they can be restated in a way that allows measurement.

Quantitative and qualitative objectives To be measurable, objectives must be verifiable. This means that one must be able to answer this question: At the end of the period, how do I know ' if the objective has been accomplished?

For example the objective of Examples of unverifiable and verifiable

objectives Verifiable objective Unverifiable objective 1. To make a reasonable profit 1. To achieve a return on investment of 12% at the end of the current fiscal year 2. To improve communication 2. To issue a two-page monthly newsletter beginning July 1, 2005, involving not 3.

To improve productivity of 3. To increase production output by 5% by December 31 , 2005, without more than 40 working hours of preparation time (after the first issue) the production department 4. To develop better managers 4. To design and conduct a 40-hour in-house program on the “ fundamentals of management,” to be completed by October 1, 2005, involving not more than 200 working hours of the management development staff and with at least 90% of the 100 managers passing the exam (specified) 5.

To install a computer system 5. To install a computerized control system in the production department by December 31 , 2005, requiring not more than

500 working hours of systems analysis and operating with not more than 10% downtime during the first three months or 2% thereafter making a reasonable profit (see Table 4-1) does not state how much profit is to be made, and what is reasonable to the subordinate may not be at all acceptable to the superior.

In the case of such a disagreement, it is of course the subordinate who sees the argument. In contrast, a return on investment of 12 percent at the end of the current fiscal year can be measured; it answers these questions: how much or what? When? At times, stating results in verifiable terms is more difficult. This is especially true when it involves the objectives for staff personnel and in government. For example, installing a computer system is an important task, but “to install a computer system” is not a verifiable goal.

However, suppose the objective is “to install a computerized control system (with certain specifications) in the production apartment by December 31, 2005, with an expenditure of not more than 500 working hours.” Then, goal accomplishment can be measured. Moreover, quality can also be specified in terms of computer downtime, such as “the system shall be operational 90 percent of the time during the first two months of operation. Guidelines for setting objectives Setting objectives is indeed a difficult task. It requires intelligent coaching by the superior and extensive practice by the subordinate. The guidelines shown in Table 4-1 will help managers in setting their objectives. The list of objectives should not be too long, yet it should cover the main features of the job. As this chapter has emphasized,

objectives should be verifiable and should state what is to be accomplished and when.