

Chapter 5

PLANNING

The Nature of Planning

- A plan, which is the output of planning, provides a methodical way of achieving desired results.
- In the implementation of activities, the plan serves as a useful guide.
- Without the plan, some minor tasks may be afforded major attention which may, later on, hinder the accomplishment of objectives.

Planning Defined

- *Planning* may be defined as selecting the best course of action in anticipation of future trends so that the desired result may be achieved.
- It must be stressed that the desired result takes first priority and the course of action chosen is the means to realize the goal.

Planning at Various Management Levels

- Planning activities undertaken at various levels are as follows:
 1. top management level – strategic planning
 2. middle management level – intermediate planning
 3. lower management level – operational planning

Strategic Planning

- *Strategic planning* refers to the process of determining the major goals of the organization and the policies and strategies for obtaining and using resources to achieve those goals.
- Strategic planning is the concern of top management.

Intermediate Planning

- *Intermediate planning* refers to the process of determining the contributions that subunits can make with allocated resources.
- This type of planning is the concern of middle management.

Operational Planning

- *Operational planning* is the process of determining how specific tasks can best be accomplished on time with available resources.
- This type of planning is the responsibility of lower management.
- It must be performed in support of the strategic and intermediate plans.

MANAGEMENT LEVEL

PLANNING HORIZON

Top Management	Chief Executive Officer, President, Vice Presidents, General Manager, Division Heads	Strategic Planning (one to ten years)
Middle Management	Functional Managers, Product Line Managers, Department Heads	Intermediate Planning (6 months to 2 years)
Lower Management	Unit Managers, First Line Supervisors	Operational Planning (one week to one year)

Figure 13. Types of Planning

The Planning Process

- The process of planning consists of various steps depending on the management level that performs the planning tasks.
- Planning involves the following:
 1. setting organizational, divisional, or unit goals;
 2. developing strategies or tactics to reach those goals;
 3. determining resources needed; and
 4. setting standards.

Setting Organizational, Divisional, or Unit Goals

- The first task of the manager is to provide a sense of direction to his firm (if he is the chief executive), to his division (if he heads a division), or to his unit (if he is a supervisor).
- The setting of goals provide an answer to the said concern.
- If everybody in the firm (or division or unit, as the case may be) is aware of the goals, there is a big chance that everybody will contribute his share in the realization of such goals.

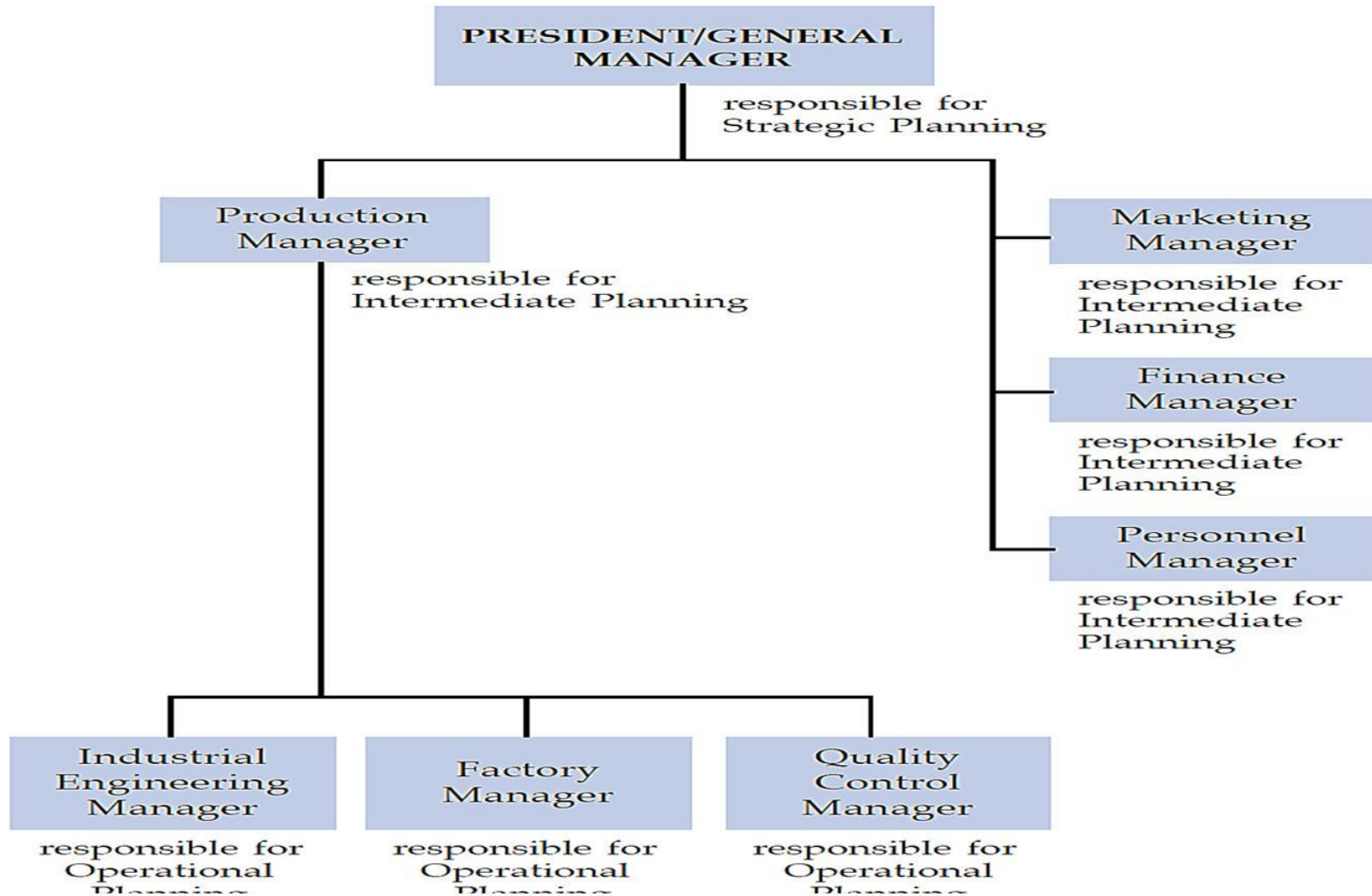


Figure 14. The Organization and Types of Planning Undertaken

Developing Strategies or Tactics to Reach Goals

- After determining the goals, the next task is to devise some means to realize them.
- The ways chosen to realize the goals are called *strategies* and these will be the concern of top management.
- The middle and lower management will adapt their own tactics to implement their plans.

- Strategy may be defined as a course of action aimed at ensuring that the organization will achieve its objectives.
- A *tactic* is a short-term action by management to adjust to negative or external influences.
- They are formulated and implemented in support of the firm's strategies.
- The decision about short-term goals and the courses of action are indicated in the tactical plan.

ORGANIZATIONAL LEVEL

EXAMPLE OF GOAL

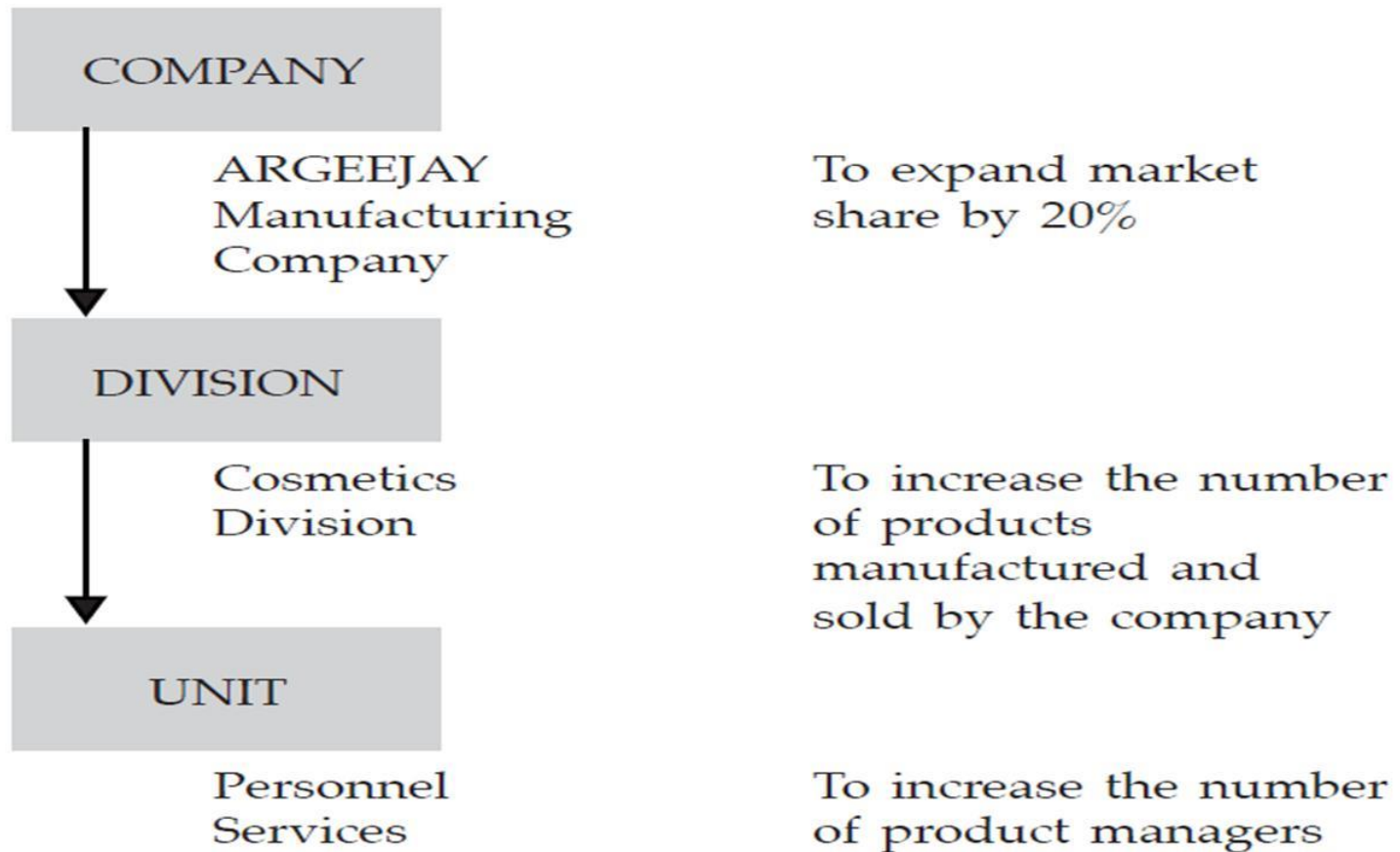


Figure 15. Examples of Goals, by Organizational Level

Determining Resources Needed

- When particular sets of strategies or tactics have been devised, the manager will then determine the human and non-human resources required by such strategies or tactics.
- To satisfy strategic requirements, a general statement of needed resources will suffice.
- The specific requirements will be determined by the different units of the company.

Setting Standards

- The standards for measuring performance may be set at the planning stage.
- When actual performance does not match with the planned performance, corrections may be made or reinforcements given.
- *Standard* may be defined as a quantitative or qualitative measuring device designed to help monitor the performance of people, capital goods, or processes.

Types of Plans

- Plans are of different types. They may be classified in terms of functional area, time horizon, and frequency of use.

Functional Area Plans

<i>Marketing plan</i>	This is the written document or blueprint for implementing and controlling an organization's marketing activities related to a particular marketing strategy.
<i>Production plan</i>	This is a written document that states the quantity of output a company must produce in broad terms and by product family.
<i>Financial plan</i>	This is a document that summarizes the current financial situation of the firm, analyzes financial needs, and recommends a direction for financial activities.
<i>Human resource management plan</i>	This is a document that indicates the human resource needs of a company detailed in terms of quantity and quality and based on the requirements of the company's strategic plan.

Plans with Time Horizon

- Plans with time horizon consist of the following:

Short-range plans

- These are plans intended to cover a period of less than one year.
- First line supervisors are mostly concerned with these plans.

Long-range plans

- These are plans covering a time span of more than one year.
- These are mostly undertaken by middle and top management.

Plans According to Frequency Use

According to frequency of use, plans may be classified as:

1. standing plans.

2. single use plans

Standing Plans

- These are plans that are used again and again, and they focus on managerial situations that recur repeatedly.

Standing plans may be further classified as follows:

1. Policies

- These are broad guidelines to aid managers at every level in making decisions about recurring situations or function.

2. Procedures

- These are plans that describe the exact series of actions to be taken in a given situation.

3. Rules

- These are statements that either require or forbid a certain action.

Single-Use Plans

- These plans are specifically developed to implement courses of action that are relatively unique and are unlikely to be repeated.
- Single-use plans may be further classified as follows:
 1. budgets;
 2. programs; and
 3. projects.

- The *budget* is a plan which sets forth the projected expenditures for a certain activity and explains where the required funds will come from.
- The *program* is a single-use plan designed to coordinate a large set of activities.
- The *project* is a single-use plan that is usually more limited in scope than a program and is sometimes prepared to support a program.

Parts of the Various Functional Area Plans

- The manager may be familiar with plans, knowing the details from beginning to end.
- However, the ever present possibility of moving from one management level to the next and from one functional area to another makes it important for the manager to be familiar with other functional area plans.

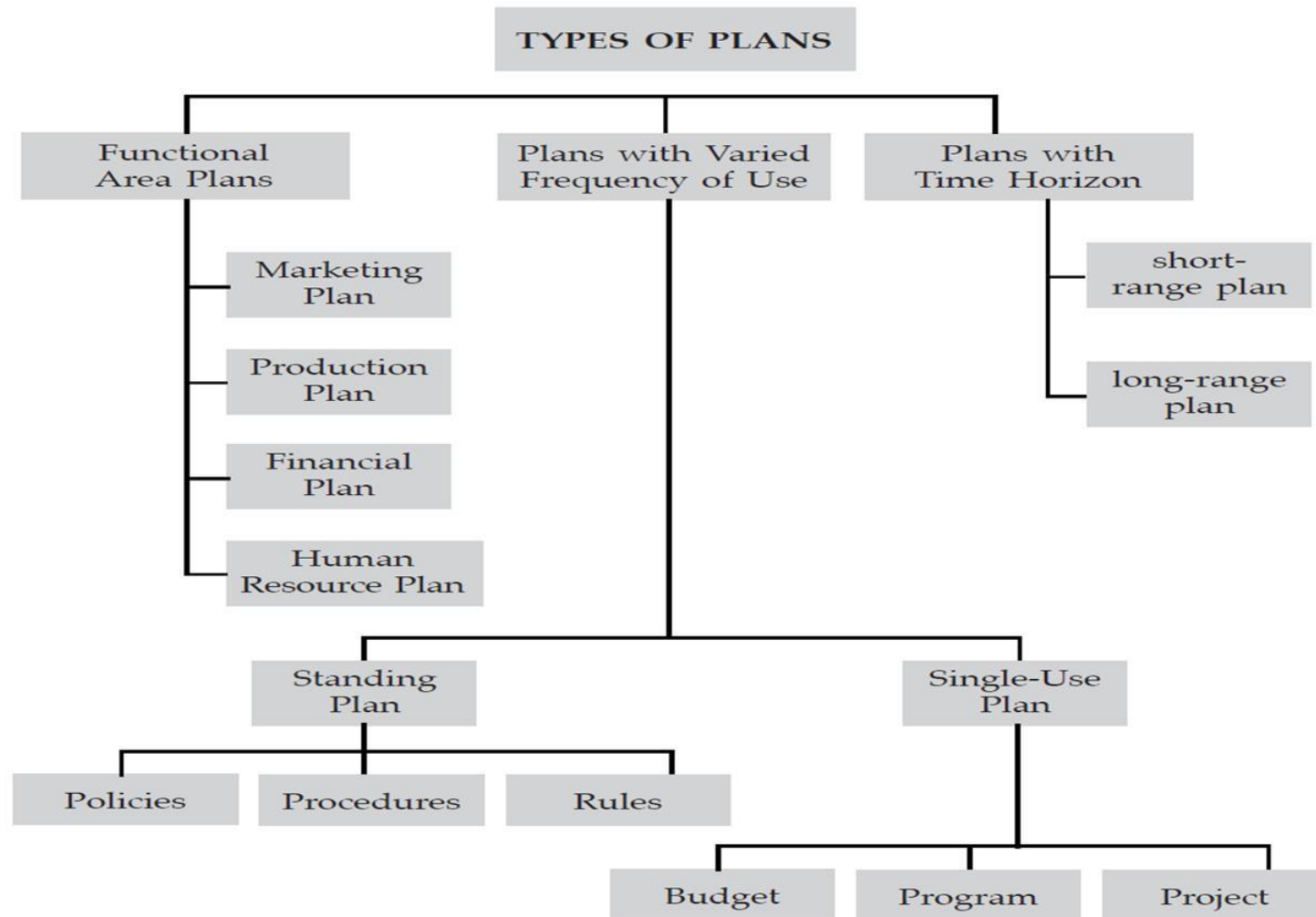


Figure 16. Types of Plans

The Contents of the Marketing Plan

1. The Executive Summary – which presents an overall view of the marketing project and its potential.
2. Table of Contents
3. Situational Analysis and Target Market
4. Marketing Objectives and Goals
5. Marketing Strategies
6. Marketing Tactics
7. Schedule and Budgets
8. Financial Data and Control

The Contents of the Production Plan

1. the production capacity the company must have;

2. the number of employees required; and

3. the quantity of material which must be purchased.

The Contents of the Financial Plan

1. an evaluation of the firm's current financial condition as indicated by an analysis of the most recent financial statements;
2. a sales forecast;
3. the capital budget;
4. the cash budget;
5. a set of pro forma (or projected) financial statements; and
6. the external financing plan.

Contents of the Human Resource Plan

1. personnel requirements of the company

2. plans for recruitment and selection

3. training plan

4. retirement plan

Parts of the Strategic Plan

1. company or corporate mission

2. objectives or goal

3. strategies

- The *company or corporate mission* refers to the strategic statements that identify why an organization exists, its philosophy of management, and its purpose as distinguished from other similar organizations in terms of products, services, and markets.

Making Planning Effective

- Planning may be made successful if the following are observed:
 1. recognizing the planning barriers
 2. using the aids to planning

- The planning barriers consist of the following:
 1. the manager's inability to plan
 2. improper planning process
 3. lack of commitment to the planning process
 4. improper information
 5. focusing on the present at the expense of the future
 6. too much reliance on the planning department
 7. concentrating on only the controllable variables

- Among the aids to planning that may be used are:
 1. gathering as much information as possible
 2. developing multiple sources of information
 3. involving others in the planning process