Title: Plans and Planning Techniques
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Chapter 5
Plans and Planning Techniques
Chapter 5

• How and why do managers use the planning process?
• What types of plans do managers use?
• What are some useful planning tools and techniques?
5.1

How and Why Managers Plan

- Planning is one of the four functions of management.
- Planning is the process of setting objectives and identifying how to achieve them.
- Planning improves focus and action orientation.
- Planning improves coordination and control.
- Planning improves time management.
HOW AND WHY MANAGERS PLAN

The Planning Function

• Planning sets objectives and identifies how to achieve them.
HOW AND WHY MANAGERS PLAN

Planning Steps

Define objectives
Stretch goals – performance targets that require hard work

Determine current status compared to objectives

Develop premises regarding future conditions and generate alternative scenarios for what may happen

Analyze alternatives and make a plan

Implement and evaluate the plan
Reasons for Planning

Good planning makes us:

- Action oriented—keeping a results-driven sense of direction
- Priority oriented—making sure the most important things get first attention
- Advantage oriented—ensuring that all resources are used to best advantage
- Change oriented—anticipating problems and opportunities so they can be best dealt with
Reasons for Planning

Planning improves focus and action orientation

- Action orientation
- Clear priorities
- Avoid complacency trap
Reasons for Planning

Improved coordination and control

• Planning links with control so success can be measured

• Hierarchy of objectives – lower level objectives help accomplish higher ones
HOW AND WHY MANAGERS PLAN

Reasons for planning

Planning improves time management
5.2

Types of plans

• Managers use short-range and long-range plans.

• Managers use strategic and operational plans.

• Organizational policies and procedures are plans.

• Budgets are plans that commit resources to activities.
TYPES OF PLANS

Time Frames

- Short-range plans
  - usually cover a year or less.
- Long-range plans
  - Usually cover three years or more
TYPES OF PLANS

Time Frames

Jaques’s Findings on Long-Term Thinking

• Most people are comfortable with 3-month time spans.
• Some work well with a 1-year time span.
• Only the rare person can handle a 20-year time span.
TYPES OF PLANS

Strategy

• Strategic Plans identify long-term directions for the organization.
• Vision is the purpose for the organization.
TYPES OF PLANS

Strategy

- Operational Plans identify activities to implement strategic plans.
- Functional plans identify roles of functional areas

- Production Plans
- Financial Plans
- Marketing Plans
- Facilities Plans
- Human Resource Plans
TYPES OF PLANS

Policies and procedures

Policy

• communicates broad guidelines for making decisions

Procedure

• defines specific actions to be taken in specific situations
TYPES OF PLANS

Budgets

Budgets commit resources to activities, programs or projects

Types of budgets

• Financial budgets project cash flows and expenses
• Operating budgets anticipate sales and revenue
• Nonmonetary budgets allocate resources
TYPES OF PLANS

Budgets

More types of budgets

• Fixed budgets allocate set amounts to a specific purpose
• Flexible budgets vary in proportion to a level of activity
• Zero based budgets start from scratch
Planning tools and techniques

- Forecasting tries to predict the future.
- Contingency planning creates back-up plans for when things go wrong.
- Scenario planning crafts plans for alternative future conditions.
- Benchmarking identifies best practices.
- Staff planners provide special expertise.
- Participatory planning improves implementation.
- Goal setting helps align plans and activities.
Forecasting attempts to predict the future

- Qualitative forecasting relies on expert opinions
- Quantitative forecasting relies on mathematical models and statistical analysis
Contingency and Scenario planning

Contingency planning identifies alternative courses of action when things go wrong. Scenario planning identifies future scenarios and how to deal with them.
Benchmarking identifies best practices used by others

- External comparisons provide insight for planning
- Best practices are methods that provide superior performance
TOOLS AND TECHNIQUES

Planners and Participation

Staff planners provide expertise in the planning process.

Participatory planning improves the implementation process.
## Goals

Goal setting aligns plans and activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specific</strong></td>
<td>- clearly target key results and outcomes to be accomplished</td>
</tr>
<tr>
<td><strong>Timely</strong></td>
<td>- linked to specific timetables and “due dates”</td>
</tr>
<tr>
<td><strong>Measurable</strong></td>
<td>- described so results can be measured without ambiguity.</td>
</tr>
<tr>
<td><strong>Challenging</strong></td>
<td>- include a stretch factor that moves toward real gains.</td>
</tr>
<tr>
<td><strong>Attainable</strong></td>
<td>- although challenging, realistic and possible to achieve.</td>
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</tbody>
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