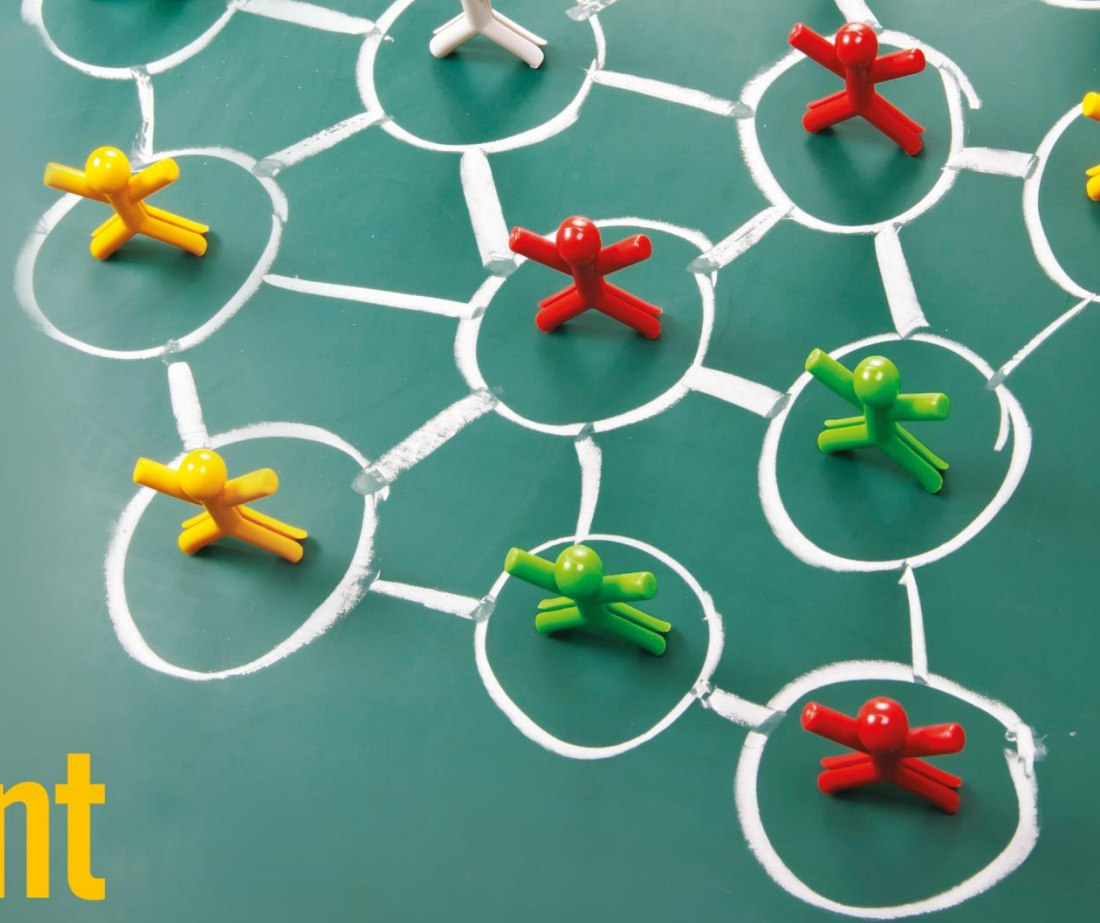


Introduction to
**Business
Management**

9TH EDITION

CHAPTER 7
PLANNING





Chapter content

- Introduction
- The benefits and costs of planning
- Managerial goals and plans
- The planning process
- The implementation of plans
- Summary



Introduction

- First component of management process
- Planning gives direction
- Forces managers to be future-oriented
- Enables the organisation to deal with changes in the business environment
- Two components of planning
 - Goals
 - Plans



The benefits of planning

- Planning provides direction
- Planning reduces the impact of change
- Planning promotes coordination
- Planning ensures cohesion
- Planning facilitates control



The costs of planning

- Planning may create rigidity
- Planning consumes management time
- Formal plans may replace intuition and creativity
- Planning could cause delays in decision-making



The nature of goals

- Goals are the starting point of the planning process
- Goals pertain to different aspects of the organisation
- Goals may be short, intermediate or long term
- Goals may be publicly stated or not



The importance of goals

- Goals provide guidance and agreement
- Goals facilitate effective planning
- Goals can inspire and motivate employees
- Goals provide a basis for evaluation
- Effective goal setting plays an important part in the success of organisations



Criteria for effective goals

- Goals should be specific
- Goals should be measurable
- Goals should be attainable
- Goals should be relevant
- Goals should be time-bound



A goal-setting technique

- Management by objectives
 - Manager and employee have discussion
 - Employee establishes performance targets
 - Employee and manager mutually establish checkpoints
 - Evaluation of degree of goal-attainment



The nature of plans

- A plan is a blueprint for goal achievement
- Managers consider alternative plans in order to select the best plan
- External factors, strengths and weaknesses, and costs affect the chosen plan



The planning context

- The purpose of the organisation
- The mission statement of the organisation
- The environment
- The values of managers
- The experience of management



Steps in the planning process

- Establish goals
- Develop alternative plans
- Evaluate alternative plans
- Select a plan
- Implement the plan
- Perform reactive planning if necessary

The planning process

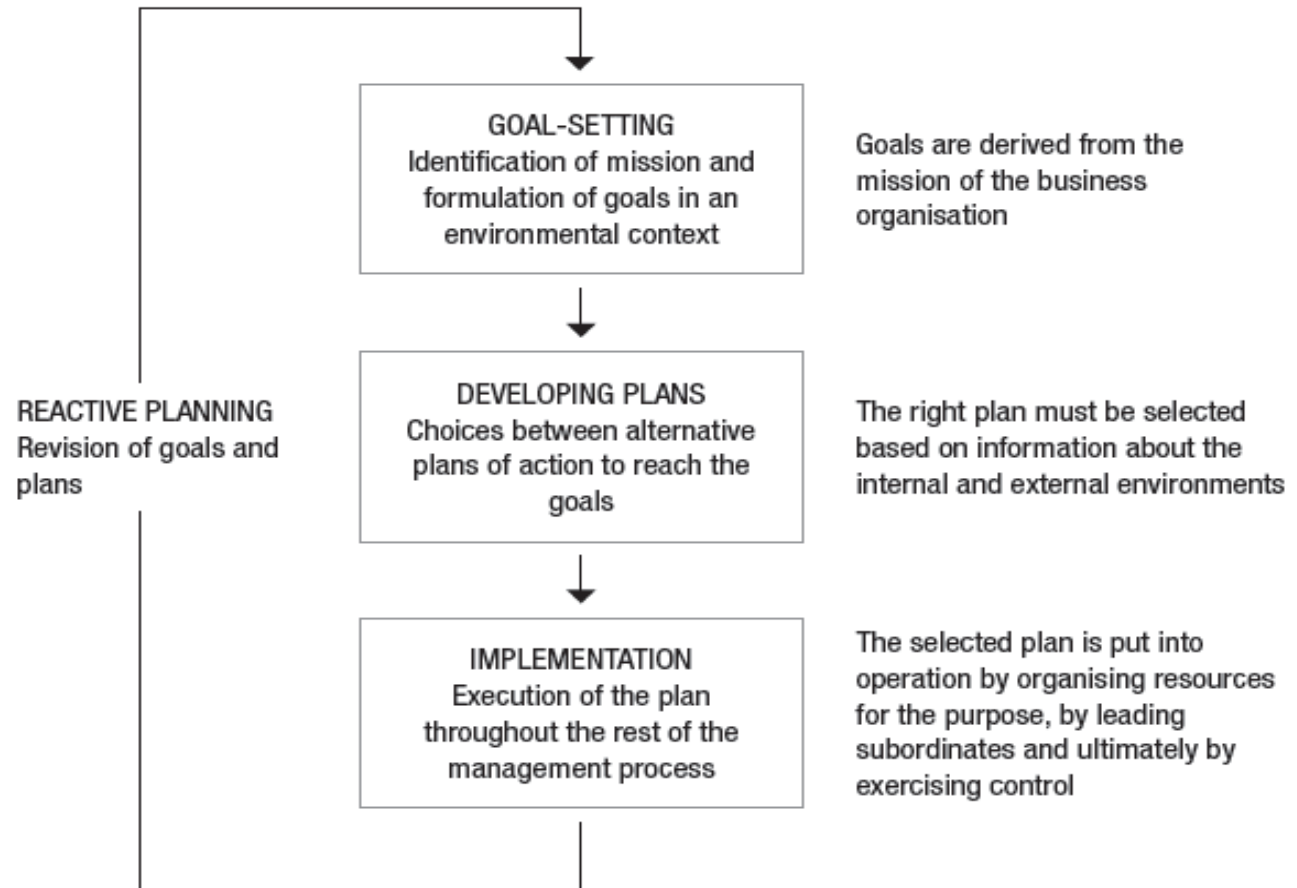


Figure 7.1: The planning process



Strategic goals and plans

- Strategic goals
- Strategic plans
- Tactical goals
- Tactical plans
- Operational goals
- Operational plans



Strategic goals

- Strategic goals include a vision, a mission statement and long-term goals:
 - Vision – managers consider new possibilities to carry organisation into the future
 - Mission statement – spells out the main goal of the organisation
 - Long-term strategic goals – stem from the mission statement, include critical areas such as profitability, productivity, competitive position, human resource development, human relations, technological leadership and social responsibility.



Strategic plans

- Strategic plans focus on organisation as a whole, over a period of five years.
- Has two levels - corporate strategies and business strategies:
 - Corporate strategies – focus on scope of organisation and how resources are used
 - Business strategies – determine how best to compete in a particular industry or market.



Tactical goals and plans

- Also known as functional goals and plans
- Focus on tasks required to achieve strategic goals
 - Tactical goals – are medium-term or short-term goals derived from long-term goals
 - Tactical plans – more specific focus, deal with people and actions.



Operational goals and plans

- Developed by middle-level and lower-level managers
- Operational goals – short-term goals, no more than one year, and deal with day-to-day activities
- Operational plans – short-term plans, purpose to achieve operational goals. Two forms of plans:
 - Single-use plans
 - Standing plans.



The implementation of plans

- Developing a framework for execution
- Leadership to set the plan in motion
- Control to determine performance
- Reactive planning may be necessary



Summary

- Planning is starting point of management process
- ‘What’ – goals of organisation
- ‘How’ – plans to achieve goals
- Strategic, tactical or operational
- Long term, medium term or short term
- Managers organise, lead and control