

# Principles of Management

## Module 3: Planning and Mission



# Understanding Pros and Cons of Planning

## **Pros of Planning**

- Provides a guide for action
- Improves resource utilization
- Provides motivation and commitment
- Sets performance standards
- Allows flexibility

## **Cons of Planning**

- Prevents action
- Leads to complacency
- Prevents flexibility
- Inhibits creativity

# Planning

- Organizations have goals they want to achieve, so they must consider the best way of reaching their goals and must decide the specific steps to be taken. However, this is not a linear, step-by-step process. It is an iterative process with each step reconsidered as more information is gathered. As organizations go through the planning, they may realize that a different approach is better and go back to start again.

# Six Stages of the Planning Cycle

- Define objectives
- Develop premises
- Evaluate alternatives
- Identify resources
- Plan and implement tasks
- Determine tracking and evaluation methods



# Essential Aspects of the Planning Cycle

- Maintaining organizational focus
  - Defining specific goals to consider the vision, mission, and values of the organization
- Encouraging diverse participation
  - Provides opportunity for input
  - Establish planning committees that intentionally include people from diverse backgrounds
- Empowering and motivating employees
  - Empowers people to contribute
  - Motivates them to support outcomes

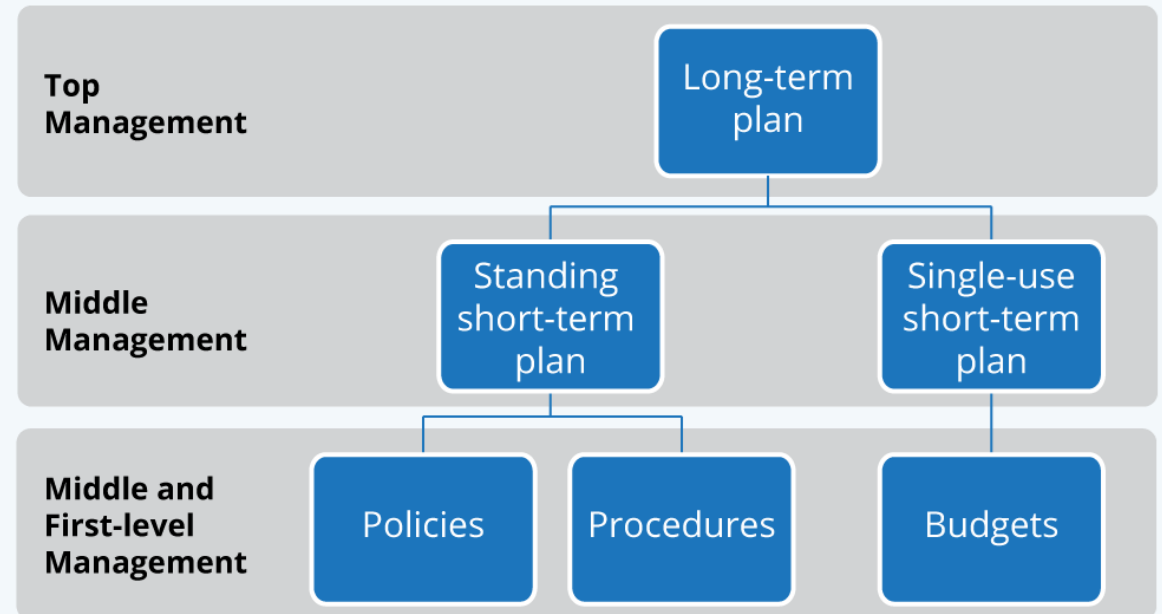
# Types of Plans and Common Planning Tools

# Types of Plans

- Long term
  - Crucial to ultimate success
  - Top management responsible for these plans
- Short term
  - Allocate resources for a year or less
  - must be monitored and updated
- Standing Plans
  - Policies, procedures, and regulations
- Single-use
  - One-time project or event (budgets, project schedules)

# Policies, Procedures, and Regulations

- Policies: broad guidelines for smooth operation- hiring and firing, promotions, etc.
- Procedures: steps to be followed in established operations- reflect company policies and support long-term goals
- Regulations: what is allowed and what is strictly prohibited= state and federal governments issue regulations often





# Long-term and short-term goals

- Watch the short animated video for a brief overview of the importance of long-term and short-term planning.
- [Long Term and Short Term Planning Animated](#)

# Role of Budgets in Planning Process

- Single-use and short-term
- Different budget types
  - Financial: balance sheets/expense statements
  - Operating: project revenue against expenditures
  - Nonmonetary: allocate resources such as labor and workspace
  - Fixed: do not change: sales revenue
  - Flexible: vary with level of activity



# Role of Budgets in Planning Process (cont)

- Important planning tool: going “over budget” is sign of poor planning.
- In some cases, to routinely come in under budget is also viewed negatively, because with more accurate budgeting those committed resources could have been allocated to other projects.
- Often, projects compete for limited resources so the best budget is the one that most closely projects actual expenses and revenue.

# Forecasting, Scenario Planning, and Contingency Planning

- Forecasting
  - Makes a prediction about future
  - Scientific forecasting is using mathematical models, historical data, and statistical analysis
  - Long-range forecasting requires both quantitative numerical data and qualitative data based on experts
- Contingency plans
  - Describes what will happen in a possible—but not expected--situation
  - Used to handle emergency situations

# Management By Objective and SMART Goals

- Management By Objective (MBO)
  - Jointly set goals and objectives, plan tasks for employees, agree on standards for evaluating performance, meet to review progress often
- SMART Goals
  - Provides incentives to employees, empowering them to set own objectives, honestly communication with workers
  - **S**pecific, **M**easurable, **A**chievable, **R**elevant, **T**ime-bound
- Benchmarking: looking for performance levels outside organization
  - Industry, geography, organization, processes, innovation

# Benchmarking

- looks for performance levels outside your organization, and sometimes across departments
  - Industry
    - consider your competitors
  - Geography
    - Consider the regional economy
  - Organization
    - Consider the economic climate
  - Processes
    - May also be called “strategic benchmarking”
  - Innovation
    - Considers processes used by partners or competitors