

*"Considering the future of our children and young people . . . we have no choice but to go ahead with the village-wide evacuation."
Mayor Noro Kanno of Kawamata-cho town, after a 9.0 earthquake and monster tsunami wrecked nuclear power facilities in Fukushima, Japan.*



Plans and Planning Techniques

Get There Faster with Objectives

5

Management Live

Time Management and 27 Dresses

In *27 Dresses*, Jane Nichols (Katherine Heigl) works as a personal assistant for George (Edward Burns), the owner of Urban Everest. Jane has a penchant for detail and also lives a second life as “professional” bridesmaid and unofficial wedding planner.

The movie opens with Jane standing in for a bride as final alterations are made on the dress, then scurrying off to attend two weddings occurring almost simultaneously. We learn that Jane is a fastidious planner who keeps a “file of facts” and a tight schedule.

Managing time involves more than writing to-do lists. Jane is an excellent example. Unlike some who are good at writing things down but then never get the really important work done, Jane follows through. We might say she has a flair for wrapping things up with style.

What about you? You probably juggle multiple responsibilities, such as school, a job, relationships, and extracurricular activities. Time management is an essential planning skill in the fast-paced and complicated world of business and for new graduates entering the workforce. Are you able to do it like Jane, consistently getting the right things done in the right ways? Look for insights in this chapter to help improve your planning skills.



Fox 2000 Pictures/Photofest

YOUR CHAPTER 5 TAKEAWAYS

1. Understand how and why managers use the planning process.
2. Identify the types of plans used by managers.
3. Describe useful planning tools and techniques.

WHAT'S INSIDE

Explore Yourself
More on **time management**

Role Models
Don Thompson keeps the focus for career success

Ethics Check
E-waste graveyards offer easy way out

Facts to Consider
Policies on office romances vary widely

Manager's Library
Analytics at Work: Smarter Decisions, Better Results by Thomas Davenport, Jeanne Harris, and Robert Morison

Takeaway 5.1

How and Why Do Managers Use the Planning Process?

ANSWERS TO COME

- 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.

Planning is the process of setting performance objectives and determining how to accomplish them.

IT CAN BE EASY TO GET SO ENGROSSED IN THE PRESENT THAT WE FORGET ABOUT the future. Yet a mad rush to the future can sometimes go off track without solid reference points in the past. The trick is to blend past experiences and lessons with future aspirations and goals and to be willing to adjust as new circumstances arise. The management function of **planning** helps us do just that. It is a process of setting goals and objectives and determining how to best accomplish them. Said a bit differently, planning involves looking ahead, identifying exactly what you want to accomplish, and deciding how best to go about it.

||| Planning is one of the four functions of management.

Among the four management functions shown in Figure 5.1, planning comes first. When done well, it sets the stage for the others: organizing—allocating and arranging resources to accomplish tasks; leading—guiding the efforts of human resources to ensure high levels of task accomplishment; and controlling—monitoring task accomplishments and taking necessary corrective action.

In today's demanding organizational and career environments, effective planning is essential to staying one step ahead of the competition. An Eaton Corporation annual report, for example, once stated: "Planning at Eaton means taking the hard decisions before events force them upon you, and anticipating the future needs of the market before the demand asserts itself."¹

You really should take these words to heart. But instead of a company, think about your personal situation. What hard decisions do you need to make? Where are the job markets going? Where do you want to be in your career and personal life in the next 5 or 10 years?

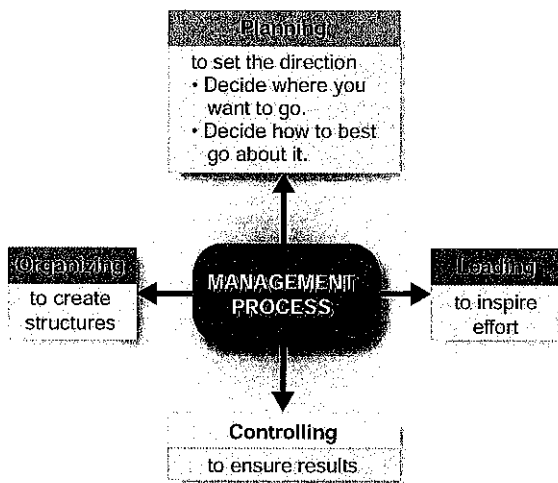


FIGURE 5.1 Why Does Planning Play a Central Role in the Management Process?

Planning is the first of the four management functions. It is the process of setting objectives—deciding where you want to go—and then identifying how to accomplish them—determining how to get there. When planning is done well, it provides a strong foundation for success with the other management functions.

III Planning is the process of setting objectives and identifying how to achieve them.

From experience alone, you are probably familiar with planning and all that it involves. But it also helps to understand Table 5.1—Steps in the Planning Process and its action implications.

Table 5.1 Steps in the Planning Process

- | |
|--|
| <p>Step 1. Define your objectives Know where you want to go; be specific enough to know you have arrived when you get there and how far off you are along the way.</p> <p>Step 2. Determine where you stand vis-à-vis objectives Know where you presently stand in reaching the objectives; identify strengths that work in your favor and weaknesses that can hold you back.</p> <p>Step 3. Develop premises regarding future conditions Generate alternative scenarios for what may happen; identify for each scenario things that may help or hinder progress toward your objectives.</p> <p>Step 4. Make a plan Choose the action alternative most likely to accomplish your objectives; describe what must be done to implement this course of action.</p> <p>Step 5. Implement the plan and evaluate results Take action; measure progress toward objectives as implementation proceeds; take corrective actions and revise the plan as needed.</p> |
|--|

Step 1 in planning is to define your **objectives** and to identify the specific results or desired goals you hope to achieve. This step is important enough to stop and reflect a moment. Whether you call them goals or objectives, they are **targets**. They point us toward the future and provide a frame of reference for evaluating progress. With them, as the module subtitle suggests, you should get where you want to go and get there faster.

Step 2 in planning is to compare where you are at present with the objectives. This establishes a baseline for performance; the present becomes a standard against which future progress can be gauged. Step 3 is to formulate premises about future conditions. It is where one looks ahead, trying to figure out what may happen. Step 4 is to make an actual **plan**. This is a list of actions that must be taken to accomplish the objectives. Step 5 is to implement the plan and evaluate results. This is where action takes place and measurement happens. Results are compared with objectives, and if needed, plans are modified to improve things in the future.

Have you thought about how well you plan and how you might do it better? Managers should be asking the same question. They rarely get to plan while working alone in quiet rooms free from distractions. Because of the fast pace and complications of the typical workday, managerial planning is ongoing. It takes place even as one deals with a constant flow of problems in a sometimes hectic and demanding work setting.² Yet it's all worth it: Planning offers many benefits to people and organizations.³

- **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

Objectives are specific results that one wishes to achieve.

A **plan** is a statement of intended means for accomplishing objectives.

◀ Good Planning
Makes Us...



Analytics at Work: Smarter Decisions, Better Results
by Thomas Davenport, Jeanne Harris, and Robert Morison

Manager's Library

FACE THE FACTS, THOSE GUT FEELINGS COULD BE MISLEADING YOU

In the book *Analytics at Work: Smarter Decisions, Better Results* (2010, Harvard Business Press), authors Thomas Davenport, Jeanne Harris, and Robert Morison argue that organizations can improve their strategies by making better use of available information to guide decisions. A key point is that organizations have access to vast amounts of data but often fail to leverage it for competitive gain. Analytical approaches to decision making can yield smarter choices with improved results. Data sources include, among others, transactional records within enterprise systems and databases, clickstream data from Web activity, checkout scanner data, and information from customer loyalty programs.

The authors suggest that all aspects of organizations are ripe for analytic improvement. Customer relationships can be enhanced by segmenting types, understanding preferences,

predicting desires, and identifying loyal or departing patrons. Supply chains can be streamlined by optimizing inventory levels, delivery routes, and production schedules. Human resources can be improved by hiring those likely to stay and predicting those prone to depart.

Analytics are great tools, and we need to get better at using them. The authors say organizations are more intelligent when managers use facts, and not feelings, to guide decisions.

REFLECT AND REACT

Choose a business and describe the analytics it might use to plan improvements in a process such as customer relationship management. For example, how might it determine which products are most popular, most profitable, or trending toward less popular? How might it optimize inventory levels or hire better workers? And by the way, do you also agree that better analytics can help improve personal planning?

||| Planning improves focus and action orientation.

Planning can help sharpen focus and increase flexibility, both of which improve performance. An organization with focus knows what it does best and what it needs to do. Individuals with focus know where they want to go in a career or situation, and they keep that focus even when difficulties arise. An organization with flexibility is willing and able to change and adapt to shifting circumstances. An individual with flexibility adjusts career plans to fit new and developing opportunities.

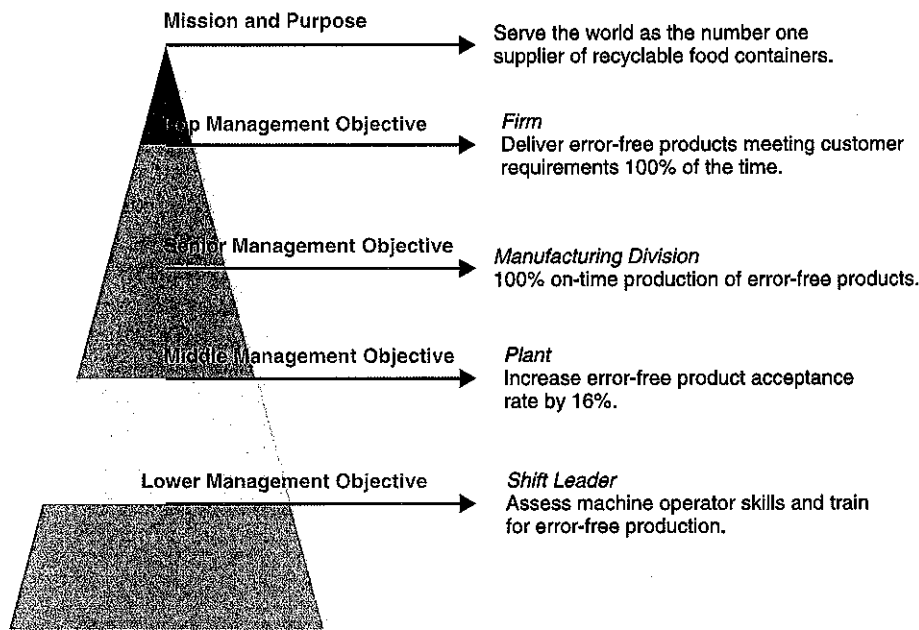
Planning helps us avoid the complacency trap of being lulled into inaction by successes or failures of the moment. Instead of being caught in the present, planning keeps us looking toward the future. Management consultant Stephen R. Covey described this as an action orientation with a clear set of priorities.⁴ He said the most successful executives “zero in on what they do that adds value to an organization.” They know what is important, and they work first on the things that really count. They don’t waste time by working on too many things at once.

Would a friend or relative describe you as focused on priorities, or as always jumping from one thing to another? Could you achieve more by getting your priorities straight and working hard on things that really count?

The **complacency trap** is being lulled into inaction by current successes or failures.

III Planning improves coordination and control.

Organizations consist of many people and subsystems doing many different things at the same time. But even as they pursue the various tasks, their accomplishments must add together meaningfully if the organization is to succeed. Good planning facilitates coordination by linking people and subsystems in a **hierarchy of objectives**. This is a means–ends chain in which lower-level objectives (the means) lead to the accomplishment of higher-level objectives (the ends). An example is the total quality management program shown in Figure 5.2.



In a **hierarchy of objectives**, lower-level objectives help to accomplish higher-level ones.

FIGURE 5.2
How Might a Hierarchy of Objectives Guide a Quality Management Program in a Manufacturing Firm?
A hierarchy of objectives identifies a means–ends chain through which lower-level objectives become the pathways for accomplishing higher-level ones. In the case of total quality management, the top-level objective (delivering error-free products that meet customer needs 100% of the time) moves step-by-step down the hierarchy until the point where a shift supervisor supports TQM with the objective of making sure that machine operators are trained well enough to do error-free work.

Good planning also sets the stage for controlling in the management process. It's hard to exercise control if you haven't set objectives. Without control, plans may fail because of a lack of follow-through. With both, it's a lot easier to see when things aren't going well and make the necessary adjustments. Two years after launching a costly information technology upgrade, for example, the CEO of McDonald's realized that the system couldn't deliver on its promises. He stopped the project, took a loss of \$170 million, and refocused the firm's resources on projects with more direct impact on customers.⁵

III Planning improves time management.

When Daniel Vasella was CEO of Novartis AG and its 98,000 employees spread across 140 countries, he was calendar bound—"locked in by meetings, travel and other constraints." To stay on track, he would list priorities of things to do. As CEO of ING US Wealth Management, Kathleen Murphy was also calendar bound, with conferences and travel booked a year ahead. She scheduled meetings at half-hour intervals, worked 12-hour days, and spent 60% of her time traveling.

How to Better Manage Your Time >>>

She also made good use of her time on planes, where, she says, “no one can reach me by phone and I can get reading and thinking done.”⁶

- Set priorities for what really needs to get done.
- Work on the most important things first.
- Leave details for later, or delegate them to others.
- Say “No!” to requests that divert attention from your priorities.
- Take charge of your schedule; don’t let others control what you do and when.
- Stick with your choices; not everything deserves immediate attention.

These are common executive stories—tight schedules, little time alone, lots of meetings and phone calls, and not much room for spontaneity. And the keys to success in these classic management scenarios rest, in part at least, on another benefit of good planning—time management. It is an important management skill and competency, and a lot of time management comes down to discipline and priorities. Lewis Platt, former chairman of Hewlett-Packard, once said: “Basically, the whole day is a series of choices.”⁷ These choices have to be made in ways that allocate your time to the most important priorities.

Surely you have experienced difficulties in balancing time-consuming commitments and requests. Indeed, it is all too easy to lose track of time and fall prey to what consultants identify as “time wasters.” Of course, you have to be careful in defining “waste.” It isn’t a waste of time to occasionally relax, take a breather from work, and find humor and pleasure in social interactions. Such breaks help us gather and replenish energies to do well in our work. But it is a waste to let other people or nonessential activities dominate your time.⁸

Although to-do lists can help, they aren’t much good unless the lists contain the high-priority things. We need to distinguish between things that we must do (top priority), should do (high priority), might do (low priority), and really don’t need to do (no priority).



{ TO-DO LISTS ARE OFTEN PUT TOGETHER WITH BEST INTENTIONS
BUT FAIL TO DELIVER RESULTS AT THE END OF THE DAY.

Explore Yourself

■ Time Management

One of the most consistently top rated “must-have” skills for new graduates entering fast-paced and complicated careers in business and management is **time management**. Many, perhaps most, of us keep to-do lists. But it’s the rare person who is consistently successful in living up to one.

Time management is a form of planning, and planning can easily suffer the same fate as the to-do lists—put together with the best of intentions, but with little or nothing to show in terms of results at the end of the day. There are a lot of good ideas in this chapter on how to plan, both in man-

agement and in our personal lives. Now is a good time to get in touch with your time management skills and to start improving your capabilities to excel with planning as a basic management function.

Get to know yourself better by taking the **Time Management Profile** self-assessment and completing other activities in the *Exploring Management Skill-Building Portfolio*.

STUDY GUIDE

Takeaway 5.1

How and Why Do Managers Use the Planning Process?

Terms to Define

Complacency trap

Hierarchy of objectives

Objectives

Plan

Planning

Rapid Review

- Planning is the process of setting performance objectives and determining how to accomplish them.
- A plan is a set of intended actions for accomplishing important objectives.
- The steps in the planning process are (1) define your objectives, (2) determine where you stand vis-à-vis objectives, (3) develop premises regarding future conditions, (4) make a plan to best accomplish objectives, (5) implement the plan, and evaluate results.
- The benefits of planning include better focus and action orientation, better coordination and control, and better time management.
- Planning improves time management by setting priorities and avoiding time wasters.

Questions for Discussion

1. Should all employees plan, or just managers?
2. Which step in the planning process do you think is the hardest to accomplish?
3. How could better planning help in your personal career development?

Be Sure You Can

- explain the importance of planning as the first of four management functions
- list the steps in the formal planning process
- explain the important link between planning and controlling as management functions
- illustrate the benefits of planning for a business or an organization familiar to you
- illustrate the benefits of planning for your personal career development
- list at least three things you can do now to improve your time management

Career Situation: What Would You Do?

Someone you really care about wants you to take a step forward in time management. She asks you to make a list of all the things you plan to do tomorrow and identify which ones are (A) *most important*—top priority, (B) *important*—not top priority, and (C) *least important*—low priority. Next, she says to double-check your Bs—asking if any should be As or Cs, and your As—to see if any should be Bs or Cs? So do it, and see how things turn out. Can an exercise like this help you take charge of your time and get the really important things done first?

Takeaway 5.2

What Types of Plans Do Managers Use?

ANSWERS TO COME

- 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.

MANAGERS FACE DIFFERENT PLANNING CHALLENGES IN THE FLOW AND PACE OF activities in organizations. In some cases, the planning environment is stable and predictable. In others, it is more dynamic and uncertain. To meet these different needs, managers rely on a variety of plans.

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

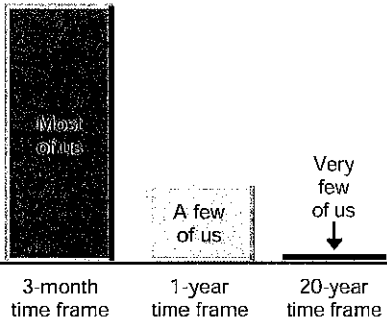
We live and work in a fast-paced world where planning horizons are becoming compressed. We now talk about planning in Internet time, where businesses are continually changing and updating plans. Even most top managers would likely agree that *long-range* planning is becoming shorter and shorter. A reasonable rule of thumb in this context is that **short-range plans** cover a year or less, whereas **long-range plans** look ahead three or more years into the future.⁹

Quite frankly, the advent of Internet time and shorter planning horizons might be an advantage for many of us. Management researcher Elliot Jaques found that very few people have the capacity to think long term.¹⁰ As shown in the figure, he believes that most of us work comfortably with only three-month time spans; some can think about a year into the future; only about one person in several million can handle a 20-year time frame.

Do Jaques's conclusions match your experience? And if we accept his findings, what are their implications for managers and career development? Although a team leader's planning challenges may rest mainly in the weekly or monthly range, a chief executive needs to have a vision extending at least some years into the future. Career progress to higher management levels still requires the conceptual skills to work well with longer-range time frames.¹¹

Short-range plans usually cover a year or less.

Long-range plans usually cover three years or more.



A **strategic plan** identifies long-term directions for the organization.

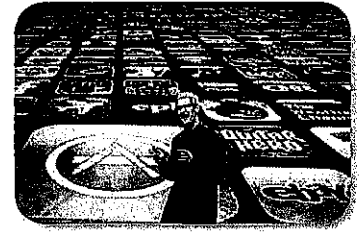
A **vision** clarifies the purpose of the organization and expresses what it hopes to be in the future.

||| Managers use strategic and operational plans.

When planning for the organization as a whole or a major component, the focus is on **strategic plans**. These longer-term plans set broad and comprehensive directions for an organization. Well crafted strategic plans create a framework for **allocating resources for best long-term performance impact**. They take a **vision that clarifies the purpose of the organization and what it hopes to be in the future and set out the ways to turn that vision into reality**.

Apple Plans for “Made in USA” to Become Part of Its New Mac Strategy

There was a time early in Apple’s life when all Mac computers were made at U.S. factories. Then the strategy shifted to outsourcing with foreign suppliers and assembly plants. But problems with worker safety and employment conditions in some of its contractors’ plants created uncomfortable publicity. Political pressures to bring jobs home added more fuel to the outsourcing fires. Now Apple CEO Tim Cook—considered the



Paul Sakuma/AP

genius behind the firm’s global supply chains, is planning to invest \$100 million to shift at least some of that foreign production of Macs back to American soil. It won’t be easy, and the plan is not a guaranteed success say analysts. Labor costs, worker skills, and even Federal Trade Commission rules on importing parts and qualifying for “Made in USA” labeling all add risk to the move.

When a sports team enters a game, it typically does so with a “strategy.” Most often this strategy is set by the head coach in conjunction with assistants. The goal is clear—win the game. But as the game unfolds, a variety of situations arise that require adjustments and responses to solve problems or exploit opportunities. They call for “tactics” that deal with the situation at hand while advancing the overall strategy for winning against the competition. These tactics are often decided on by assistant coaches, perhaps in consultation with the head coach.

The same logic holds true for organizations. **Operational plans**, also called **tactical plans**, are developed to implement strategic plans. They are shorter-term and step-by-step means for putting the strategies into action. In the sports context, you might think of tactical plans as involving the use of “special teams” plans or as “special plays” designed to meet a particular threat or opportunity. In business, tactical plans often take the form of **functional plans** that indicate how different parts of the enterprise will contribute to the overall strategy. Such functional plans might include the following:

- *Financial plans* deal with money required to support various operations.
- *Facilities plans* deal with facilities development and work layouts.
- *Marketing plans* deal with the requirements of selling and distributing goods or services.
- *Human resource plans* deal with the recruitment, selection, and placement of people into various jobs.
- *Production plans* deal with the methods and technology needed by people in their work.

III Organizational policies and procedures are plans.

In addition to strategic and operational plans, organizations also need plans that provide members with day-to-day guidance on such things as attendance, hiring practices, ethical behavior, privacy, trade secrets, and more. This is often provided in the form of organizational policies and procedures.

An **operational plan** or **tactical plan** sets out ways to implement a strategic plan.

A **functional plan** identifies how different parts of an enterprise will contribute to accomplishing strategic plans.

Yves Logghe/AP



“HE HAS THE ABILITY TO LISTEN, BLEND IN, ANALYZE, AND COMMUNICATE. PEOPLE FEEL AT EASE WITH HIM.”

Role Models

■ Don Thompson Keeps the Focus for Career Success

Some call Don Thompson, President and CEO of McDonald's, the “accidental executive.” He's not only one of the youngest top managers in the *Fortune* 500, but he also may have followed the most unusual career path. After graduating from Purdue University with a degree in electrical engineering, Thompson went to work for Northrop Grumman, a leading global security company. One day he received a call from a head-hunter. Thompson thought the job being offered was at McDonnell Douglas Company, a firm in which engineering is central. After finding out it was at McDonald's, he almost turned the opportunity down. But, after some encouragement he took the interview.

The first step in Thompson's career path at McDonald's was purchasing kitchen equipment. Later, and after he failed to win an annual McDonald's President's Award, the firm's diversity officer recommended that he speak with Raymond Mines, at the time the firm's highest-ranking African-American executive. When Thompson confided that he “wanted to have an impact on decisions,” Mines told him to move out of engineering and into the operations side of the business. The advice was right on, and Thompson listened well. His work not only excelled, but he also got the attention needed to advance to ever-higher

responsibilities that spanned restaurant operations, franchisee relations, strategic management, and eventually being appointed the company's first African-American CEO.

Thompson works from a corner office that has no door, and the building is configured with an open floor plan—all that fits well with Thompson's style and personality. His former mentor Raymond Mines says: “He has the ability to listen, blend in, analyze, and communicate. People feel at ease with him. A lot of corporate executives have little time for those below them. Don makes everyone a part of the process.” As for Thompson, he says, “I want to make sure others achieve their goals, just as I have.”

WHAT'S THE LESSON HERE?

As a leader—Thompson is described as “a real people guy and a teddy bear of a man who often greets people with a hug.” How much of Thompson's success traces to strong motivation, good planning, and clear goals? Is the resiliency he showed when things didn't always go according to plan a strength that many others might lack? Are there lessons here that could help others have successful careers?

A **policy** is a standing plan that communicates broad guidelines for decisions and action.

A **procedure** or rule precisely describes actions to take in specific situations.

A **policy** communicates broad guidelines for making decisions and taking action in specific circumstances. Common human resource policies address such matters as employee hiring, termination, performance appraisals, pay increases, promotions, discipline, and civility. Consider the issue of sexual harassment. How should individual behavior be guided? A sample sexual harassment policy states: “Sexual harassment is specifically prohibited by this organization. Any employee found to have violated the policy against sexual harassment will be subject to immediate and appropriate disciplinary action including but not limited to possible suspension or termination.”

Procedures, or rules, describe exactly what actions to take in specific situations. They are often found in employee handbooks or manuals as SOPs (standard operating procedures). Whereas a policy sets broad guidelines, procedures define specific actions to be taken. A sexual harassment policy, for example, should be backed up with procedures that spell out how to file a sexual harassment complaint, as well as the steps through which any complaint will be handled.¹² When Judith Nitsch started her engineering consulting business, for example, she defined a sexual harassment policy, established clear procedures for its enforcement, and designated both a male and a female employee for others to talk with about sexual harassment concerns.¹³



{ EIGHTY PERCENT OF EMPLOYERS PROHIBIT RELATIONSHIPS BETWEEN SUPERVISORS AND THEIR SUBORDINATES.

Facts to Consider

■ Policies on Office Romances Vary Widely

A former CEO of Boeing was asked to resign by the firm's board after his relationship with a female executive became public. But, employer policies on office relationships vary.

- 80% prohibit relationships between supervisors and subordinates.
- 24% prohibit relationships among persons in the same department.
- 13% prohibit relationships among persons who have the same supervisor.
- 5% have no restrictions on office romances.

- New trend—"love contracts," where employees pledge that their romantic relationships in the office won't interfere with their work.

YOUR THOUGHTS?

Do you know anyone who has been involved in an office relationship? What are your thoughts? Is this an area that employers should be regulating, or should office romance be left to the best judgments of those involved?

||| Budgets are plans that commit resources to activities.

A **budget** is a plan that commits resources to activities, programs, or projects. It is a powerful tool that allocates scarce resources among multiple and often competing uses. Managers typically negotiate with their bosses to obtain budgets that support the needs of their work units or teams. They are also expected to achieve performance objectives while keeping within their budgets.

Managers deal with and use various types of budgets. *Financial budgets* project cash flows and expenditures. *Operating budgets* plot anticipated sales or revenues against expenses. *Nonmonetary budgets* allocate resources such as labor, equipment, and space. A *fixed budget* allocates a fixed amount of resources for a specific purpose, such as \$50,000 for equipment purchases in a given year. A *flexible budget* allows resources to vary in proportion with various levels of activity, such as monies to hire temporary workers when workloads exceed certain levels.

All budgets play important roles in organizations by linking planned activities with the resources needed to accomplish them. But budgets can also get out of control. Sometimes, perhaps much too often, they creep higher and higher without getting enough critical scrutiny. If in doubt, just tune in to the latest debates over local and national government budgets. One of the most common problems is that resource allocations are rolled over from one time period to the next without any real performance review. A **zero-based budget** deals with this problem by approaching each budget period as if it were brand new. No guarantee exists for renewing any past funding. Instead, all proposals compete with a fresh start for available resources. This helps eliminate waste by making sure scarce resources are not spent on unproductive, outdated, or low-priority activities.

A **budget** is a plan that commits resources to projects or activities.

A **zero-based budget** allocates resources as if each budget was brand new.

STUDY GUIDE

Takeaway 5.2 What Types of Plans Do Managers Use?

Terms to Define

Budget
 Functional plan
 Long-range plan
 Operational (tactical) plan
 Policy
 Procedure
 Short-range plan
 Strategic plan
 Vision
 Zero-based budget

Rapid Review

- Short-range plans tend to cover a year or less, whereas long-range plans extend out to three years or more.
- Strategic plans set critical long-range directions; operational plans are designed to support and help implement strategic plans.
- Policies, such as a sexual harassment policy, are plans that set guidelines for the behavior of organizational members.
- Procedures are plans that describe actions to take in specific situations, such as how to report a sexual harassment complaint.
- Budgets are plans that allocate resources to activities or projects.
- A zero-based budget allocates resources as if each new budget period is brand new; no “rollover” resource allocations are allowed without new justifications.

Questions for Discussion

1. Is there any need for long-range plans in today’s fast-moving environment?
2. What types of policies do you believe are essential for any organization?
3. Are there any possible disadvantages to zero-based budgeting?

Be Sure You Can

- differentiate short-range and long-range plans
- differentiate strategic and operational plans
- explain how strategic and operational plans complement one another
- differentiate policies and procedures, and give examples of each
- explain the benefits of a zero-based budget

Career Situation: What Would You Do?

One of the persons under your supervision has contacted you about a “possible” sexual harassment complaint against a co-worker. But, she says that the organization’s procedures are not clear. You also decide they’re not clear and take the matter to your boss. He tells you to draft a set of procedures that can be taken to top management for approval. What procedures will you recommend so that future sexual harassment complaints can be dealt with in a fair manner?

Takeaway 5.3

What Are Some Useful Planning Tools and Techniques?

ANSWERS TO COME

- Forecasting tries to predict the future
- Contingency planning creates backup plans for when things go wrong
- Scenario planning crafts plans for alternative future conditions
- **Benchmarking** identifies best practices used by others
- Participatory planning improves implementation capacities
- Goal setting helps align plans and activities throughout an organization

THE BENEFITS OF PLANNING ARE BEST REALIZED WHEN PLANS ARE BUILT FROM strong foundations. Useful planning tools and techniques include forecasting, contingency planning, scenarios, benchmarking, participatory planning, and use of goal setting.

||| Forecasting tries to predict the future.

Crystal balls are notoriously cloudy when it comes to foreseeing the future. Who would have predicted just a few years ago that the time-tested auto brand Volvo would be bought by China's Geely, or that Jaguar and Land Rover would be bought by India's Tata group? Who would have predicted that two of America's giants—General Motors and Chrysler—would go in and out of bankruptcy while China was emerging as the largest car market in the world?

What about future conditions in the world at large? When asked recently to identify "where the danger lurks" ahead, 48% of top global executives chose climate change, 17% water shortages, 14% Middle East conflicts, 14% nuclear proliferation, and 6% pandemics.¹⁴ But, are they focused on the right things and staying on top of the right trends? At least one corporate CEO, GE's Jeffery Immelt, is frank about his failure to plan well for the recent economic and financial crisis before it actually hit. "I should have done more to anticipate the radical changes that occurred" he says. He's since been restructuring GE around a model he believes is more consistent with new economic realities.¹⁵

Forecasting is the process of predicting what will happen in the future. Periodicals such as *Business Week*, *Fortune*, and *The Economist* regularly report forecasts of industry conditions, interest rates, unemployment trends, and national economies, among other issues.¹⁶ Some rely on qualitative forecasting, which uses expert opinions to predict the future. Others involve quantitative forecasting, which uses mathematical models and statistical analysis of historical data and surveys.

Most plans involve forecasts of some sort. But, any forecast should be used with caution. Forecasts are planning aids, not planning substitutes. It is said that a music agent once told Elvis Presley: "You ought to go back to driving a truck because you ain't going nowhere." That's the problem with forecasts. They always rely on human judgment, and that judgment can be wrong.

Forecasting attempts to predict the future.

III Contingency planning creates backup plans for when things go wrong.

Of course things often go wrong. It is highly unlikely that any plan will ever be perfect. But picture this scene. A golfer is striding down the golf course with an iron in each hand. The one in her right hand is "the plan"; the one in her left is the "backup plan." Which club she uses will depend on how the ball lies on the fairway. One of any professional golfer's greatest strengths is being able to adjust to the situation by putting the right club to work in the circumstances at hand.

Planning in our work and personal affairs is often like that of the golfer. By definition, planning involves thinking ahead. But the more uncertain the environment, the more likely one's original assumptions, forecasts, and intentions may prove inadequate or wrong. And when they do, the best managers and organizations have alternative plans ready to go.

Contingency planning identifies alternative courses of action that can be implemented to meet the needs of changing circumstances. A really good contingency plan will contain "trigger points" for activating preselected alternatives. This is really an indispensable planning tool. But, it's surprising how many organizations lack good contingency plans to deal with unexpected events.

Poor contingency planning was very much in the news when debates raged over how BP managed the disastrous Deepwater Horizon oil spill in the Gulf of Mexico. Everyone from the public at large to U.S. lawmakers to oil industry experts criticized BP not only for failing to contain the spill quickly, but also for failing to anticipate and have contingency plans in place to handle such a crisis.

A BP spokesperson initially said—"You have here an unprecedented event . . . the unthinkable has become thinkable and the whole industry will be asking questions of itself."

An oil industry expert responded—"There should be a technology that is preexisting and ready to deploy at the drop of a hat . . . it shouldn't have to be designed and fabricated now, from scratch."

Former BP CEO Tony Hayward finally admitted—"There are some capabilities that we could have available to deploy instantly, rather than creating as we go."¹⁷

The lesson in the BP example is hard-earned but very clear. Contingency planning can't prevent crises from occurring. But when things do go wrong, there's nothing better to have in place than good contingency plans.

III Scenario planning crafts plans for alternative future conditions.

A long-term version of contingency planning, called **scenario planning**, identifies several alternative future scenarios. Managers then make plans to deal with each, so they will be better prepared for whatever occurs.¹⁸ In this sense, scenario planning forces them to really think far ahead.

This approach was developed years ago at Royal Dutch/Shell, when top managers asked themselves a perplexing question: "What would Shell do after its oil supplies ran out?" Although recognizing that scenario planning can never be inclusive of all future possibilities, a Shell executive once said that it helps "condition the organization to think" and better prepare for "future shocks."¹⁹

Contingency planning identifies alternative courses of action to take when things go wrong.



CHRISTOPHE SIMON/AFP/Getty Images

Scenario planning identifies alternative future scenarios and makes plans to deal with each.

Shell uses scenario planning to tackle such issues as climate change, sustainable development, fossil-fuel alternatives, human rights, and biodiversity. Most typically it involves descriptions of “worst cases” and “best cases.” In respect to oil supplies, for example, a worst-case scenario might be that global conflict and devastating effects on the natural environment occur as nations jockey with one another to secure increasingly scarce supplies of oil and other natural resources. A best-case scenario might be that governments work together to find pathways that take care of everyone’s resource needs while supporting the sustainability of global resources.

III Benchmarking identifies best practices used by others.

All too often managers become too comfortable with the ways things are going. They fall into the complacency trap discussed earlier and let habits and overconfidence trick them into believing the past is a good indicator of the future. Planning helps us deal with such tendencies by challenging the status quo and reminding us not to always accept things as they are. One way to do this is through benchmarking, a planning technique that makes use of external comparisons to better evaluate current performance.²⁰

Benchmarking uses external comparisons to gain insights for planning.

budgestockphoto/Stockphoto



OUR UNWANTED ELECTRICAL PRODUCTS OFTEN
END UP IN OFFSHORE E-WASTE GRAVEYARDS.

Ethics Check

■ E-Waste Graveyards Offer Easy Way Out

“Give me a plan,” says the boss. “We need to get rid of our electronic waste.”

This isn’t an uncommon problem. Have you ever considered where your old cell phone or computer monitor ends up when discarded in favor of a new one? Rapid changes in technology, effective advertising, and planned or built-in product obsolescence—designing a product with a limited useful life so that it becomes obsolete—have fueled what may be called an “e-waste monster.”

Lots of e-waste ends up in less-developed countries in Asia and Africa. The waste arrives by sea container or barge and goes into huge dumps. Local laborers, perhaps including children, disassemble the waste products under unsafe conditions and using methods like open-air incineration and acid baths. Their goal is to salvage valuable metals like platinum, silver, and gold and base metals like copper, iron, and aluminum.

Exporting to e-waste graveyards overseas may be less expensive than dealing with the waste at home, but what are the adverse environmental and health effects? What is the harm to people and planet? It isn’t a stretch to say that the workers often inhale toxic fumes; nearby streams can be polluted with runoff waste; and

even the streets and living areas of the workers become cluttered with electronic debris. Monitors or TVs with cathode-ray tubes contain up to four pounds of toxic lead. If improperly disposed, it can cause harm to health and environment. Hazardous substances such as lead, cadmium, mercury, and chromium are part of many electronics. When released, they can pollute groundwater and cause neurological damage in children.

It can be expensive to properly dispose of electronic waste. Regulatory controls or laws on its export tend to be light. Going offshore with e-waste may be cheap and easy. But, is it the correct thing to do?

YOU DECIDE

As countries become profitable hosts for e-waste, their governments may look the other way when it comes to environmental and human costs. Some even argue that e-waste business helps with a country’s development. Whose responsibility is it to deal with the adverse consequences of e-waste disposal? Is it just a local matter? Do the originating country and consumer have obligations as well? If a manager gives the directive to “ship the waste overseas” is this acceptable business practice?

Best practices are methods that lead to superior performance.

Participatory planning includes the persons who will be affected by plans and/or who will be asked to implement them.

Managers use benchmarking to discover what other people and organizations are doing well and plan how to incorporate these ideas into their own operations. They search for **best practices** inside and outside the organization and among **competitors and noncompetitors alike**. These are things that others are doing and that help them to achieve superior performance. As a planning tool, benchmarking is basically a way of learning from the successes of others. There's little doubt that sports stars benchmark one another; scientists and scholars do it; executives and managers do it. Could you be doing it, too?

Many top firms make good use of best practices benchmarks. Xerox, for example, has benchmarked L. L. Bean's warehousing and distribution methods, Ford's plant layouts, and American Express's billing and collections. In building its "world car," the Fiesta, Ford benchmarked BMW's 3 series. James D. Farley, Ford's global marketing head says: "The ubiquity of the 3 series engenders trust in every part of the world, and its design always has a strong point of view. . . ." ²¹ And in the fast-moving apparel industry, the Spanish retailer Zara has become a benchmark for both worried competitors and others outside the industry. ²² Zara is praised for excellence in affordable "fast-fashion." The firm's design and manufacturing systems allow it to get new fashions from design to stores in 2 weeks, whereas competitors may take months. Zara produces only in small batches that sell out and create impressions of scarcity. Shoppers at Zara know they have to buy now because an item will not be replaced, whereas at competitors, shoppers often wait for sales and inventory clearance bargains.

III Participatory planning improves implementation capacities.

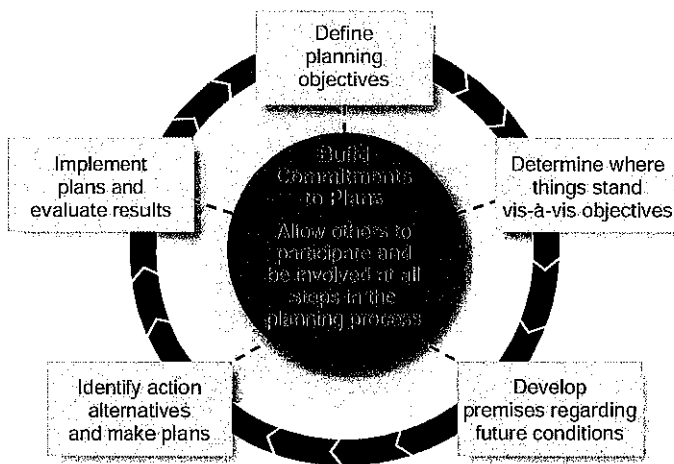


FIGURE 5.3 How Do Participation and Involvement Help Build Commitments to Plans?

Any plan needs the efforts and support of many people to make it work. It is easier and more likely to get this commitment when the people responsible for implementation have had the opportunity to participate in developing the plans in the first place. When managers use participatory planning and allow others to become involved in the planning process, it leads to better plans, a deeper understanding of the plans, and a strengthened commitment to fully implementing the plans.

When it comes to implementation, participation can be a very important word in planning. Participatory planning, as shown in Figure 5.3, includes in all steps of the process those people whose ideas and inputs can benefit the plans and whose support is needed for implementation. It has all the advantages of group decision making discussed in Chapter 4.

Participatory planning can increase the creativity and information available, it can increase understanding and acceptance of plans, and it can build stronger commitments to a plan's success. When 7-Eleven executives planned for new upscale products and services, such as selling fancy meals-to-go, they learned this lesson the hard way. Although their ideas sounded good at the top, franchise owners and managers disagreed. Their resistance taught the executives the value of taking time to involve lower levels in planning new directions for the stores. ²³

III Goal setting helps align plans and activities throughout an organization.

In the dynamic and highly competitive technology industry, CEO T. J. Rodgers of Cypress Semiconductor Corp. supports a planning system where employees work with clear and quantified work goals that they help set. He believes the system helps people find problems before they interfere with performance. Says Rodgers: "Managers monitor the goals, look for problems, and expect people who fall behind to ask for help before they lose control of or damage a major project."²⁴

Although Rodgers makes us aware of the importance of goal setting in management, he may make it look too easy. Just how goals are set can make a big difference in whether they work well or poorly to point people in the right directions and make sure plans are well implemented. If they are to have the desired effects, goals and objectives have to be good ones; they should push us to achieve substantial, not trivial, things. Jack Welch, former CEO of GE, believed in **stretch goals**—performance targets that we have to work extra hard and really stretch to reach.²⁵ Would you agree that stretch goals can add real strength to the planning process, for organizations and for individuals?

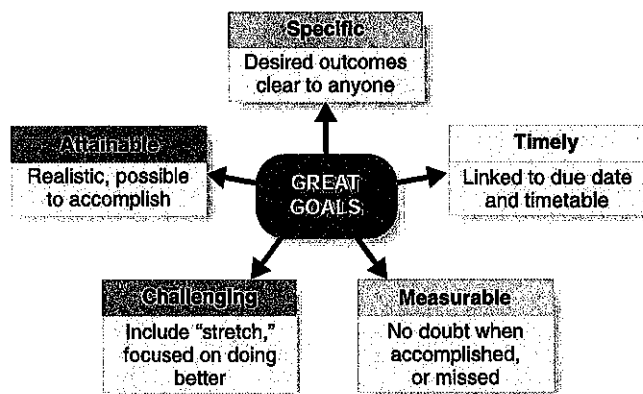
The following guidelines are starting points in moving from "no goals" and even just everyday run-of-the-mill "average goals" to having really "great goals"—ones that result in plans being successfully implemented. Great goals are

1. *Specific*—clearly target key results and outcomes to be accomplished.
2. *Timely*—linked to specific timetables and "due dates."
3. *Measurable*—described so results can be measured without ambiguity.
4. *Challenging*—include a stretch factor that moves toward real gains.
5. *Attainable*—although challenging, realistic and possible to achieve.

Even when individual goals are well set as part of a plan, managers must still make sure that the goals and plan for one person or work unit help accomplish the goals of the organization as a whole. It's always important to align goals from one level to the next so that the right things happen at the right times throughout an organization. Goals set anywhere in the organization should ideally help advance its overall mission or purpose. Strategic goals set by top management should cascade down the organization to become goals and objectives for lower levels. Ideally, goals link together across levels in a consistent "means-end" fashion as suggested earlier in Figure 5.2. When a hierarchy of goals and objectives is well defined through good planning, this helps improve coordination among the multiple tasks, components, and levels of work in organizations.

Stretch goals are performance targets that we have to work extra hard and stretch to reach.

5 Criteria for Great Goals



STUDY GUIDE

Takeaway 5.3

What Are Some Useful Planning Tools and Techniques?

Terms to Define

Benchmarking
Best practices
Contingency planning
Forecasting
Participatory planning
Scenario planning
Stretch goals

Rapid Review

- Forecasting, which attempts to predict what might happen in the future, is a planning aid but not a planning substitute.
- Contingency planning identifies alternative courses of action to implement if and when circumstances change and an existing plan fails.
- Scenario planning analyzes the implications of alternative versions of the future.
- Benchmarking utilizes external comparisons to identify best practices that could become planning targets.
- Participation and involvement open the planning process to valuable inputs from people whose efforts are essential to the effective implementation of plans.

Questions for Discussion

1. If forecasting is going to be imperfect, why bother with it?
2. Shouldn't all planning provide for contingency plans?
3. Are stretch goals a good fit for today's generation of college students when they enter the workplace?

Be Sure You Can

- differentiate among forecasting, contingency planning, scenario planning, and benchmarking
- explain the importance of contingency planning
- describe the benefits of participatory planning as a special case of group decision making

Career Situation: What Would You Do?

As CEO you've decided to hire a consulting firm to help write a strategic plan for your organization. The plan is important, but you are worried about getting "buy-in" from all members, not just those at the top. What guidelines will you give the consultants so that they come up with a solid strategic plan that has strong commitments to its implementation by all members of your organization?



TestPrep 5

Answers to TestPrep questions can be found at the back of the book.

Multiple-Choice Questions

1. Planning is best described as the process of _____ and _____.
 - (a) developing premises about the future; evaluating them
 - (b) measuring results; taking corrective action
 - (c) measuring past performance; targeting future performance
 - (d) setting objectives; deciding how to accomplish them
2. The benefits of planning often include _____.
 - (a) improved focus
 - (b) less need for controlling
 - (c) more accurate forecasts
 - (d) guaranteed success
3. The first step in the planning process is to _____.
 - (a) decide how to get where you want to go
 - (b) define your objectives
 - (c) identify possible future conditions or scenarios
 - (d) act quickly to take advantage of opportunities
4. As a first step to help implement her firm's strategic plans, the CEO of a business firm would want marketing, manufacturing, and finance executives to develop clear and appropriate _____.
 - (a) procedures
 - (b) operational plans
 - (c) zero-based budgets
 - (d) forecasts
5. _____ planning identifies alternative courses of action that can be quickly taken if problems occur with the original plan.
 - (a) Benchmark
 - (b) Participatory
 - (c) Staff
 - (d) Contingency
6. Having a clear sexual harassment policy won't help an organization much unless it is accompanied by clear _____ that let all members know for sure how it will be implemented.
 - (a) contingencies
 - (b) benchmarks
 - (c) procedures
 - (d) budgets
7. When a manager is asked to justify a new budget proposal on the basis of projected activities rather than as an incremental adjustment to the prior year's budget, this is an example of _____.
 - (a) zero-based budgeting
 - (b) strategic planning
 - (c) operational planning
 - (d) contingency planning
8. One of the expected benefits of participatory planning is _____.
 - (a) faster planning
 - (b) less need for forecasting
 - (c) greater attention to contingencies
 - (d) more commitment to implementation
9. When managers use benchmarking in the planning process, they usually try to _____.
 - (a) set up flexible budgets
 - (b) identify best practices used by others
 - (c) find the most accurate forecasts that are available
 - (d) use expert staff planners to set objectives
10. In a hierarchy of objectives, plans at lower levels are supposed to act as _____ for accomplishing higher-level plans.
 - (a) means
 - (b) ends
 - (c) scenarios
 - (d) benchmarks

11. If a team leader wants to tap the advantages of participatory planning, what type of decision-making method should he or she use?
- (a) Authority
 - (b) Quantitative
 - (c) Group
 - (d) Zero-based
12. From a time management perspective, which manager is likely to be in best control of his or her time? One who _____.
- (a) tries to never say "no" to requests from others
 - (b) works on the most important things first
 - (c) immediately responds to instant messages
 - (d) always has "an open office door"
13. A marketing plan in a business firm would most likely deal with _____.
- (a) production methods and technologies
 - (b) money and capital investments
 - (c) facilities and workforce recruiting
 - (d) sales and product distribution
14. The best planning goals or objectives would have which of the following characteristics?
- (a) Easy enough so that no one fails to reach them
 - (b) Realistic and possible to achieve, while still challenging
 - (c) Open ended, with no clear end point identified
 - (d) No set timetable or due dates
15. The planning process isn't complete until _____.
- (a) future conditions have been identified
 - (b) stretch goals have been set
 - (c) plans are implemented and results evaluated
 - (d) budgets commit resources to plans

Short-Response Questions

16. List the five steps in the planning process, and give examples of each.
17. How does planning facilitate controlling?
18. What is the difference between contingency planning and scenario planning?
19. Why is participation good for the planning process?

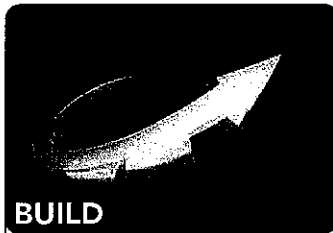
Integration and Application Question

20. My friends Curt and Rich own a local bookstore. They are very interested in making plans for improving the store and better dealing with competition from the other bookstores that serve college students in our town. I once heard Curt saying to Rich: "We should be benchmarking what some of the successful coffee shops, restaurants, and novelty stores are doing." Rich replied: "I don't see why; we should only be interested in bookstores. Why don't we study the local competition and even look at what the best bookstores are doing in the big cities?"

Questions: Who is right, Curt or Rich? If you were hired as a planning consultant to them, what would you suggest as the best way to utilize benchmarking as a planning technique to improve their bookstore? And, how would you use the planning process to help Curt and Rich come to a point of agreement on the best way forward for their bookstore?

BUILD MARKETABLE SKILLS
DO A CASE ANALYSIS
GET AND STAY INFORMED

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■ **CHAPTER 5 CASE SNAPSHOT:**

Nordstrom—“High Touch” with “High Tech”/ Sidebar on Global Supply Chains

A trip to the local department store isn't always a turn on. But a trip to Nordstrom's . . . well that's usually a trip worth taking. How has Nordstrom managed to stay fashionable and profitable in an economy of recession-weary consumers? How does it keep up with, or ahead of, changing fashion trends and intense competition among retailers? The fourth generation of family members running this business has brought time-honored retail practices into a new era. But in many ways, it's just the basics with an added dash of technology that makes the difference. Nordstrom provides a quality customer experience via personalized service, a compelling merchandise offering, a pleasant shopping environment and tight inventory management. Acute attention to detail and well-laid plans have allowed the company to navigate difficult times better than many rivals.

Dig into this **Hot Topic**

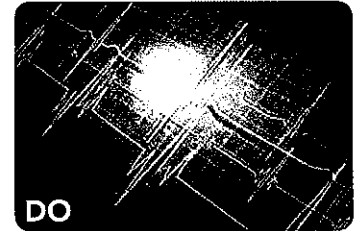
■ **PRO AND CON DEBATE** **Keep your career plan tight and focused, or loosen up?**

Executive 1. “Career planning is more art than science. . . . Nonetheless, some form of plan can greatly enhance the evaluation of various opportunities and enable you to make better career decisions. A career plan allows you to identify how to use your basic strengths to maximum advantage, set major career objectives, and establish immediate milestones to measure personal development and advancement.”

Executive 2. “A career . . . is a series of accidental changes of job and shifts of scenery on which you look back later, weaving through the story retroactively some thread of logic that was not visible at the time. If you try to carefully to plan your life, the danger is that you will succeed—succeed in narrowing your options and closing off avenues of adventure that cannot now be imagined.”

Those in favor of tight career planning are likely to say: “You need a plan to give yourself a sense of direction.” . . . “Having a career objective is highly motivating.” . . . “Without a plan you'll wander and not accomplish much of anything.” *Those against tight career planning are likely to say:* “How can you know today what the future might offer?” . . . “If you are too tightly focused you won't spot unique opportunities.” . . . “We grow and change over time, our career plans should too.”

Final Faceoff. Both executives are talking from experience and personal success. Is executive 1's advice right for most people—careers should be carefully planned and then implemented step-by-step to achieve a long-term goal? Or is executive 2's advice right for most people—careers are best built with flexibility and spontaneity to take advantage of opportunities that pop up along the way? How do these perspectives fit with what we know about job markets and career directions today? Which position do you favor? Or, would you rather blend a bit of both to carve a pathway to career success?



DO

A CASE ANALYSIS.
 STRENGTHEN YOUR
 CRITICAL THINKING!



AND STAY INFORMED.
 MAKE YOURSELF
 VALUABLE!