



Business Management BMA 204

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Part II Organizational Planning

Concepts and Principles Related to Planning



Planning is the most fundamental of the four management functions



Planning involves setting objectives and determining a course of action for achieving those objectives.



It is the part of management concerned with creating procedures, rules and guidelines for achieving a stated objective.



All other managerial functions must be planned if they are to be effective.



In the Absence of planning all the business activities will become meaningless

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Definitions

Where the organization wants to be in the future and how to get there –
Richard. L. Daft

Planning is a process of setting organization's goal and deciding how best to achieve them or a process of establishing goals and suitable course of action for achieving those goals

Planning is a process of identifying an organization's immediate/short term and long-term objectives and formulating and monitoring specific strategies to achieve them.



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Nature/Characteristics of Planning

- **Primacy of Planning**
 - It is the first and primary activity of managerial function
- **Planning is a process**
 - Planning is a process of management
- **Uniquity/ pervasiveness of planning**
 - Planning is a function which exist in all levels of managerial hierarchy
- **Future orientation**
 - Planning is future oriented
- **Information base**
 - Planning requires lot of authentic information of the organization based on which the plan will be formulated.
 - Information about present, future and past are needed for good planning
- **Rationality**
 - Planning is made based on reasons rather than emotions
- **Formal and informal nature**
 - Formal planning is done through investigation and analysis of various factors.
 - Informal planning is done by the managers and communicated them to others through the word of mouth which is flexible.
 - Informal planning is considered as a trial-and-error process



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Importance of Planning

- Planning based on organisation's current situation
- This allows managers to avoid risks and be prepared for the future
- The best managed companies tend to engage in continuous planning process due to the ever-changing business environment
- It is necessary to identify advantages and disadvantages lie in it when planning
- It is great to be optimistic about the future but important be realistic
- Business plans must appreciate that there are serious risks and need to make provision for avoidance of such risks

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Advantages of planning and its importance for a business organization

- **Planning provides direction**
 - the goals of the company are defined in simple and apparent terms
 - Result of this process is that all the employees get a direction, and all their attempts are targeted towards a particular end
 - Planning has a crucial part in the achievement of the goals of the company
 - **Example:** Suppose a company fixes sales target under the process of planning. Thereafter all divisions, purchase, personnel, finance etc., will decide their goals in perspective of the sales target
- **Planning decreases threats of uncertainty**
 - Planning is always done for upcoming and upcoming is unclear
 - With the help of planning possible changes later on are expected and various actions are organized in the best possible way
 - Through planning risk of upcoming concerns can be reduced
 - **Example:** To fix a sales target a survey can be undertaken to find out the number of new companies likely to enter the market. By keeping these facts in mind and planning the future activities, the possible difficulties can be voided

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- **Planning decreases overlapping and inefficient activities**
 - Under preparing, upcoming actions are organized to experience goals.
 - The questions of when, where what and why are almost made the decision
 - This point is an end to problems and doubt and end to overlapping and wasteful actions
 - Coordination is important among different actions and divisions
- **Planning encourages impressive ideas**
 - Planning choose the best substitute out of the many available
 - All these solutions do not come to the manager on their own, but they must be found.
 - Many new concepts may appear and need to analyse them intensively to be able to figure out the best out of them,
- **Planning help decision making**
 - Through planning, a wide range of solutions are found, and best option is selected
 - The planning places the focus on selection
 - It also places down the requirements for analysing considerations
 - In this way, planning facilitates selection

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- **Planning determines requirements for controlling**
 - By identifying the goals of the company through planning all the people working in the company and all the divisions are advised about **when, what, and how** to do things
 - Standards are set down about their work, initiatives and cost etc.
 - Under managing, at the time duration of finishing work, the actual work done contrasts with the standard work and diversion are found out and if the work has not been done as preferred the person involved are attributed
 - Example: a laborer is to do 10 units of working day(it is a matter of planning), but he finishes 8 units. Thus, there is a damaging differenced of 2 units. For this, he is attributed. (measurements of actual work, information of differences and having the laborer accountable drops under managing) thus, in the lack of planning controlling is not possible.
- **Major disadvantage of a business plan is that people get carried away with a plan and lose focus on reality and their environment. It important to update about what happened and how to adjust according to the market changes.**

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Nature of Business Direction

Planning

Deciding the future direction

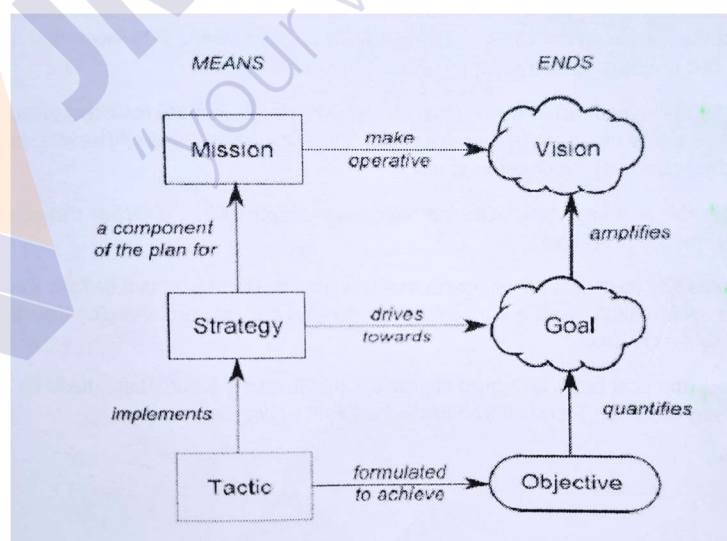
Need to identify in the planning process using vision and mission

Identify strategies

Identified to achieve the expected outcome in the future

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Nature of Future Direction



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Vision

Communicates both the purpose and values of the business. It decides where the company should direct or states what the organization aspires to become in the future

“To lead Sri Lanka towards an info-com and knowledge rich society through our service offering” Mobitel

“To be the nation's preferred bank with a strong global presence providing customer centric innovative financial solutions” - Bank of Ceylon

“To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises.” - Dialog Axiata



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Mission

Defines the purpose and primary objectives related to the customer needs and team values. Mission decides how the organization should achieve its destination

Mission reflects the organization's past and present by stating why the organization exists and what role it plays in society.

Providing reliable, innovative, customer friendly financial services, utilising cutting edge technology and focusing continuously on productivity improvement whilst developing our staff and acquiring necessary expertise to expand locally and regionally – mission statement of Commercial bank PLC

To lead in the provision of technology enabled connectivity touching multiple human sensors and faculties, through committed adherence to customer-driven, responsive and flexible business processes, and through the delivery of quality service and leading-edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of the team spirit.- Dialog Axiata

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Goal

The purpose toward which an endeavour is directed, however Goals may not be strictly measurable to tangible

Overall Organizational Goals

- Expand Market Presence: Increase market share by entering two new regional markets within the next year.
- Enhance Brand Reputation: Achieve recognition as a top industry leader through a series of high-profile awards and media coverage over the next 18 months.

Sales Department Goals

- Increase Revenue: Grow annual sales revenue by 20% over the next fiscal year.
- Expand Customer Base: Acquire 100 new clients in the next 12 months.

Marketing Department Goals

- Build Brand Awareness: Increase brand awareness by 30% within the next 6 months through targeted social media campaigns and partnerships.
- Improve Lead Generation: Generate 50% more qualified leads per month through an optimized content marketing strategy.

Human Resources Goals

- Enhance Talent Acquisition: Improve recruitment processes to reduce time-to-hire by 15% within the next 6 months.
- Increase Employee Satisfaction: Raise overall employee satisfaction scores by 10% through enhanced workplace initiatives and benefits over the next year.

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Objective

A specific results that a person or system aims to achieve with in the time frame and with available resources. Giving an example for objective is rather difficult, but by combining goal with the objective is easy to understand as below.

- Objectives are more specific and easier to measure than goals
- It is a basic fact that underline all planning and strategic activities
- The basis for creating policy and evaluating performance
- Objectives should be **SMART**
 - **Specific**
There are several key factors which should be present in the objectives that are set in order for them to be effective. They should be describing the result that is desired specifically
 - **Measurable**
In order to be able to use the objectives as a part of the review process, it should be very clear whether the person met the objective or not.
 - **Achievable**
Objectives should be reasonable enough to achieve
 - **Realistic**
Objectives that recognize factors that cannot be controlled. Realistic goals are potentially challenging but not so challenging that the chance of success is small
 - **Time-based**
There should be a period for any objective. That should be fulfilled within the given time frame

Example: Increasing the profitability by 5% during next year

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<p>Sales Team Objective: Increase quarterly sales revenue by 15% within the next 3 months. Specific: Increase sales revenue. Measurable: By 15%. Achievable: Based on current trends and past performance. Relevant: Directly impacts revenue growth. Time-bound: Within the next 3 months.</p>	<p>Customer Service Objective: Achieve a customer satisfaction score of 90% or higher within the next 4 months by enhancing training for customer service representatives. Specific: Achieve a customer satisfaction score. Measurable: 90% or higher. Achievable: With improved training for staff. Relevant: Directly relates to customer experience. Time-bound: Within the next 4 months.</p>
<p>Product Development Objective: Launch a new product line within 8 months that generates \$500,000 in revenue in the first 6 months post-launch. Specific: Launch a new product line. Measurable: \$500,000 in revenue. Achievable: Based on market research and product feasibility. Relevant: Supports growth and diversification. Time-bound: Within 8 months for launch, and revenue target in the first 6 months post-launch.</p>	<p>IT Department Objective: Increase system uptime to 99.9% over the next 6 months by upgrading infrastructure and implementing new monitoring tools. Specific: Increase system uptime. Measurable: To 99.9%. Achievable: Through infrastructure upgrades and new tools. Relevant: Essential for operational reliability. Time-bound: Over the next 6 months.</p>

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Planning steps

Step 1: Environmental Scanning

- The external and internal environment should be evaluated initially
- SWOT and PESTEL analyses are useful
- SWOT analysis
 - Strengths – Internal positive factors
 - Weaknesses – Internal negative factors
 - Opportunities – External positive factors
 - Threats – External negative factors

The outcome of the planning will be optimistic and realistic

- PESTEL analysis



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Step 02: Establish mission, goals and objectives

- Company vision, mission, goals and objectives are very important when planning to make clear idea about the future directions of the organisation
- Market competition, changes in the environment affects organizational future directions
- If the organization already developed vision and mission, they could establish goals and objectives as a part of their organization process, if not managers should develop vision and mission as well
- Objectives should be SMART to assume environmental changes and implement planning process, the plan should be realistic
- There should be a creative and forecasting decision making power to implement the planning process

Step 03: Establishing reasonable assumptions on environmental changes

- Based on the environmental scan conducted and the goals of the organization wants to achieve, planners should make justifiable and reasonable assumptions on how the related factors would change in the environment
- Example: How the price level and interest rates would change in the near future.

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Step 04: Developing alternatives

- Developing ways and means to achieve the goals and having options to come across facing challenges in order to achieve the vision, is the process of developing alternatives

Step 05: Evaluating alternatives to select the best one

- When the alternative options are decided(should be possible to implement) planner should decide on one best option to implemented
- Cost benefit analysis, profit analysis, situational analysis etc, can be used to decide the best option for the company

Step 06: preparing and assisting plans to implement

- Once the best option is selected, planners should allocate the required resources, hire personnel, train and assist all members involved to carry out the plans
- Financial assistance as well as expertise assistance is important

Step 07: implementation

- This refers to active operation of the plan, continuously guiding the team and evaluating the process as to achieve the target
- Planers should connect with the workers and subordinates closely to assure the tasks are being carried accordingly

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Step 08: Control and review performance

- Revise the process, addressing making mistakes and improvements
- The actual should be compared with set targets
- Evaluate the differenced with reasons and should take corrective actions for improvement

Environment should be scanned again to see whether the targets should be changes or not, and then the process continuous for improvement



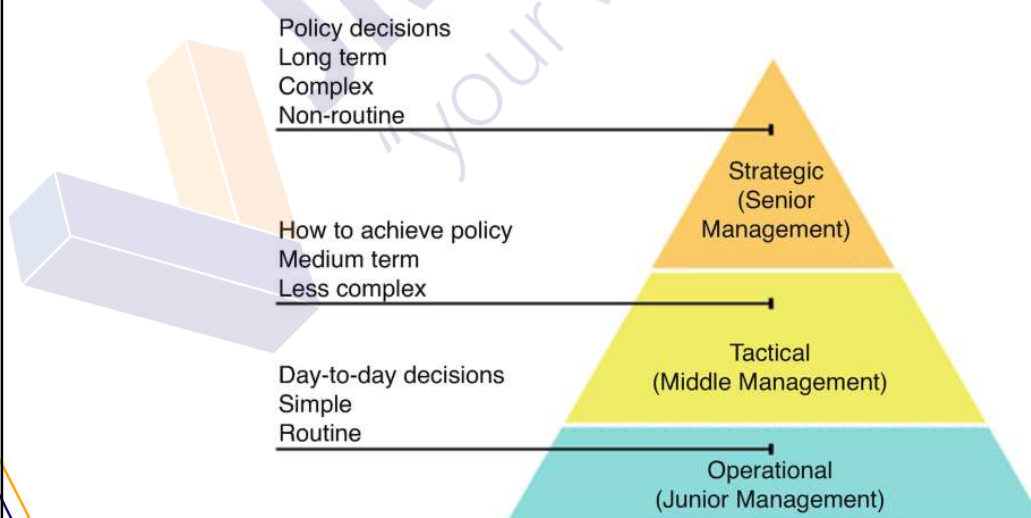
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Types of plans in a business



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Types of plans in a business



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Strategic Planning

- This refers to long term planning (longer than 5years) that covers the whole organization
- Senior management is involved in the strategic planning process
- It is a general plan outlining the decision of resource allocation, priorities and action steps necessary to reach strategic goals
- Strategic planning is based on the organization's mission, which is the fundamental reason for existence
- Strategic planning involves analysing competitive opportunities and threats as well as strengths and weaknesses of the organization

Examples

An organization develop plan to expand operations into European market with the purpose of increasing profitability by 15% during next five years

An organization develop plan to streamline production and reduce costs while maintaining high quality with the purpose of reducing production costs by 15% and increasing output by 25% within the next year.

An organization develop plan to become a leader in AI-driven software solutions over the next decade with the purpose of developing and launching three major AI products within the next five years.

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Tactical planning

- Senior and middle managers make short- and medium-term plans, which can be considered as tactical plans, where managers divide strategic plans to manageable plans
- A tactical plan is concerned with what the lower-level units within each division must do, how they must do it, and who is in charge at each level
- Tactics are the means needed to activate a strategy and make it work
- Middle level managers often engage in tactical planning due to their relevant responsibilities in line within this category of planning

Example

Hire and develop a diverse cohort of new employees and retain them in the long-term

- Research salary survey data to determine the compensation of new hires.
- Carry out effective exit interviews to find out why people are leaving.
- Develop outreach programs that target diverse areas (i.e., schools, cities).
- Develop in-house training for managers and supervisors on diversity & inclusivity.

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Operational planning

Operational planning assumes the existence of organization wide or sub-unit goals and objectives and specifies ways to achieve them

Operational planning is short range (less than a year) planning that is designed to develop specific action steps that supports the strategic and tactical plans

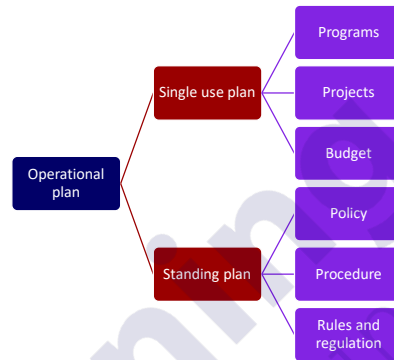
There are two type of planning

- Single use plan
- Standing plan

1. Single use plan

- Addresses a specific problem at the current period
- Developed to carry out a course of action that is not likely to be repeated in the future

Example: If an advertising company places a camping plan which contains the number of advertisements in many types to be used in the campaign, the specific outlet that will be used, and frequency and duration of the advertisements exposes after the campaign runs its course, the short-term plan will lose its relevance, except as a guid for creating future plans



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Three types of single use plans

1. **Program** – explains what, how, who and when a specific job accomplish

Example: Production program, training program, sales promotion program, management development program

2. **Projects** – these are smaller, sperate portions of programs of limited scopes and distinct directives concerning assignments and time

Example: An assignment of conducting a project to investigate new marketing trends for a new product within one month's time

3. **Budget** – this refers to the quantitative or numerical value of plan in action

Example: the sales department of the organization gives estimated figures of budget about the type of material that will be purchased, its quantity, the time of purchase and the amount to be spent on it vice versa. The budget is prepared in another department as well.

2. Standing plan

- This can be implemented to deal with the repeated situations or with the same situations that can occur again and again.
- Therefore, standing plan is developed for activities that recure regularly over the period of time

Example: the businessman plan their business before they start of entering the business. But the same plan is an effort to make the business s success

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Three types of standing plans

1. Policy – gives a series of guidelines in order to accomplish particular task
2. Procedure – highlights series of actions or steps in order to accomplish particular tasks
3. Rules and regulations – this allows no room for interpretation and shows what should or should not do as to accomplish a particular task. Therefore, rules and regulations are described exactly how specific activities are to be carried out

Planning based on time scope

Long range plan

- Reacts to the competitive situations of the company in its social, economical and political environment and develop strategies for adopting its position to achieve organizational long-term goals
- Example: problem solving through SWOT analysis

Intermediate plan

- Involves a time perspective of between one to five years.
- Due to the uncertainties associated with long range plans, intermediate plans are the primary concern of most organizations
- They are usually developed by top managers working in conjunction with middle managers

Short range plan

- Cover time periods of one year or less
- These plans focus on day-to-day activities and provide a concrete base for evaluating progress toward the achievement of intermediate and long-range plans

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Contingency plan

- Shows that if one business unit is running then they have to accept set of instructions in place of a certain events if any interruption occurred
- Contingency planning is the determination of alternative course of action to be taken if an instead plan is unexpectedly disrupted or rendered inappropriate

Example:

Pizza Hut Contingency Plan for Aggressive Advertising in Response to New Competitor

Objective: Minimize the impact on sales and retain market share if a new competitor opens an outlet near an existing Pizza Hut location.

Rapid Response Advertising Campaign

Task: Launch an aggressive advertising campaign to counteract the competitor's entry and attract customers.

Actions:

- **Immediate Promotions:** Roll out limited-time offers and discounts to attract foot traffic. Examples include buy-one-get-one-free deals, discounted meal combos, or special promotions for online orders.
- **Targeted Digital Ads:** Increase investment in targeted online advertising, including social media ads, Google Ads, and geo-targeted promotions to reach potential customers in the vicinity of the new competitor's location.
- **Local Media:** Place ads in local newspapers, radio stations, and community bulletins to quickly reach local customers.

Timeline: Launch within 1 week of competitor's opening



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Common barriers that inhibit successful planning

- **Fear can be a barrier to effective planning**
 - Fear of financial insolvency or a lack of knowledge about market condition can lead to senior management avoiding planning for the future and focus solely on day-to-day operation
 - This leads to shortsighted behaviour
- **Negativity or a lack of positive ideas for the future can create barricade when it comes to planning**
- **Difficulty in communicating goals and plans and poor communication**
 - Communication barriers can stem from language or cultural differences, or the managers being an effective communicator
 - When communication within or between groups breaks down or doesn't exist, planning becomes ineffective
- **The lack of creativity, tied with poor leadership, can cause employees to grow bored and disheartened, and employees who feel like that can't do their best at work**
- **Inability to plan or inadequate planning- lack of proper situation analysis**
- **Lack of commitment to the planning process**
 - A possible reason for the lack of commitment can be fear of failure
 - As a result, manager may choose to do little or nothing to help

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- **Inferior information**
 - Facts that are out-of-date, of poor quality, or of insufficient quantity can be major barriers to planning
- **Focusing on the present at the expense of the future**
 - Failure to consider the long-term effects of the plan because of the emphasis on short-term problems may lead to trouble in preparing for the future
- **Concentrating only on controllable variables**
- **Resistance to change**
 - Contingency plans to accommodate resistance should be included in any comprehensive planning process
- **Insufficient resources**

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Ways to overcome barriers in implementation of plans

Barrier	Ways to overcome
Overcoming uncertainty barriers	The organisation and leaders should identify the strategic goal and facilitate it
Overcoming lack of limited resources barriers	The organization should identify the cause of the limited resources and select units within the company to carry out the planning process as opposed to the whole organization
Overcoming lack of standardization and universal communication barriers	All members of the organization should effectively communicate the goals and plans. It is important to commit to providing updates on a regular basis of how the process is going and what has been achieved
Overcoming motivation, morale and productivity barriers	Directors and Executive Mangers of Organizations should make managers responsible for their outcome by allowing flexibility decision making and through employee reward and support behaviour. Employees in decision making may help to reduce the resistance to change
Provide leadership	Effective leadership will result in better implementation of the plan throughout the organization
Manage the change process	Effective change management is vital to effective implementation of plans

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Principle of planning

The principle of passion

- When a team is passionate, they approach the plans with excitement and a sense of urgency.
- Passion also provides planning focus

The principle of creativity

- The creativity has been ignored and depended on one creative person who always led
- However, creativity is so important to be considered as to gather ideas on planning

The principle of influence

- As to accomplish the plan, the organization managers should be able to influence the team, finance, and the working schedule

The principle of priorities

- The key to prioritized work is the concertation followed by elimination, and it should be developed in planning

The principle of flexibility

- In leadership, planning or in any other function the management should be able to flexible about the work compared to the situation

The principle of timing

- Have to patient till the right moment comes to decide and plan should be prepared for a certain period

The principle of teamwork

- Each person may have areas of weaknesses, blind spots and shortcomings
- Therefore, Company management relies on teams in order to mitigate personal limitations

The principle of implementability

- Managers should understand plans and should be practically implemented with the prevailing business environment and resources

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Example 01

An organization with a strategic plan of increasing market share by 25% would not be able to implement the plan if it was not effectively communicated to middle level and lower-level management. Thus, effective communication of goals and plans is necessary for effective implementation of the plan

Example 02

Travel Agency's Seasonal Promotion Launch –

Objective: a summer vacation promotion with a 10% discount on travel packages.

Explanation: The travel agency has a plan in place but remains flexible. If unexpected events (e.g., travel restrictions) occur, they can quickly adjust the promotion or shift the focus to different destinations.

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Management by Objective

- Management by Objectives (MBO) is an approach that was primarily formulated and popularized by Peter Drucker, in his book "The Practice of Management" published in 1954
- Drucker defined MBO as a management philosophy, rather than a specific technique, recognizing that goals are determined by the situation and not by a formula.
- MBO is one approach for planning to improve performance and manage negative aspects of planning modern organizations are considering different approaches for planning
- In this approach managers and employees define goals for every department, project and person and use them to monitor subsequent performance
- This clearly defines objectives that both management and employees agree and thereby intend to improve company performance
- Employee commitment and enhanced participation should be ensured by the set goals and action plans
- Goals should align well with the objective across the organization as well

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MBO process



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Benefits and problems of MBO

Benefits of MBO

1. Manager and employee efforts are focused on activities that will lead to goal attainment.
2. Performance can be improved at all company levels.
3. Employees are motivated.
4. Departmental and individual goals are aligned with company goals.

Problems with MBO

1. Constant change prevents MBO from taking hold.
2. An environment of poor employer-employee relations reduces MBO effectiveness.
3. Strategic goals may be displaced by operational goals.
4. Mechanistic organizations and values that discourage participation can harm the MBO process.
5. Too much paperwork saps MBO energy.

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