

Lecture 6 Foundations of Planning

-Planning

- It deals with future/Its about objective
- What to accomplish and how to accomplish

-4 functions of planning

-Objectives

- Its what the firm wants to achieve

-Strategies

- This deals with the ways in terms of how to accomplish the objectives

-Resources

- Planning must deal with constraints

-Implementation

- Its about carrying out the plan

-Benefits of planning

-Coordinating effort

-Preparing for change

-Developing performance standards

- It defines the conditions of success

- Developing managers
 - A manager builds his/her skill through planning

- Setting objectives and priorities
 - Planning is an exchange between org. and its environment

- 4 things to consider while planning
 - 1. Priority of objectives
 - There are many objectives firm wants to accomplish
 - Managers must be able to prioritize them
 - 2. Time frame of objectives
 - Short run objectives (less than a 1 yr)
 - Intermediate objectives (1 to 5 yrs)
 - Long-term objectives (Beyond 5 yrs)

- Strategic planning:
 - Defines long-term objectives and the ways to accomplish them

- 3. Conflicts among objectives:
 - All stakeholders are concerned for the firm

-Some conflicts are:

-Short-term profit vs. long-term gains

-4. Measurement of objectives:

-Objectives must be measurable

-They must be realistic/attainable

-8 Points to consider in organizational performance

-Market standing

-Innovations

-Productivity

-Physical and financial resources

-Profitability

-Manager performance & responsibility

-Worker performance & attitude

-Social responsibility

-Objectives by profitability:

-Profit to sales

- Objectives by marketing:
 - Performance related to:
 - Its about market share
 - Sales volume
- Objectives by productivity:
 - Ratio of output to input

- Financial objectives:
 - Debt vs. equity

- Other non-measurable ration
 - Employee moral
 - Employee attitude

- Forecasting:
 - Using of past and present data to predict the future events
 - 4 Ways to forecast:
 - 1. Hunches:
 - Forecast based on past data/
comments of sales people or
customers
 - 2. Market survey:
 - Questionnaire/interviews by

sales people

-3. Time series analysis:

-Daily/monthly/annual sequence
of economic data

-Seasonal variation:

-Short term variation within a yr
which repeat itself from yr to yr

-Trend line:

-Long term in direction

-Business cycles:

-Variation around trend that is a
long term in direction but do not
repeat itself from yr to yr

-4. Econometric models:

-It combines economic theories with
stat and mathematical tools to
analyze economic data.

-Various “What if” scenarios

-Implementation of plans

-Putting them into perspectives

-Authority:

- It's the right to make the decision
- Assigned to the position NOT the person

-Persuasion:

- Its about selling a plan to those who will carry it out
- Depends on the level of employees confidence/loyalty to the manager