2.2 PLANNING PROCESS

There are several models that could be used for planning, but they are all very similar. This one should work fine as an example of effective planning.

The planning process contains six steps:

1. Stating organizational objectives This is a necessary beginning point of successful planning and should remain a focal point throughout the planning process.

2. Listing alternatives for reaching objectives Managers should list many different ways to possibly reaching the objectives.

3. Developing assumptions about each alternative Managers should spend time thinking about what might happen depending on which alternative is chosen. Managers need to use their knowledge and experience to make solid assumptions.

4. Choose the best alternative Evaluate the assumptions and choose the best alternatives

5. Develop plans to pursue the chosen alternative Manager begins to develop plans.

6. Put the plans into action This is where the organization benefits from all the planning

2.2.1 TYPES OF PLANNING

(a) Strategic planning

It is a very popular concept that has been around for years. Most if not all companies and organizations spend time on their strategic plans. Strategic planning is defined as long-range planning that focuses on the entire organization. Strategic planning involves managers at the highest levels. Executive directors and presidents, leaders of the organization, are involved. Fig 1 shows the levels of Strategic planning.

They must have a part in where the organization is headed and how it

will get there. The leaders are asking what must be done in the long run to achieve the organizational goals and objectives. Three years or longer is usually considered long range; however, many organizations seem to think five years is the right amount of time for planning long term. The nature of strategic planning is to develop strategies for achieving your objectives. Strategies must of course be consistent with the purpose and mission of the organization. The fig 2 shows the strategic planning process.

There are three major level of strategy planning

1 Corporate-level strategy : It is concerned with deciding which industries a firm should compete in and how the firm should enter or exit industries.

2 Business-level strategy : It is concerned with deciding how the firm should compete in the industries in which it has elected to participate.

3 Operating strategy : It is concerned with the actions that should be taken at the level of individual functions, such as production, logistic, R&D, and sales, to support business-level strategy.
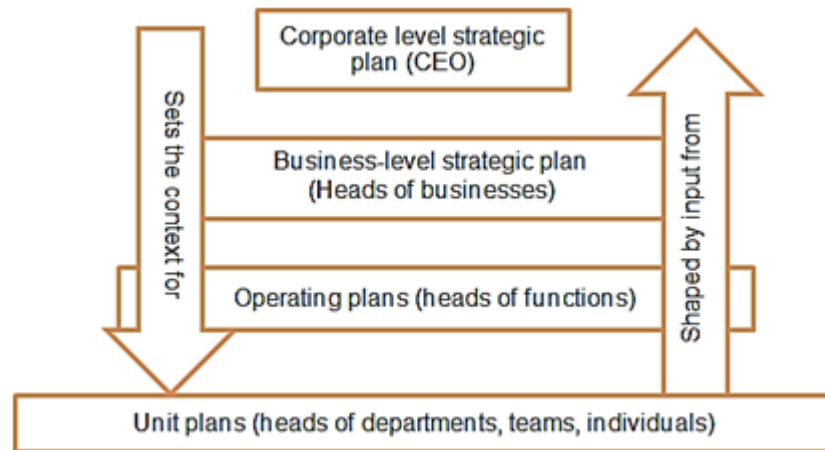
Fig 1 Level of Strategic Planning

Source: Stephen A. Robbins & David A. Decenzo & Mary Coulter, ―Fundamentals of Management‖ Pearson Education, 7th Edition, 2011

(b) Tactical planning

It is characterized as short-term planning. This type of planning is usually confined to one year or less. It is more concerned with current operations, and as such, usually involves mid-level managers instead of the highest level managers. Tactical planners are thinking about tomorrow and next week or next month and planning is much more detailed than strategic. Strategic is more broad.

(c) Contingency planning

It is worth a brief mention. This is a term that is frequently used within organizations. It simply means what does an organization do when something unexpected happens or when something needs changing. Contingency plans may cause a manager to go back to the original planning and look at other alternatives. Contingency planning should continue to be more important with organizations as the world and businesses become more complicated

There are two types of contingency plans:

1. Crisis management plans and
2. Scenario plans.

Crisis Management Planning

A crisis is a discrete event that can have a severe negative impact on an organization or its stakeholders. A crisis management plan is a plan formulated specifically to deal with possible future crises.

Example – 1: In the wake of the September 11, 2001, terrorist attacks on the United States—an obvious crisis if ever there was one—a number of government organizations drew up crisis management plans that detailed how they would respond to specific terrorist incidents, including the deliberate release of biological pathogens (such as smallpox or anthrax) or chemicals (such as sarin gas). One of the companies experiencing the largest loss of life on September 11 was the bond trading company Cantor Fitzgerald, which occupied the top floors of one of the destroyed twin towers. Nearly 700 of its 1,000 U.S. employees died that day.

Yet the company was able to resume business almost immediately because after the 1993 bombing of the World Trade Center, the company had formulated a crisis management plan that included backup computer systems in New Jersey. Crises take many different forms—from terrorist attacks and industrial disasters, such as the gas leak from a Union Carbide plant in Bhopal, India, that killed almost 4,000 people to natural disasters like the December 26, 2004, tsunami that devastated parts of Southeast Asia and left 180,000 people dead. Drafting a plan to effectively manage a crisis involves three main steps: prevention, preparation, and containment. The best way of dealing with a crisis is to prevent it from happening in the first place if possible. In the wake of the September 11, 2001, attacks the U.S. government took a number of steps to prevent future terrorist attacks, including creating the Department of Homeland Security and implementing new regulations for screening passengers and baggage at airports.

Example – 2 : Nobody could have predicted or stopped the December 26, 2004, tsunami. So managers need to plan for such events. This is the preparation stage of a crisis management plan. Preparation requires an organization to designate a crisis

management team and a spokesperson that will cope with crises that arise. Preparation also requires a detailed plan of the steps that will be taken to deal with the crisis, to coordinate crisis management efforts, to manage its aftermath, and to communicate important information to affected people and organizations.

Example – 3 : Another prevention tactic is to build positive relationships with key stakeholders, such as customers, suppliers, investors, and communities. These relationships can act as an early warning system, providing managers with information about an impending crisis. In some cases quick action can limit its impact.

Scenario Planning

Scenario planning is based on the realization that the future is inherently unpredictable and that an organization should plan for a range of possible futures. Scenario planning involves formulating plans that are based on "what if " scenarios. In the typical scenario planning exercise, some scenarios are optimistic and some pessimistic. Teams of managers are asked to develop specific strategies to cope with each scenario. A set of indicators is chosen as "signposts" to track trends and identify the probability that any particular scenario is coming to pass. The idea is to get managers to understand the dynamic and complex nature of their environment, to think through problems in a strategic fashion, and to generate a range of strategic options that might be pursued under different circumstances. The Fig 3 shows the Scenario Planning.

The scenario approach to planning has spread rapidly among large companies. One survey found that over 50 percent of Fortune 500 companies use some form of scenario planning methods

The oil company Royal Dutch Shell has perhaps done more than most to pioneer the concept of scenario planning, and its experience demonstrates the power of the approach. Shell has been using scenario planning since the 1980s. Today the firm uses two main scenarios to refine its strategic planning. The

scenarios relate to future demand for oil. One ("Dynamics as Usual") sees a gradual shift from carbon fuels such as oil and natural gas to renewable energy.

The second scenario ("The Spirit of the Coming Age") looks at the possibility that a technological revolution will lead to a rapid shift to new energy sources. 9 Shell is making investments that will ensure the profitability of the company in either scenario, and it is carefully tracking technological and market trends.
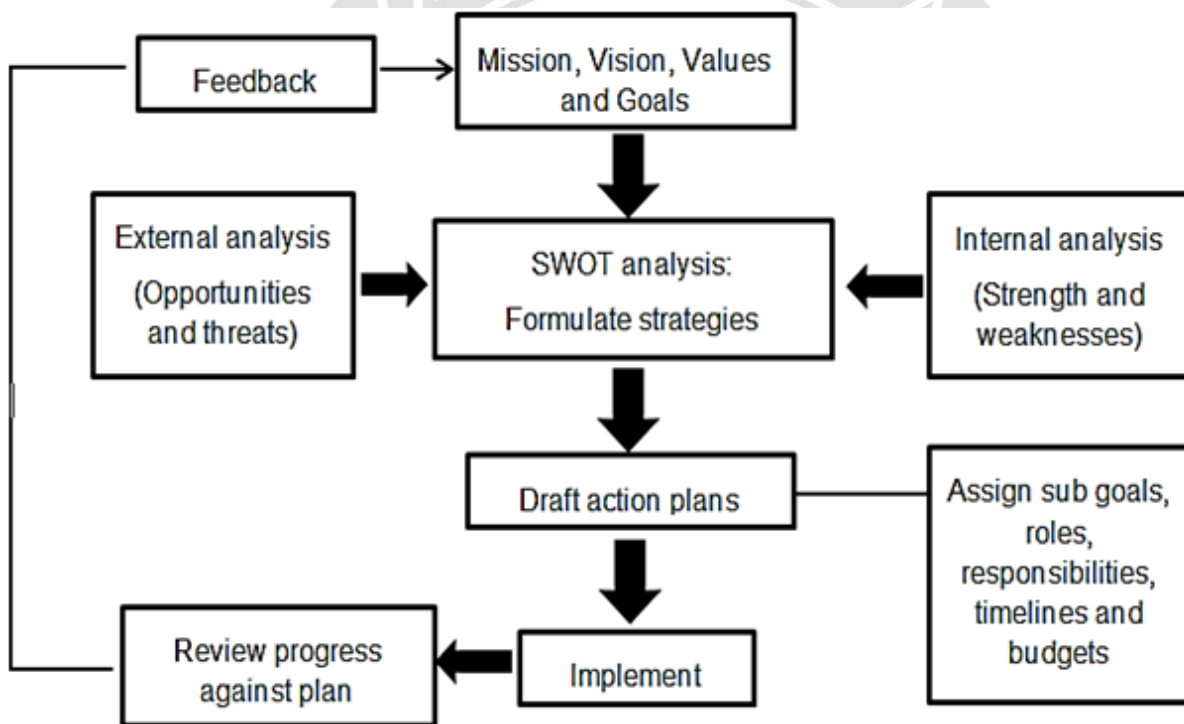

Fig 2 Strategic Planning Process

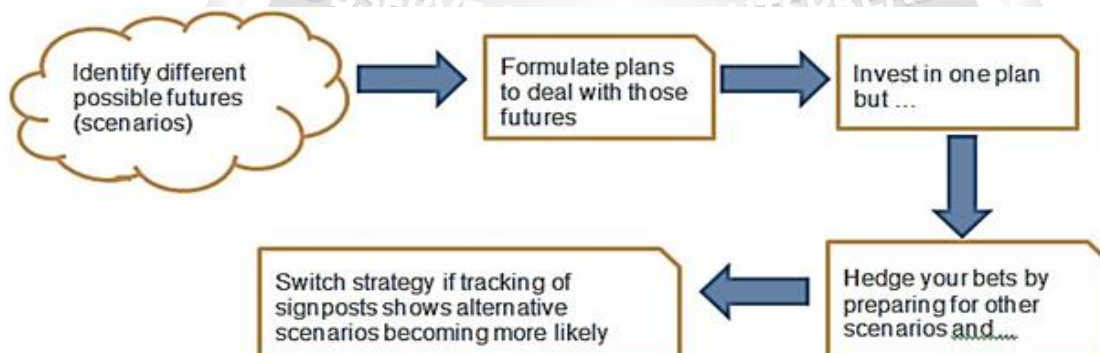**Source Robert Kreitner & Mamata Mohapatra, ― Management‖, Biztantra, 2008.**

Fig 3 Scenario Planning

Source Robert Kreitner & Mamata Mohapatra, ― Management‖, Biztantra, 2008.

2.2.3 OBJECTIVES

Purposes, missions, goals or targets are the terms used to refer to objectives. Mission is usually used in military enterprises and occasionally in churches and government. "Goals" and "targets' often carry the notation of specific quantitative end. Sometimes the end can be qualitative also

SOCIAL OBJECTIVES

The objectives of a private enterprise have to be in harmony with the ends for which a society is organized. Whenever the actions and objectives of a private enterprise are thought be against the objectives of the society, legal action is initiated to regulate it or suppress it.

United States has a statement of nation purpose set forth in the Declaration of Independence. The preamble of the Constitution of USA states:

We the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

All subordinate enterprises in USA, be it a school, church, hospital, government agency or business firm should have objectives which are harmonious with and supportive to national objectives.

ENTERPRISE OBJECTIVES

The plural form is used to stress the fact that enterprises have multiple objectives. Drucker asserted that there are eight areas in which objectives of performance and results have to set by all enterprises. They are:

- Market Standing,
- Innovation,
- Productivity,
- Physical and Financial Resources,

- Profitability,

- Manager Performance and Development,

- Worker Performance and Development, and

- Public Responsibility.

For each area or function that company identifies as necessary for survival there has to be objective.

Principles to be followed in setting objectives:

1. Objectives have to be practically achievable. The organization must be able to do something to achieve each objective that it has set.

2. The objectives have to support the enterprise purpose, its contribution to the customer.

3. If long range objectives and short range objectives are specified, there must be integral relationship between them.

4. At various points of time prioritization among objectives may be required.

5. Objectives have to be specific and actionable and verifiable

6. Objectives have to plan their result of planning process or activity.

7. Objectives have to be communicated to those charged with building plans to meet them.