

Planning

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Planning is concerned with the future impact of today's decisions. It is the fundamental function of management from which the other four stem. The need for planning is often apparent after the fact. However, planning is easy to postpone in the short-run. Postponement of planning especially plagues labor oriented, hands on managers.

The organizing, staffing, leading and controlling functions stem from the planning function (Higgins, Figure 6.1.) The manager is ready to organize and staff only after goals and plans to reach the goals are in place. Likewise, the leading function, influencing the behavior of people in the organization, depends on the goals to be achieved. Finally, in the controlling function, the determination of whether or not goals are being accomplished and standards met is based on the planning function. The planning function provides the goals and standards that drive the controlling function.

Planning is important at all levels of management. However, its characteristics vary by level of management. (Figure 6.2) Note in this figure that the characteristics of the world being simple, certain, structured and short-term often become rationalizations for top managers not to plan. Top managers acting as if they are lower level managers plagues planning.

Planning Terminology

Basic planning terminology is illustrated in Figure 6.3. The order from general to specific is: vision-mission-objectives-goals (Figure 6.4.) (Note-->In ManagementExcel practice established before the use of Higgins as the basic reference, we adopted the order: vision-mission-objectives-goals. The Higgins text switches the order of objectives and goals. In reading the Higgins text, simply substitute the term objective for goal and the term goal for objective.) The key terms are defined as follows:

Vision Nonspecific directional and motivational guidance for the entire organization. Top managers normally provide a vision for the business. It is the most emotional of the four levels in the hierarchy of purposes.

Mission An organization's reason for being. It is concerned with scope of the business and what distinguishes this business from similar businesses. Mission reflects the culture and values of top management.

Objectives Objectives refine the mission and address key issues within the organization such as market standing, innovation, productivity, physical and financial resources, profitability, management and worker performance and efficiency. They are expected to be general, observable, challenging, and untimed.

Goals Goals are specific statements of anticipated results that further define the organization's objectives. They are expected to be **SMART: Specific, Measurable, Attainable, Rewarding, and Timed.**

Development of tactics is a fifth level of planning. Tactics, the most specific and narrow plans, describe who, what, when, where and how activities will take place to accomplish a goal.

Strategic Planning

Strategic planning is one specific type of planning. Strategies are the outcome of strategic planning. An organization's strategies define the business the firm is in, the criteria for entering the business, and the basic actions the organization will follow in conducting its business (Higgins, Page 229.) Strategies are major plans that commit large amounts of the organization's resources to proposed actions, designed to achieve its major objectives and goals. Strategic planning is the process by which the organization's strategies are determined (Figure 7.3.) In the process, three basic questions are answered:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?

The "where are we now?" question is answered through the first three steps of the strategy formulation process: (1)perform internal and external environmental analyses, (2)review vision, mission and objectives, and (3)determine SWOT: **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. SWOT analysis requires managers to be honest, self-disciplined and thorough. Going on to strategy choices without a comprehensive SWOT analysis is risky.

Strengths and weaknesses come from the internal environment of the firm. Strengths can be exploited, built upon and made key to accomplishment of mission and objectives. Strengths reflect past accomplishments in production, financial, marketing and human resource management. Weaknesses are internal characteristics that have the potential to limit accomplishment of mission and objectives. Weaknesses may be so important that they need to be addressed before any further strategic planning steps are taken.

Opportunities and threats are uncontrollable by management because they are external to the firm. Opportunities provide the firm the possibility of a major improvement. Threats may stand in the way of a firm reaching its mission and objectives.