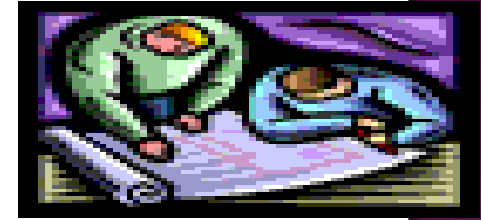


Planning and Decision Making

PLANNING

Planning involves tasks that must be performed to attain organizational goals, outlining how the tasks must be performed, and indicating when they should be performed.

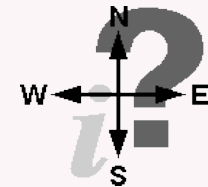
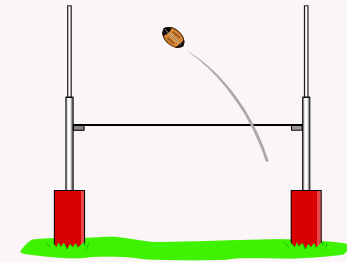
Planning



- **Determining organizational goals and means to reach them**

- **Managers plan for three reasons**

1. Establish an overall direction for the organization's future
2. Identify and commit resources to achieving goals
3. Decide which tasks must be done to reach those goals



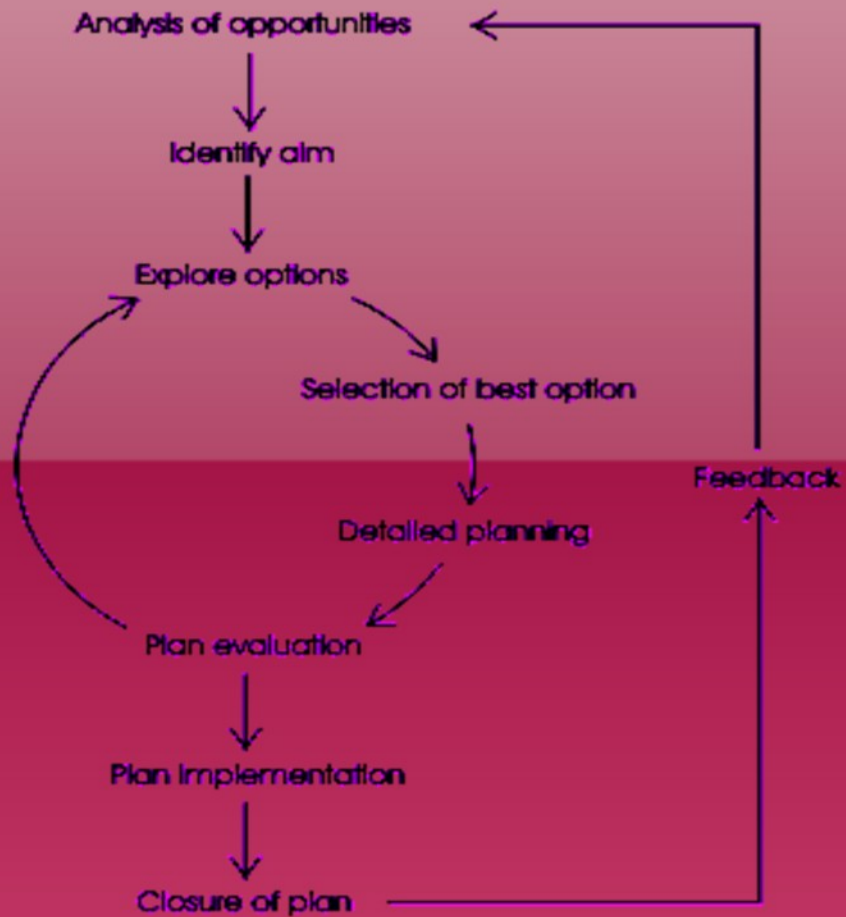
STEPS IN PLANNING

- ◉ Choose goals
- ◉ Identify actions
- ◉ Allocate responsibility
- ◉ Review Performance
- ◉ Make adjustments

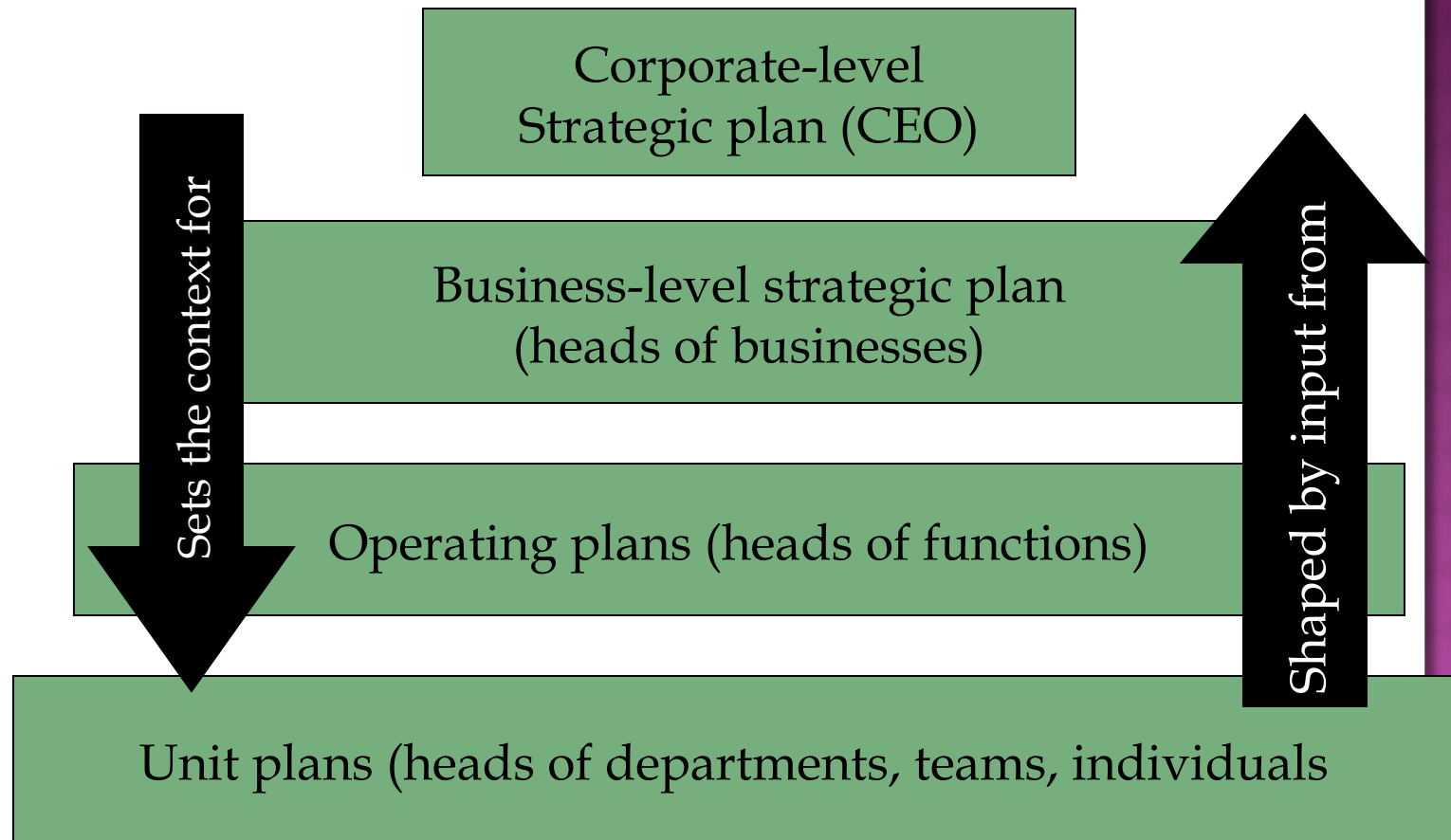


PLANNING CYCLE

Figure 1. The Planning Cycle



LEVELS OF PLANNING



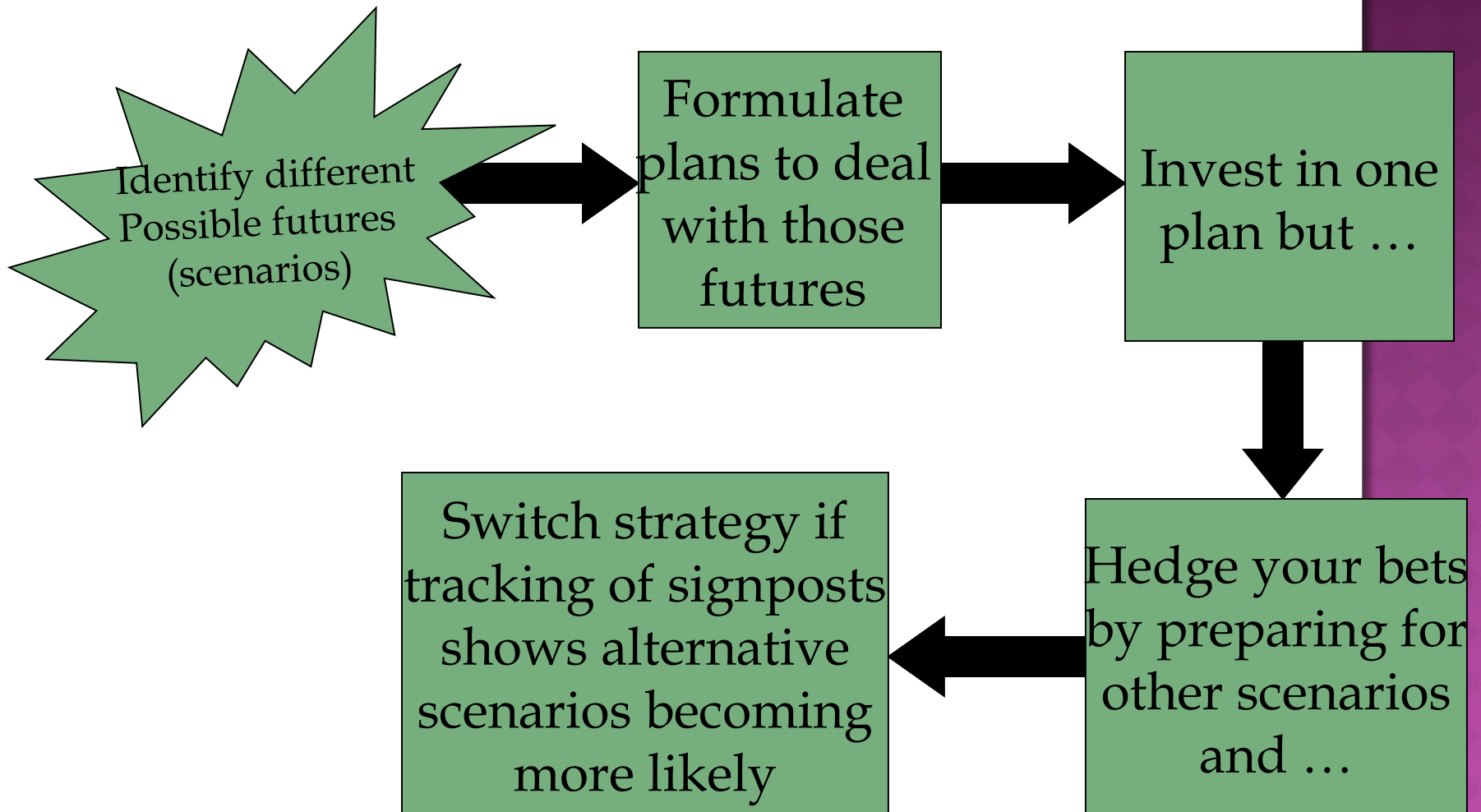
TYPES OF PLANS

- ▣ **Strategic plans:** A plan that outlines the major goals of an organization and the organization wide strategies of attaining those goals.
- ▣ **Operating plans:** Plans that specify goals, actions, and responsibility for individual functions.
- ▣ **Tactical plans:** The action managers adopt over the short to medium term to deal with a specific opportunity or threat that has emerged.
- ▣ **Unit plans:** Plans for departments within functions, work teams, or individuals.

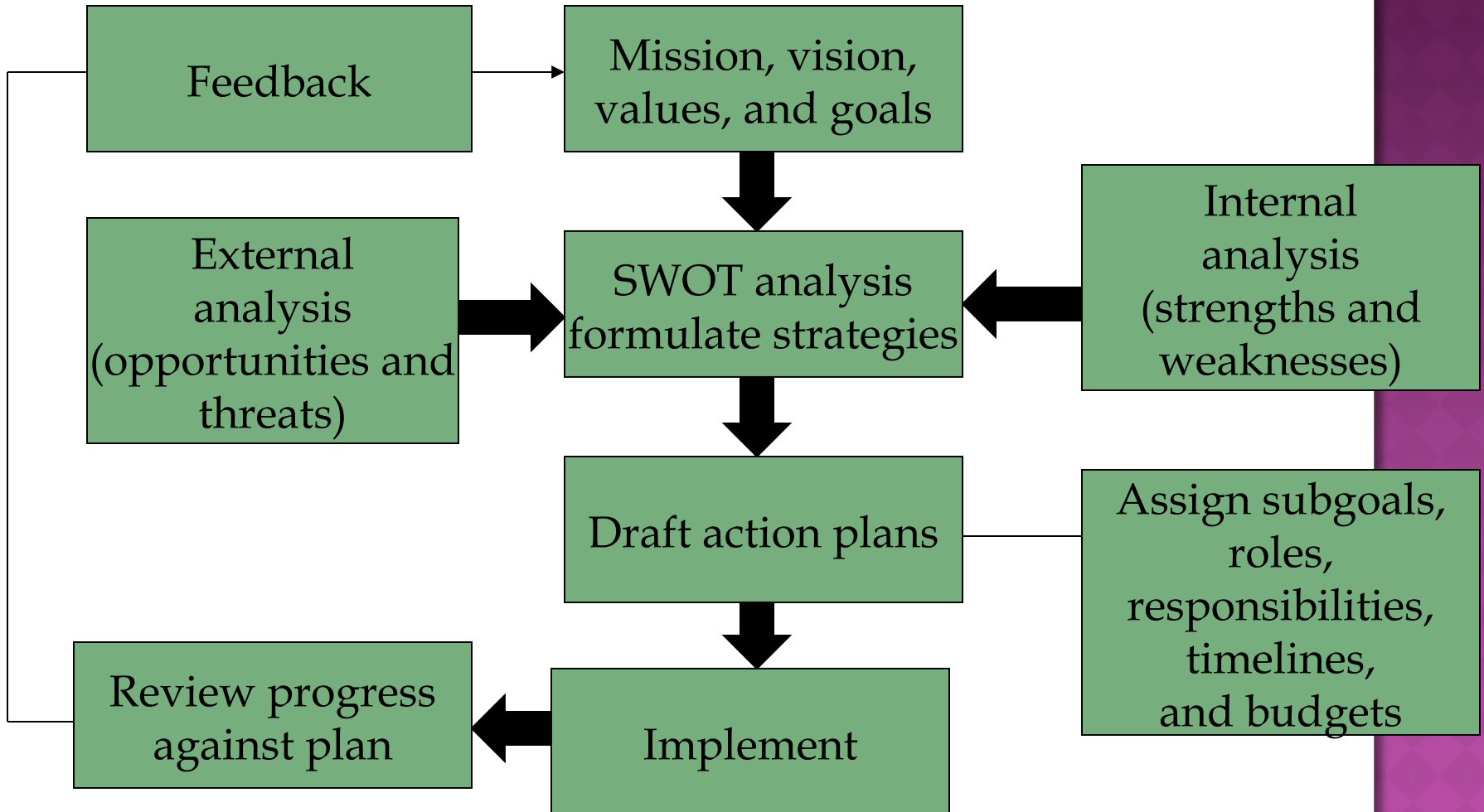
TYPES OF PLANS

- ▣ **Single-use plans:** Plans that address unique events that do not reoccur.
- ▣ **Standing plans:** Plans used to handle events that reoccur frequently.
- ▣ **Contingency plans:** Plans formulated to address specific possible future events that might have a significant impact on the organization.
- ▣ **Crisis management planning:** Plan formulated specifically to deal with possible future crises.
- ▣ **Scenario planning:** Plans that are based on “what if” scenarios about the future.

SCENARIO PLANNING



THE STRATEGIC PLANNING PROCESS



SETTING THE CONTEXT: MISSION, VISION, VALUES, AND GOALS

- ◎ **Mission:** The purpose of an organization.
- ◎ **Vision:** A desired future state.
- ◎ **Values:** The philosophical properties to which managers are committed.
- ◎ **Goals:** A desired future state that an organization attempts to utilize.

MISSION CHECKLIST



- ▣ Ends, not means
- ▣ Effort
- ▣ Verbs
- ▣ Nouns
embodying
activities
- ▣ The
Unidentifiable
- ▣ Brevity
- ▣ Broad vs. narrow
- ▣ Value added
- ▣ Unique

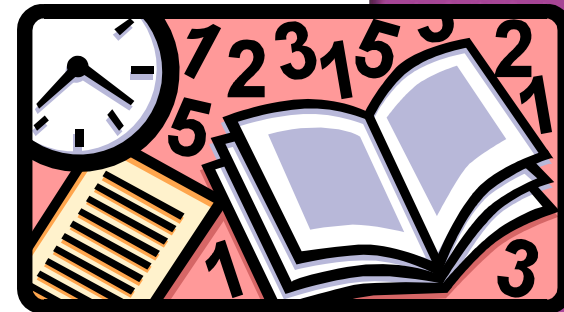


CHARACTERISTICS OF GOALS

- ⦿ They are *precise* and *measurable*.
- ⦿ They *address* important *issues*.
- ⦿ They are *challenging* but *realistic*.
- ⦿ They *specify* a *time period* in which they should be achieved.

10 INGREDIENTS FOR SUCCESSFUL GOALS

- ◉ Specific
- ◉ Simple
- ◉ Significant
- ◉ Strategic
- ◉ Rational
- ◉ Measurable
- ◉ Tangible
- ◉ Written
- ◉ Shared
- ◉ Consistent with your values



THE BENEFITS OF PLANNING

- ▣ Planning gives direction and purpose to an organization; it is a mechanism for deciding the goals of the organization.
- ▣ Planning is the process by which management allocates scarce resources, including capital and people, to different activities.
- ▣ Planning drives operating budgets-strategic, operations, and unit plans determine financial budgets for the coming year.
- ▣ Planning assigns roles and responsibilities to individuals and units within the organization.
- ▣ Planning enables managers to better control the organization.

COUNTERING THE PITFALLS OF PLANNING

Pitfall

Solution

Too centralized;
top-down

Decentralized
planning

Failure to
question
assumption

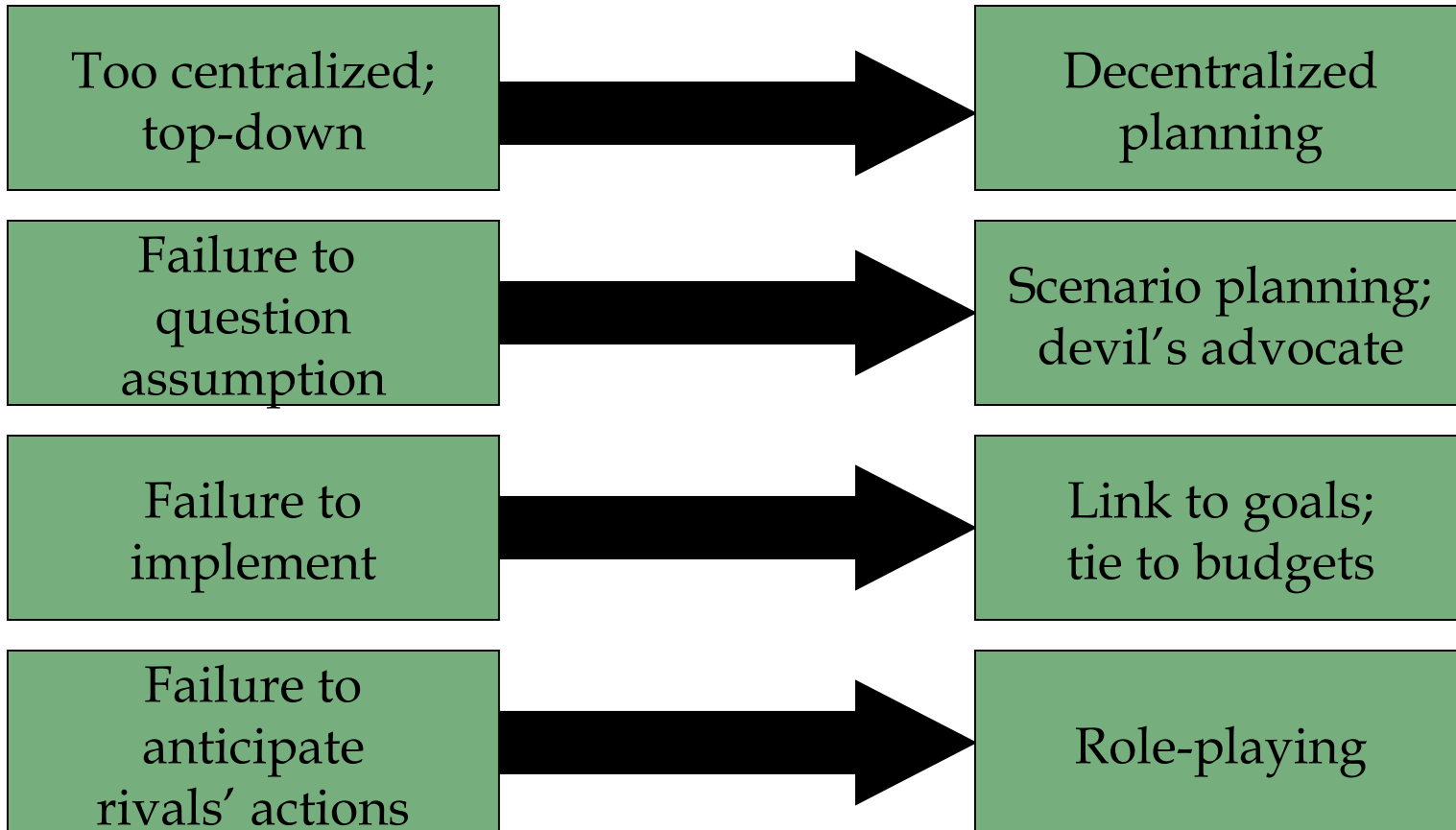
Scenario planning;
devil's advocate

Failure to
implement

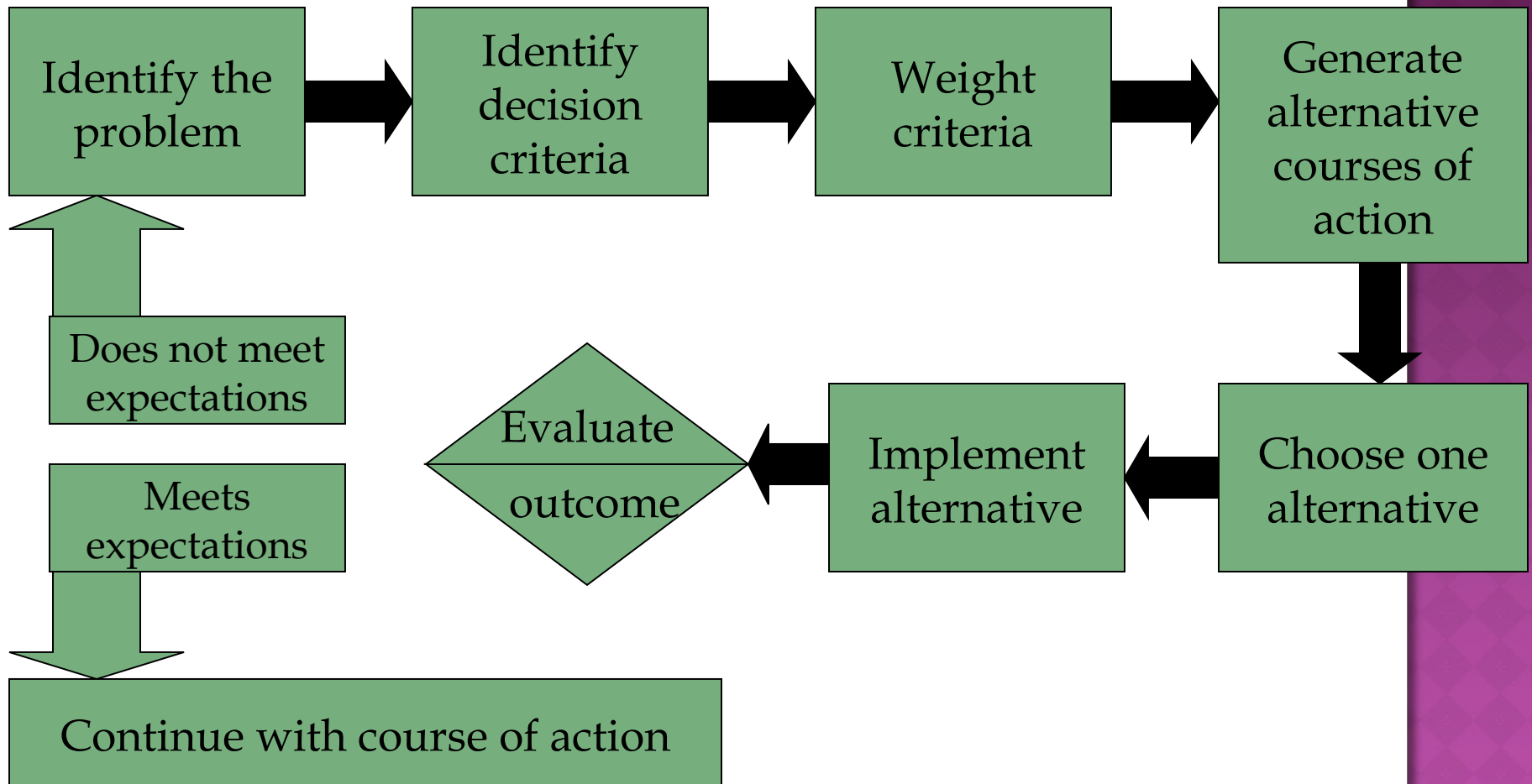
Link to goals;
tie to budgets

Failure to
anticipate
rivals' actions

Role-playing



THE RATIONAL DECISION-MAKING MODEL



DECISION-MAKING HEURISTICS AND COGNITIVE BIASES

- ◉ **Decision heuristics**
- ◉ **80-20 rule**
- ◉ **Cognitive bias**
- ◉ **Prior hypothesis bias**
- ◉ **Framing bias**



IMPROVING DECISION MAKING

- ▣ **Devil's advocacy:** The generation of both a plan and a critical analysis of the plan by a devil's advocate.
- ▣ **Dialectic injury:** The generation of a plan (a thesis) and a counterplan (an antithesis) that reflect plausible but conflicting courses of action.
- ▣ **Outside view:** Identifying a reference class of analogies past strategic initiatives, determining whether those initiatives succeeded or failed, and evaluating a project at hand against those prior initiatives.