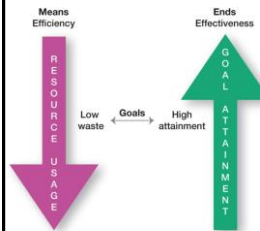


## Planning

- Planning is often called the primary management function because it establishes the basis for all the other things managers do.
- It's concerned with ends (*what is to be done*) as well as with means (*how it's to be done*).

## Efficiency vs. Effectiveness



- **Effectiveness:** doing those tasks that help an organization reach its goals (= doing the right things)
- **Efficiency:** concerned with the means, efficient use of resources like people, money, and equipment (= doing the things right)

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## Main goals for today

- Purposes of planning
- Types of plans
- Operational planning: PERT network, Gantt chart
- Strategic planning: SWOT analysis, BCG matrix

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## Elements of Planning

- Goals and Objectives
  - **Desired outcomes** for individuals, groups, or entire organization
  - Provide direction and evaluation performance criteria
- Plans
  - Documents that outline how goals are to be accomplished
  - Describe how **resources** are to be allocated and establish **activity** schedules

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## Reasons for Planning

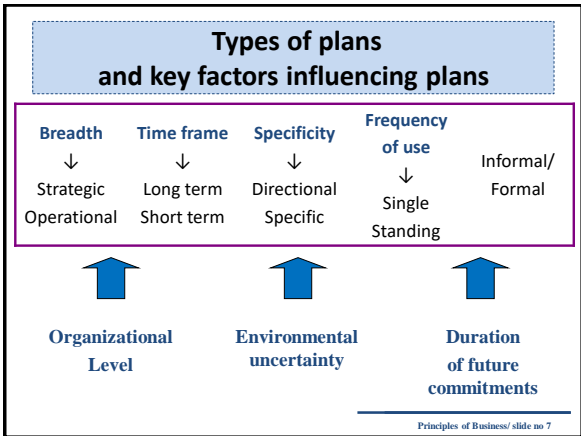
1. planning establishes coordinated effort
2. planning reduces uncertainty
3. planning reduces overlapping and wasteful activities
4. planning establishes the goals or standards that facilitate control

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## Critics of Planning

1. Planning may create rigidity
2. Formal plans can replace intuition and creativity
3. Planning may focus managers' attention on today's competition, not on tomorrow's survival
4. Formal planning reinforces success, which may lead to failure
5. Planning isn't enough!

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## Operational Planning

Within the scope of the operational planning are all planning activities, which must be taken continually in different areas of the enterprise to timely and effectively:

- implement the strategy,
- ensure the existence of the system.

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## Forms of operational plans

**Single-use plan**

- developed to carry out a course of action that is not likely to be repeated in the future
- set of activities for actual strategy reorientation (Program or Project)
- set of activities for actual strategy implementation or support (mostly Projects, sometimes Programs)

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## Forms of operational plans

**Standing plan**

- developed for activities that recur regularly over a period of time:
  - all other plans aimed to implementation of current strategy and sustaining organizational functions
  - they enhance efficiency by making decision making routine
- Policy = standing plan specifying the organization's general response to a designed problem or situation
- Standard operating procedure (SOP) = standing plan outlining steps to be followed in particular circumstances
- Regulations = standing plans describing exactly how specific activities are to be carried out

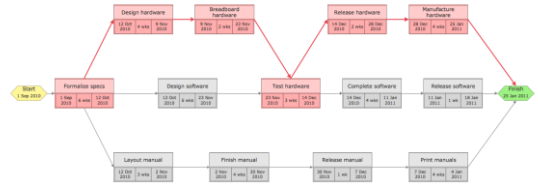
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## Planning Tools and Techniques

- Environmental scanning
  - Competitor intelligence
  - Scenario building
  - Forecasts
  - Benchmarking
  - Budget
- Operational planning tools:
- Scheduling
  - Gantt chart
  - PERT network
  - Breakeven analysis
  - Linear programming
- Project management

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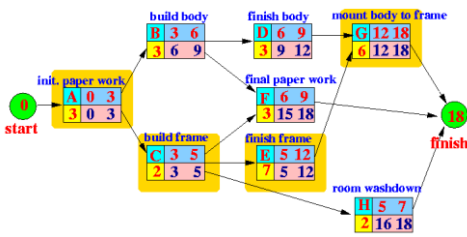
## PERT Network



- $A \rightarrow B$  = activity **B cannot** begin until activity **A** has been **completed**

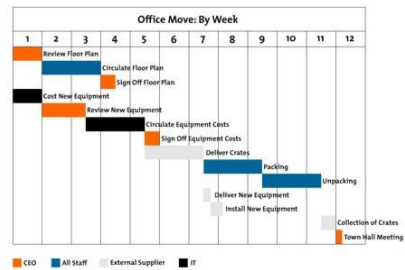
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## Critical path



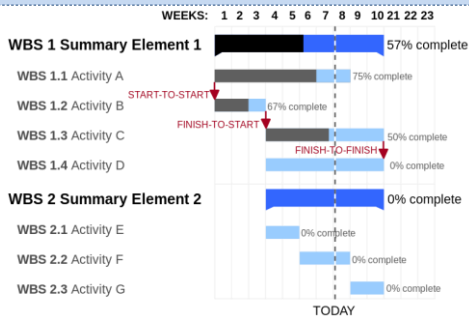
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## Gantt chart



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## Gantt chart



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## Strategic Planning

- is orientated towards ensuring organizational sustained survival and profitability
- are we doing the right things?

## Strategies – key features

### Strategies...

- are prepared for entire organization
- define key organizational businesses and allocate resources to them
- are correlated with the competition
- refer to the organizational environment (its actual situation and probable future development)
- are oriented towards enterprise resources
- reflect visions, attitudes, wishes and values of decision-makers
- have long-term consequences for organizational resources and profit
- are future oriented
- can be result of systematic planning process (deliberate strategy) or can just emerge (emergent strategy)

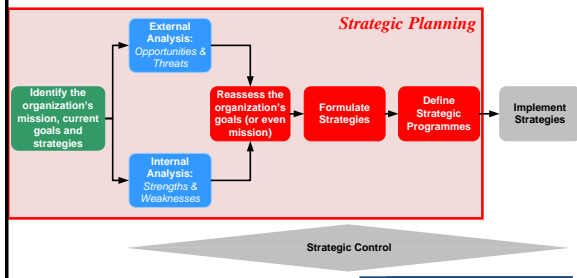
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## Mission Statement

- **Customers:** Who are the organization's customers?
- **Products or services:** What are the organization's major products or services?
- **Markets:** Where does the organization compete geographically?
- **Technology:** How technologically current is the organization?
- **Concern for survival growth, and profitability:** Is the organization committed to growth and financial stability?
- **Philosophy:** What are the organization's basic beliefs, values, aspirations, and ethical priorities?
- **Self-concept:** What is the organization's major competitive advantage and core competencies?
- **Concern for public image:** How responsive is the organization to societal and environmental concerns?

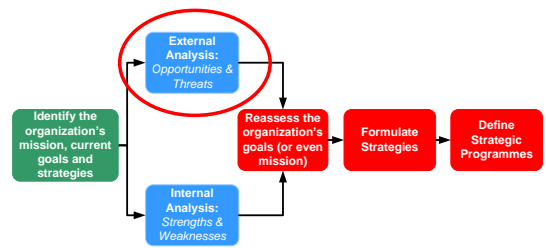
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## Strategic Management Process



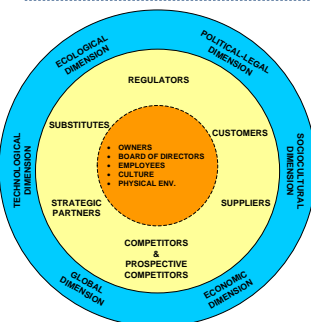
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## Strategic Planning



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## External Analysis (Analysis of Organizational Environment)

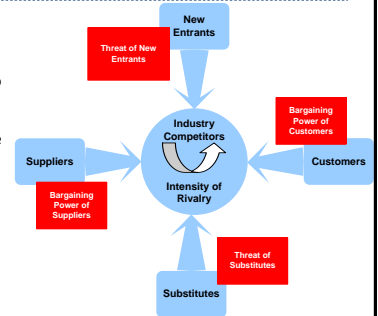


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- Strategic planning begins with an analysis of environment and its likely development.
- The purpose of environmental analysis is to identify the leading opportunities and threats.
- It is important to look at the organization-environment relationship from the interactive perspective.

## Specific/ Task Environment Analysis (Business-level)

- Michael Porter's five forces model
- This analysis is not only to determine the current **attractiveness of the business**, but also provide information about the future direction of its growth and profit prospects.



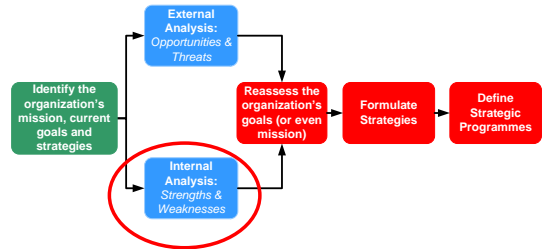
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## Specific/ Task Environment Analysis (Business-level)

- Threat of New Entrants
  - The ease or difficulty with which new competitors can enter an industry
- Threat of Substitutes
  - The extent to which switching costs and brand loyalty affect the likelihood of customers adopting substitute products and services
- Bargaining Power of Buyers
  - The degree to which buyers have the market strength to hold sway over and influence competitors in an industry
- Bargaining Power of Suppliers
  - The relative number of buyers to suppliers and threats from substitutes and new entrants affect the buyer-supplier relationship
- Current Rivalry
  - Intensity among rivals increases when industry growth rates slow, demand falls, and product prices descend

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## Strategic Planning



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## Internal Analysis (Analysis of Organization)

- Internal analysis is to describe and evaluate, from a strategic point of view, **organizational resources and capabilities**.
- It is orientated towards establishing organizational **strengths and weaknesses**. All to build **strategic competitive advantage**.
- Assessment of own resources and capabilities has to be done in relation to **competitors**.



Assessment of strengths and weaknesses must also contain evaluation of the resources suitability and ability to open **new markets in the future**, or enter new markets.

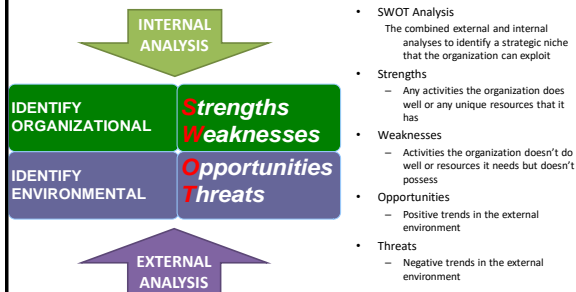
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## Internal Analysis (Analysis of Organization)

- Analysis of organizational resources and capabilities (to determine the strengths and weaknesses in relation to competition) may include:
  - traditional resources analysis (intangible and material assets),
  - value chain analysis (ex. Porter's Value Chain Analysis),
  - core competences analysis.
- Analysis of **critical success factors** (defined from market/ customer perspective) – organizational profile vs. competition profile.

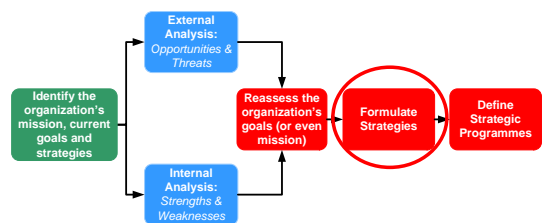
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## SWOT Analysis



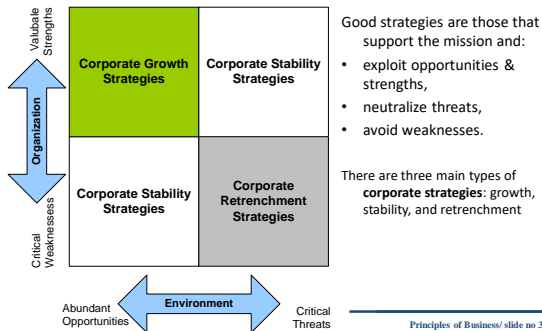
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## Strategic Planning



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## Formulating Corporate-level Strategies: SWOT Analysis and Grand Strategies

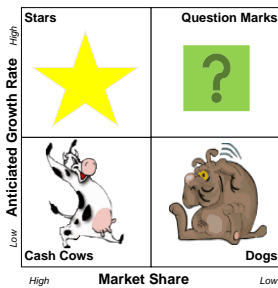


## Formulating Corporate-level Strategies

- **Growth Strategy:** a corporate strategy in which an organization expands the number of markets served or products offered either through its current business(es) or through new business(es). Some growth strategies include
    - Concentration
    - Vertical integration
    - Horizontal integration
    - Diversification
  - **Stability Strategy:** a corporate strategy in which an organization continues to do what it is currently doing
  - **Retrenchment Strategy:** a corporate strategy that addresses declining organizational performance
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## Formulating Corporate-level Strategies: The BCG Matrix

- BCG Matrix** – strategy tool to guide resource allocation decisions (between different SBUs) on the basis of market share and growth of SBUs
- **Stars:** Heavily invest
  - **Question Marks:** Sell off or turn into stars
  - **Cash Cows:** sustain and Milk for cash
  - **Dogs:** Sell off or liquidate



## Formulating Business-level Strategies

- **Cost Leadership Strategy (Low-cost Strategy)**
    - Competing on the basis of having the lowest costs in the industry
  - **Differentiation Strategy**
    - Competing on the basis of having unique products that are widely valued by customers
  - **Focus Strategy**
    - Competing in a narrow segment or niche with either a cost focus or a differentiation focus
    - But... it really means: focused low-cost strategy or focused differentiation strategy
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