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PLAN OR PLANNING?- THE ASPECTS OF MANAGERIAL PLANNING FROM THE RESEARCHERS POINT OF VIEW

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PREFACE

Plans are special types of decisions, methods that are made in advance of, and in anticipation of, some occurrence. Just as decisions can be either programmed or non-programmed, plans too differ in the extent to which they can be detailed in advance. Part of the reason is that some environments are changing so rapidly that forecasting is unreliable. In such situations specific goals, and standing plans such as policies, procedures, and rules are probably not of much use. Instead, planners might identify a more general domain and direction for the organization, and use an organic structure to ensure fulfilling organizational requirements.

1. DEVELOPING PLANS

Planning is usually considered a formal process in which specific goals are set and detailed plans for accomplishing these goals are established. In fact, many writers describe the results of the planning process as a "means-end" chain. This chain consists of a hierarchy of ends (goals) and means (plans), with the means for accomplishing each higher goal containing the end toward which lower-level means are directed. *Steiner* for example, states that plans should be formally prepared and "to the fullest possible extent observable, factual, logical and realistic." [15]

"Planning is a process that begins with objectives; defines strategies, policies, and detailed plans to achieve them; which establishes an organization to implement decisions; and includes a review of performance and feedback to introduce a new planning cycle." [15]

McCaskey [14] points out that this type of planning with goals is a rational, analytical approach which assumes goals can be stated and accepts a narrowing of focus in order to efficiently use energy. He argues that it is suited to a stable environment and mechanistic organization. By its nature, this goal-directed planning places limits on organizational flexibility, since people may tend to take the goals as givens and spend less time exploring alternative futures.

For unstable environments and organic organizations *McCaskey* proposes "directional planning." Here, the planners identify a broad domain or area in which the organization will work and a general direction in which it will move. This type

of planning is more flexible. The emphasis shifts from carefully formulating what goal "out there" is to be accomplished to a consideration of who the planners are and what general arena they want to operate in. Table 1 contrasts planning with goals and directional planning.

Table 1
Contrast between planning with goals and directional planning

Planning with Goals		Directional Planning	
Characteristics	Contingent upon	Characteristics	Contingent upon
<ul style="list-style-type: none"> •Teleological, directed toward external goals •Goals are specific and measurable •Rational, analytic •Focused, narrowed perception of task •Lower requirements to process novel information •More efficient use of energy •Separate planning and acting phases 	<ul style="list-style-type: none"> •People who prefer well-defined tasks •Tasks and industries that are quantifiable and relatively stable •Mechanistic organization forms, "closed" systems •"Tightening up the ship" phase of a project 	<ul style="list-style-type: none"> •Directional, moving from internal preferences •Domain is sometimes hard to define •Intuitive, use unquantifiable elements •Broad perception of task •Greater need to process novel information •Possible redundancy, false leads •Planning and acting not separate phases 	<ul style="list-style-type: none"> •People who prefer variety, and complexity •Tasks and industries not amenable to quantification and which are rapidly changing •Organic organization "open" systems •"Unfreezing" phase of a project

The two types of planning are not mutually, exclusive. Instead, McCaskey asserts that they form a continuum from greater to lesser definition of desired outcomes. For both, the planning process is the same, for it involves "the same basic steps of diagnosis, setting priorities, determining action steps, and developing a method of evaluation."

Other writers have also stressed the need to fit the planning process to the situation. Some of their views are summarized in Figure 1. Some authors argue that where mechanistic conditions prevail, plans are detailed and stress how the specific goals are to be met. For organic conditions only main points are covered and there is a stress on end results. *Simon's* [16] argument for the existence of multiple goals seems more characteristic of an uncertain, organic situation, while the single maximize-profit goal of "economic man" fits better with mechanistic conditions. Others assert that under mechanistic conditions, single clear goals, standing plans, and fixed plans are appropriate. Under organic conditions the organization is a searching, adapting system continually adapting to its multiple goals; single-use plans, and flexible policies are stressed.

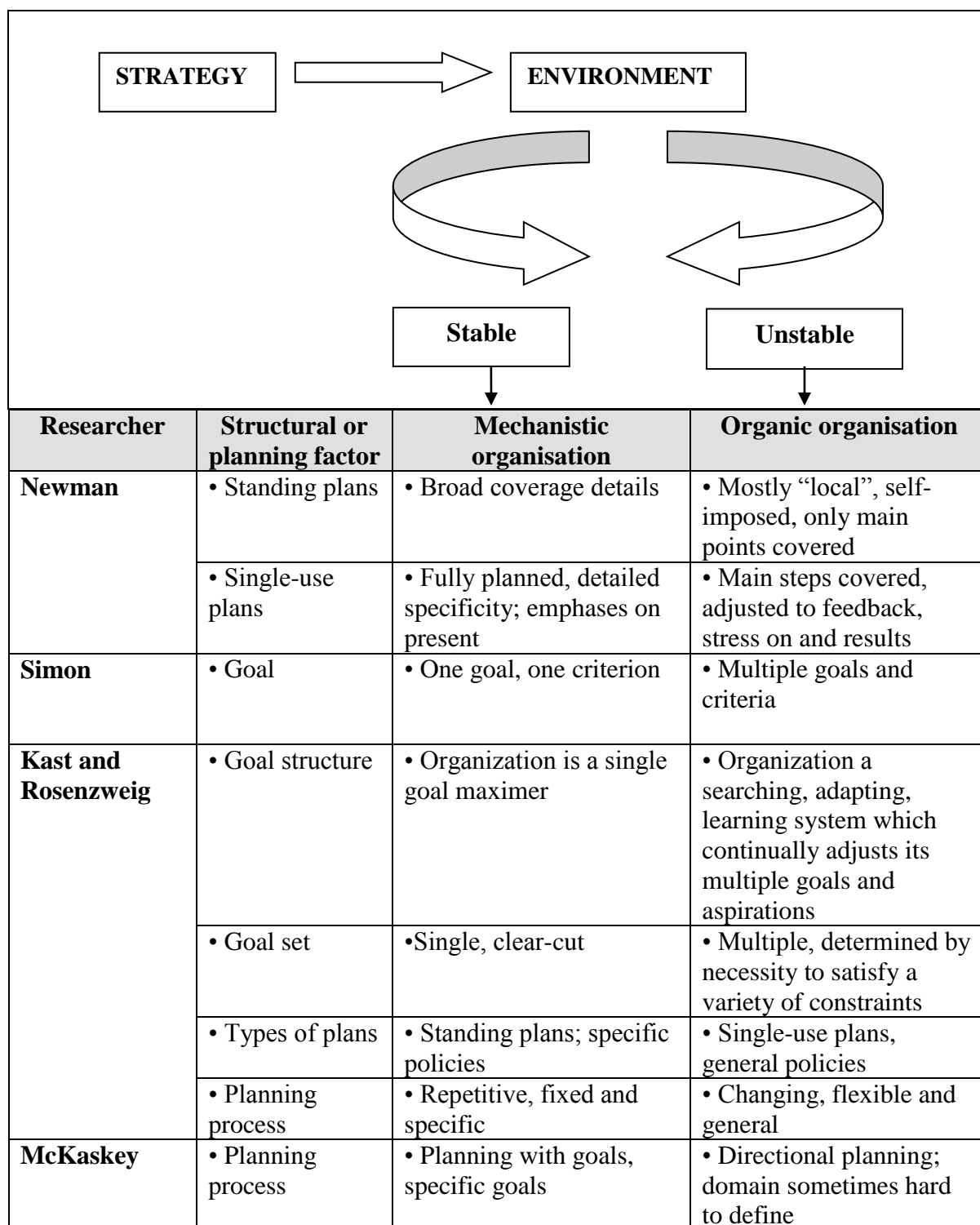


Figure 1
Connection between Strategy, Structure and Planning

2. STRATEGIC PLANS

Although a variety of sophisticated forecasting, research, and decision-making aids have been developed in recent years, strategy development is still based primarily upon intuition and experience. One approach to developing strategies is for an expert or top-level executive to analyze the problem and available information and arrive at an answer through intuition. Although this approach is widely used, it is fraught with dangers. For example, personal values are important determinants in the choice of corporate strategy. Similarly, *Simon* [16] found that occupational position influences the way in which a person defines a problem. The researchers gave a group of business executives from a wide variety of companies a case describing a company with a number of problems which were subject to various interpretations.

Perhaps the simplest alternative to the emphasis on intuition relies on the active criticism of the proposed strategy. A presentation which argues for a particular strategy is made to the top-management group, who then seek to attack and demolish the proposed plan. If the strategy holds up well under attack, it is worth accepting. This method has the advantage of revealing underlying assumptions and implications more completely than the strictly intuitive approach.

In contrast to these approaches, let's turn to a structured debate approach. First, two plans are established with advocates for each. Then the implicit assumptions of the two plans are explored. Relevant information is interpreted by the opposing advocates as supporting evidence for their views. This debate results in both a detailed look at the assumptions underlying a given strategy and clear support for one alternative, or for a composite alternative.

Henderson suggests that the steps in strategy development should include: definition of the business area involved; identification of the significant competitors in that business area; identification of the differences between the organization and the competitors; a forecast of the changes in the environment that can affect the competition; and an identification of the organization's objectives and any that are known to be different from those of competitors. *Henderson* emphasizes the importance of taking advantage of differences between the organization and its competitors.

Regardless of the approach used, strategic planning frequently begins with an analysis of the company's competitive environment. *Cannon* [4] suggests five steps in "auditing" the competitive environment:

1. Establish a clear definition of the company's markets, including the requirements for success in each of them. Then be prepared to revise the definition when necessary.
2. Concentrate on clarifying the significant differences in results accomplished by each competitor.
3. Determine what variations in competitive programs and policies, or their execution, account for each key differential and performance.
4. Profile competitive strategies.
5. Define the most suitable market structure for the company's strategic planning efforts. Based upon the performance differentials, the programs which explain them, and the competitive strategy profiles, decide the most

advantageous dimension or dimensions by which your markets should be segmented to assign strategic planning responsibilities.

The process of auditing the environment, investigating alternatives, identifying goals, and defining the nature of the business can result in an overall strategic plan for the firm. Developing a strategy results in the recognition of certain "strategic factors" for company success.

The job of management is not merely the preparation of valid policies for a standard set of activities; it is the much more challenging one of first deciding what activities are so strategically significant that explicit decision-rules in that area are mandatory. No standard set of policies can be considered major for all companies. Each company is a unique situation. It must decide for itself which aspects of corporate life are most relevant to its own aspirations and, work out policy statements for them. For example, advertising may be insignificant to the company which provides research services to the defense department, but critical to a firm trying to mass-merchandise luxury goods.

In addition to identifying the strategic factors which are required for accomplishing organizational goals, specific operating objectives must be formulated. These objectives act as bridges between the broad company strategy and the specific activities which are carried out on a day-to-day basis. One popular checklist that is frequently used to assist managers in setting up objectives has been developed by the General Electric Company. They have singled out 8 critical objectives as follows:

1. Profitability-in both percentage of sales and return on investment
2. Strong market position.
3. Productivity-improving costs as well as sales.
4. Leadership in technological research.
5. Development of future employees, both technological or functional and managerial.
6. Good employee attitudes and relations.
7. Enlightened and favourable public attitude.
8. Balance of long-range and short-range objectives.

SUMMARY

There is no regular method of planning process. The aim is to create a well designed plan and move the company for the success. There are no two companies which have a similar environment and market positions. Management is responsible for the planning process and organization's results.

Most of the authors find that planning is up to environment and structure. Planning process is elemental, and the issue is the plan.

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