Management Services: A Magazine of Planning, Systems, and Controls

Volume 7 | Number 1 Article 5

1-1970

Handy Guide for Artful Planners

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Planning is an activity that everyone understands . . . Or does he? Here are given the nine criteria of a good plan—criteria that are all too seldom met—and a checklist for the characteristics it should show—

HANDY GUIDE FOR ARTFUL PLANNERS

by Roy A. Lindberg
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PLAN is a common word in the managerial vocabulary. That the word, in its various forms, is used so often in conducting business affairs creates the impression that the concepts involved in it are clearly and widely understood. The facts do not support this impression, however. Understanding and application of these concepts are in such a state that effective business planning is almost as rare as the American bald eagle. (Test this opinion by conducting the following experiment: Ask the people around you to write a one-sentence definition of a plan or planning. If the definitions you get compare reasonably with the definitions that can be found on page 35 of this article, the opinion is probably wrong. If they compare poorly, it is probably true that business planning is not well understood or effectively practiced.)

Planning is badly done in most companies mainly because few people know much about it (as a defined activity it is less than 100 years old) and because it stands in the way of willfulness and private interests (more common in top managerial ranks than is generally recognized). Nevertheless, because of the work of a few dedicated managers, planning technology has had exceptional growth in scope and application in recent years. Skilled planning, consequently, is rapidly becoming a significant competitive factor and is on its way to becoming a crucial one. As management practice continues to mature, this rate of progress will undoubtedly accelerate, with the result that the gap between the few companies that plan well and the many companies that simply engage in wishful thinking is bound to grow. This article is written for those who are concerned with closing the gap.

First, however, one caution should be sounded; getting something out of the rest of this article will probably require that you keep your views on planning in check. Unless you do, you are likely to conclude you know what is coming, which—you will find in reading on—may not be the case.

Perhaps the most important thing to know about planning (af-

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ter the fact that the function is an absolute business necessity) is that all *plans cause change* whether they have been designed to bring about change or not. Plans cannot be laid to keep things the same.

Plans designed to maintain current conditions inevitably produce alterations in situations they are designed to help retain—because, among other reasons, they activate the machinery of control. Hence, plans *always* produce change of some kind, sought or unsought.

This point, so simple and unimposing, holds powerful implications for business planners. Two examples are: (1) If you want to keep things as they are, leave them alone, and (2) unless you know exactly the kind of changes wanted, don't bother to plan. If you ignore these two injunctions you will lose what you want to keep and become enmeshed in changes you are not prepared for.

It may be said, therefore, that the first measure of the worth of a plan is that it calls for change. In companies that do not plan to change, and do not change as planned, no planning worthy of the name takes place.

The second measure of a plan's worth lies in the kind of change it seeks. A worthwhile plan always aims at a particular kind of change—the improving of results. Any other kind does not justify the effort and expense planning takes (which are always considerable).

In determining the kind of changes that are worthy of being planned, one starting place is to look at the choices available. In a competitive world a business has three choices. It can:

– do nothing and die,
– merely adapt and limp along, or
– innovate and prosper.

The third of these, of course, is the only worthwhile choice and is the one most managers espouse. But it is astonishing to see the number of companies that reflect only the first two in their actions—among them prominent companies with sound reputations.

But innovation is not necessarily a bridge to improved performance because it is not an unalloyed benefit. In an environment where it is not controlled, made germane, and resultful, it can be as damaging as it can be beneficial. As gold in the pockets of a suit can purchase the wearer's wants when in a store or drown him when in water, innovation can lead to business prosperity or extinction. A need exists, therefore, for an instrument through which the creative process (which tends to overreach or be irrelevant or insufficiently detailed) can be tamed and made applicable. Planning has arisen specifically in response to that need.

Because the improving of results is the only kind of change planning should pursue, it can realistically be regarded as the process through which the generation, protection, and amplification of profits are systematized. Planning accomplishes this through its special ability to introduce change in an orderly, systematic, and practical fashion.

In business, determination of what constitutes an improvement can only be done on a dollar basis. However we view it, business is an economic enterprise, an activity whose existence and survival are predicated in terms of least cost. Hence, the third measure of a plan's worth lies in the values it is connected with. A sound plan always leads to the production of a significant number of *added* dollars' profit or savings.

This point lays bare the fact that only those plans should be formed that are necessary. Oddly enough, this fact, though widely appreciated, leads to a good deal of confusion, because one man's necessity is frequently another man's luxury. Planning necessity, more often than not, is based on vague and/or highly subjective considerations. It is given a solid foundation, however, when it is based on dollars in the form of savings or profits. Necessity, so construed, naturally focuses attention on repetitive, high-unit-cost events and major opportunities for improvement (including exploitation of events occurring outside the company).

If one axis of the financially based measure of the worth of a plan lies in the values a plan is concerned with, another axis is represented by the plan's cost. Every plan, regardless of the values it aims at, has a minimum cost to produce. A sound plan is one whose cost is clearly below the dollar amount it aims at producing.

The third axis or dimension of a plan's value orientation lies in the kind of dollars the plan uses or aims for. A good plan never uses resources more badly needed for other purposes, no matter what the plan costs. In other words, good plans never commit the company to smaller risks while larger ones go untended. For example, a plan to enlarge shipping facilities cannot be a good one when

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the company's market is disintegrating and there is no plan to improve it.

Of course, not all risks can be seen or correctly assessed, and planning is limited to dealing with the risks management can identify and cope with (do something about). Accordingly, plans must be laid in the recognition that the stakes in dealing with risks often run higher than predicted. Survival of the company is the highest of all stakes, and sound planning never puts risks forward except when the alternative, clearly, is business extinction.

The fourth measure of the worth of a plan lies in the degree to which the changes it calls for tie in with the changes called for by other plans of the company. A worthwhile plan always dovetails with other corporate plans, the prime benefit being that resources, objectives, and activities are brought closer together.

Plans must cover whole

Probably no quality of effective planning is more important to an enterprise than its integrative capacity. Companies are beginning to recognize this, as indicated by their growing tendencies to put planning in the hands of specialists, to plan for the corporation as a whole rather than for divisions, departments, or sub-units. Another sign lies in the fact that demarcations between short- and long-term plans are becoming progressively less distinctive (with some interesting results, such as the relating of budgets more to long-range intentions than to current need).

These points highlight the fact that business planning is essentially hierarchical; each plan ought to be formed within the framework of a larger plan or to act as the framework of a smaller one. This means, organizationally, the plans for each unit should be laid within the plans of larger units or as the framework of smaller units. It means, managerially, the plans of each manager should be closely linked to those of his supervisor(s) and his subordinates. It means, administratively, that tactical plans should mesh with strategic plans and unit plans fit mission plans.

Thus, a real test of the worth of a plan lies in the connection it has with other plans.

A plan that stands alone (without connection to other plans) is a worthless plan.

Identification of the kind of change that justifies a plan is fostered by recognition of the fact that companies cannot safely leave the reaching of their markets to chance. A can of beans eaten is an appetite filled; a suit of clothes sold is a period of wearing lost; empty seats in a plane taking off are gone forever. The company that has not crystallized its intentions and embodied them in a plan before the foodstuffs are eaten, the clothes put on, the plane's door closed, loses out.

The fifth measure of the worth of a plan, therefore, lies in its scope. Effective business plans always have influence beyond the units in which they originate, always affect primary business functions. Speaking simply, effective plans always reach down and make themselves felt at the company/customer interface.

Progressive companies recognize this and spare no effort to make their plans useful at the operational level. No pie in the sky for them. Wherever in the enterprise the changes called for by the company's plans are designed to be made, the effects of good plans will be felt—somewhere, somehow—in the company's marketplace.

Though a sound plan reaches across organizational lines it does not do so by spreading like a fog. A good plan has laser-like qualities; it specifies its target, pinpoints its intended accomplishment in particular and unambiguous terms. Therefore, the sixth measure of a plan's worth lies in its focus.

This is far from an academic or self-evident point. It clearly spells the difference between a plan and a hope (the latter being the best name for many business "plans"). It reminds us that plans are poor devices for creating general conditions, for dealing with such broad organizational aspects as attitudes, morale, or "climates."

Such characteristics are, without question, deeply influenced by the kind of planning a company does. But they are not fit objectives of the planning process because their relationships to productivity cannot be clearly seen, much less described. The objectives of good plans, on the other hand, can always be defined in one sentence.

The seventh measure of the worth of a plan lies in the resources placed against it (including the assignment of personnel responsible for implementing it).

A plan is more than a statement of intentions; it is a commitment to action. And, of course, actions cannot be taken without using resources. Therefore, no plan is complete without a coupling of assets. In other words, determining "where we are going" (strategic planning) is a waste without determining "how we will get there" (fulfillment planning). Typical business plans fall so far short of this standard that most of them are no more than daydreams.

Sign of a bad plan

The surest sign of a bad plan is discovered when the question "How much money, time, materials (or other resources) have been set aside for this plan?" yields a negative answer. A bad plan is a sales quota that is not coupled with money set aside for customer or salesman development, a budget that does not have an associated sum for ensuring that it is followed, a market venture without funds allocated to cover the missionary or penetration period, a control designed without the naming of a "controller." A respectable plan always specifies what will be used, when, and by whom, to bring about the results the plan calls for.

There is more to the value of committing resources than meets the eye. It is a test as well as a characteristic of a good plan. One of the best ways of checking the practicability of a plan is to ask, "How do we get where we say we want to go?" Manifestly, when the answer is "Don't know" or "Can't tell," you have a plan that ought to be redesigned or dropped.

The eighth measure of the worth of a plan lies in the stuff of which it is made. A sound plan is always constructed out of factual information.

When we think of planning qualities of imagination, ambition, creative thinking, and optimism spring to mind. The necessity of these in planning cannot be questioned. Less frequently, however, do we recognize the equally vital planning element — knowledge — without which planning becomes an exercise in speculation. And, in this connection, we are not only talking about knowledge upon which to base plans but also knowledge of how to use knowledge in the planning process!

One view of the manager is that he is a fellow who makes things happen. This is fair enough if we also understand that he makes things happen because he:

a. Is not satisfied with present results,
b. Intends to improve on them, and
c. Works systematically to implement the intention.

Adding a, b, and c to the preceding definition immediately raises the work of the manager to that of an employer of knowledge. The manager is a person who makes things happen because he *knows* recent performance, *knows* wherein improvement was possible, *knows* the means available for making improvement, and *knows* the benefits likely to flow from using the means. The manager who makes things happen in the interest of the company has considerable knowledge of the state of his company, the general economy, and the discipline of management.

Because the manager is an intensive user of knowledge, knowledge-amplifying tools such as mathematical techniques, econometric models, and computers are being increasingly employed in planning —especially in such areas as forecasting, facilities planning, plant location, distribution, production planning, marketing profitability analysis, and determination of alternative investment choices. Evidence that this orientation is on the increase is reflected by the fact that many companies are discarding objectives by edict in favor of goals arrived at by deduction and analysis.

Knowledge in planning

As far as knowledge of how to *use* knowledge in the planning process is concerned, the subject could fill a book. The subject can be summarized in a few general propositions, however, which go something like this:

> Meaningful planning begins in knowledge of the present position, condition, and opportunities of the business.
>
> It proceeds in the knowledge that most available information is historical and probabilistic.
>
> It takes place with the knowledge that not all risks can be foreseen.
>
> It is tempered by the knowledge that costs permit the use only of truly relevant information.
>
> It is facilitated by the knowledge that human experience and judgmental capacity can be productive sources of planning input.
>
> It is refined by the knowledge that basing a plan on facts does not necessarily make it workable (i.e., acceptable).

Some of these points are self-evident, others less so. Take, for example, the point about costs and information relevance. The successful planner knows, because the volume of information usable in planning is so enormous, no company can afford to have assembled and analyzed all of the information

The ninth measure of the worth of a plan lies in the degree to which it arises out of deliberate, controlled effort. A sound plan is never a gratuitous event; it emerges as a result of calculated intentions operating through the agency of skillfully designed procedures.

available relating to the aims of the company. The planner, in short, chooses and uses information selectively.

Because the costs of information can, under the impact of stepped-up planning activities, easily get out of hand, progressive companies are striving to cut back their information requirements. Planning-wise companies are limiting planning to the areas most in need of change and reducing the time span covered by each plan. In these companies emphasis has moved from planning for functional areas to broader business planning (e.g., for products, markets, profits, and investments) and to shortening the period of time covered by typical plans.

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A main reason the cost of planning has received so little attention is that planning has usually been regarded as a nonlinear activity, a unique activity, an activity that ends with the production of a plan. This is a dangerous and costly view. If it is true that business planning is critical to business survival and progress, it is equally true that the planning process must be organized and run as a continuous operation.

Centralize planning control

Planning also suffers from fuzzy organizational thinking. Because all managers have something to do with the production of plans, planning is often left to "somebody else somewhere else." In other words, planning more often than not is an amorphous function with no organizational locus. This is an absurd condition! True enough, every manager has planning responsibilities and his work benefits to the degree to which he develops skill in contributing to the building of sound and realistic plans governing him and the activities of those he directs. But planning seldom has a chance of success where it takes place outside a system of tight planning procedures followed by persons with precisely defined planning responsibilities. Thus, the idea that every manager should produce the plans affecting his area of cognizance is not necessarily a good one. Planning should, generally speaking, be centralized and performed (or, at least, controlled) by specialists.

Systematizing planning function

Studies bear this out by revealing that corporate planning is becoming more formal (even though less complicated). As noted earlier, planning is becoming increasingly more systematic and strategic—trends that have been made possible by the establishment of procedures, assignments, and schedules. The corporate planning office is becoming a common feature throughout all but the smallest classes of business sizes, bearing testimony to the fact that planning is increasingly coming to be viewed as a formal and specialist function.

The phenomenon of the corporate planning office owes existence not only to having an identifiable location but to being plugged into well defined channels of communication as well. In other words, planning must have a clear organization position fed by prominent informational pipelines.

Only in situations where it is richly connected within a soundly engineered communication network can planning function effectively and efficiently.

Where planning does not occupy such a position it is uninformed and mute.

So much for the nine measures of planning worth. Now for a few thoughts about the types of plans.

Whatever commits a company (or persons) to a course of action is a plan. About that there can be no doubt. But employing this definition brings many things into the planning category that traditionally have not been so classed. The following list of plan varieties is presented to refresh consciousness of the principal planning forms or classifications that exist:

- Goals
- Objectives
- Long-term plans
- Short-term plans
- Single-use plans
- Standing plans
- Multiple-use plans
- Budgets
- Programs
- Deadlines
- Schedules
- Rules
- Procedures
- Policies
- Standards.

Recognizing so many plan formats and taking into account the different scales they can have (e.g., corporate, divisional, departmental, sub-unit) make it clear that providing an enterprise with cost-effective performance guides is a complex and deep-reaching task. No company can afford to do without guides of any kind it can respond to. This means every company owes it to itself to review its planning instruments against the above or a similar checklist to spot omissions in its planning apparatus.

Keeping the points presented in this article in view and trying for a definition of planning result in the following definitions:

Planning is a commitment to action.

An expanded version:

Planning is a commitment to courses of action chosen on an orderly, realistic, and systematic basis.

Another:

Planning is the work of translating objectives into the actions required to bring them about, scheduling the actions, and setting aside the resources to be used by the executor in implementing the actions.

These definitions have at least one virtue in common; they make it clear that planning is much more than determining what needs to be done. They imply or directly state that a plan is something that says, when fully formed and approved, "This is what we are going to do."

Guides to effective planning

Following are some tips for effective planning—things to keep in mind in order to avoid the major pitfalls in deciding the course of future actions. Effective planning:

• *Shapes the Future* — Planning must not be a case of "keeping up with the Jones'." Had Henry Ford followed the advice of pundits he would have remained in the bicycle business instead of remaking the map of America. Planning which is mere adaptation to trends, to prognostications of what the future will be like, is dangerous mainly because it fails to permit full use of the creative elements within the company.

• *Is Company-Centered*—Effective plans are company-centered; that is, they are based upon considerations applying to and arising within *this* company and not any other. Sound plans are, in effect, "tailored" to the specific requirements and capabilities of a particular company. The plans you make, therefore, must be made on the basis of your company's needs and no other.

• *Issues from Central Ideas*—Plans laid in the absence of overall aims or objectives are like children raised without parental care; their characters tend to be ill-formed and the results they produce uncertain. The worth of a plan derives as much from the ideas held about the business as from the target of the plan itself.

• *Has Positive Goals*—Good plans always aim at creating rather than stopping something; e.g., a good plan does not seek to put an end to machine idleness but to raise utilization to levels of profitability. Negative plans cost more to implement and control than positive ones because they fail to capture the interest of those whose work is affected.

• *Is Based on Careful Appraisal*—Knowledge of company needs, the probability of reaching a given objective, and cost of attaining that objective are vital to sound planning. This is not to say that plans should only be laid to achieve those objectives which are certain of attainment and reachable at low cost. To the contrary; some needs are so pressing that there is little choice but to take risks at high cost. The real point is that the skilled planner *knows* in advance the odds for and against a course of action and uses this and the knowledge of how badly the action is needed before committing the company.

• *Calls for Specific Results*—Since plans should be aimed at the attainment of given results, it is only common sense to have plans state the results sought in specific terms. Terms of quantity or numerical relationships are especially desirable. Where these are lacking, careful attention must be given to the description of the results sought. Where it proves difficult or impossible to state simply and accurately what the results sought are, take another look at the necessity for the plan. There may not be any.

• *Has a Timetable*—Because every business is an economic enterprise it follows that its principal terms are rates, productivity, and other words defining "units in time." It is insufficient that plans stimulate results; they must also stipulate "by when." It is also useful to have checkpoints designated so that progress in attaining results may be monitored.

• *Identifies the Executor*—The surest way of achieving the results sought by planning is to assign responsibility for results to one man. This is not as simple as it sounds; it forces planners to deal with many questions besides immediate objectives, the delegation of authority, for example. There will be times, therefore, when planning will prove impractical even where objectives seem realistic and attainable, because "secondary" consideration makes them uneconomical or too disruptive to organization.

• *Lays the Basis of Control* — Though this is a broader and "looser" requirement than those preceding, it is no less vital than the others. What it means, basically, is that one should plan only where control can be exercised. Where correction of unacceptable or excessive deviations cannot be made or enforced, planning is a waste of effort. Part of the planning job is therefore consideration of the types and extent of controls required for the plan's realization.

Undoubtedly, there is much more to be said about effective planning. Think about it and add your conclusions to this list. In any event, if you follow the above guides the plans you make will have better chances for success.

Conclusion

Probably no injunction holds greater implications for the planning process than this one from Senator J. W. Fulbright:

> Maturity means the acceptance of permanent responsibilities of continuing tasks, of enterprises that advance imperceptibly toward fruition with neither climax nor completion. It means ambiguity when we would prefer precision, tedious labor when we would prefer dramatic action, infinite patience when we would prefer immediate rewards. Above all, maturity requires a final accommodation between our aspirations and our limitations. . .

This quotation points up the fact that the man who continues to aspire in a world full of limitations is a worthy man indeed. But it is the man who expresses his aspirations in a selected, detailed, and scheduled way (i.e., in plans) who does best in coping with the limitations of this world.