

An Introduction to Planning

Almost all organisations find the need to make plans: statements about what managers and employees in the organisation intend or expect to happen over a future period of time. Strictly speaking, the term 'plans' should be used to refer to statements of intention.

Plans provide the basis for a number of beneficial effects in organisations. In particular, they:

- Give direction to future actions. If you plan to have a new process designed and put in place by the start of the next financial year, then it is likely that the very fact you have done this will influence your actions on a daily basis.
- Usually represent some desirable state of affairs that the organisation would like to come about. Plans, therefore, represent normative statements about how the organisation would like the world to be, or at least its own part of the world.
- Establish a target or standard against which the performance of the organisation's managers and staff may be judged. If the plan says that you will have the new system in place by the start of the next financial year then you might reasonably expect to be judged successful if that happens.

In organisations of any size, it is possible to identify some common types of plans, including:

- High-level plans that make statements about the kinds of markets in which the organisation operates or intends to operate and the resources required to do that. Such plans are known as **corporate** or **strategic plans**.
- Plans that relate to a specific part of the organisation. For example, to the Northern branch office or the Agricultural Subsidies Division. These are known as **business plans**.
- Plans that deal with the intentions of some functional area of the organisation's work such as the human resources department or the finance division. Such plans are usually called operational or **functional plans**.
- Plans that deal with identifiable and time-limited pieces of work. These plans are referred to as **project plans**.

Corporate or strategic plans

Corporate or strategic plans deal with many of the fundamental aspects of organisational life, such as the kind of business in which the organisation operates and the major environmental issues that are likely to impact on it in the future. Production of the corporate plan is often the province of some central planning department, perhaps reporting directly to the Chief Executive or departmental head.

Business plans

This term comes from the private sector where medium to large organisations very often consist of a number of 'businesses'. Businesses are collections of people and other resources who are dedicated to meeting the needs of some specific part (or 'segment') of the overall market that the organisation serves, by providing a defined range of products and services. Over the years, this term 'business planning' has been incorporated into the public sector so that most public sector organisations would produce something that they would call a 'business plan'.

Operational or functional plans

These plans are often made in respect of functions that it is economical or otherwise convenient for the organisation to provide centrally. Operational plans tend to cut across divisional or business plans and the overall corporate or strategic plan, although they should do so in a way that is complementary and supportive of those plans. Operational plans should be driven by the corporate and business plans rather than the other way round.

Project plans

Project plans deal with identifiable and time-limited pieces of work. They might arise out of business, functional or corporate plans, and in the best ordered organisations they do. However, in practice, they might equally derive directly from some other pressure or influence not identified in any of the other plans. For example, sudden, unexpected business growth requires the need for an organisation to move to larger premises.

Planning hierarchy

Many writers on planning have described a hierarchy of plans, with the effects and implications of the corporate plan cascading down into the business, functional and project plans. It is certainly true that corporate plans set the strategic tone and direction of the organisation and that this needs to be carried through into the other planning processes. However, it is equally the case that business plans themselves may well help to determine the corporate or strategic direction, and so the rather simple concept of the hierarchy needs to be modified somewhat to model what actually happens in real life.

Plans and planning

As is the case with much other practice in management, the roots of planning can be traced back to the military. Although now widely integrating into the business world, the use of plans by managers is not always without controversy. Many people argue against planning on the basis that it is impossible to predict the future with any degree of accuracy and that any attempt to do so is, therefore, doomed to failure.

If planning were an exercise in prediction then this would probably be true. Although some forms of planning are reliant on predictive techniques, planning is not so much

about making forecasts as providing statements of intent. Thus, many writers have argued that it is not so much the plan that is important as the process of planning itself. Dwight D Eisenhower noted this when he said: “In preparing for battle, I have always found that plans are useless, but planning is indispensable.”

In a world characterised by high degrees of turbulence, by the need to cope with significant organisational and environmental change on a continuous basis, and where old patterns appear to have been lost, the modern manager might be forgiven for thinking that it is futile to attempt to set out an intention where the circumstances that gave rise to that intention are so likely to change.

Formulating the plan

If the beneficial effects of planning were simply to express some intention that could then be realised then this might well be the case. However, as the quotation from Eisenhower shows, the process of formulating the plan – planning – may well be at least as beneficial as the plan itself. A well-constructed process of planning causes those involved to bring to the surface their assumptions about the present reality and future developments.

If, for example, you are required to be explicit about what you think is likely to happen in the drugs market over the next five years then that, at the very least, gives you an opportunity to discuss the basis on which you have formed your assumptions. And your opinion on that may be at least as valuable as someone else’s opinion, and might well cause you to rethink some of your assumptions of other aspects of your logic. That, in turn, is likely to lead to a ‘better’ plan in the sense that it will be a much richer view of the world than might be the case when based on your thinking alone.

Raising awareness

Another argument in favour of planning is that it causes us to examine the environment in which we operate. It is all too easy for managers to become fixed in their patterns of operating, always implicitly making the same assumptions about the world because, so far, they have proved to be true. But, the one thing that one can say with almost 100% certainty about the way things are today is that they will not be so forever. If we are required to examine our environment then we are much more likely to identify some changing factor that will impact on our organisation and be able to take action to avoid or take advantage of the new situation.

A typical way of assessing the external risks to an organisation would be to conduct a PEST analysis, i.e. an analysis which assesses political, economic, social and technical risks that the organisation is likely to face.

Working as a group

Planning in most organisations is a collective effort. It is rare for a plan to be the work of a single individual. Planning, therefore, provides an opportunity for managers and

staff to work together to achieve some common end – the production of the plan. Working together in such a way can help to increase coherence within the organisation and foster a sense of common purpose.