Chapter 5 - Managing the Planning Process

Chapter Overview

This chapter explores the planning process. It begins with a discussion of planning and its benefits. Then, the pitfalls associated with planning are discussed along with how to make planning more successful. Finally, the difference between formal planning and opportunistic planning are presented.

Chapter Objectives

1. Identify the different elements of an effective plan.

2. Analyze the advantages and disadvantages of planning and identify how planning pitfalls can be avoided.

3. Distinguish between formal and informal planning.

4. Recognize the features of well-designed objectives.

5. Identify the various types of action plans that managers can use to accomplish stated objectives.

Outline

I. What Is Planning?

Planning helps managers set objectives for the future and map out the activities and means that will make it possible to achieve those objectives.

A. Planning can be both formal and informal.

B. There are four elements to a plan
   1. Objectives – goals or targets the firm wants to reach within a stated period of time.
   2. Actions – specific steps the firm intends to take to achieve the desired objectives.
   3. Resources – resource allocation determines where the resources will come from and how the resources will be deployed to achieved objectives.
   4. Implementation – implementation guidelines show how the intended actions will be carried out.

C. Firms need to take advantage of their core competencies (unique skills or knowledge the company possesses that give it an edge over competitors) when setting objectives and making actions plans.

D. Planning occurs at every level of an organization.
1. Planning at the top is broad and long-term.
2. Planning at lower levels focuses on the operational aspects of the overall plan.

II. The Benefits of Planning

There are many benefits associated with planning.

1. Assessment of External Forces
   
   A. Firms can deal with environmental uncertainty and identify opportunities and threats in the environment by assessing external forces.
   
   B. Once managers understand the external forces they can work to take advantage of opportunities and minimize threats.

2. Developing a Sense of Direction and Purpose
   
   A. Planning helps managers identify what the company is trying to achieve and their role in getting there.

3. Identifying the Factors that Affect the Organization
   
   A. Planning helps managers identify factors related to growth, renewal, and survival that might not be obvious in day-to-day activities.

4. Encouraging Participation
   
   A. Organizations can use planning to encourage employees to participate in establishing goals and finding the best way to achieve them.
   
   B. Workers who participate in this type of activity are more motivated to succeed.

5. Coordination of Efforts
   
   A. Planning improves coordination between managers.
   
   B. Centralized planning helps managers understand how their actions can affect other units in the organization.

6. Establishment of Priorities
   
   A. Firms can use planning to prioritize major problems or issues.
   
   B. Firms that do not establish priorities tend to drift and lack a clear strategic focus.

7. Focusing Attention on Different Time Horizons
   
   A. Planning allows for establishing both long-term goals and short-term objectives.

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8. Understanding Circumstances Contributing to Past Success or Failure
   A. Planning helps managers better understand past successes and failures and learn from those experiences.

9. Ensuring the Availability of Adequate Resources
   A. Firms can use planning to help identify resources needed for the future.

10. Establishing Performance Standards
    A. Planning establishes goals to be met and the activities that must be completed to achieve those goals.
    B. Organizations can use this information to assess progress and employee performance.

11. Supporting Organizational Control Systems
    A. A firm’s control systems can be improved through planning because plans make it possible to compare goals with actual results.
    B. When there is a gap between targets and observed results, firms can take corrective actions to narrow or minimize the gap.

12. Developing “What If” Scenarios
    A. Planning helps managers deal with uncertainty by forcing them to think about what might happen in the future.
    B. Contingency or scenario planning involves identifying possible future scenarios and developing plans to deal with them.

13. Management Development
    A. Managers involved in planning are encouraged to be proactive and forward-thinkers rather than reactive individuals.
    B. Through the planning process, managers become more committed to the organization and better skilled at turning abstract ideas and objectives into concrete actions.

III. The Pitfalls of Planning

While there are many benefits associated with planning, companies must be careful to ensure that the process is not flawed. There are several planning pitfalls firms must be aware of.

1. Poor Forecasts of Future Conditions
A. Today’s rapidly changing business environment makes it difficult to accurately predict future situations.

B. It is especially difficult to make long-term predictions.

2. Plans Imposed From Above

A. Most planning starts at the top and moves down. However, because this type of planning lacks input from lower levels, plans can be difficult or even impossible to achieve.

3. Planning as a Self-Contained Activity

A. Those involved in planning can lose their connection to the rest of the organization. When this happens, other employees can become cynical about objectives that are established.

4. Extensive Bureaucratization

A. Planning can become overly bureaucratized - too quantitative and formula driven.

B. When this occurs, the logic behind the planning becomes dubious.

5. Inflexible Adherence to Objectives and Processes

A. Firms often try to justify sunk costs when it comes to planning, failing to acknowledge that plans are outdated and that a new direction is needed.

IV. Keys to Successful Planning

Firms can avoid planning pitfalls by involving managers at different levels, using both numerical and judgment methods, viewing planning as a continuous process rather than a static activity, avoiding an obsession with analytical tools, and limiting planning to priority areas.

1. Decentralizing the Planning Powers

A. All levels of management should be involved in planning.

B. Many companies today are using online group input to improve the planning process.

2. Using Both Numerical and Judgmental Methods

A. Numerical data only tell part of the story when it comes to planning. Firms need to use judgmental data as well.

B. Effective planning takes into account the experience and collective judgment of employees at all levels.
3. Viewing Planning as Continuous and Capable of Adapting to Change
   
   A. Planning is a continuous process not a static activity.
   
   B. It is important for managers involved in planning to respond to changes in technology, the reactions of competitors, international trends, and industry conditions.
   
   C. Firms should avoid justifying continuing with a certain course of action simply because of sunk costs or past choices.
   
   D. Companies can use a variety of techniques to help managers stay attuned to changes in the external and internal environment including manager retreats, workshops, environmental scanning, and cross-functional committees.

4. Avoiding Paralysis of the Analysis
   
   A. Firms must avoid overanalyzing every detail of a plan, and being obsessed with paperwork, technical reports, and other documents.

5. Concentrating on a Manageable Set of Issues
   
   A. When planning, firms should limit the process to a manageable set of areas. This can be done by focusing on core competencies.

V. Formal Planning and Opportunistic Planning
   
   A. There are two types of planning that can coexist in an organization and make the planning process more successful.
      1. **Formal planning** is designed to identify objectives and structure the major tasks of the organization to accomplish them.
      2. **Objective planning** involves programmatic actions triggered by unforeseen circumstances.
   
   B. Firms that over-rely on formal planning can become too rigid, while firms that emphasize objective planning will be constantly reacting to external forces and lack a clear sense of direction.

VI. The Formal Planning Process
   
   There are four elements in the formal planning process: setting objectives, charting a course of action to meet the objectives; allocating resources to carry out the activities; and implementing the activities.

1. Setting Objectives
   
   A. Objectives provide the answer to the question “what are we trying to accomplish?” They reflect a company’s mission (statement of the firm’s reason to exist).
B. Objectives are the performance targets the firm is trying to reach and are set at every level in the firm.

C. Objectives tend to be more general at the top, and more specific at lower levels of an organization.

D. Objectives should be specific and measurable. Objectives should also be challenging and should specify a timetable or deadline. Firms also need to decide which objectives have the highest priority.

E. A common planning technique for firms is Management by Objectives (MBO) which allows firms to combine planning and control.

F. A typical MBO cycle has four steps.
   1. Establish mutually agreed upon objectives between employee and supervisor.
   2. Develop action plan to accomplish objectives.
   4. Formally evaluate the extent to which objectives were met or exceeded.

G. Feedback for an MBO cycle comes in a performance appraisal form.

H. MBO can encourage managers to select easier-to-reach targets and discourage decisions to change priorities even when change makes sense. MBO can also encourage unethical behavior as employees try to reach challenging targets.

I. Successful MBO systems are flexible and allow for subjective judgments as to whether a target has been met.

2. Charting a Course of Action

A. Once a firm has established its objectives, it must develop an action plan. There are three types of actions
   1. Strategic action plans – establish long-term corporate-wide action programs to accomplish stated objectives to accomplish the company’s mission.
      a. Effective strategic action plans should meet the following criteria
         1. Proactivity – the degree to which the strategic action plan takes a long-term view of the future and actively moves the company in the desired direction.
         2. Congruency - the extent to which the strategic action plan fits with organizational characteristics and the external environment.
         3. Synergy – the integration of the efforts of various organizational subunits to better accomplish corporate-wide business objectives.
   2. Tactical action plans – specify the activities that must be performed, when they must be completed, and the resources a division or department will need to complete the portions of the strategic action plan under its purview.
a. Two important aspects of tactical action are

1. **Division of labor** – the formal assignment of authority and responsibility to job holders
2. **Budgeting** – controlling and allocating the firm’s funds.
   a. **Variable budgeting** accounts for deviations between planned output and actual output by considering the role of variable costs, while **moving budgeting** creates a tentative budget for a fixed period of time.

3. **Operational action plans** – created by managers and employees directly responsible for carrying out certain tasks or activities.
   a. The main challenge of operational planning is using resources efficiently.
   b. Operational planning gives firms the opportunity to use feedback for continued learning, the ability to visualize alternative ways to use resources to create a product or service, the ability to predict the effects of modifications on the efficiency of the operations, and the ability to evaluate the effectiveness of operations.

3. Implementation

A. Implementation involves defining tasks to be accomplished, assigning individual responsibilities for the tasks, and managing individuals to ensure that the tasks are completed.

B. **Standing plans** are created to help the organization deal with issues that come up on a regular basis.
   1. This type of plan is implemented through
      a. **Policies** - general guides for managers and employees to follow.
      b. **Rules** – written statements of the general permissible bounds for the application of particular policies.
      c. **Standard operating procedures** – the precise steps to be followed in a specific situation.

C. **Single-use plans** are implemented for unusual or one-of-a-kind situations.

D. Implementing plans involves four issues
   1. The means of implementation – inducing people to take the necessary steps to accomplish actions.
      a. Firms can use four approaches
         1. **Authority** – formal power.
         2. **Persuasion** – convince employees of the merits of a plan.
         3. **Policy** - define appropriate and inappropriate behavior.
         4. **Feedback** – determines the extent to which a plan is being carried out as expected.
   2. A process for organizational problem solving – allows problems to be diagnosed so that people can learn from their mistakes.
      a. Firms should
         1. Identify performance gaps.
2. Identify tasks and work processes necessary for accomplishing the plan.
3. Check for organizational congruence.
4. If any inconsistencies are found, intervene to create alignment in order to effectively implement the plan.
5. Execute the plan.
6. Learn from the consequences.

3. Linking of planning with organizational control systems – planning and control should go hand in hand.
4. Mechanisms to deal with organizational change
   a. There are three challenges associated with implementing a plan and dealing with change.
      1. Dealing with power and politics – enlist help from key players, be consistent, and ensure stability.
      2. Reducing individual anxiety and resistance – show why change needs to occur, involve employees in the change, reward new behaviors, and provide opportunities to disengage from the past.
      3. Maintaining control during the transition period – convey that the situation is under control.

Study Questions

1) The process that helps managers set objectives for the future and map out the activities and means that will make it possible to achieve those objectives is
   A) goal setting.
   B) objective setting.
   C) implementing.
   D) planning.
   Answer: D
   Diff: 1    Page Ref: 134
   Objective: LO1

2) Which of the following is not a key element to a plan?
   A) Objectives
   B) Feedback
   C) Actions
   D) implementation
   Answer: B
   Diff: 2    Page Ref: 134
   Objective: LO1

3) What are the specific steps the firm intends to take to achieve the desired objectives?
   A) Objectives
   B) Actions
   C) Resources
   D) Implementation
   Answer: B
4) What are the goals or targets that the firm wishes to accomplish within a stated amount of time?
A) Objectives  
B) Actions  
C) Resources  
D) Implementation  
Answer: A

5) What is the planning step that shows the intended actions that will be carried out?
A) Objectives  
B) Actions  
C) Resources  
D) Implementation  
Answer: D

6) Which of the following is not considered a core competency?
A) Objectives  
B) Know-how  
C) Brand recognition  
D) Company recognition  
Answer: A

7) Which of the following statements is not true concerning planning?
A) Planning occurs at every level in the organization.  
B) The plans made at higher levels direct and constrain the planning that occurs at lower levels.  
C) Planning at lower levels focuses on broad, long-term issues.  
D) Planning at lower levels tends to be primarily concerned with the operational details of the overall plan.  
Answer: C

8) Which of the following is not considered a benefit of planning?
A) Planning requires managers to assess the external environment to better respond to challenges.  
B) An effective planning process provides an opportunity to separate the planners from the implementers.  
C) The planning goals give organizational members a sense of direction and purpose.  
D) Planning may help the firm reduce uncertainty by forcing managers to think long term.
9) Examining environmental factors in the planning process helps the firm
A) gain buy-in from those who will implement the plan.
B) coordinate the efforts of everyone.
C) provide a sense of direction.
D) deal with environmental uncertainty.
Answer: D
Diff: 2 Page Ref: 136
Objective: LO2

10) When workers participate in the planning process, they tend to
A) "buy in" and work harder.
B) confuse the issues.
C) bring little to the table.
D) provide too much detail.
Answer: A
Diff: 1 Page Ref: 136
Objective: LO2

11) A centralized planning process
A) should be replaced with a decentralized process in large corporations to ensure buy-in.
B) can help managers understand how actions in one area have consequences for other units.
C) focuses attention on different time horizons.
D) ensures adequate assessment of external forces.
Answer: B
Diff: 3 Page Ref: 137
Objective: LO2

12) Which of the following contributed to Pepsi losing the war against Coke?
A) Pepsi failed to balance their long-term objectives with short-term goals.
B) Pepsi did not encourage worker participation in the planning process.
C) Pepsi failed to assess their external environment.
D) Pepsi failed to define its priorities.
Answer: D
Diff: 3 Page Ref: 137
Objective: LO2

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13) Understanding the reasons for poor performance or failure in the past is an important benefit of
A) environmental scanning.
B) competitor analysis.
C) the planning process.
D) stakeholder analysis.
Answer: C
14) A well-designed plan leads to
A) success.
B) identifying the resources needed for the future.
C) competitive advantage.
D) identification of core competencies.
Answer: B

15) Which of the following is true of performance standards?
A) The establishment of performance standards is the end result of any planning process.
B) Performance standards define expected behaviors for organizational members.
C) Performance standards allow for the assessment of programs.
D) all of the above
Answer: D

16) Any process that helps align the actions of individuals with the interests of their employing firms is a(n)
A) performance standard.
B) control.
C) objective.
D) goal.
Answer: B

17) When company executives fail to abandon a plan after large resources have been spent on it even though the evidence suggests that the plan is not working is called
A) scenario planning.
B) a control system.
C) escalation of commitment.
D) contingency planning.
Answer: C

18) The space shuttle disasters may be attributed to
A) scenario planning.
B) a lack of a control system.
C) escalation of commitment.
D) failure to have a contingency plan.
Answer: C
19) Effective planning improves a company's control systems by
A) making assumptions explicit.
B) making it possible to compare target versus actual results and take corrective action on gaps to modify future activities.
C) developing "what if" scenarios.
D) ensuring adequate resources are available.
Answer: B

20) Planning that identifies different views of future and spells out what to do in each session is referred to as
A) escalation of commitment.
B) contingency planning.
C) a control system.
D) formal planning.
Answer: B

21) When the Acme Company anticipates what may happen in the future by planning four different views of the future and then spells out what to do in each of these future views, they are using
A) escalation of commitment.
B) contingency planning.
C) a control system.
D) opportunistic planning.
Answer: B

22) Planning helps managers to
A) be proactive.
B) gain "on the job" training.
C) learn to convert abstract ideas into concrete actions.
D) all of the above
Answer: D

23) Which of the following is not one of the five lessons companies can apply to plan for the worst?
A) Create alternative scenarios.
B) Be prepared for the unimaginable.
C) Try to estimate probabilities.
D) Try to avoid thinking the worst.
Answer: D
Diff: 2 Page Ref: 139
Objective: LO2

24) Which of the following is not considered a pitfall of planning?
A) Future conditions can be forecasted incorrectly.
B) Integrating the plan generators and the plan implementers.
C) Reporting relationships can become overly hierarchical.
D) Planning can become a self-contained activity.
Answer: B
Diff: 2 Page Ref: 140
Objective: LO2

25) Common examples of inaccurate forecasts driving poor strategic decisions include
A) poor estimates of the demand for new products.
B) miscalculation of the impact of international competition on product lines.
C) changes in the economic and legal systems.
D) all of the above
Answer: D
Diff: 3 Page Ref: 140-141
Objective: LO2
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26) Separating the plan generators from the plan implementers often leads to
A) a more effective implementation.
B) the development of plans that lower level managers begrudgingly try to implement.
C) ensuring the wisdom and experience of those managers higher in the organization are included in the plan.
D) all of the above
Answer: B
Diff: 2 Page Ref: 141
Objective: LO2

27) Managers and employees may be cynical about objectives and suggestions for actions emanating from a
A) planning committee comprised of managers throughout the organization.
B) planning process using both top-down and bottom-up planning.
C) specialized planning department.
D) flexible plan.
Answer: C
Diff: 3 Page Ref: 141
Objective: LO2

28) When planning is conducted by specialists without the participation of other managers, there may be a tendency
A) to generate volumes of paperwork.
B) to generate formulas that are not relevant in turbulent times
C) to misunderstand the logic.
D) all of the above
Answer: D
Diff: 3 Page Ref: 141
Objective: LO2

29) When Detroit's Big Three continued their investment in SUVs in the early 2000s, they experienced which of the following pitfalls of planning?
A) Extensive bureaucratization
B) Plans imposed from above
C) Inflexible adherence to objectives and processes
D) Planning as a self-contained activity
Answer: C
Diff: 2 Page Ref: 141-142
Objective: LO1
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30) Successful planning includes which of the following?
A) Centralizing the planning process
B) Viewing planning as a commitment to sunk costs
C) Using both numerical and judgmental methods
D) Overanalyzing every detail to ensure effective implementation
Answer: C
Diff: 2 Page Ref: 143
Objective: LO3

31) In keeping planning a continuous process that is attuned to changes in both the internal and external environment, firms should consider all of the following except
A) the use of two-way feedback between managers and employees in the performance appraisal process.
B) scheduled retreats of key managers and employees.
C) carefully analyzing circumstances and avoiding "seat of the pants" crisis management.
D) the creation of standing cross-functional committees.
Answer: C
Diff: 3 Page Ref: 144
Objective: LO3

32) An obsession with paperwork, technical reports, statistical tables and other supporting documentation causes
A) escalation of commitment.
B) a "pie in the sky" perspective of corporate strengths.
C) paralysis by analysis.
D) opportunistic planning.
Answer: C
Diff: 1 Page Ref: 144
Objective: LO3
33) When Apple decided in the 1980s that its future lay in merging the computing, communications, and entertainment industries, they were demonstrating the need in planning to
A) decentralize the process.
B) concentrate on a manageable set of issues.
C) use numerical methods.
D) assess external forces.
Answer: B
Diff: 3    Page Ref: 144
Objective: LO3
AACSB: Reflective thinking skills

34) Opportunistic planning
A) is a system designed to identify objectives and to structure the major tasks of the organization to accomplish them.
B) is derailed by unexpected events.
C) involves programmatic actions triggered by unforeseen circumstances.
D) seldom has discretionary resources.
Answer: C
Diff: 3    Page Ref: 145
Objective: LO4

35) Which of the following is true of opportunistic and formal planning?
A) Firms that use only opportunistic planning will have no clear sense of direction.
B) Formal planning should allow for creative responses within the organized framework.
C) Jack Welch, formerly of GE, was a strong proponent of formal planning over opportunistic planning.
D) Firms should carefully choose either formal or opportunistic planning after thoughtful consideration.
Answer: A
Diff: 2    Page Ref: 145
Objective: LO4

36) The performance targets set during the planning cycle are
A) goals.
B) procedures.
C) budgets.
D) objectives.
Answer: D
Diff: 1    Page Ref: 145
Objective: LO4
37) Cascading of objectives refers to the fact that
A) objectives at the top have larger budgets than those at lower organizational levels.
B) objectives are more general at the top and become more specific at lower organizational levels.
C) objectives at higher organizational levels reflect the mission of the organization.
D) all of the above
Answer: B
Diff: 2 Page Ref: 146
Objective: LO4

38) DuPont's product introduction goal that began at the top of the organizational pyramid and filtered down to lower echelons where it became more specific is an example of
A) escalation of commitment.
B) opportunistic planning.
C) cascading of objectives.
D) profitability targets.
Answer: C
Diff: 3 Page Ref: 146
Objective: LO4
AACSB: Reflective thinking skills

39) Behavior is best motivated with objectives that are
A) general and measurable.
B) specific and measurable.
C) ambiguous and measurable.
D) general and ambiguous.
Answer: B
Diff: 1 Page Ref: 146
Objective: LO4

40) Worthwhile objectives that allow managers to determine whether key outcomes are being reached include which of the following?
A) Profitability targets such as ROI
B) Quality goals such as percentage of rejects
C) Innovation outcomes such as number of patents
D) all of the above
Answer: D
Diff: 2 Page Ref: 146
Objective: LO4

41) Objectives should
A) be achievable.
B) leave an open-ended timetable.
C) be challenging and require employees to stretch.
D) all of the above
Answer: C
Diff: 2 Page Ref: 146
Objective: LO4
42) The planning program in which objectives are mutually set between the employee and supervisor is known as
A) management by objectives.
B) management by walking around.
C) opportunistic planning.
D) cascading objectives.
Answer: A
Diff: 1 Page Ref: 147
Objective: LO4

43) The strength of MBO is its
A) ease of use.
B) lack of control mechanisms.
C) measurability.
D) ease of development.
Answer: C
Diff: 2 Page Ref: 148
Objective: LO4

44) What are the three types of actions normally planned after objectives have been established?
A) Strategic, divisional, and departmental
B) Strategic, tactical, and operational
C) Operational, departmental, and executive
D) Departmental, strategic, and mid-level
Answer: B
Diff: 2 Page Ref: 148
Objective: LO5

45) Who is normally responsible for developing strategic action plans?
A) Mid-level managers
B) First-line managers
C) Top executives
D) Subordinates
Answer: C
Diff: 1 Page Ref: 149
Objective: LO5

46) Synergy is
A) the degree to which the strategic action plan takes a long-term view of the future and moves the company in that direction.
B) the extent to which the higher level goals reflect top management's personal philosophy.
C) the extent to which the strategic action plan fits with organizational characteristics and the external environment.
D) the integration of the efforts of various organizational subunits to better accomplish corporate-wide business objectives.
Answer: D

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Diff: 2    Page Ref: 149
Objective: LO5
47) The extent to which the strategic action plan fits with organizational characteristics and the external environment is known as
A) proactivity.
B) congruency.
C) escalation.
D) synergy.
Answer: B
Diff: 2    Page Ref: 149
Objective: LO5

48) Action plans developed at the department level are
A) strategic.
B) tactical.
C) opportunistic.
D) operational.
Answer: B
Diff: 2    Page Ref: 150
Objective: LO5

49) A downside of moving budgets is that they
A) result in managers obsessing over the "intangible" aspects of performance.
B) demand frequent revisions.
C) are not flexible.
D) all of the above
Answer: B
Diff: 3    Page Ref: 150
Objective: LO5
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50) Line managers and those employees directly responsible for individual tasks create
A) tactical action plans.
B) strategic action plans.
C) operational action plans.
D) departmental action plans.
Answer: C
Diff: 1    Page Ref: 151
Objective: LO5

51) Which of the following is not included in the implementation phase of the planning process?
A) Defining tasks to be accomplished
B) Establishing long-term, corporate-wide actions to accomplish the company's mission
C) Assigning individual responsibilities for the tasks to be accomplished
D) Managing individuals to ensure that the tasks are appropriately completed
Answer: B
Diff: 2    Page Ref: 152
Objective: LO5

52) A general guide for managers and employees to follow is a
A) mission.
B) procedure.
C) policy.
D) rule.
Answer: C
Diff: 1 Page Ref: 153
Objective: LO5

53) Telling employees they need to arrive at work between the hours of 7 and 9 and work for nine consecutive hours is an example of a
A) mission.
B) procedure.
C) policy.
D) rule.
Answer: D
Diff: 2 Page Ref: 153
Objective: LO5

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54) Which of the following is not one of the means of implementing the planned actions?
A) Authority
B) Persuasion
C) Feedback mechanism
D) Punishment
Answer: D
Diff: 2 Page Ref: 154-155
Objective: LO5

55) Challenges in trying to simultaneously implement a plan and manage change associated with its implementation include which of the following?
A) Dealing with power and politics
B) Reducing individual anxiety and resistance
C) Maintaining control during the transition period
D) all of the above
Answer: D
Diff: 3 Page Ref: 156
Objective: LO5

56) Planning occurs at higher levels in the organization and implementing occurs at lower levels.
Answer: FALSE
Diff: 1 Page Ref: 135
Objective: LO1

57) Planning can help managers deal with uncertainty by anticipating what may happen in the future.
58) Companies in the 1980s became skeptical of the value of strategic planning because inaccurate forecasts led to poor strategic decisions.
Answer: TRUE
Diff: 2 Page Ref: 138
Objective: LO2

59) Planning is as much an art as a science.
Answer: TRUE
Diff: 1 Page Ref: 143
Objective: LO3

60) Opportunistic planning should take precedence over formal planning to structure the major tasks of the organization.
Answer: FALSE
Diff: 2 Page Ref: 145
Objective: LO3

61) Since the planning process prioritizes goals, desired objectives seldom work at cross-purposes.
Answer: FALSE
Diff: 2 Page Ref: 146
Objective: LO4

62) Lower level managers and employees should not participate in the budget-setting process.
Answer: FALSE
Diff: 2 Page Ref: 150
Objective: LO4

63) NASA's goal to reach the moon, which involved the design and construction of a lunar module, is an example of a single-use plan.
Answer: TRUE
Diff: 2 Page Ref: 153
Objective: LO5
AACSB: Reflective thinking skills

64) Once plans are formulated and implemented, an effective control system allows the organization to compare planned objectives with actual results.
Answer: TRUE
Diff: 2 Page Ref: 156
Objective: LO5

65) To be the most effective, the planning process should be a top-down exercise.
Answer: FALSE
Diff: 1 Page Ref: 157
Objective: LO5

66) What is planning?
Answer: Planning is the management function that assesses the management environment to set future objectives and map out the activities necessary to achieve those objectives.
Diff: 1 Page Ref: 134
Objective: LO1

67) Why must businesses focus attention on different time horizons when planning?
Answer: Many business programs may take years to complete. Steps can be taken to achieve long-term objectives by balancing them with short-term goals.
Diff: 2 Page Ref: 137
Objective: LO2

68) What is scenario planning?
Answer: Scenario planning is also known as contingency planning. Scenario planning identifies different future scenarios and spells out what to do in each scenario. This helps managers deal with uncertainty by anticipating what may happen in the firm — though the future cannot be accurately forecast with certainty.
Diff: 2 Page Ref: 138
Objective: LO2

69) What are the benefits of planning?
Answer: There are a number of benefits of planning. Planning requires managers to assess the external forces that affect the company. This helps the company respond to challenges present in the environment. The goals that are established as part of the plan give company members a sense of direction and purpose in that environment. In addition, when planning is properly conducted, it helps the management team to establish priorities, coordinate activities, develop standards, and clarify forces that will contribute to success. Effective planning processes result in increased participation by lower-level members. This in turn leads to improved managerial skills for all of the members of the organization. Furthermore, planning is the basis of control. A well-designed plan sets the standards that will be used to assess performance at every level in the hierarchy, both in the short term and over time. Finally, planning may help a firm reduce future uncertainty by anticipating what may happen in the future, forcing managers to think long term.
Diff: 2 Page Ref: 135-138
Objective: LO2

70) What are the pitfalls of planning?
Answer: There are a number of pitfalls of planning. Future conditions can be forecasted incorrectly, reporting relationships can become overly hierarchical, planning can become a self-contained activity, bureaucratization can become oppressive, and objectives and processes that are no longer optimal for the firm may be used.
Diff: 3 Page Ref: 140-141
Objective: LO2

71) Who should be involved in the planning process?
Answer: Successful planning should include every level of management. Planning cannot be
viewed as the province of staff specialists or senior managers. In general, both the quality of the plan and commitment to it are likely to increase when key managers and employees at various organizational levels contribute to its formulation and implementation.

72) What is paralysis of the analysis?
Answer: An obsession with paperwork, technical reports, statistical tables, and other supporting documentation causes paralysis by analysis. Plans only succeed when those responsible accept the plan and become devoted to seeing it implemented effectively. The key to successful planning is action, not becoming bogged down in overanalyzing every detail.

73) Contrast formal planning and opportunistic planning.
Answer: Formal planning systems are designed to identify objectives and to structure the major tasks of the organization to accomplish them. No matter how careful the formal planning process is, however, unexpected events can derail the plan. A second type of planning, referred to as opportunistic planning, should coexist with formal planning and can help the formal plan function more smoothly. Opportunistic planning refers to programmatic actions triggered by unforeseen circumstances. Resources that are not totally committed as part of the formal planning process may be used at the discretion of managers to deal with unexpected events.

74) What are four elements of the formal planning process?
Answer: The four elements of the formal planning process involve setting objectives, charting a course of action to meet the objectives, allocating resources to carry out the planned activities, and implementing the activities.

75) What is MBO? What are the key steps of the MBO cycle?
Answer: MBO stands for management by objectives. MBO is a program in which objectives are mutually set between the employee and supervisor. The employee is held accountable for the accomplishment of those objectives at various intervals which are normally part of an annual performance appraisal. They combine planning and control.

The key steps of a typical MBO cycle begin with establishing mutually agreed objectives between employee and supervisor. In step two, the action plan is developed to accomplish objectives. Then progress is monitored toward achievement of the objectives (on an ongoing basis) and finally, the extent to which objectives were met or exceeded is formally evaluated.

76) What are the three criteria for an effective strategic action plan?
Answer: To be effective, a strategic action plan should meet the criteria of proactivity, congruency, and synergy. Proactivity is the degree to which the strategic action plan takes a
long-term view of the future and actively moves the company forward in the desired direction. Congruency is the extent to which the strategic action plan fits with organizational characteristics and the external environment. Synergy is the integration of the efforts of various organizational subunits to better accomplish corporate-wide business objectives.

77) What are tactical action plans? How do they differ from operational action plans?
Answer: Tactical action plans are developed at the division or department level. They specify the activities that must be performed, when they must be completed, and the resources a division or department will need to complete the portions of the strategic action plan under its purview. In general, tactical action plans cover a period of one to two years.

Line managers and employees directly responsible for individual tasks or activities are the ones who create operational action plans. These plans tend to be narrowly focused on resources, methods, time lines, and quality control issues for a particular kind of operation. In general, the time frame for operational action plans is shorter than for tactical action plans.

78) What are the four major approaches to implementation?
Answer: Four major approaches to implementation are authority, persuasion, policy, and feedback mechanisms. Authority is formal power. As part of plan implementation, the employee at each position is vested with the authority to make certain decisions and is held accountable for those decisions. Subordinates are expected to comply with the requests of people in positions of authority.

A plan that is acceptable to employees increases commitment to that plan. Persuasion is an important aspect of effectively implementing plans. Employees who are convinced of the merits of a plan are more likely to respond enthusiastically to directives of managers who have formal authority and to go beyond the call of duty in finding better ways to effectively execute the plan. Persuasion in most companies requires employee involvement rather than a manager simply making a speech extolling the virtues of a particular plan.

Organizations develop policies that define appropriate and inappropriate behavior. These guidelines usually appear in a formal document to ensure that relevant policy information is communicated to all individuals involved.

Successful plan implementation requires a continuous flow of information that is used to determine to what extent the plan is being carried out as expected. It is also important to assess how and why individual activities are helping attain company objectives.

79) How can the political dynamics of change be managed?
Answer: Managing politics can be accomplished in a number of ways including enlisting the support of key players, being consistent, and ensuring stability. It is important for managers to enlist the support of key players. Once pivotal individuals are identified, it is necessary to
ascertain how the change will likely affect each of them, how each is likely to react to the change, and the methods available to influence them. Managers must also attempt to ensure consistency in words and actions. What managers say must be congruent with the actions taken or being reinforced. Finally, managers must build in stability. People can absorb only so much change at once. It is necessary to create stability during the implementation. This requires sending consistent messages to lessen uncertainty.
Diff: 2 Page Ref: 156
Objective: LO5

80) How can managers maintain control during the change transition?
Answer: Both for operational and political reasons, it is important for managers to convey the idea that the situation is under control during the transition period. This can be done by communicating a clear idea of the future state, using multiple methods to promote change, designing transition management structures, setting transition milestones, and measuring progress on a continuing basis.
Diff: 2 Page Ref: 157
Objective: LO5