

UNIT II PLANNING AND CONCEPT OF OBJECTIVES

:

- Nature and purpose of planning
- The planning process
- Principles of planning
- Types of planning
- Advantages and limitations of planning
- Objectives (Nature and Types)
- MBO (Process benefits and limitations)

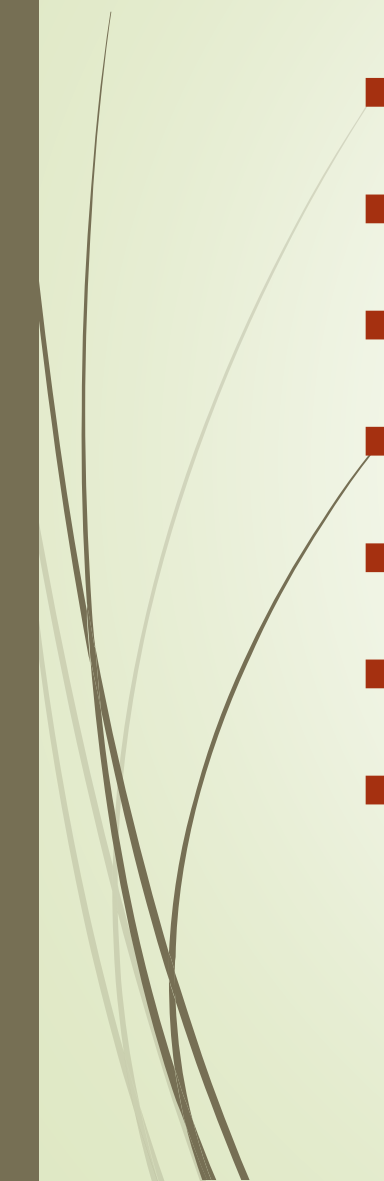
MEANING OF PLANNING

“Planning is deciding in advance what to do, how to do it, when to do it and who to do it. It involves anticipating the future and consciously Choosing the future course of action”.

“According to Haimann, Planning is the function that determines in advance what should be done.”

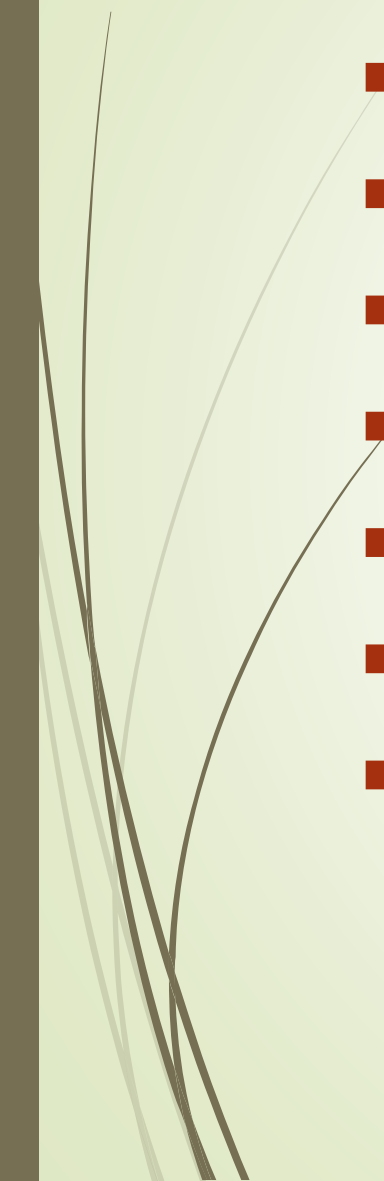


Nature of Planning

- Planning is goal-oriented
 - Planning is a primary function
 - Planning is all-pervasive
 - Planning is a continuous process
 - Planning is forward-looking
 - Planning involves choice
 - Planning is directed toward efficiency
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Importance of planning

- Focuses attention on objectives and result
 - Reduces uncertainty and risk
 - Provides sense of direction
 - Encourages innovation and creativity
 - Helps in co-ordination
 - Guides decision-making
 - Provide efficiency in operation
- 



PROCESS OF PLANNING

The main step in planning process are as follow:-

Step 1- Define the task-

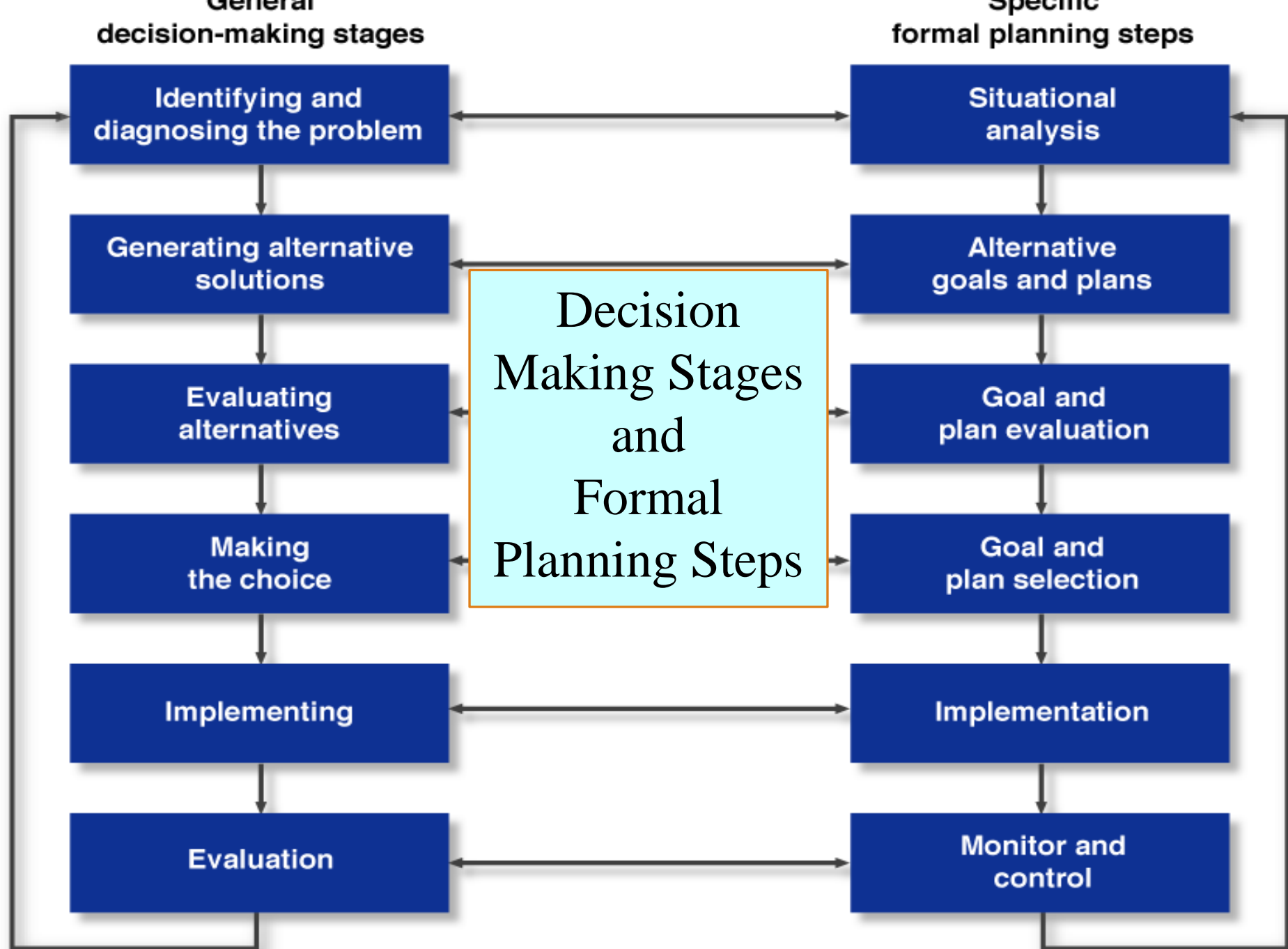
Step 2- Identify resources-

Step 3- consider alternative-

Step 4- Create the planning-

Step 5- Work the plan

Step 6- Evaluate-



Hierarchy of Plans



Mission

Goals and objectives

strategies

Policies

Procedures

Rules

Programme

Budget

Establishment of Mission, Vision, and Goals

➤ Mission

- An organization's basic purpose and scope of operations



Environmental Analysis

Industry and Market Analysis

- *Industry profile:* major product lines and significant market segments in the industry.
- *Industry growth:* growth rates for the entire industry, growth rates for key market segments, projected changes in patterns of growth, and the determinants of growth.
- *Industry forces:* threat of new industry entrants, threat of substitutes, economic power of buyers, economic power of suppliers, and internal industry rivalry (recall Chapter 2).

Competitor Analysis

- *Competitor profile:* major competitors and their market shares.
- *Competitor analysis:* goals, strategies, strengths, and weaknesses of each major competitor.
- *Competitor advantages:* the degree to which industry competitors have differentiated their products or services or achieved cost leadership.

Political and Regulatory Analysis

- *Legislation and regulatory activities* and their effects on the industry.
- *Political activity:* the level of political activity that organizations and associations within the industry undertake (see Chapter 5).

Social Analysis

- *Social issues:* current and potential social issues and their effects on the industry.
- *Social interest groups:* consumer, environmental, and similar activist groups that attempt to influence the industry (see Chapters 5 and 6).

Human Resources Analysis

- *Labor issues:* key labor needs, shortages, opportunities, and problems confronting the industry (see Chapters 10 and 11).

Macroeconomic Analysis

- *Macroeconomic conditions:* economic factors that affect supply, demand, growth, competition, and profitability within the industry.

Technological Analysis

- *Technological factors:* scientific or technical methods that affect the industry, particularly recent and potential innovations (see Chapter 17).

Analysis of External Opportunities and Threats

➤ Stakeholders

- Groups and individuals who affect and are affected by the achievement of the organization's mission, goals, and strategies



Analysis of Internal Strengths and Weaknesses

➤ Resources

- Inputs to a system that can enhance performance
- Tangible, intangible assets



Internal Resource Analysis

Financial Analysis

Examines financial strengths and weaknesses through financial statements such as a balance sheet and an income statement and compares trends to historical and industry figures (see Chapter 18).

Marketing Audit

Examines strengths and weaknesses of major marketing activities and identifies markets, key market segments, and the competitive position (market share) of the organization within key markets.

Operations Analysis

Examines the strengths and weaknesses of the manufacturing, production, or service delivery activities of the organization (see Chapters 9, 16, and 17).

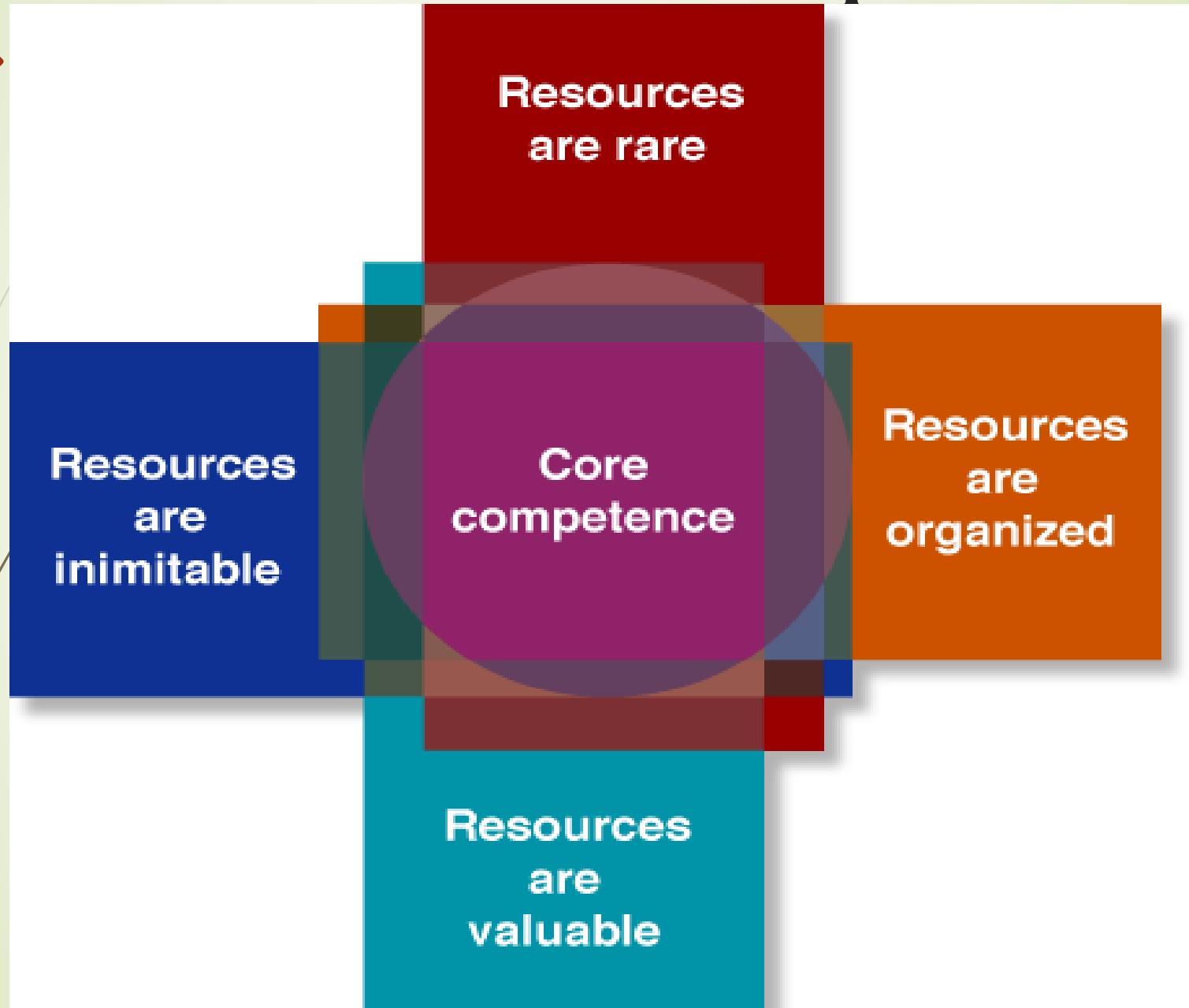
Other Internal Resource Analyses

Examine, as necessary and appropriate, the strengths and weaknesses of other organizational activities, such as research and development (product and process), management information systems, engineering, and purchasing.

Human Resources Assessment

Examines strengths and weaknesses of all levels of management and employees and focuses on key human resources activities, including recruitment, selection, placement, training, labor (union) relationships, compensation, promotion, appraisal, quality of work life, and human resources planning (see Chapters 10 and 11).

Resources and Core Competencies



SWOT Analysis and Strategy Formulation

➤ SWOT analysis

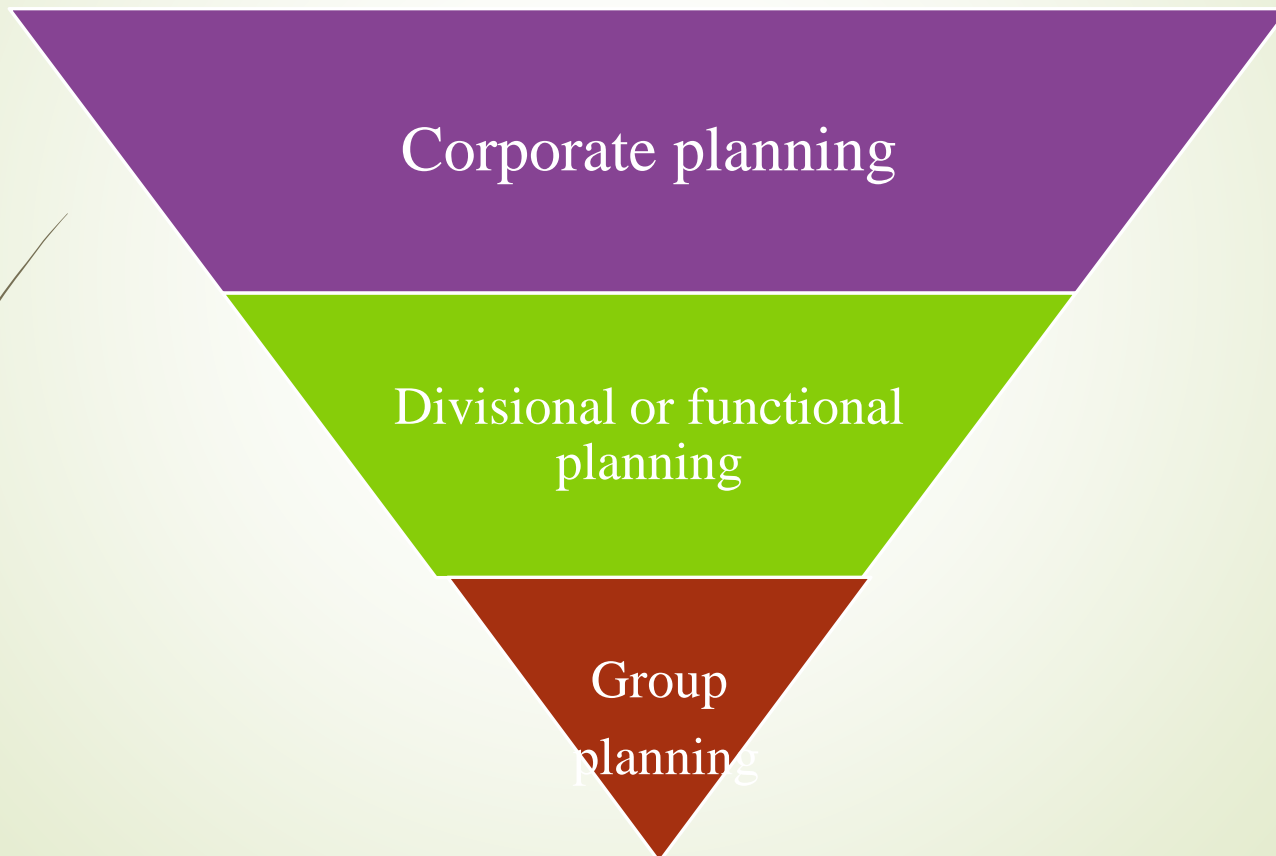
- A comparison of strengths, weaknesses, opportunities, and threats that helps executives formulate strategy.



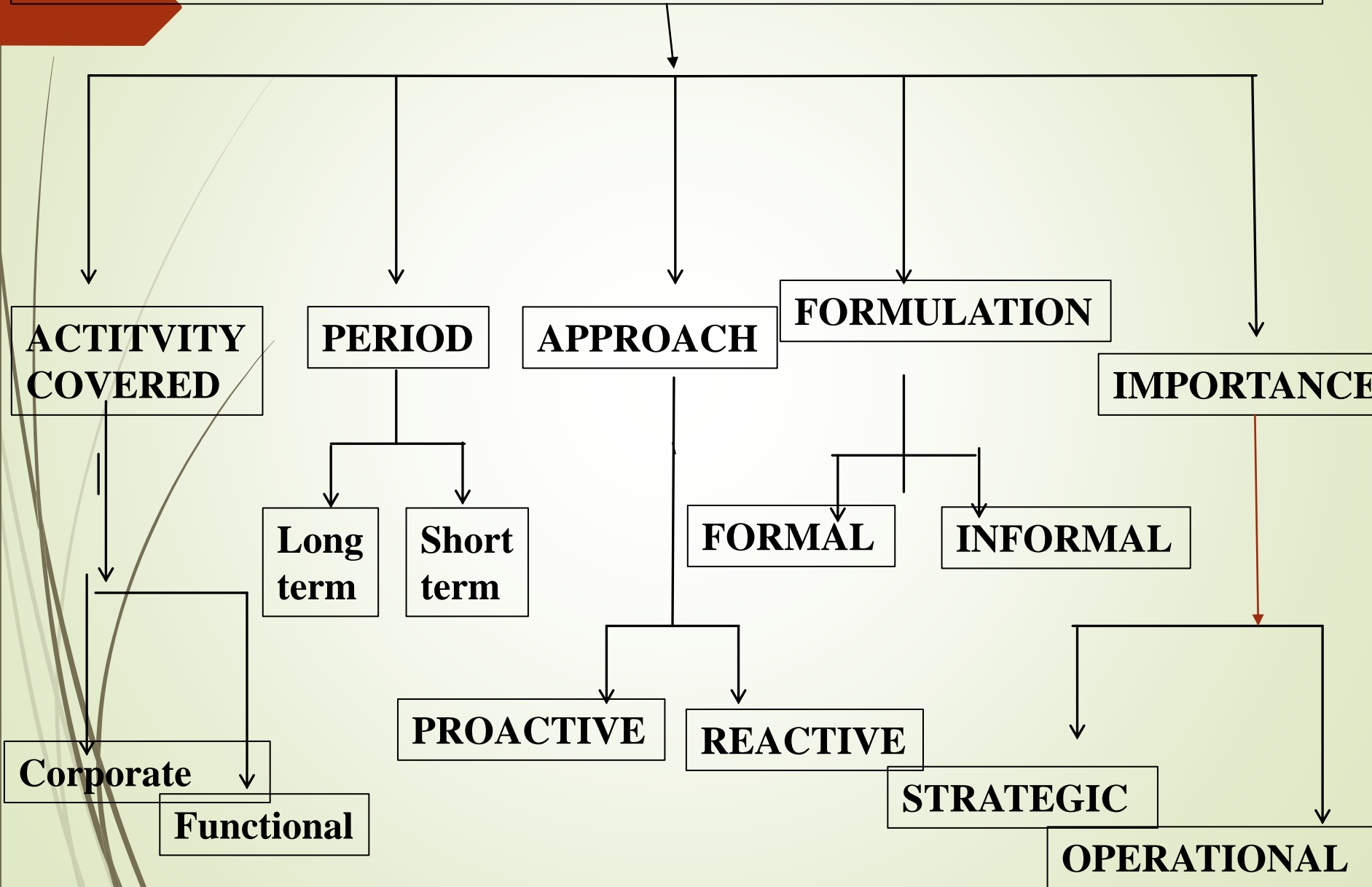
Principles of planning

- Principle of contribution to objectives
- Principle of efficiency of plans
- Principle of primacy of planning
- Principle of planning premises
- Principle of policy framework
- Principle of timing
- Principle of alternatives
- Principle of limiting factor
- Principle of commitment
- Principle of flexibility
- Principle of navigational change
- Principle of competitive strategies

Types of planning

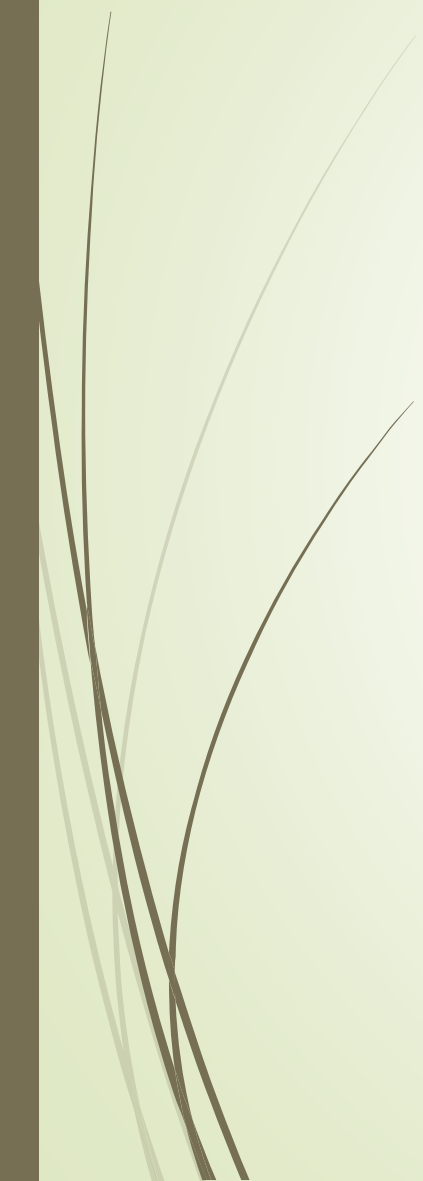


TYPES OF PLANNING





Limitation of planning

- Lack of accurate information
 - Time and cost
 - Resistance to change
 - Lack of ability to plans
 - False sense of security
 - Environmental constraints
- 



MANAGEMENT

BY

OBJECTIVES

WHAT IS MBO ?

“The Practice of Management”

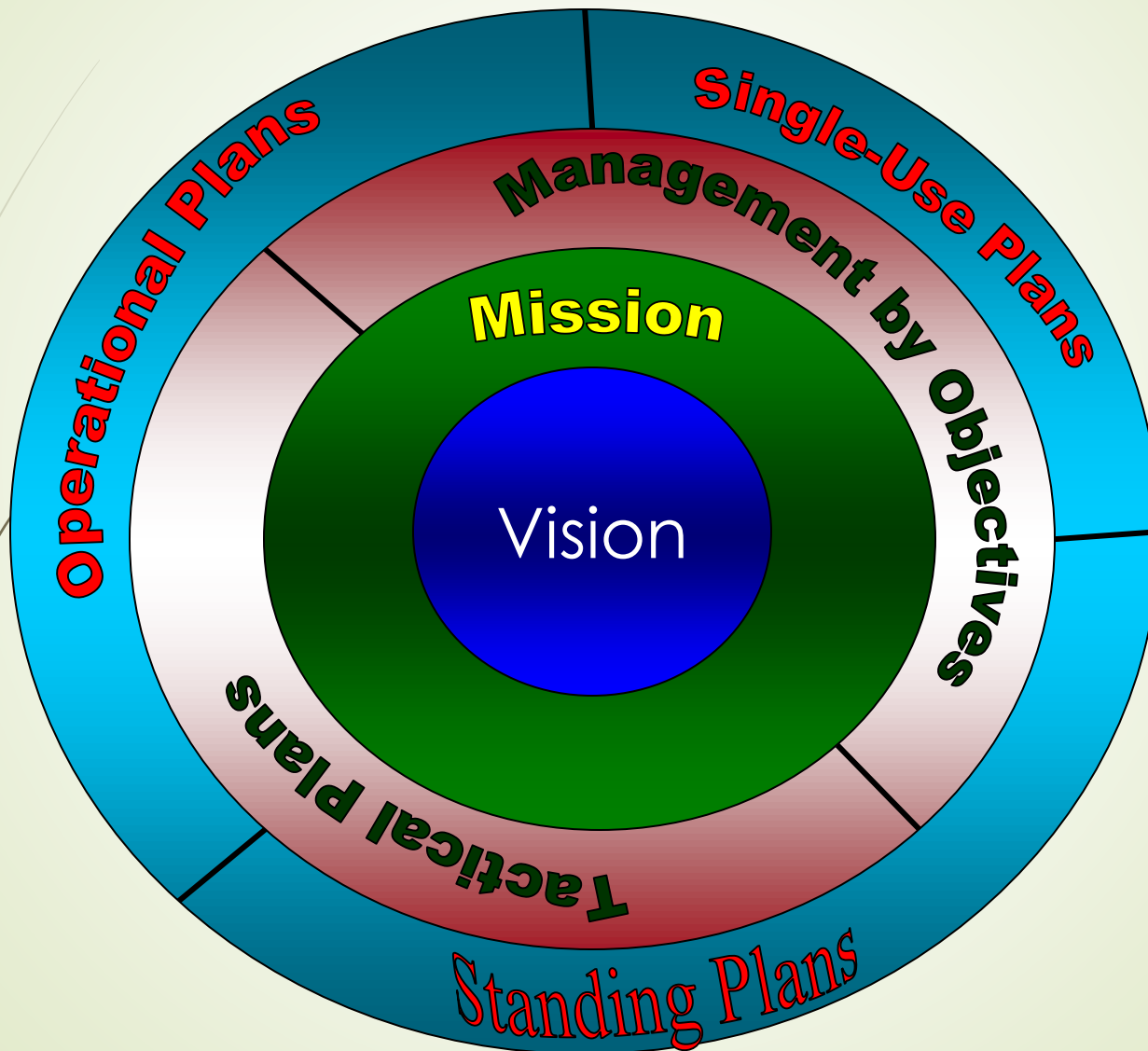
Peter Drucker, 1954

- Is a systematic and organized approach that allows management to *focus on achievable goals* and attain the best possible results from available resources
- Aims to increase individual and organizational effectiveness by *aligning organizational goals and subordinate objectives*
- Clarifies and quantifies objectives to allow for *monitoring, evaluation, and feedback* throughout the hierarchy of objectives

IN SIMPLE WORDS, MBO IS...


- **MBO** emphasises the importance of **objectives as a tool** to be used **by managers in fulfilling** their **managerial roles** (accomplish their tasks)
- Divide problem into manageable, “bite-size” chunks

MBO; PLAN VIEW



MBO; CROSS SECTION



- 
- ***Single-use Plans*** are developed to achieve objectives that are not likely to be repeated in the future. Single-use plans include both programs and projects.
 - ***Standing Plans*** are used to provide guidance for tasks performed repeatedly within the organization. The primary standing plans are organizational policies, rules, and procedures.
 - ***Operational Plans*** are used to identify specific results to be accomplished within a given short term time period. Contain detailed information used in the lower levels in an organization.

FEATURES OF MBO

Peter Drucker also stated that:

- For the business to succeed, the managers and employees must work towards a common goal
- Managers must identify and agree targets for achievement with subordinates
- Managers must negotiate the support needed to achieve the targets with subordinates
- Evaluate the objectives over time

OBJECTIVE SETTING

In an MBO, good goals are SMART goals:

WORK

S specific

M measurable

A achievable

R result oriented

T time-related

HAVE

**S
U
C
C
E
S
S**



MBO AIM

- Short and long-term planning
- Optymalization of organization structure
- Better work and collaboration quality



Appraisal based on objective results



BONUSES

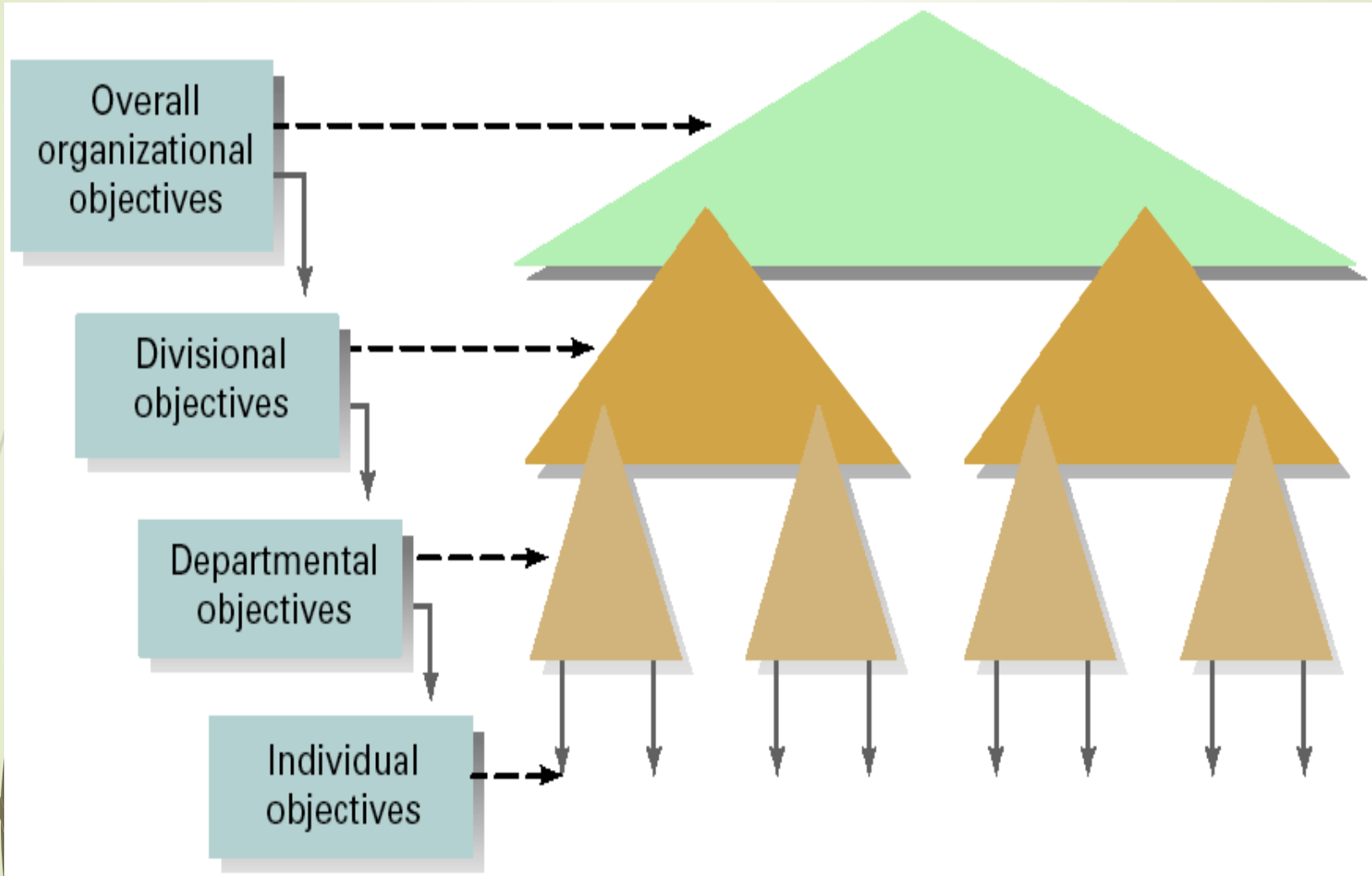


MBO PRINCIPLES

1. Cascading of organizational goals and objectives
2. Specific objectives for each team member
3. Participative decision making
4. Explicit time period
5. Performance evaluation & feedback



CASCADING OF OBJECTIVES



ADVANTAGES OF MBO

- Improves employee motivation
- Improves communication in the organisation
- Flags up and highlights training needs required to achieve objectives
- Improves overall performance and efficiency
- Attainment of goals can lead to the satisfaction of Maslow's higher order needs

MASLOW'S NEEDS THEORY

“We each have a hierarchy of needs that ranges from "lower" to "higher." As lower needs are fulfilled there is a tendency for other, higher needs to emerge.”

Daniels, 2004

Maslow's theory maintains that a person does not feel a higher need until the needs of the current level have been satisfied. Maslow's basic needs are as follows:

MASLOW'S NEEDS THEORY



DISADVANTAGES OF MBO

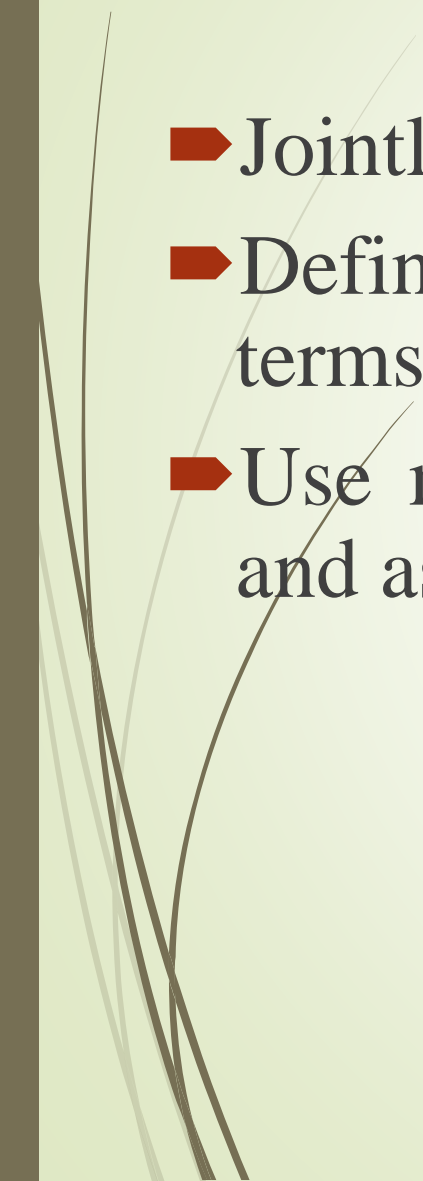
- May demotivate staff if targets are too high and unrealistic, also if imposed rather than agreed
- Requires the cooperation of all employees to succeed
- Can be bureaucratic and time consuming (meetings, feedback)
- Can encourage short-term rather a more focused long-term growth
- Objectives may go out of date and can restrict staff initiative and creativity
- Setting targets for certain specialised employees may be difficult

IS MBO SUITABLE FOR EVERY BUSINESS?

- MBO could be suitable for a medium to large business, using a democratic approach to management and operating in a stable market
- The overriding issues therefore are size of the business, the leadership style it uses and the rate of change in the market it operates.



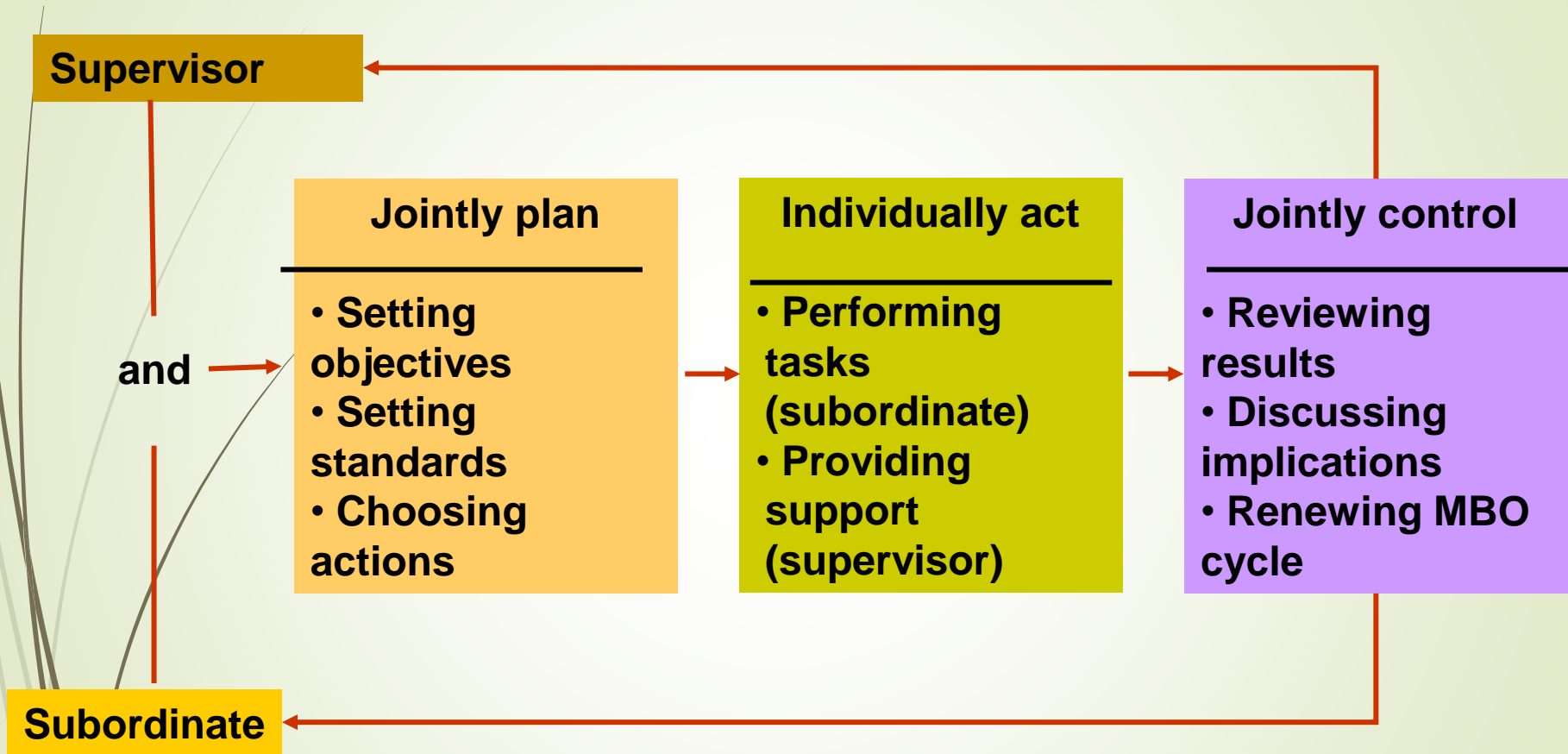
HOW MBO WORKS

- Jointly identify common goals.
 - Define major areas of responsibility in terms of results expected.
 - Use measurements as guides for operating and assessing contributions of members.
- 

UNDERLYING PURPOSES OF MBO

1. Clarify organization's goals and plans at all levels.
2. Gain better motivation and participation from organization's members.

MBO; FRAMEWORK CONCEPT



PHASES OF MBO

1. Top management team studies system.
2. Team sets up methods of measuring performance.
3. Goal-setting sessions are held at all levels of organization.

STEPS FOR MBO

STEP 1: SET GOALS

- Corporate Strategic goals
- Departmental goals
- Individual goals

STEP 2: DEVELOP PLANS

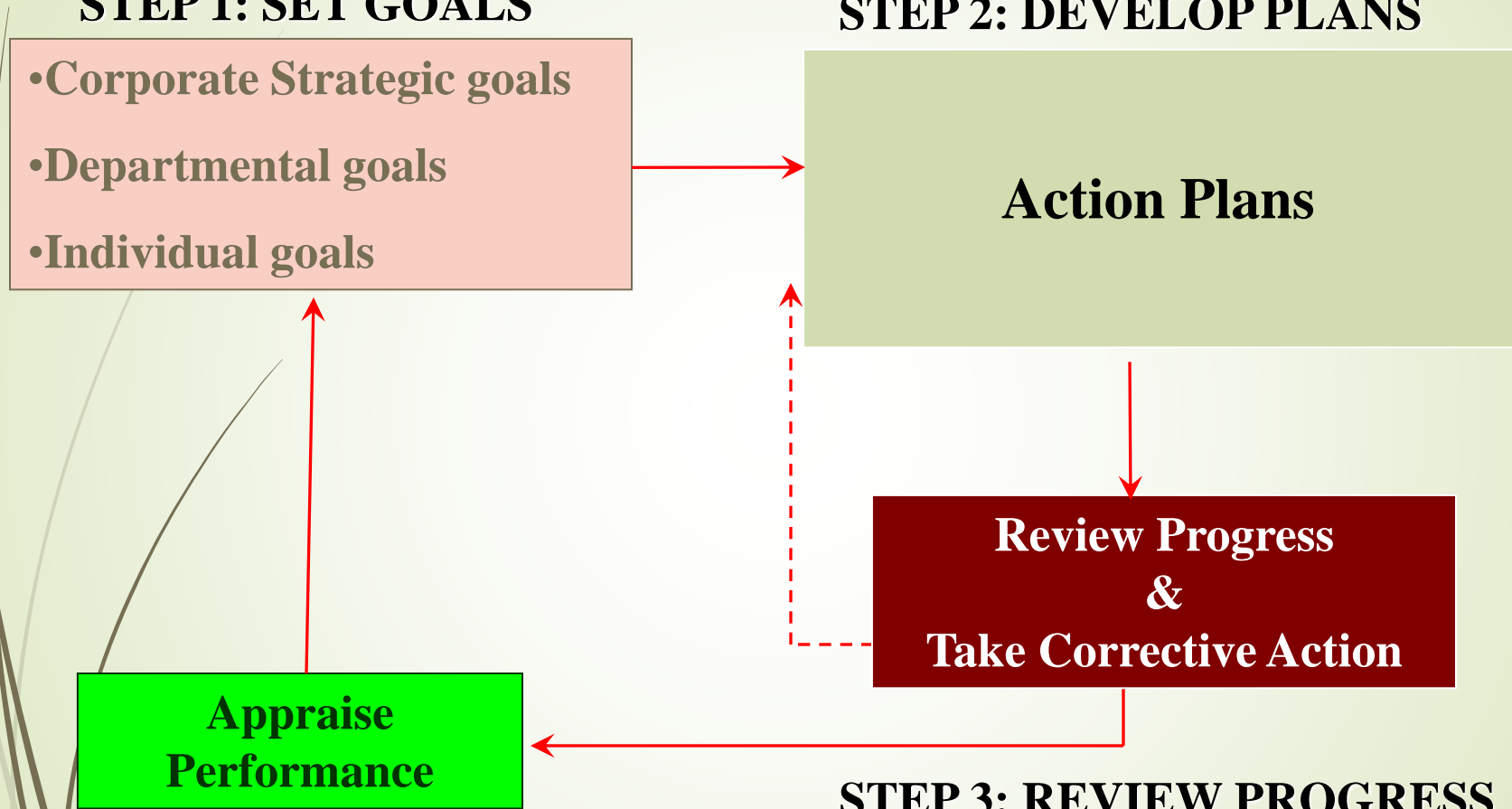
Action Plans

Review Progress
&
Take Corrective Action

STEP 3: REVIEW PROGRESS

Appraise
Performance

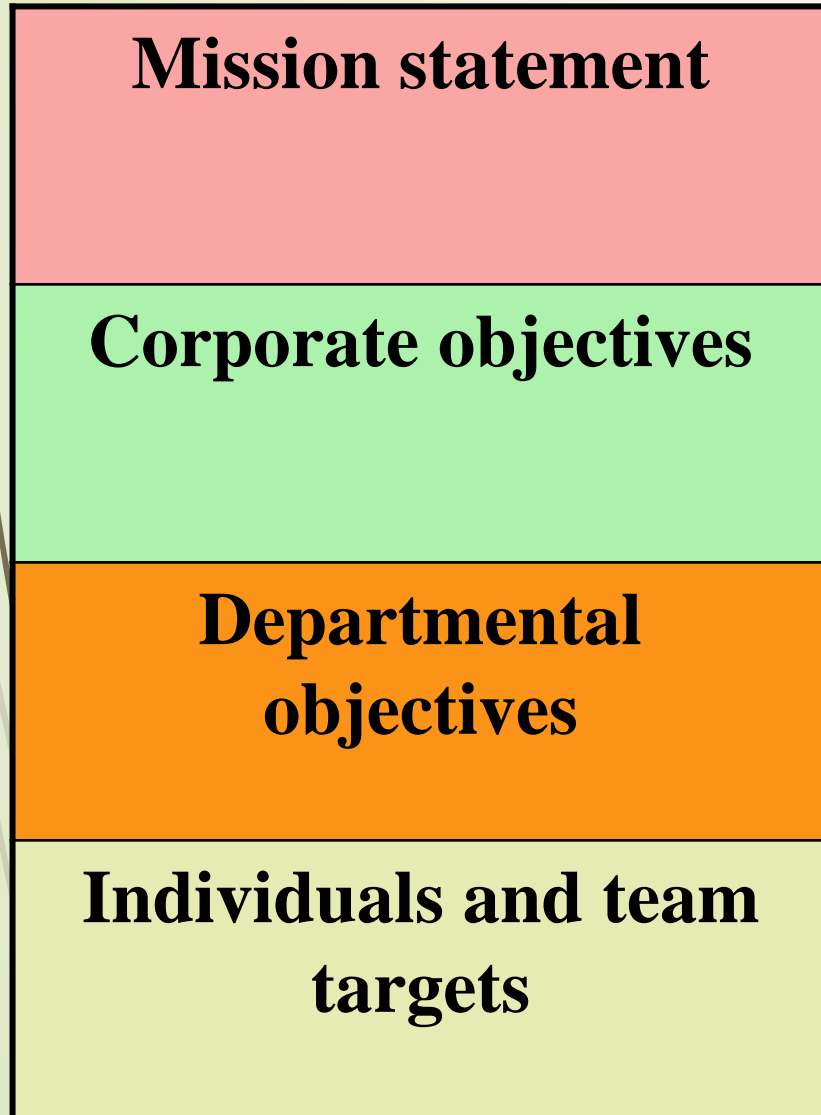
STEP 4: APPRAISE OVERALL PERFORMANCE



ESSENTIAL STEPS FOR MBO

- **Set Goals (The most difficult step)**
 - What are we trying to accomplish?
- **Develop Action Plans**
 - “What do we need to do to get there?”
 - Groups and individuals
- **Review Progress**
 - “How are we doing?”
 - Periodically (How Often?)
 - Does plan need to be tweaked?
- **Appraise Performance**
 - Rewards?

HOW TO SET CORPORATE OBJECTIVES



To become the leading supplier of computers in London

To increase sales in London by 10% in the next 5 years

e.g. (marketing department) to achieve a 10% share of the computer market in London within the next 5 years

e.g. to design questionnaires as part of market research



SOURCES OF MBO FAILURES

- 1. Lack of top management commitment and follow through on MBO.**
- 2. Employees' negative beliefs about management's sincerity in its efforts to include them in the decision-making process.**

How MBO helped fix a troubled project - A Case Study

Practice Lead - Testing AI Applications and Mainframe Modernization at IBM

The key challenges faced during the project:

- 30 member team was supporting a suit of more than 40 applications, with 42000 function points.
- Client satisfaction rating for the project was below organization's target satisfaction rating.
- Quality of the delivery was not meeting the client expectations.
- To deliver quality deliverable and the challenge was to have the team take ownership.

On evaluating various approaches, Management by Objectives (MBO) was considered a suitable model. However, MBO was considered successful only for Performance appraisals and not as Project Management style. This model has certain limitations as a management style.

Failure of Management by Objectives (MBO) as a Project Management style:

- Positive and active participation from subordinates is not easily forthcoming.
- Truly verifiable goals are not easy to formalize
- Emphasis is put in short-range goals, whereas long-range goals are avoided
- Goals remain inflexible and rigid.
- Over-use of quantitative goals jeopardizes the qualitative aspect.
- Time-consuming nature of management by objectives.

However, the team decided to go against the tide to achieve something significant. I decided to come up with key objectives to be achieved using this approach.

Key Objectives identified are:

- Expectations of the client needed to be streamlined as individual goals for the team members.
- A Continuous assessment methodology was needed to revisit individual goals.
- The team members needed specific goals to focus on their performance.
- Open communication channel needed to be established to gain the trust and set expectations to the team members.
- Need to improve the quality of deliverable delivered to the client.
- Need to improve the customer satisfaction by meeting client expectations.

After much introspection and discussion, I arrived at the following approach and presented the same to the team and higher management. After getting an buy-in from the team, I used MBO as a project management style using the approach given below.



Application of MBO as a PM style:

- **Categorization of Team Members based on experience and performance**

- Junior Developer – Team members with 0-3 years of experience.
- Senior Developer – Team members with 4-10 years of experience.
- Team leads/SME – Team leads with 10+ years of experience.

Set project targets for each phase

Setting Objectives - SMART Approach

Project Objectives

- Delivery Excellence Targets
 - Developer delivery targets
 - Reviewer Efficiency targets
- Project Skill Matrix Targets
- Generic Organizational Metrics Targets
 - Innovation targets
 - Leadership Targets
- Business Improvement Targets
 - Process Adherence Targets
- Domain knowledge Improvement Contribution




Individual Targets for each Category

- Delivery Excellence Targets
 - Developer delivery targets
 - Reviewer Efficiency targets
- Skill Development Targets
- Mentor Targets
- Generic Organizational Metrics Targets
- Innovation targets
- Leadership Targets
- Business Improvement Targets
- Process Adherence Targets
- Domain knowledge Improvement Contribution
- Other Specific targets



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"Be Specific" from by Earl Lewis, from the SmartProject.com collection
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- 
- Discuss and agree on targets with the team members.
 - Set daily individual targets mapped out of targets of each phase
 - Daily achievement checkpoint (not more than 15 minutes per day)
 - Monitor and track the progress of the project based on targets achieved in each phase.
 - Revisit the phase-wise targets weekly to manage any deviations.
 - Evaluate the closure of each phase.
 - Closure of the project

Project Goals



Discuss and Agree
Phase-wise Targets



Daily Individual Goals

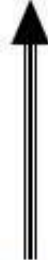



Succeed

Monitor and Track



Daily Achievement
Checkpoint





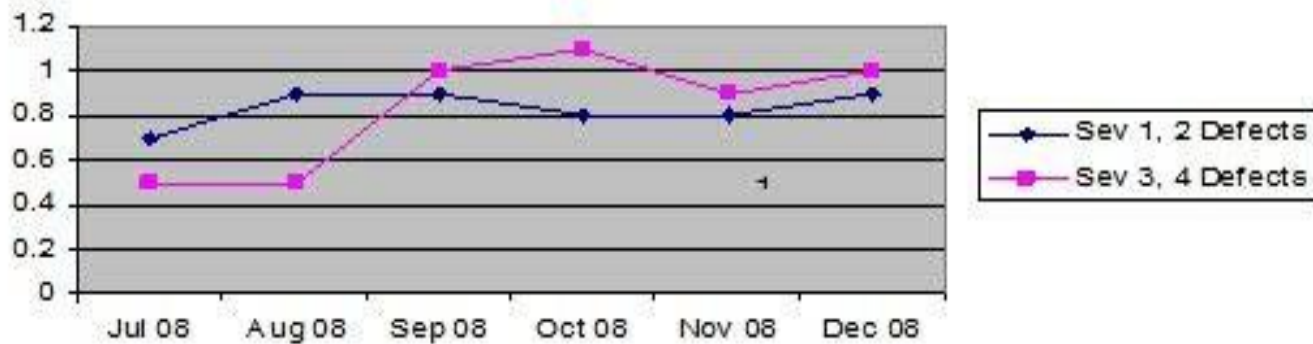
The project performance was monitored over period of 2 years to verify the sustainability of this model over a longer duration. The results were consistently positive and the team was able to appreciate the change in the climate.

Achievements from the Case study:

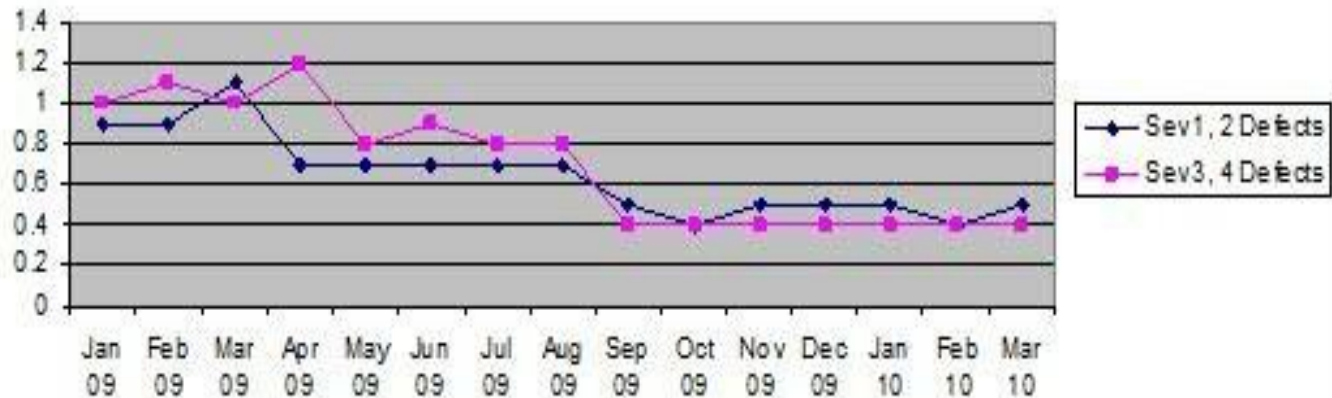
- Productivity of the project had increased by 17%
- Significant improvement in client satisfaction index. Organization's target client satisfaction index was achieved.
- Significant improvement in team morale with 0% attrition rate during this project year and 5% attrition rate for next 4 years.
- Significant improvement in the quality of deliverable, with 66% reduction in defects.

Quality Improvement through MBO

Defect Trend 2nd Half, 2008 (Defects per 100 PH of Effort)



Defects Trend Year 2009 & 2010 (Defects per 100 PH of Effort)



Conclusion on MBO as a Project Management style:

As a conclusion to the case study, I realized that MBO is not only a good model for performance appraisal, it also provides a very good results if used as a project management style. I am listing down some of the key outcome of this case study below.

- A simple method which can be applied to any project.
- Helps motivating the team to attain their agreed targets.
- Provides clarity to every team member on the expectations.
- Provides a open communication and coordination channel to all the stakeholders.
- Can achieve best of the results in challenging scenarios if applied in a systematic and constrained approach.