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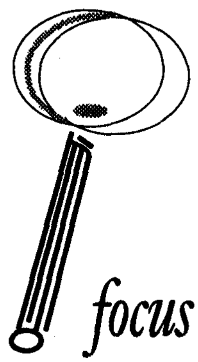
The Nature of Planning Systems



Learning Objectives

By the end of this chapter, you should be able to:

- Explain the need for strategic planning in a company.
- Specify major elements of a sound strategic plan.
- Distinguish between strategic and operational planning.
- List the benefits and limitations of planning.
- Describe common forms of resistance to planning.

WHY PLAN?

Planning has been defined by management expert Peter Drucker as "the management function that includes decisions and actions to insure future results." It always has been a critical function, but the management challenges of the 1990s and beyond have placed an even higher premium on its successful execution. Compared to the 1970s and 1980s, today's business environment is characterized by the following:

- Increased globalization of virtually all industries
- More intense competition
- Less predictable economic trends
- More rapid cycles of technology applications and new product development
- A rapid and extensive process of corporate restructuring, characterized by much greater activity in strategic alliances and mergers and acquisitions, among other activities

- Less stable and organizationally committed employees and managers
- Changing nature of the workforce
- Increasing stakeholder demands (e.g., constituencies such as customers, employees, communities, and owners each have a stake in the success and failure of the organization).
- Resource discontinuities (e.g., water, energy, and raw material supplies are insufficient in some areas of the globe)

Taken together, these changes in the business environment inevitably pose greater challenges to the management and employees of any business organization. An increased focus on planning and its more effective execution, as this course describes, is the only rational response a company can have to improve its chances of success, or even survival.

PLANNING: A PERSPECTIVE

Although Peter Drucker's definition is useful, *planning* is a term that has never been defined precisely. During the past 30 years, its meaning has evolved as the planning function itself has evolved. In the early 1960s, planning was thought to consist primarily of the activities of *forecasting* and *budgeting.* Later in the decade, it generally referred to *long-range planning*, a separate function that typically included attempts to integrate a wide-range of activities in a large corporation and to determine their effects over a 5- to 10-year period. During the mid-seventies, planning often referred to *strategic planning*-a term suggesting an emphasis on strategy usually with an accompanying methodology involving much more sophisticated and quantitative analytic techniques for arriving at a company's optimal strategy. Now, in the 1990s, planning often is used in the context of *strategic management,* implying that planning activities should go beyond the mere determination of strategy and the development of plans and should be integrated into the total management system of the organization. As such, it suggests the following priorities:

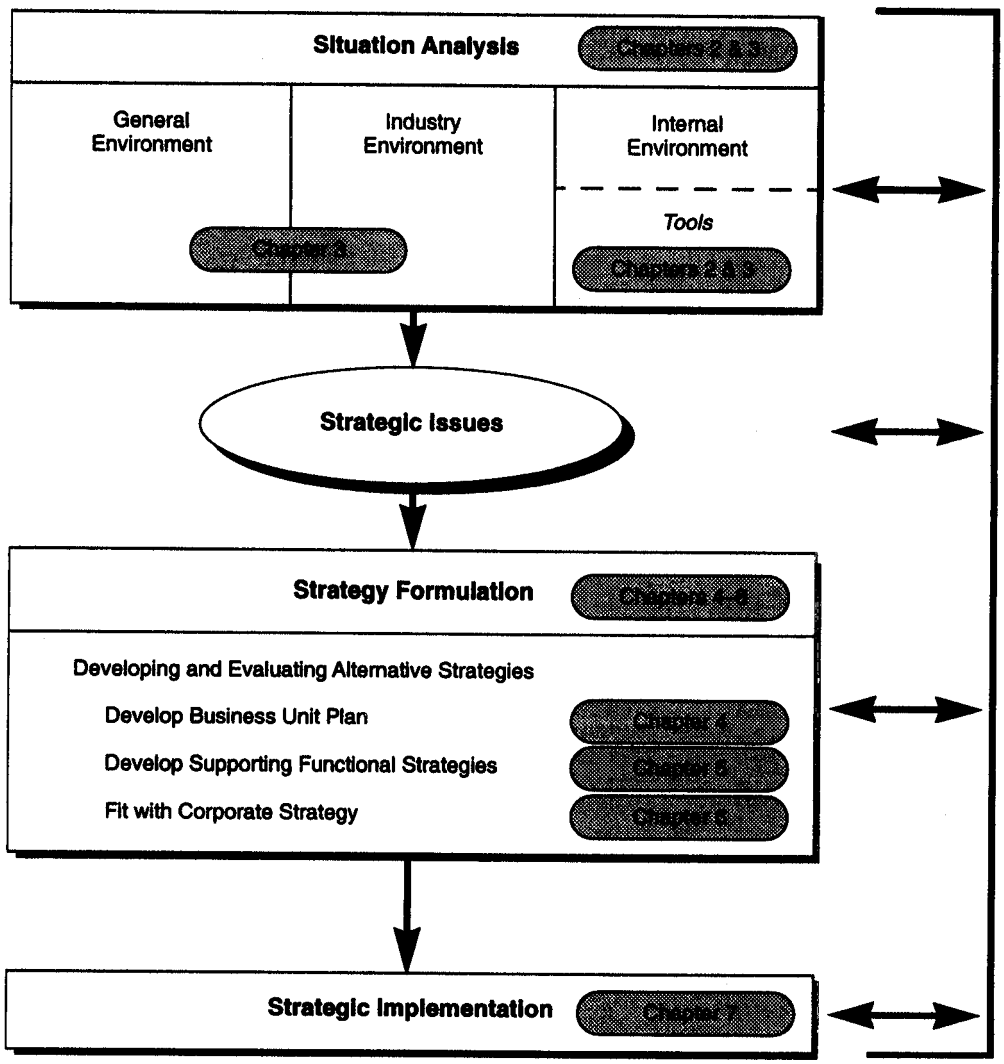
- A concern for planning *implementation*, rather than just the exercise of a planning process and the production of planning documents
- A concern for the *integration* of plans and strategic action programs with all of the other operating and control systems employed by a company
- A concern for instilling in management at all levels *a continuing awareness of and a balanced orientation to the future* in carrying out all managerial responsibilities

ELEMENTS OF A STRATEGIC PLAN

A sound strategic plan must be broad enough to encompass critical factors in both the external and internal environments of the firm. A vision or mission statement is vital in providing direction by defining what the company wishes

Exhibit 1–1

General Strategic Planning Model



to become in the long term. The plan must also include management's assumptions about the company's operating environment, identify issues critical to the company's success, list goals and objectives that address these issues, and provide action plans for realizing these objectives and goals.

The strategic plan must take the organization's external environment into account as well. Factors such as pending or possible regulations, economic growth, foreign competition, and market trends must be considered in the long term strategic plan. Although the future is uncertain at best, a consideration of these factors adds to the viability of the plan.

A general strategic planning model is shown in Exhibit 1-1. A situation analysis of the firm's different environments is the foundation from which the planning can commence. Situational factors within the firm, within the

Exhibit 1–2

Strategic Planning at Maytag Corporation

In the late 1970s, Maytag Corporation (then known simply as Maytag Company) was operating in a domestic industry with excess capacity and little growth. After conducting a situation analysis, Maytag's management realized the company's best profits were from products and services with no future. New strategies had to be formulated at the business, functional, and corporate levels. Implementation details had to be developed. By pursuing growth through acquisitions, alliances, and internal efficiencies, Maytag positioned itself in the 1990s as a global power in the highly competitive home appliance industry. Although Maytag continues to face significant problems, it is much better positioned for the future than if it had continued to pursue a mature and highly competitive domestic market with its limited and antiquated product service offerings.

industry, and in the external environment at large must be considered and weighed in planning long-term strategy for the organization. Key strategic issues can be identified and prioritized through this process.

The formulation of strategy begins with the development and evaluation of alternative strategies. These strategies include three components: strategic business unit plans, supporting functional strategies, and compatibility (or fit) with the corporate strategy.

Implementation of the strategy is the critical part of strategic planning and the stage at which many firms fail. To avoid failure, all elements of strategic planning must be included in the plan and a constant exchange of information must be maintained within the organization. Details of the model follow in later chapters as indicated in Exhibit 1-1.

As illustrated in Exhibit 1-2, Maytag Corporation's application of the general strategy model appears to have prevented its premature demise. Recognition of numerous domestic threats forced Maytag's management to consolidate and strengthen its domestic position while seeking growth opportunities in the global marketplace.

WHY PLAN STRATEGICALLY?

Given the many constraints of strategic planning-unavailability of information; uncertainty of the future; differences in personnel experiences, understanding, personality, and motivation-why plan at all? Certainly, it takes a mammoth effort and considerable reallocation of resources to control all the factors bearing on planning.

Take a look at the illustrative example in Exhibit 1-3. Although no genuine need existed at the time, Corning believed fiber optics was the future and took a long-term strategic risk which proved worthwhile. Unfortunately, Coming's example is not common enough. Few companies take such necessary risks. Contrary to what planning expert George Steiner has suggested, most companies do *not* plan in terms of genuine needs and opportunities.

Exhibit 1–3
Strategic Planning Payoff at Corning

Corning pioneered the development of fiber optics in the late 1960s. By the early 1970s there still was no interest in this technology in the United States, so Corning moved to exploit it in Europe. In the 1980s, the breakup of AT&T opened new opportunities for fiber optics, and Corning was able to leverage its early lead in this technology back in the United States. As patents expired, Corning moved from differentiation into high-volume production. Corning saw a potential need and made the necessary long-term strategic move to exploit it.

They may pay lip service to planning or go through the motions to impress shareholders, but true strategic planning is not well integrated into management activities.

Employees' dedication, managerial zealousness, intuitive decision making-these were adequate armament for the competitive skirmishes of the past. But the firm without a *formalized* strategic planning process will find itself ill-equipped for today's business environment. Consider the following facts:

- Studies demonstrate that companies that set goals, determine priorities, and develop plans to attain their goals consistently outperform companies that make decisions informally (e.g., see Rhyne, 1986; Robinson and Pearce, 1984).
- Most firms with sales volumes of $5 million and more cannot avoid committing funds and workforce power along with determining the direction of corporate growth for many years ahead. Commitments made individually, outside a frame of reference that integrates all decisions, entail greater risk.
- To become and remain profitable takes endless effort. Most firms eventually lag behind the changing environment in which they operate. They often do not perceive the need for change until it is upon them.
- Imbalance among different classes of activities and functions is the natural state in most firms. Maintaining operations (operations planning) in most firms takes precedence over looking ahead, and decisions often are made without closely scrutinizing long-range consequences.

Operations planning is of course essential. No one survives long who does not balance supply and demand. But operations planning inadequately anticipates tomorrow's problems. Action, or operating, plans respond mainly to current conditions or *developing* needs. Operating plans primarily address specific activities, a set of closely related "local" actions. Strategic plans, on the other hand, determine actions required to instill both relevance and congruence in *all* operating plans.

Planning in any form is not hazard-free. It is not inexpensive when done sincerely; it is a total waste of time when done insincerely. Nonetheless, those firms that have successfully wielded the tools of planning demonstrate that comprehensive systematic planning truly is a worthwhile investment.

The Benefits of Planning

Planning bestows a full range of benefits on those who institute it properly; indeed, the process spawns many unplanned bonuses. The following paragraphs identify some benefits planners can expect.

Establishes Direction

An organization that does not understand itself cannot "picture" its place in the competitive mainstream in which it operates. Incoming data seem meaningless. Because trends are not apparent, progress or accomplishment is not apparent either. Monitoring relevant activities in the marketplace can help the firm detect trends and thereby direct its behavior. The business with a clearly defined character can better discern its strengths and weaknesses; planning's discipline allows the company to step back and see its problems, and, more important, opportunities.

Sets Priorities and Focuses Action

Outside influences are often unavoidably random, but random behavior inside the organization is inexcusable. Planning sets priorities and then integrates them at all levels. In other words, strategic: planning, because of its holistic nature, tightens the linkages cementing the organization together. Managers in firms without a clear mission spend too much time finding out what they should do rather than doing it. Managers focused on a shared goal are much more productive.

Facilitates Resource Allocation

The setting of clear organizational priorities facilitates the resource allocation process as managers are aware of the relationships among different departments and functions and each one's importance in the successful fulfillment of the strategic plan. Therefore, allocation decisions can be made with shared goals as guidelines.

Increases Motivation

By focusing perspectives on shared goals and integrating behavior in a firm, sound strategic planning instills in the minds of all employees a high sense of legitimacy about the company's character and goals. A sense of sharing in a goal worth realizing is perhaps one of the highest motivational tools.

Reduces Costs by Reducing Risks

High costs are an inherent part of operating in a reactive mode. Planning encourages risk taking but zeros in on good risks-that is, risks matched by potential rewards (high-leverage risks). The planning process requires managers to justify future actions and to indicate why the risk is appropriate in view of company goals.

Heightens Communication

Communications are improved in two ways. First, planning penetrates barriers at all organizational levels, thereby reducing perceptual differences. Second, plans facilitate feedback. Performance can be measured and adjusted and a comparison of results made.

Fosters Creativity

Planning induces all to shake off the shackles of the past and see things anew. Planning establishes new relationships, associations, and markets. Good planning uncovers new work assignments and organizational relationships. It shatters the lockstep of work grown stale, of jobs grown monotonous through familiarity. Planning dissipates the influence of tradition and habit. In short, planning shows up the many alternate routes an organization can choose and helps the organization choose the best one. A firm that does not see its options can only react to events; like a boxer, it can only roll with the punches.

Limitations of Planning

A discussion of planning's benefits would be incomplete without mention of its limitations. As instruments of accomplishment, plans are limited tools. Practical plans are structured with respect for these limitations, as follows:

- *Indeterminate future*. Strategic plans should have a fair to excellent chance of success. A plan based on an uncertain future will not succeed.
- *High cost.* Planning is expensive; the results often cannot justify costs.
- *Time investment.* Thorough planning consumes time; some decisions cannot wait.
- *Inflexibility.* Plans are commitments; commitments limit choice. Some situations call for total freedom of choice.
- *Corporate inertia.* Plans should account for the forces already at work in the enterprise. Plans that run directly against the prevailing currents will be less successful.
- *Surrender of rights to central authority.* Some plans require managers to surrender goal-setting prerogatives to overall strategists. Well-laid plans must take care not to destroy individual initiative.
- *Personnel availability.* Staff must be available for developing, implementing, monitoring, and adjusting plans.

Managers also must recognize that strategic planning is not simply an annual ritual. Actions detailed in a strategic plan must be integrated with managers' regular activities. Adjustments must be made when necessary. Furthermore, plans should be developed by those responsible for carrying out the details of implementation. Plans forced on managers from above or developed by consultants divorced from daily operations have little chance of success.

Being aware of these limitations is important. Nonetheless, the benefits of planning can outweigh the limitations if strategic planning is conducted properly and if adequate attention is paid to the hierarchical nature and time horizons associated with planning.

PLANNING'S HIERARCHICAL NATURE

Effective planning is hierarchical; it produces plans that fit in with plans above or below. Planning can contribute significantly only when done as a whole-as an entity or an unbroken process. Plans produced this way bear a marked family relationship; the influence of any one plan on the others can be traced with little difficulty.

Corporate plans seldom should be the first to be drafted (although they should be the first finished, to provide the guidelines for finishing subordinate plans). The overall, governing plan of any enterprise should not be completed in a single pass. It must be adjusted through each planning cycle, to be in balance with its subordinate plans, as they in turn must be adjusted to be in balance with it. Chief executive officers (CEOs) can, of course, make arbitrary planning decisions, and sometimes that is the best way-as when plans are required to combat an imminent financial crisis or to account for intransigent middle management (managers who resist, for a variety of reasons, doing as they are asked). Good plans, however, seldom happen that way. Corporate plans acquire the greatest force when subordinates help shape them.

The process of producing effective, comprehensive plans is necessarily multiplex and iterative. All plans need to be examined from many views. The plans are built up, piece by piece, through repeated cycles until they are fleshed out, integrated, and have achieved approval by meeting widely agreed upon criteria. This incremental process allows comprehensive plans to address and be addressed by the functions that make up the corporate whole-marketing, research and development (R&:D), engineering, production, sales, and finance, among others. The process is *iterative*; that is, it produces plans by shaping, modifying, and refining them through repetition of the process as many times as necessary. It is similar to the way a sculptor applies and removes excess material to reveal the final form.

A firm can have as many as a dozen functional plans, each one accounted for under a sound planning umbrella-a comprehensive strategic plan that provides specific guidance for operations throughout the enterprise.

PLANNING HORIZON

How far should the strategic planning horizon extend? Managers can plan as far ahead as they can see. But most strategic plans (particularly the corporate plan) should be individualized and not extended beyond where final results can be specified on the basis of precisely defined needs or opportunities.

For most industries, strategic plans rarely cover more than 10 years. Capital-intensive industries (e.g., mining and utility companies), however, may be forced to plan as much as 35 years in advance. In a utility, strategic plans can stretch the life of a generating station--which up to now has been 30 years-coupled with the time it takes to design and build it (say another 5 years). Thus, the planning horizon for a utility can be as far out as 35 years. But the median of long-range plans formed today falls somewhere between 3 and 5 years.

The average distance to a strategic plan's horizon depends on such variables as markets, technologies, and organizational size. The strategic plans of firms in rapidly changing markets or employing rapidly advancing technology tend to have shorter horizons that those in more stable markets or employing more mature technologies. In addition, the larger the company, the farther out the planning horizon usually is.

It is helpful to look at the relationship between company size and planning horizon. A really large company generally will be unable to bolster significantly its multibillion-dollar annual sales in a few years. Such a staggering sales mark is simply very difficult to improve upon. Merely to *modify* the thrust of a strategic plan for a company of this size takes months, even years. Therefore, a company, in general, should plan at least as far into the future as it takes to modify its plan.

Strategic plans for different parts of the organization will have different horizons. Obviously, the overall corporate plan will have the widest horizon. But if the corporate plan extends 15 years into the future, the organization should not waste time making 15-year plans for all the succeedingly smaller segments of the enterprise. It is not only ill-advised but sometimes quite impossible.

STRATEGIC PLANNING'S SPECIAL PROBLEMS

Every business technique encounters unique problems. Strategic planning, so fundamental and of such a large scale, does generate sizable difficulties. Some of these already have been mentioned. A close examination of these unique problems, as well as some ways to circumvent them follows.

Misconceptions

An early myth that developed around strategic planning is that the test of a plan is whether the events it forecast occurred and whether the predicted business results were achieved. Anyone who has had the experience of developing strategic plans and has enjoyed the opportunity of staying with an organization long enough to have seen their results knows that this criterion is highly fallacious and, in fact, irrelevant. Especially during the early 1980s and again in the 1990s, virtually no plans achieved their forecasts-the domestic and international economies were buffeted by too many discontinuities. The economists' basic forecasts, which are critical to the ability to forecast an industry's performance, have proven so unreliable that many experienced planners have concluded that their data are of very little value and have ignored them.

Is that then to say that planning is useless? No-not if one adopts a rather different perspective of the value of strategic planning for a company. That perspective is to view planning as a disciplined analytic and experimental exercise, based on the best information concerning the industries, markets, competitors, and so on, that can be developed at reasonable cost and with a reasonable expenditure of time. Planning from this viewpoint should result in decisions and actions that have a significant effect on the strategic position and performance of the company. Thus the evaluation should incorporate the following questions:

- Was the information used the best that reasonably could have been obtained?
- Did the analyses focus on issues of truly significant strategic matters for the company-the success or failure of the business over an extended time period?
- Were the conclusions clear and sound?
- What decisions were made as a result of the planning?
- What action was taken?
- Did management at all relevant levels understand and support the planning results?
- If a retrospective view is available, was the company in a better position as a result of the decisions and action taken, or would the company have been better off if the action had not been taken?

Elitism

Like it or not, prevailing business attitudes often foster organizational qualities inimical to strategic planning. One such quality is exemplified by the leader who dominates all decisions made in a company.

Of course, there are moments in the life of any organization when unilateral commitments made by a top-level decision maker can be most expedient and beneficial to growth. Henry Ford of Ford Motor Company and Edwin Land of Polaroid come to mind in this regard. But such situations cannot last. Strategies set by edict sooner or later go off track. Long-range planning, more than any other business function, recognizes that performance increases in direct relation to how efficiently human resources are employed. The firms that do best are those that consistently make the most use of their personnel. These companies recognize the wealth of ideas and experience existing right inside the organization. The organization that forms strategic plans exclusively at the top, without input from lower levels, is not making use of this valuable resource. Furthermore, those entrusted with supreme authority tend to, sooner or later, believe in their own infallibility.

Another major problem with elitist management is that goals and objectives are not subjected to "outside" testing. A test for all proposals-whatever their source-is that they be evaluated by the managers who are expected to produce results.

Threat to Entrepreneurialism

As noted earlier, effectively designed and vigorously implemented plans limit the choices of managers. Active managers see strategic plans as dampers on their freedom to respond flexibly to current situations. That long-range plans limit freedom is not an inherently bad trait. In fact, almost all human accomplishment takes place through a process of limited action, of restricted resources. This limiting process sours only when applied to unrealistic or unimportant objectives best left to individual initiative.

Planners must realize that the right of managers to act with considerable freedom is a condition of business efficiency. Moreover, plans will limit management authority unless designed not to. Although the wise planner knows this problem is more psychological than substantive, he or she nevertheless will make as few decisions as possible for those who must carry out the plans. The astute planner tells what results are wanted, not how they are to be obtained. Good plans clarify intended results, why they are desired, what resources will be used, what controls should be instituted, and as little else as possible. Good planning sees to it that managers' hands are free to do their work, within a guiding framework of policies.

Resistance to Change

All planning-informal, formal, low-level, high-level-introduces change. Change is vital to all corporate performance. Under certain circumstances, however, it can have negative consequences. It is quite a paradox that the more effective planning is, the more likely it will create organizational problems, primarily by destroying familiar ways-and familiar ways should not be tampered with lightly.

One common planning mistake is to assume that because the business environment is constantly changing, the enterprise is constantly changing as well. This assumption overlooks the fact that a business enterprise tends to be more stable than its environment (sometimes *too* stable). Well-established organizations are somewhat inert and not lightly prodded out of habitual courses. A fair portion of the energy of such firms is directed to maintaining internal stability.

Planners should never assume, therefore, that any change is welcome without first investigating its chances of survival. Wise planners always assume that the change a plan introduces will be resisted and adequately prepare themselves to nurse its acceptance.

To say good plans have negative effects is not hyperbole. They all do. Plans at the strategic level never have small aims and necessarily entail significant changes. Therefore, planners must observe how these changes are received and assess how to hold negative effects in check. Savvy planners know this. They realize a plan is not finished until they have identified the disruptions, disorientations, and confusions it is likely to cause and introduce provisions that will counter them.

The problem of change is not one-sided, of course. Some changes are beneficial--for instance, those that release energies and resources locked up by efficiency-sapping, demotivating habit and routine. Each enterprise must change to keep dynamic, to remain a stimulating place to work, and to provide new opportunities for competence to be demonstrated. Management by entrenched interests serves little more than those interests.

The recurring statements that people resist change, that they are uncomfortable with change, and that they do not like change are as false as saying that change is always accepted with open arms. The truth is that people respond differently to different situations. Where change is carelessly introduced, resistance becomes almost a way of life. On the other hand, where change is relatively easily installed, resistance is not great. The best situation is when the consequences have been carefully investigated and the changes have been introduced only after suitable preparation.

Planners can take many steps to ensure planning success, including the following:

- Tie the reward system to plan fulfillment.
- Associate introduced changes with changes in the marketplace and economy.
- Synchronize personnel and organizational development with plan implementation.

Scheduling

Time is one of planning's main problems. Planning absorbs time and, because of daily urgencies, is often deferred until the last moment. As a result, planning inputs are often late and of inferior quality. Planners will recognize these facts and do something about them, as follows:

- Carefully select plan objectives-that is, results to be achieved. Before stipulating results, determine how feasible they are. Lay no plans where chances for success are low.
- Establish a schedule with ample lead time and practical planning milestones. Calculate lead time for a professional job with little left for procrastination. It is absolutely essential to control the entire process, so set deadlines for intermittent accomplishments as well as for submission of draft plans and inputs.
- Create a "knowledge center" for the planning process; that is, appoint an individual (or individuals in larger firms) whose task is to prompt planners to meet their deadlines and know at all times the planning's progress.
- Take care to see that managers are always fully informed as to the planning methodology, plan formats, and planning timetable. If necessary, hold meetings (as frequently as needed) for any group that has questions about planning.

Timing

Timing, though critical to success, usually is very difficult to manage and therefore is often given superficial attention in the planning process. Even when information is good, success is sometimes impaired by events that could not be foreseen. For example, the president of a consumer products company decided to enter door-to-door operations because of the success of one of his distributors in another territory. The well-planned and well-financed effort failed soon after the campaign was launched. The company had the bad luck of trying to sell fluorocarbon products at precisely the same time that they were banned by the Environmental Protection Agency (EPA). The EPA pronouncements could not have been foreseen.

Despite the costs, the question of timing must not be left unconsidered in planning. The timing of price changes is a good example. For many products, price leadership is critical to profitability, but that does not always mean being the first, and perhaps only, firm to raise and lower prices. For instance, major companies in commodity markets (e.g., steel, aluminum, and copper) usually change prices simultaneously.

Organizational Adjustments

Plans that are genuinely strategic cannot be implemented by organizations that do not alter to account for them. Strategic plans always cause changes in job content and relations between groups.

Unfortunately, while they are being formed, not many plans are examined for organizational fallout-that is, for internal adjustments that must be made to improve the plan's chances. Generally, this oversight is caused by time pressures (strategic plans invariably push their deadlines), but it often is abetted by the mistaken notion that strategic-level planning will leave organizational relationships "untouched."

Strategic plans thrust on unaltered organizational relationships cause untold tension and resistance. Among other things, extra work for everyone involved is created. Ironically, this extra work usually falls on those already busy with work essential to the workings of the enterprise. Hence, even a conceptually sound, well-executed plan that does not embody organizational changes commensurate with its provisions will have small chance of success.

Information

Dependence on information is one of the vulnerabilities of planning. Information often represents biases built into the gathering and processing systems. The quality of planning cannot be better than that of the information it employs. To realize the full benefits of planning, an efficient information system must be constructed and information must not be allowed to get hung up on its way to its destination (the role of information is further explored in Chapter 3).

No information system is bias-free. No system can be. System designers, usually technically oriented, shape systems to user needs and perceptions, which, by their nature, sometimes conflict.

Many bottlenecks hamper information flow. Perhaps the greatest impediment to this flow is the information's own importance. The more valuable the information, the less it tends to be readily relinquished. A person possessing important information often holds the power to alter circumstances and events and usually knows it. Therefore, this person will either retain the information or selectively transmit it to those with the most to barter. The failure of information to move in a timely and democratic fashion can be deadly to a firm's affairs and the planning-wise enterprise maintains a constant vigil against bottlenecked information.

SUMMARY

Effective strategic planning assists managers in positioning the company to take advantage of future opportunities while coping with environmental change. A general planning model includes a situation analysis (including external, industry, and internal environments); the identification of strategic issues; the formulation of strategy at the business, functional, and corporate levels; and the specification of needed implementation activity.

Ideally, as a result of strategic planning, management's vision, goals, and objectives will cut across functional and other structural barriers. Additional benefits of strategic planning include setting clear priorities; facilitating appropriate resource allocation; reducing conflict; encouraging commitment, and enhancing communication.

Strategic planning does not eliminate future uncertainty and it is not an infallible predictor of outcomes. Nonetheless, while recognizing the limitations and special problems inherent in strategic planning, the organization that follows the guidelines in these chapters significantly increases its chances of sustained success.

Review Questions

1. Managers need to conduct strategic planning because it: 1. (b)
   (a) is required by various government agencies.
   (b) improves chances for survival in an increasingly changing business environment.
   (c) allows the company to focus exclusively on its competitors.
   (d) provides a short-term perspective.

2. Comprehensive strategic planning includes which set of the following elements? 2. (a)
   (a) Situation analysis, strategic issues identification, strategy formulation, and strategy implementation
   (b) Competitive assessment, diversity, forecasting, and execution
   (c) Vision statement, goal identification, internal environmental appraisal, and priority development
   (d) Competitive assessment, general environmental assessment, internal environmental assessment, and strategy formulation

3. Strategic plans typically differ from operating plans in many ways. Which of the following correctly highlights one of these differences? 3. (b)
   (a) Operating plans better anticipate future problems.
   (b) Strategic plans best consider long-range consequences.
   (c) Operating plans are more comprehensive.
   (d) Strategic plans are less concerned with company-wide relevance and congruence.

4. Planning dearly has limitations. Which of the following pairs of items correctly identifies limitations? — 4. (d)
   (a) Maximum flexibility, high time investment
   (b) Low cost, low time investment
   (c) Overcomes corporate inertia, high cost
   (d) High time investment, less flexibility

5. Planning horizons should always: — 5. (a)
   (a) be dependent on markets, technologies, and organizational size.
   (b) exceed 7 years.
   (c) fall between 3 and 5 years.
   (d) consider the forecasting skill of the CEO.

6. Planning is a____________ element of the entire management process. — 6. (b)
   (a) superfluous
   (b) fundamental
   (c) flexible
   (d) dispensable

7. Which of the following is not generally considered a benefit of planning? — 7. (c)
   (a) Helps managers focus on truly significant matters
   (b) Provides a disciplined analytic exercise
   (c) Provides for unilateral, top-level decision making.
   (d) Fosters creativity

8. Planning enhances organization-wide communication by: — 8. (d)
   (a) limiting negative feedback.
   (b) pointing out where risk taking is needed.
   (c) ensuring that managers set priorities.
   (d) reducing perceptual barriers at all organizational levels.

9. Managers resist planning because it: — 9. (c)
   (a) takes so little time, it is assumed to be unimportant.
   (b) has not resulted in any demonstrable positive performance improvements.
   (c) will require organizational change.
   (d) encourages all employees to be involved with managing the organization.

10. Effective planning is hierarchical; thus: — 10. (d)
   (a) planning should always be done by top management and then forced down the hierarchy.
   (b) corporate plans should be drafted first.
   (c) to maintain consistence at all levels, the process should not be iterative.
   (d) it produces plans that are consistent throughout the organization.