Chapter 8: Planning work activities

What Is Planning?

- Planning
  - A primary managerial activity that involves:
    - Defining the organization's goals
    - Establishing an overall strategy for achieving those goals
    - Developing plans for organizational work activities.
  - Types of planning
    - **Informal:** not written down, short-term focus; specific to an organizational unit.
    - **Formal:** written, specific, and long-term focus, involves shared goals for the organization.

Why Do Managers Plan?

- Purposes of Planning
  - ➤ Provides direction
  - ➤ Reduces uncertainty
  - ➤ Minimizes waste and redundancy
  - ➤ Sets the standards for controlling

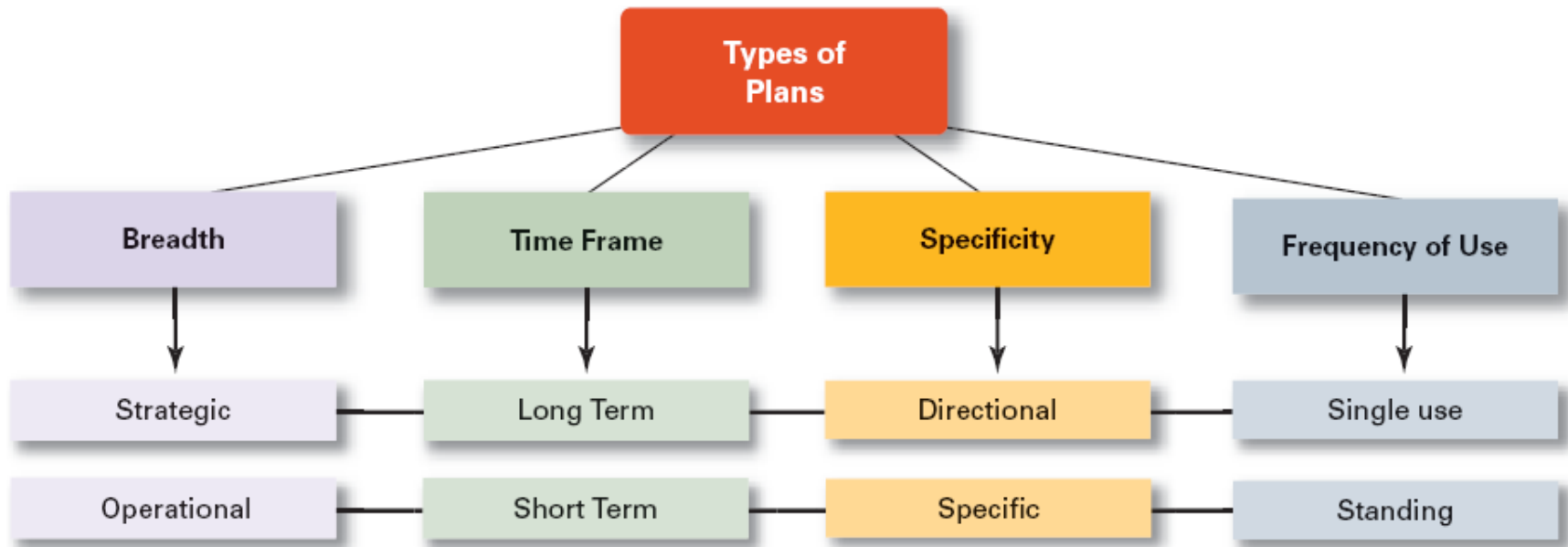# How Do Managers Plan?

- Elements of Planning
  - ➢ Goals (also Objectives)
    - ❖ Desired outcomes for individuals, groups, or entire organizations
    - ❖ Provide direction and evaluation performance criteria
  - ➢ Plans
    - ❖ Documents that outline how goals are to be accomplished
    - ❖ Describe how resources are to be allocated and establish activity schedules

Exhibit 7–2   Types of Plans

Types of Plans

- Strategic Plans
  - Apply to the entire organization.
  - Establish the organization's overall goals.
  - Seek to position the organization in terms of its environment.
  - Cover extended periods of time.
- Operational Plans
  - Specify the details of how the overall goals are to be achieved.
  - Cover short time period.

Types of Plans (cont'd)

- Long-Term Plans
  - Plans with time frames extending beyond three years
- Short-Term Plans
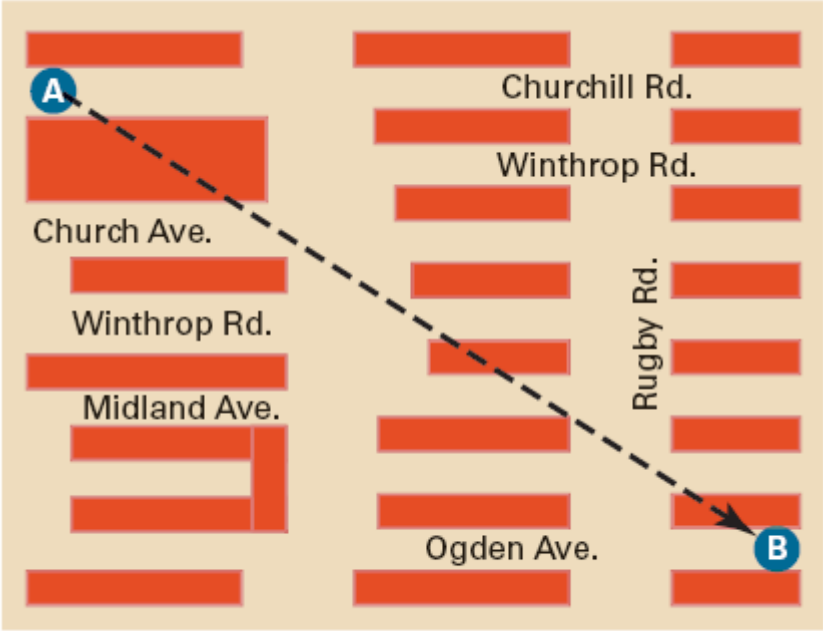 - Plans with time frames on one year or less
- Specific Plans
  - Plans that are clearly defined and leave no room for interpretation
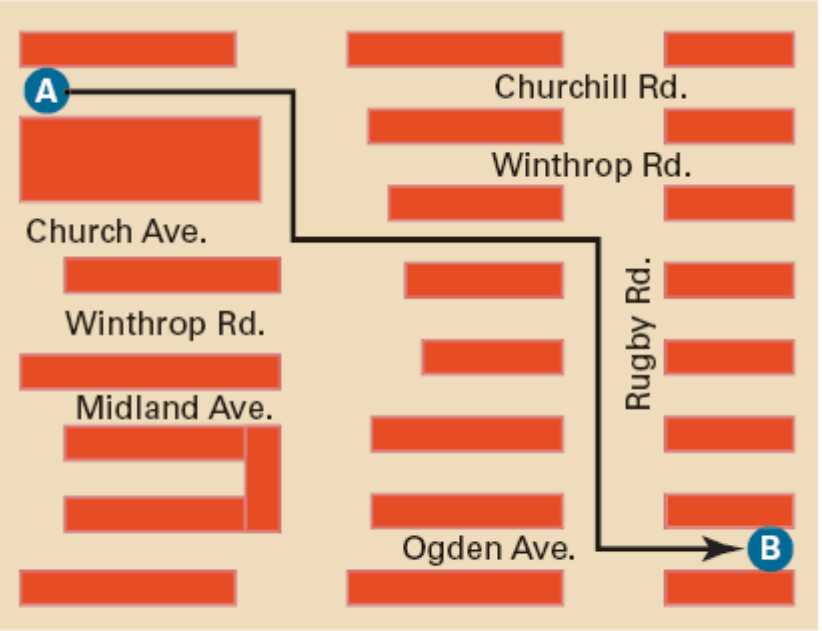- Directional Plans
  - Flexible plans that set out general guidelines, provide focus, yet allow discretion in implementation.

Exhibit 7–3   Specific Versus Directional Plans

Directional Plans   **Specific Plans**

Types of Plans (cont'd)

- Single-Use Plan
  - ➢ A one-time plan specifically designed to meet the need of a unique situation.

- Standing Plans
  - ➢ Ongoing plans that provide guidance for activities performed repeatedly.

Steps in Goal Setting

1. **Review the organization's mission statement.**

   Do goals reflect the mission?

2. **Evaluate available resources.**

   Are resources sufficient to accomplish the mission?

3. **Determine goals individually or with others.**

   Are goals specific, measurable, and timely?

4. **Write down the goals and communicate them.**

   **Is everybody on the same page?**

5. **Review results and whether goals are being met.**

   What changes are needed in mission, resources, or goals?

Developing Plans

- Contingency Factors in A Manager's Planning
  - Manager's level in the organization
    - Strategic plans at higher levels
    - Operational plans at lower levels
  - Degree of environmental uncertainty
    - Stable environment: specific plans
    - Dynamic environment: specific but flexible plans
  - Length of future commitments
    - **Commitment Concept:** current plans affecting future commitments must be sufficiently long-term to meet those commitments.

Exhibit 7–7 Planning in the Hierarchy of Organizations

Strategic Planning

Operational Planning

Top Executives

Middle-Level Managers

First-Level Managers
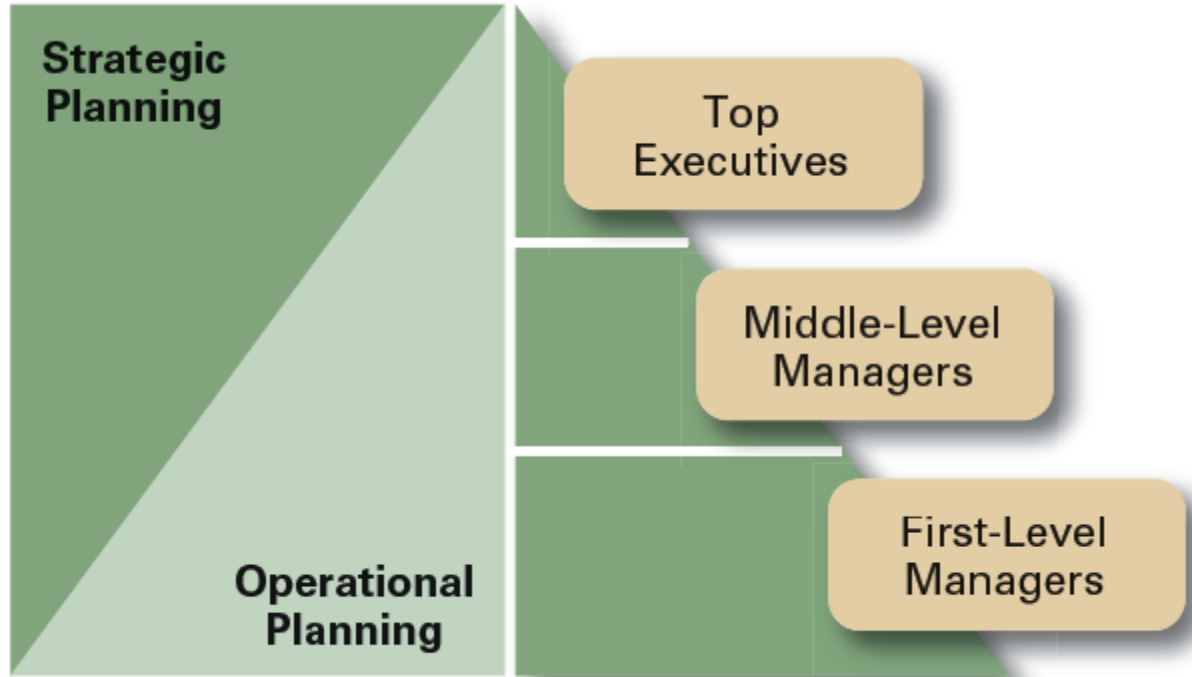
Chapter 10: Designing Organizational Structure

Defining Organizational Structure

- Organizational Structure
  - The formal arrangement of jobs within an organization.
- Organizational Design
  - A process involving decisions about six key elements:
    - Work specialization
    - Departmentalization
    - Chain of command
    - Span of control
    - Centralization and decentralization
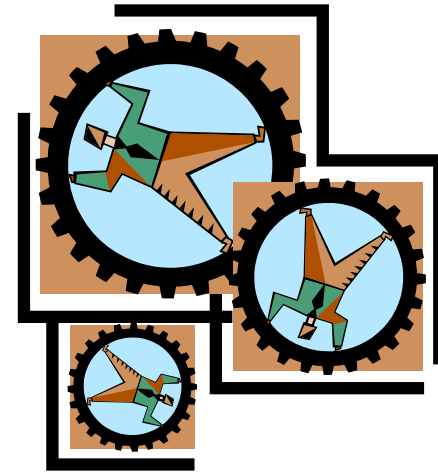   - Formalization

Exhibit 10–1   Purposes of Organizing

- **Divides work to be done into specific jobs and departments.**

- **Assigns tasks and responsibilities associated with individual jobs.**

- **Coordinates diverse organizational tasks.**

- **Clusters jobs into units.**

- **Establishes relationships among individuals, groups, and departments.**

- **Establishes formal lines of authority.**

- **Allocates and deploys organizational resources.**

Organizational Structure

- Work Specialization
  - ➢ The degree to which tasks in the organization are divided into separate jobs with each step completed by a different person.
  - ➢ Overspecialization can result in human diseconomies from boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.

Departmentalization by Type

- **Functional**
  - ➢ Grouping jobs by functions performed

- **Product**
  - ➢ Grouping jobs by product line

- **Geographical**
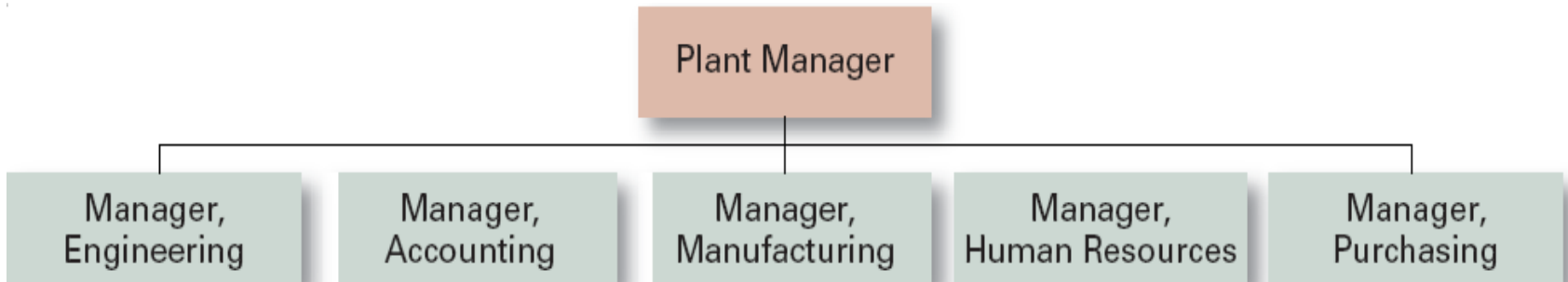 - ➢ Grouping jobs on the basis of territory or geography

- **Process**
  - ➢ Grouping jobs on the basis of product or customer flow

- **Customer**
  - ➢ Grouping jobs by type of customer and needs
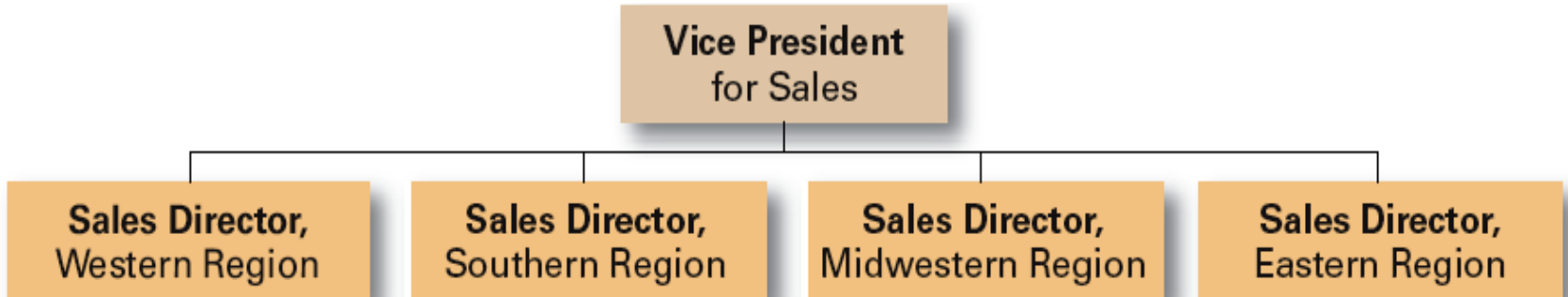
Exhibit 10–3   Functional Departmentalization

```
                        ┌──────────────┐
                        │ Plant Manager│
                        └──────┬───────┘
     ┌──────────┬──────────────┼──────────────┬──────────────┐
┌─────────┐ ┌─────────┐ ┌──────────────┐ ┌──────────────┐ ┌─────────┐
│ Manager,│ │ Manager,│ │   Manager,   │ │   Manager,   │ │ Manager,│
│Engineer-│ │Accounting│ │Manufacturing │ │Human Resources│ │Purchasing│
│   ing   │ │         │ │              │ │              │ │         │
└─────────┘ └─────────┘ └──────────────┘ └──────────────┘ └─────────┘
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- **Advantages**
  - **Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations**
  - **Coordination within functional area**
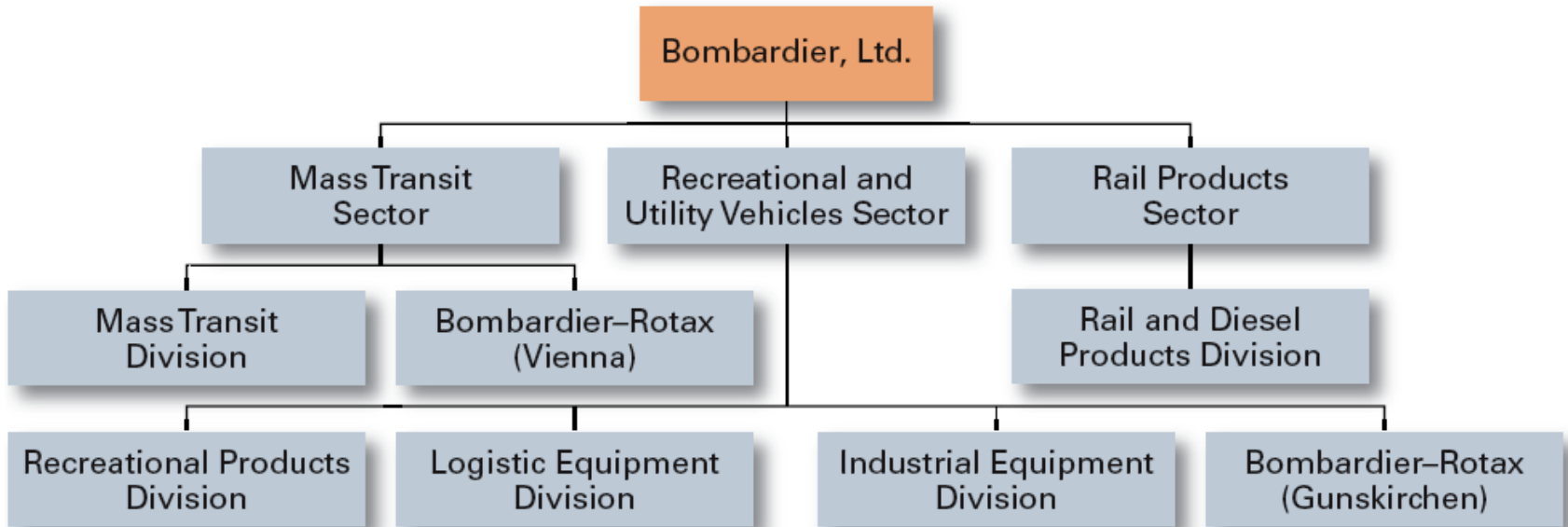 - **In-depth specialization**
- **Disadvantages**
  - **Poor communication across functional areas**
  - **Limited view of organizational goals**

Exhibit 10–3 (cont'd)   Geographical Departmentalization

```
                        ┌─────────────────┐
                        │ Vice President  │
                        │   for Sales     │
                        └─────────────────┘
         ┌──────────────┬──────┴──────┬──────────────┐
┌──────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│Sales Director,│ │Sales Director,│ │Sales Director,│ │Sales Director,│
│Western Region │ │Southern Region│ │Midwestern Reg.│ │Eastern Region │
└──────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
```

- **Advantages**
  - **More effective and efficient handling of specific regional issues that arise**
  - **Serve needs of unique geographic markets better**
- **Disadvantages**
  - **Duplication of functions**
  - **Can feel isolated from other organizational areas**

**Exhibit 10–3 (cont'd)   Product Departmentalization**

- **+ Allows specialization in particular products and services**
- **+ Managers can become experts in their industry**
- **+ Closer to customers**
- **– Duplication of functions**
- **– Limited view of organizational goals**

Exhibit 10–3 (cont'd)   Process Departmentalization
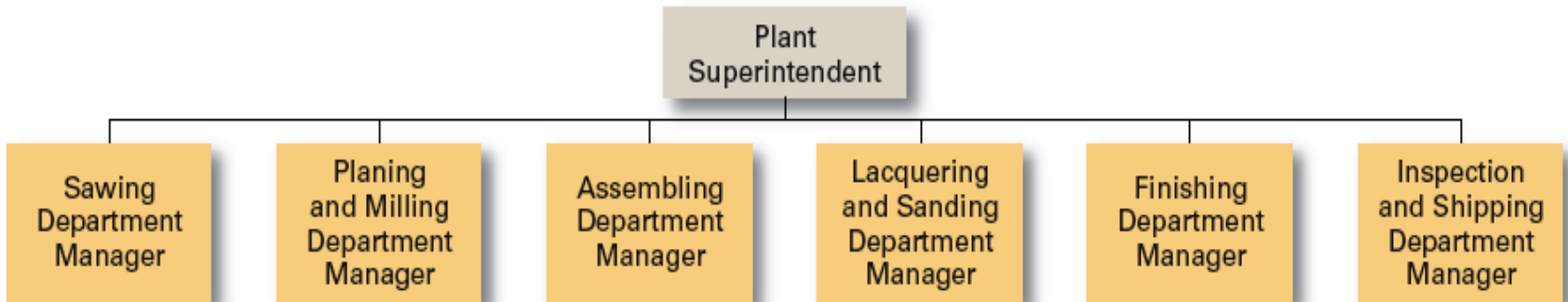
+ **More efficient flow of work activities**

– **Can only be used with certain types of products**

Exhibit 10–3 (cont'd) Customer Departmentalization
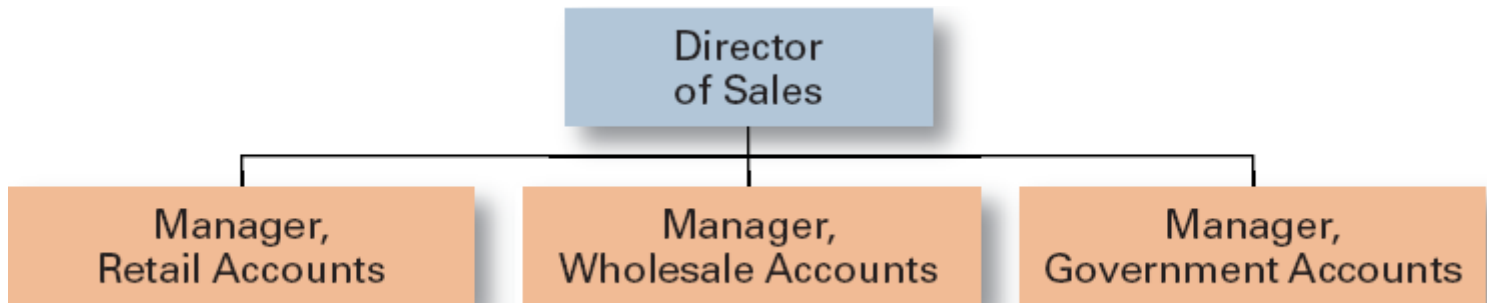
+ **Customers' needs and problems can be met by specialists**

- **Duplication of functions**

- **Limited view of organizational goals**

Organization Structure (cont'd)

- Chain of Command
  - ➢ The continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization and clarifies who reports to who.

Organization Structure (cont'd)

- Span of Control
  - The number of employees who can be effectively and efficiently supervised by a manager.
  - Width of span is affected by:
    - Skills and abilities of the manager
    - Employee characteristics
    - Characteristics of the work being done
    - Similarity of tasks
    - Complexity of tasks
    - Physical proximity of subordinates
    - Standardization of tasks

Exhibit 10–3   Contrasting Spans of Control

Members at Each Level

Organizational Level	Assuming Span of 4	Assuming Span of 8
(Highest)	1	1
2	4	8
	16	64
4	64	512
	256	4,096
6	1,024	
	4,096	
(Lowest)		

Span of 4:
Employees: = 4,096
Managers (level 1–6) = 1,365

Span of 8:
Employees: = 4,096
Managers (level 1–4) =   585

Organization Structure (cont'd)

- Centralization
  - The degree to which decision-making is concentrated at a single point in the organizations.
    - ❖ Organizations in which top managers make all the decisions and lower-level employees simply carry out those orders.

- Decentralization
  - Organizations in which decision-making is pushed down to the managers who are closest to the action.

- Employee Empowerment
  - Increasing the decision-making authority (power) of employees.

Organization Structure (cont'd)

- Formalization
  - ➢ The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.
    - ❖ Highly formalized jobs offer little discretion over what is to be done.
    - ❖ Low formalization means fewer constraints on how employees do their work.

Organizational Design Decisions

- Mechanistic Organization
  - ➤ A rigid and tightly controlled structure
    - ❖ High specialization
    - ❖ Rigid departmentalization
    - ❖ Narrow spans of control
    - ❖ High formalization
    - ❖ Limited information network (downward)
    - ❖ Low decision participation

- Organic Organization
  - ➤ Highly flexible and adaptable structure
    - ❖ Non-standardized jobs
    - ❖ Fluid team-based structure
    - ❖ Little direct supervision
    - ❖ Minimal formal rules
    - ❖ Open communication network
    - ❖ Empowered employees