

6.2.9: Summary

key terms

action statements

The means by which an organization moves forward to attain its goals.

outcome or goal statements

End states—the targets and outcomes that managers hope to attain.

Deming cycle

A planning model directed toward attaining continuous improvement by integrating organizational learning into the planning process (plan, do, check, act).

domain/directional planning

The development of a course of action that moves an organization toward one domain or direction (and, therefore, away from other domains or directions).

goal planning

Development of action statements to move toward the attainment of a specific goal.

hybrid planning

The coupling of domain and goal planning.

planning

The process by which managers establish goals and specify how these goals are to be attained.

contingency plans

Plans that deal with alternative courses of action.

single-use plans

Plans developed for unique situations or problems and one-time use.

standing plans

Rules, policies, and procedures about how to deal with issues that managers face repeatedly.

strategic plans

Hierarchical plans that address an organization's institutional-level needs and attempt to position it advantageously within its task environment.

operating plans

Direction and action statements for activities in the organization's technical core.

administrative plans

Plans that work to integrate institutional-level plans with the operating plans and tie together all of the plans created for the organization's technical core.

goal hierarchy

The interrelationship among an organization's job-, department-, divisional-, and organizational-level goals.

official goals

The aims of an organization that are expressed in highly abstract and general terms, generally employed for the organization's external constituents.

operational goals

The aims of an organization that reflect management's specific intentions.

concurrent controls

Controls intended to prevent deviation from a planned course of action while work is in progress.

controlling

Monitoring the behavior of organizational members and the effectiveness of the organization itself to determine whether organizational goals are being achieved and taking corrective action if necessary.

cybernetic control

Self-regulating control procedures.

hybrid control system

Control system that exercises control prior to, during, and after the performance of a work activity.

noncybernetic control

Control systems that operate independently from the work system that is being monitored; a monitoring system that is external to the target of control.

postaction controls

Controls employed after a product or service is complete.

precontrols

Controls designed to prevent deviation from a desired plan of action before work actually begins.

management by objectives (MBO)

A philosophy of management, a planning and controlling technique, and an employee involvement program.

17.1 Is Planning Important

1. Understand the importance of planning and why organizations need to plan and control.

Planning is the process through which managers establish goals and detail how these goals will be attained.

17.2 The Planning Process

1. Outline the planning and controlling processes.

There are five major stages in the planning process. First, an organization establishes its preplanning foundation, which reviews past events and describes the current situation. In the second step, the organization sets forth goals based on the preplanning foundation. In the third step, managers forecast what is likely to happen in the organization's internal and external environments in order to develop alternative courses of action. Then, managers identify possible courses of action for meeting their objectives, evaluate each alternative, and select a course of action. Finally, planners develop the supportive plans necessary to accomplish the organization's major plan of action. Once implemented, that plan is monitored and controlled so that it meets the goals established in the second step.

17.3 Types of Plans

1. Identify different types of plans and control systems employed by organizations.

Managers create many types of plans based on hierarchical level, frequency of use, time frame, and organizational scope. Contingency plans to be used in case of unexpected events or wrong assumptions are critical for effective management in highly turbulent environments.

17.4 Goals or Outcome Statements

1. Explain the individual and organizational effects associated with goal setting and planning.

Goal development is an important part of the planning process. Goals developed for employees, for departments, and for entire organizations greatly enhance organizational effectiveness. Evidence reveals that performance is higher when organizations, as well as individuals, operate under difficult (but attainable), specific goals.

17.5 Formal Organizational Planning in Practice

1. Understand how planning occurs in today's organizations.

Plans reduce uncertainty and risk, focus attention on goals, and enhance understanding of the external environment. Although most major organizations engage in formal planning, many managers fail to plan appropriately. Lack of time, uncertainty about the future, and fear of failure are among the reasons given by managers for their failure to plan.

17.6 Employees' Responses to Planning

1. Discuss the impact that control has on organizational members.

The primary purposes of the controlling function are to monitor the extent to which an organization's plans are being followed and their effectiveness and to identify when and where it is necessary to take corrective action. To accomplish these ambitious tasks, managers construct control systems that touch most aspects of an organization's functional areas, its relationship with the external and internal environments, and its relationships across different hierarchical levels.

The control process consists of four steps. In Steps 1 and 2, managers create standards and monitor ongoing organizational behavior. In Step 3, they examine the degree to which ongoing activity is consistent with their goals and means objectives and the relationship between the two. In Step 4, managers develop prescriptions to correct problems, to maintain strengths, and to provide feedback to an organization's planners.

Whereas all control systems have the same general purposes, they differ in their specifics. Some are self-managing cybernetic systems; non-cybernetic systems require regular external supervision to be effective. Other variations in control systems include the point at which control activities are applied: before the work has begun (precontrols), while work is in progress (concurrent controls), and after work has been completed (postaction controls). A hybrid control system engages a variety of control activities at many points in time.

Although there are variations in control systems, all good systems have characteristics that enable them to work well in a given organization. Managers evaluating a control system might thus gauge its adequacy in providing accurate, timely, objective information to appropriate people in the organization. They also should examine whether the system focuses on the most critical aspects of their organization's conditions in a feasible, flexible manner that will be accepted by organizational members. Because of the importance of the information it provides, a good control system should also be integrated with planning activities.

Any control system can produce both positive and negative effects. If it is well designed, a control system provides needed structure and feedback and facilitates the development and execution of effective goal-setting programs. The result can be a satisfied, motivated, and productive workforce. Inappropriate control systems, however, can cause frustration, dissatisfaction, and poor performance. Being aware of a control system's potential effects on organization members helps managers capitalize on its positive aspects, reduce the impact of negative effects, and promote workers' acceptance of the system.

The effort to maintain control is not restricted to managers. All employees have a need for personal control, a need that sometimes conflicts with their organization's need to maintain control. To achieve effectiveness, managers must balance the control needs of both the organization and its members.

17.7 Management by Objectives: A Planning and Control Technique

1. Describe management by objectives as a philosophy and as a management tool/technique; describe its effects.

Management by objectives (MBO), with its emphasis on goal setting, participation, and feedback, frequently contributes to increased employee goal commitment, motivation, and performance. If performance matches the employee's aspirations, job satisfaction is likely to be an important by-product of the organization's planning and controlling activities.

17.8 The Control- and Involvement-Oriented Approaches to Planning and Controlling

1. Differentiate between the execution of the planning and controlling activities under control- and involvement-oriented management practices.

Planning and controlling are approached with distinctive differences under control-oriented and involvement-oriented approaches to management. In the mechanistic organization, both activities tend to be lodged with management in the organizational hierarchy, often above the point in the organization where the plans are being carried out. The hierarchy plays an active role in both the planning and controlling process, and the employee is often a passive player carrying out the planning directives and the target of the control activity.

? chapter review questions

1. Define managerial planning and controlling.
2. Discuss the relationship between the two managerial functions of planning and controlling.
3. Identify and briefly describe each stage in the planning and controlling processes.
4. Compare and contrast three different types of planning.
5. What are multiple goals? What is a goal hierarchy? How are these concepts related?
6. Briefly describe the two views of the goal formulation process, and explain how they differ.
7. Describe the MBO process, the philosophy behind it, and its relationship with performance.
8. Distinguish between cybernetic and noncybernetic control and between pre, concurrent, and postaction control systems.
9. Identify and discuss three positive and three negative effects often associated with control systems.
10. How does the desire for personal control affect managers, and how can they balance it with organizational control systems?

? management skills application exercises

1. Use the tools described in this chapter to write a plan that will help you set goals, plans on how to achieve them (e.g., achieve an A average in all of my core concentration courses and A– in all courses I am taking). Also account for personal time and other activities you are involved in and goals that you have for these, such as keeping physically fit, etc.
2. You are managing a small manufacturing operation that involved the final assembly of Children sippy cups. There are two components to the sippy cup: the cup, a lid, and a straw as well as the box that will hold the product. You have 2 direct reports who you can assign to assemble the product. You also have a dotted-line report with the purchasing agent for the company that procures the components of the product (a dotted-line report is where one employee must work for and report to more than one manager) as well as the boxes and material needed (e.g., plastic that is used on the shrink-wrapping machine) to complete the product for sale. You have been given the following metrics.
 - a. You have been given a goal of producing 2,300 units per week.
 - b. It takes 1 minute to assemble the sippy cup.
 - c. It takes 45 seconds to place the sippy cup in the box and shrink-wrap the product.
 - d. It takes 15 seconds to examine the product for meeting quality, and you expect that 99.5% of the products will meet or exceed expectations.
 - e. The employees work for 8 hours per day.

Write up a plan that has achievable goals for your two direct reports and your dotted-line report. Also prepare a memo to your supervisor about how you plan on achieving your goal.

3. You and another student will engage in a role-play exercise. One will be the manager, and one will be an employee who is not happy with the aggressive goals that he has been given. After a 10-minute discussion, you both report on what was resolved, what was not, and how this would affect job satisfaction and performance for the employee.

? managerial decision exercises

1. You are a manager, and your direct report is complaining about not being involved in the planning process. How do you respond?
2. You are a sales manager and have reviewed the monthly sales goals and conclude that the targets can't be achieved without additional hires or paying employees overtime to secure additional orders. Also, you think that the product could have an 8% price increase without hindering sales units. You review the operational plans and want to provide an alteration of the plans to your boss. What should you do to plan that discussion?

Critical Thinking Case

How Do Amazon, UPS, and FedEx Manage Peak Seasons?

Typically, the day after Thanksgiving (Black Friday) marks the beginning of the holiday shopping season in the United States. Holiday sales, typically defined as sales occurring in November and December, account for roughly 30 percent of annual sales for U.S. retailers (Holiday Forecasts and Historical Sales 2015). For 2016, total online sales from November 10 to December 31 amounted to 91.7 billion dollars. And the top retailers for this period were eBay, Amazon, Walmart, and Target (Tasker 2016). The growth in online sales appears inevitable, but how do the top shippers, UPS and FedEx, manage the sudden upsurge?

Not always so well. In 2013, both FedEx and UPS underestimated holiday demand, and with bad weather conditions as well, struggled to deliver packages as promised. Since then, both carriers have worked hard to keep adequate resources available to handle the end-of-year upsurge. But in 2014, UPS overcompensated and had too much capacity, once again damaging profitability (Livengood 2017).

Matching retailer expectations to reality is a challenge, and not just for the shipping companies. Although retailers would prefer to know how much to expect in sales, forecasts will be inaccurate, sometimes wildly so. In preparing its forecast for the 2017 peak season, Logistics Management examined economic factors, such as GDP, job growth, retail sales, and inventory levels. It also looked at imports. An informal survey of logistical professionals found that 93.5 percent expect the 2017 season to be the same as 2016 (35.5 percent) or more active (58 percent) (Berman 2017).

In June 2017, UPS announced that it would be adding a surcharge to some peak season rates. According to the UPS website, “During the 2016 holiday season, the company’s average daily volume exceeded 30 million packages on more than half of the available shipping days. In contrast, on an average nonpeak day, the company ships more than 19 million packages” (UPS Establishes New Peak Shipping Charge 2017). The rate for the 2017 peak season would apply to select services and to oversize shipments, primarily (UPS Establishes New Peak Shipping Charge 2017). Analysts see the surcharge as a signal that UPS is the rate setter in parcel delivery. Such an assessment is not surprising given that the increase in parcel delivery as an outcome of increased e-commerce is seen as a core driver of earnings for UPS (Franck 2017).

Second-ranked FedEx, in contrast, announced that it would not follow suit but instead would “forgo most holiday surcharges on home deliveries this year” (Schlangenhein 2017). The surcharges levied by UPS are aimed primarily at small shippers, not the larger contract shippers. By not adding a seasonal surcharge, FedEx might hope to capture sales from individuals and small businesses that are deterred by the UPS surcharge (Schlangenhein 2017).

Kevin Sterling, a Seaport Global Holdings analyst, believes that FedEx has the existing capacity to absorb additional ground shipments. “[FedEx is] going to let UPS be Scrooge at Christmas” (Schlangenhein 2017). UPS already has a contract with Amazon, the de facto behemoth of online shopping, for normal shipping, leaving room for FedEx to pick up the slack during the holiday rush (Schlangenhein 2017).

In contrast, UPS reports that the additional charge is needed to offset the costs of additional resources necessary to achieve expected upsurges in capacity. UPS spokesperson Glenn Zaccara commented, “UPS’s peak season pricing positions the company to be appropriately compensated for the high value we provide at a time when the company must double daily delivery volume for six to seven consecutive weeks to meet customer demands” (Schlangenhein 2017).

With or without surcharges, price structures at both companies strive to discourage shipment of heavy, odd-sized, or oversized packages because such packages won’t flow through either company’s sorting systems and require special handling. All the same, FedEx has seen a 240 percent increase in such shipments over the last 10 years, which make up roughly 10 percent of all packages shipped using its ground services. And although FedEx is not adding a holiday surcharge, per se, it has added charges for packages that require extra handling, particularly shipments between November 20 through December 24 (Schlangenhein 2017).

? critical thinking questions

1. What do you think are some of the difficulties of adding 25 percent more employees for the holiday season? What kind of planning do you think would be needed?
2. China effectively shuts down for two weeks each year and celebrates the lunar new year. How does that resemble (or not) peak season in Western countries?
3. The case focuses on U.S. markets. How are European markets affected by holiday shopping?

4. Have your own shopping habits changed with the ease of online shopping? If so, how? Do you expect them to change when you graduate and have more disposable income?

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