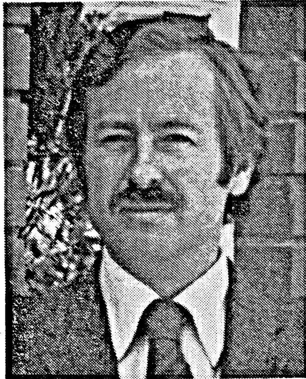
# OBJECTIVES, CORPORATE STRATEGY AND LONG-RANGE PLANNING



*In hierdie artikel gee dr. Suzman 'n duidelike uiteensetting van die beplanningsproses in die sake-onderneming, wat by beplanning betrokke is en wie wat moet doen. Hy bring 'n aantal konsepte van beplanning en besluitneming wat reeds ontwikkel is, byeen en ontwikkel dan 'n model van beplanning en besluitneming.*

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*The sections of this paper dealing with Objectives and Strategy, including the method of presentation in figures 1 and 2 closely follows a conceptual framework developed by Dr. A. Meshulach of the Hebrew University of Jerusalem, currently a Visiting Professor at School of Business Leadership of the University of South Africa. The author gratefully acknowledges Dr. Meshulach's contribution.*

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Definitions of the function of management are many and varied so it is not surprising that it is equally difficult to find agreement on the definition of strategy or long-range planning. Marvin Bower, in his book *The Will to Manage*[1], defines managing as

> ...the activity or task of determining the objectives of an organization and then guiding the people and other resources of the organization in the successful achievement of these objectives.

This paper is concerned with what are perhaps the most important elements in this broad view of management. It will examine the concepts and role of corporate objectives and strategy, and their part in a comprehensive planning process. It will then propose an integrated decision— making framework for dealing with some of the structural problems of implementing strategic and operations planning in an organization.

**Three Classes of Objectives**

The objectives of a business must, by definition, be related to its central purpose. Ansoff[2] states that the purpose of a business is "to optimize efficiency of the resource conversion process over a given time horizon". Andrews[3] adds that it is in the "provision of materials, goods and services to a wanting world". Drucker[4] states the purpose of a business to be "to create a customer", that the central objective of a business enterprise is "survival"; and that the main job or task of management is "economic performance".

In summation it would seem fair to say that *the purpose of business is the economic or efficient use of resources in the provision of goods and services to the society of which it is a part.* Following from this definition, profit is merely a measure of efficiency or a yardstick of performance in achieving the central purpose. The objectives of a business organization could, however, be stated in terms of profitabilbity, e.g. growth, and other generalized measures of economic performance. Objectives of this nature can be said to be the purpose or objectives of a business as an institution.

Another view of objectives is the "stakeholder theory" which maintains that objectives are derived by balancing the conflicting claims or objectives of the major stakeholders or participants in the business; such as owners or shareholders, employees, both management and workers, suppliers, creditors, customers, and society or the public at large. Here, "profit" is only of interest to the shareholders, while "survival" would probably be of interest to all the parties.

A simple illustration of the bargaining process which can take place between participants is shown in Figure 1. Shareholders' goals $\overline{X}s$ could be a function of profit, uncertainty, growth, time, etc.; while workers goals $\overline{X}w$ could be a function of wage levels, employment, work satisfaction, time, etc. If the minimum or "threshhold" levels or acceptability intersect and if the firm can meet both constraints then there is no problem. If, on the other hand, the minimum goals of either of the parties is not being met, conflict will result and change towards an acceptable compromise must take place. In real life this model is multidimensional with many interested participants or stakeholders, and the firm must satisfy a set of goals (quantified objectives) by attempting to maximize one subject to attaining minimum levels in the others.

Cyert and March[5] have taken an even more extreme position by arguing that organizations *per se* do not have objectives — only people have objectives. This is true to the extent that organizations are made up of

people and unlike a building, for example, they cannot exist without people. However, this argument as well as the proceeding views on the nature and existence of corporate objectives, tend to overlook the fact that there are different types of organizations. Cyert and March and the "stakeholder theory" may well be correct for a pluralistic, segmented organization with little cohesion or sense of common purpose among the participants.

In contrast, however, there are many organizations which are more unitary and cohesive in their make up and in which a set of shared objectives to which all groups can subscribe, begins to emerge. Even in those organizations with some plurality, objectives appear to become institutionalized. Such organizations start to operate *as if* they have a purpose and objectives separate from the groups of people making up the organization. These overall objectives play a very important role in providing a set of superordinate goals to which the individual participants can, and eventually must, subscribe in order to operate effectively towards achieving organizational purpose.

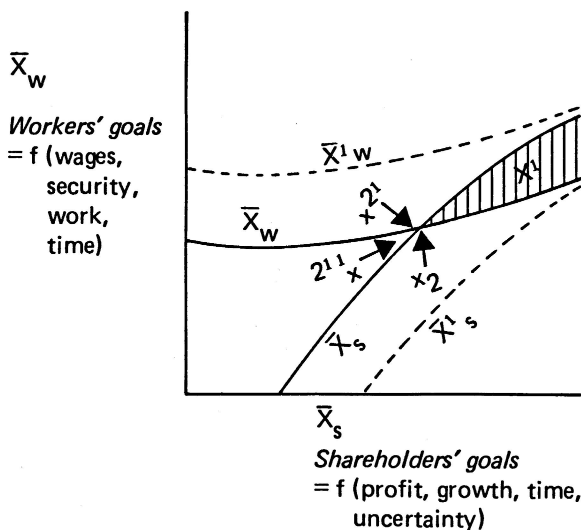



Fig. 1: SHAREHOLDER – WORKER GOAL SATISFACTION

In addition to the objectives related to overall institutional purpose and the objectives related to the aims and interests of the various groups of participants or stakeholders, there is a third category of objectives which should be clearly differentiated and clearly developed and stated. These are what one could call *strategic objectives* specifically related to what the firm chooses to do, and derived once the firm's strategy has been determined from an examination of the risks and opportunities in the environment and its own strengths and weaknesses.

To clarify the nature of each of these three classes of objectives let us examine the role that each play in the strategy formulation and planning processes.

**Institutional Objectives**

These are concerned with economic performance and are independent of how the firm is to operate or what product market mix it is to adopt. These objectives basically come before strategy formulation and are used as criteria in the selection of an appropriate strategy or product/market mix. If the set of alternative strategies being examined cannot meet the goals (here goals are taken to be quantitative targets derived from the given objectives, e.g. a goal of 15% return before tax where maximizing return is the objective) then a new set of strategies must be examined, the goals must be lowered, or different objectives chosen.

**Strategic Objectives**

These are derived from the chosen strategy and may relate to such things as market share, product leadership, new product introductions, or market development. An institutional objective may be, for example, always to be the dominant company in whatever industry the firm competes. A strategic objective would be, for example, to be the largest or dominant firm in the light commercial truck market. The former says nothing about which sector of the vehicle or any other market to enter, but merely provides a criterion for choice. The latter relates specifically to a particular product market segment, and from it would arise a whole series of product development, production, finance, marketing, and personnel policies.

**Participant Objectives**

These are related to the various interest groups involved in the firm's activities and generally act as constraints. They influence, modify or constrain the behaviour of the organization in its policies, choice of strategy, or sometimes even its choice of basic institutional purpose.

For example, an objective of a minimum wage for all employees may rule out certain low profit activities; or a management desire to remain in an intimate, technically oriented company may rule out certain growth prospects through mass commercialization of the company's product line.

It should be reasonably apparent to business leaders that *explicitly* stated objectives are of tremendous utility, and yet many firms never have explicitly stated objectives which are made known to the company management as a whole. As has been stated above the objectives provide criteria for selection of strategy or what the company wishes to do or be. Once these choices have been made, then goals and objectives play an even more important role in implementation:

1. A superordinate goal or objective provides something everyone from the chief executive downwards can identify with and thereby acts as a *stimuluus to organizational effort.*
2. A set of common objectives helps ensure that individual sections of the organization can attempt to work in the same direction and not at cross purposes, thereby providing *co-ordination of effort.*
3. If objectives and quantifiable goals or targets are set, those responsible for organizational performance can *evaluate* performance and *measure* progress towards achievement.

4. From the above stimulus, co-ordination, measurement and evaluation of effort, arises the very powerful tool of *management control*, not only of the activities of others, but also of one's own progress and achievement.
5. Finally — again related to strategy — it is then possible to complete the feedback loop and carry out what Ansoff[6] calls a *"gap analysis"* between desired levels of performance and actual achievement, or between actual performance and potential. It is the opening up or existence of such gaps which signals the need for "strategic analysis" and appraisal of both internal problems and external environmental threats and opportunities.

## WHAT ARE STRATEGIC DECISIONS?

Ackoff[7] in trying to draw a distinction between strategic and tactical planning states:

> The longer the effect of a plan and the more difficult it is to reverse, the more strategic it is. Therefore strategic planning is concerned with decisions that have enduring effects that are difficult to reverse . . . Strategic planning is long-range planning. Tactical planning is of shorter range. But "long" and "short" are relative terms and therefore so are "strategic" and "tactical". In general strategic planning is concerned with the longest period worth considering; tactical planning is concerned with the shortest period worth considering.

This definition relies on "time" which it admits is relative and therefore ambiguous. It admits defeat before starting. Andrews[7a] gets somewhat nearer to a useful definition when he states that corporate strategy is the:

> pattern of objectives, purposes, or goals and major policies and plans for achieving these goals: stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.

However, the all-embracing character of this definition incorporating both objectives, policies and plans also limits its usefulness in formulating strategy. The evaluation of a company's performance and the problems it faces usually require a very clear understanding of the nature of the problem. Is it "strategic" and concerned with its basic product/market choice, or is the problem more concerned with policies and plans for implementing strategy? In order to answer this question correctly and not confuse a poor strategy with poor implementation or vice versa, it is necessary to have a clear idea of what is strategic.

I would suggest that there is therefore considerable usefulness in separating the overall institutional objectives which I have described above, from the actual strategic decisions. These objectives are merely the criteria by which certain strategies are selected.

The *strategic decisions* are purely concerned with what business the company is to be in; what products or services it is to provide and for which markets. A strategy is designed and selected in order to achieve the chosen objectives. It relates the firm to its environment by defining how it will interact with a particular segment of the environment, as illustrated in Figure 2.

Given a particular blend of profitability and uncertainty which is in line with the company's basic objectives it must choose market A, B, or C, or any combination of the three, as its product/market choice. It may, for example, find itself at time n drifting from a condition $t_n$-1 some n-1 years ago, to a less advantageous position $t_n$ at the present time. Its basic strategic decisions would then be concerned with the selection of a product/market posture so as to reduce the level of uncertainty and go to $t'$ n + 1, to improve profitability with higher uncertainty at position $t''$ n + 1, or most desirable of all, to get back to $t_{n-1}$ with lower uncertainty and higher profitability.

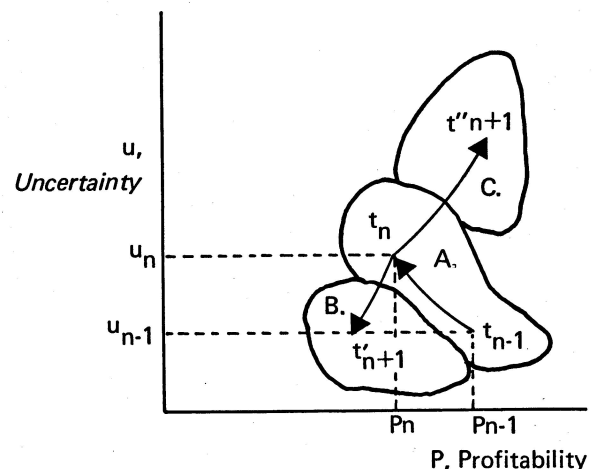



Fig. 2: CHOICE OF STRATEGY BASED ON PROFITABILITY AND UNCERTAINTY AS CRITERIA

The strategic decision thus commits the company to a particular product/market segment. From this basic decision flows a whole set of consequences which are related to the strategic decision but not actually a part of it. Some of these consequences are

1. The kind of company it is going to be, with respect to:
   - growth rate potential, and size.
   - degree of innovation and change.
   - stability and certainty vs. uncertainty.
2. How it will be run with respect to:
   - organization structure and degree of centralization of decision making.
   - organization climate and style, such as organic vs. mechanistic or bureaucratic.

* Note that the references to Andrews can also be found in E.P. Learned, C.R. Christensen, K.R. Andrews, and W.D. Guth, ***Business Policy: Text and Cases***, Rev. Edition, 1969, Richard D. Irwin Inc.

– what types of people will be needed.

3. What policies and programmes will be necessary for success in the areas of marketing, finance, production.

I should like to stress again that policies and programmes developed in the company, even if they have very long-term consequences, are not in themselves trategic. They merely flow from and are the consequences of the basic strategic selection of a given set of products and markets. Decisions in finance such as high or low debt gearing, or in production with respect to capital or labour intensive methods, or in personnel with regard to the qualifications of key managers or methods of remuneration, are not in themselves strategic, but are a logical outcome of the requirements for success in the chosen strategic product/market environment.

## A CLASSIFICATION OF THE TOTAL PLANNING ACTIVITY

As mentioned at the start of this paper, there are already many definitions and classifications of the planning activities in a company, and I suppose I shall now be guilty of adding to the confusion. It is my intention, however, to propose a classification which is both exhaustive (i.e. it covers all possibilities) and in which the categories are mutually exclusive (i.e. do not overlap). To do this I shall use the definitions of corporate objectives and strategy outlined above.

Steiner[8] in his comprehensive book on planning points out that planning is fundamentally concerned with the future, and in two different respects. It is concerned with alternative courses of action open to the company, and with the futurity or future consequences of present decisions. The first of these concerns is based on a choice of company objectives and strategy, and the second with the operations, actions or consequences flowing from *present* strategic decisions.

Drucker[9] has focussed more on the process or ongoing nature of the planning function of a company and states that

> (long-range planning) . . . is the continuous process of making present entrepreneurial (risk-taking) decisions systematically and with the best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these decisions, and measuring the results of these decisions against the expectations through organized, systematic feedback.

This definition appears to take the planning function forward to the evaluation of performance against plan which for the immediate future is usually part of the *budgetary control process* in a company. It also emphasizes the role of policies and operational plans to implement strategic decisions.

A comprehensive system of planning should therefore contain the following four categories of information:

I A statement of institutional, strategic and participant objectives, as well as specific goals or targets derived from them.

II A statement of product/market choice (strategy) based on an evaluation of company strengths and weaknesses, environmental risks and opportunities, and participant and social responsibilities and constraints including personal values.

III A set of operational policies and plans based on the product/market choice which develop and elaborate the required actions and operational consequences for the company in the achievement of its objectives, together with basic review procedures for evaluation of performance in meeting strategic, institutional and participant objectives.

IV A detailed outline or budget of operations for the financial period immediately ahead, together with procedures for measurement, evaluation and review of performance in meeting immediate budgetary targets.

A number of points must immediately be made with respect to the above four statements. First, although their preparation may take place at discrete intervals they are part of an ongoing process in the management of a company. Warren[10] in his study of U.S. corporate planning systems reinforces this view:

> It cannot be overemphasized that with few exceptions the purpose of long-range planning is not nearly so much having a plan as developing processes, attitudes and perspectives which make planning possible. In the ideal, these attitudes and perspectives provide a basis for making continuous reappraisals and decisions reflecting the demands of a changing world.

A second point that can be made is that the classification attempts to avoid the time dimensions as a means of differentation, although category IV does emphasize that budgets are concerned with the immediate period of operations facing the company. Thus the distinction between long and short range planning falls away. What is "long" for one company, may be "short" for another, depending on the nature of their capital investments and the certainty or stability of their relevant environments. Clearly, a company with a less stable or more uncertain environment will tend to operate with a shorter time horizon. This is because judgments about likely income and expenditure flows in the more distant future will be too uncertain to be worth considering.

In present value or discounted cash flow terms the discount rate or rate of return expected will be higher for more uncertain or "risky" investments. Thus in the basic formula for Net Present Value:

$$NPV = \sum_{i=1}^{n} \frac{A_i}{(1+r)} = \frac{A_1}{(1Xr)} + \frac{A_2}{(1Xr)^2} + \frac{A_3}{(1+r)^3} + \ldots + \frac{A_n}{(1+r)^n}$$

where:

$A_i$ = net capital flow in year i
$n$ = year
$r$ = required rate of return

Each successive term, representing a more distant year's income and expenditure, will add less and less to the present value; and the higher the required rate of return, the less the more distant years will

contribute. In an uncertain situation it is therefore not worth looking too far ahead.

This does *not* mean that such companies should not engage in *strategic* analysis and planning. It may be even more important than in a very stable situation. It does mean, however, that they must use a shorter time horizon for the analysis to be meaningful. Similarly, companies in very stable industries should not use this as an excuse for not engaging in strategic planning either. There comes a time in all industries when conditions change, profitability declines, or uncertainty increases. It is only through strategic analysis and planning that such changes can be anticipated and successfully dealt with.

A third point which can be made is that the planning process is concerned with the total operation or performance of the company and its organizational units. The substance of the planning reports therefore relies heavily on financial data to allow integration of market, production and accounting reports. Non-financial data such as unit sales, market share, production output and efficiency, or employment are clearly also a valuable and necessary part of the planning system.

In addition to the language of the reports, i.e. verbal or quantitative, there is also a very real question as to the formality and explicitness of the statements. Is it sufficient to have the corporate objectives and strategy discussed at board level and never committed to writing? The first inclination is perhaps to say it depends on the size of the company and the complexity of the situation. However, on further reflection I believe there is a strong case for maintaining that all sections of the planning process should consist of *formal written statements*. The main reasons for this are the tremendous importance of the motivational and training aspects of the planning process. The mere fact or requiring executives in a company to carry out the analysis and objective valuation of a company's goals, strategy and operating policies and plans, should be of great benefit to the company and its management.

Furthermore, once the company's objectives and strategy are brought into the open and explicitly stated, they must then stand up to the examination and criticism of a wider section of management. This can only encourage critical thinking, thoroughness and an openess to new ideas in a company. In sharp contrast is the attitude of the chairman of an old established market-quoted public company. It was suggested to him that the board join with top management over a long weekend to examine the critical changes taking place in the firm's traditional industry sector, and then attempt to arrive at a set of objectives and an explicit strategy. He reacted by exclaiming that it would be a great mistake and a sign of weakness to show the lower echelons of management that the board was undecided about the future direction the company should take, and that the board should first make up its mind, and then tell the other executives what its plans were.

This incident illustrates not only a very closed attitude to discussion in the company, so that the chairman did not realize that other levels of management were undoubtedly well aware of the lack of direction and a plan for responding to changing conditions on the part of the board. It also raises the important question of how the strategic and operational planning process should be implemented in a company.

## A DECISION PROCESS FRAMEWORK

There has been a great deal written on the role of the planning department and the need for top management commitment and involvement in the planning process, as well as what the plans should contain and what sequence of analysis or activities is required. In this last section I shall concentrate rather on the place of the planning activity in the organization. For this I shall draw on a model of the decision-making process developed by T.T. Paterson[11] and used by David C. Limerick[12] in his doctoral thesis on *The Dynamics of Decision-Making Groups*.

The decision model is based on:

(1) Four basic stages of activity in the decision process,
(2) the types of decision units and the relations between these units, and
(3) the kinds of decisions which are made.

It has the advantage of being an integrated framework for examining the decision processes in an organization, and since planning implies the decision to take certain actions, it appears to be a most useful framework for explaining the planning process in a company in a consistent and coherent manner.

Limerick points out that there are many models of the decision process which have been proposed in the literature but that they all contain the following four elements of the Paterson model:

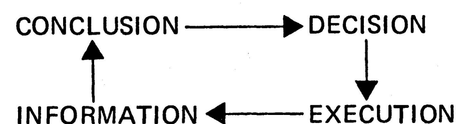
*Information:* the reception and categorization of stimuli or data.

*Conclusion:* assessment of the problem and evaluation of possible courses of action.

*Decision:* selection of a possible course of action for implementation or action.

*Execution:* analysis of possible methods of carrying out or implementing a selected course, and a decision to act on the chosen method.

An important distinction within this framework is between "conclusion" which is the end result of consideration and analysis, and "decision" which is a commitment to action. The four stages of the decision process are related in a sequential and cyclical fashion, with each stage feeding into the next, and with the execution of a decision feeding back into the information stage for the next conclusion and decision.




In a complex organization different individuals or groups (units) may each be involved in different

stages of the process, or an individual or group may be involved in more than one or all of the four stages. Furthermore, the possibility of different units being involved in the decision process implies that an examination of the system must describe the *nature of the relations* between them.

In a differentiated organization the relations between units are critical to the successful function of the organization, i.e. to its achievement of its stated objectives through the successful implementation of an agreed strategy.

Limerick[13] points out that "differences between individuals govern the nature of the communication between them", and that an important source of difference is that associated with *authority*, where authority is interpreted as "the right to do something — to act". The source of the right lies in the perceived needs of the system of which the units or persons are a part. There are four basic forms of authority: structural, sapiental, moral, personal, of which the first two are the most relevant to this discussion.

**Structural Authority**

This arises from differences in position, which in turn arise from the need for members of a purposive organization to be ordered and co-ordinated. Authority is vested first in position and second in the person filling it, who has the right to command, thus using the categorical imperative "you shall" or "must" to something. The commands are legitimate as long as they are proper or appropriate to achievement of purpose, and flowing from the right to command is the concept of *responsibility.* This is a reciprocal relation between the manager with the power to impose sanction for non-compliance by those he controls (i.e. are in his sphere of authority), and the sub-ordinate, who carries out his function with the direction, resources and freedom of choice granted by the manager. It is interesting and important to note that the manager cannot delegate this responsibility. The manager can only give his subordinate the structural authority to command and expect obedience, and hence hold him responsible for those under him.

**Sapiental Authority**

Expertise or knowledge of a special kind gives what Paterson calls "sapiental authority" which is the right to be heard or listened to. It is basically vested in a person and not a position, although some positions allow persons to obtain special knowledge. In this case the manager with such authority would use a hypothetical imperative "you must . . . *if* you are to fulfill your function" to those within his sphere of influence and there is some obligation to use such advice. He has a relation of *advisability* and the right to advise, inform, instruct or direct, but *not* control the procedures of others in terms of his expertise or knowledge on matters pertaining to that function and the purposes of the enterprise. Again, the relation is reciprocal in that the advisee has the right to ask for and receive such advice.

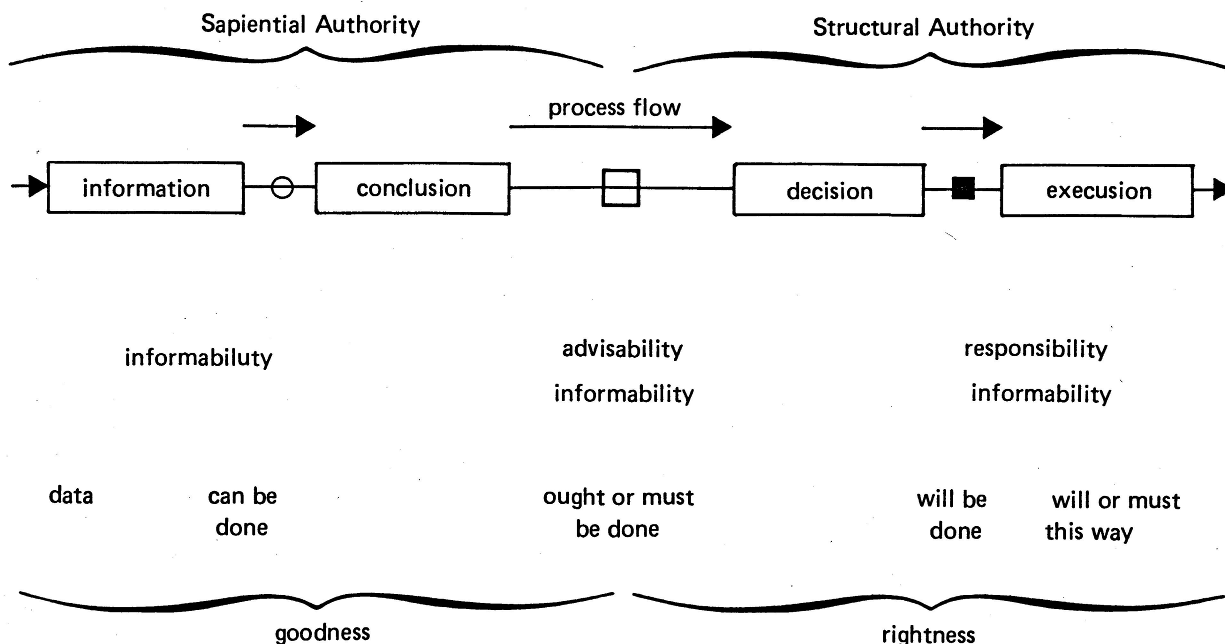



FIG. 3 DECISION PROCESS AND AUTHORITY

*Source:*
Paterson, 1966, as presented by Limerick, opt. cit., p. 47.

| Decision Band | Kind of decision | Level | Grade | Typical examples |
|---|---|---|---|---|
| E | Policy | Top Mgt. | 10 | Managing Director |
| | | | 9 | Production Director<br>Personnel Director<br>Marketing Director |
| D | Programming | Senior Mgt. | 8 | General Manager |
| | | | 7 | Chief engineer<br>Works manager, chief accountant |
| C | Interpretative | Middle Mgt. | 6 | Production manager, marketing manager, chief inspector |
| | | | 5 | Production superintendent, training officer, representative |
| B | Routine | skilled/ Jnr. Mgt. | 4 | Foreman, supervisor, junior manager |
| | | | 3 | Fitter, electrician, senior clerk |
| A | Automatic | Semi-skilled | 2 | charge hand |
| | | | 1 | machine operator, driver, clerk |
| 0 | Defined | Unskilled | 0 | Unskilled labourer, sweeper, copy typist, junior clerk |

FIG. 4 JOB GRADES

*Source:*
Limerick, op. cit., p. 52.

There is also a second relation arising out of sapiental authority and that is *informability.* This is considered to be knowledge not specific to function or essential to fulfillment of purpose. The manager with the sapiental authority would generally communicate in the form of an injunction "you should or ought . . . in order to better perform your task", but such an injunction carries *no* sense of obligation.

Arising from the above definitions of responsibility, advisability, and informability, it is apparent that it is impossible for a subordinate to advise (as opposed to inform) his superior. Advice could, however, be passed between equals in a structural sense, where one giving the advice has the requisite expertise or knowledge. These stages of the decision process and the nature of the relation between units in the process are summarized in Figure 3.

Finally, there is one more concept which must be added to the model before we can apply it to the problems of corporate planning, and this is the *nature or kind of decisions* which are made in an organization. Here too there has been much discussion in the literature and Paterson[14] *has developed a scheme consisting of six bands or kinds of decisions based on* the forms of freedom of choice in making the decision and acting upon it. This follows similar attempts to distinguish between programmed and non-programmed decisions. These bands are outlined in Figure 4. For our purposes we are mainly concerned with policy, programming and interpretive decisions, which Paterson designates as the responsibility of top, senior and middle management.

*Policy-making decisions* frame the overall direction, purpose and goal of the organization within very wide limits (to meet the institutional objectives as previously described).

*Programming decisions* delineate the way in which policy is to be carried out and the limits within which action can be taken, including functions necessary for control and co-ordination.

*Interpretive decisions* determining what ought, must or will be done within the limits set by the programme. These decisions set up a framework and a set of precedents for the lower order decisions.[15]

## IMPLEMENTATION OF THE PLANNING PROCESS

In this final section I shall bring together the Paterson decision process and the four categories of planning defined earlier to develop an integrated model of the planning process. I shall then use this model to highlight a number of common problems and conflicts which occur in organizing the planning process. Firstly, it is apparent that the four types of planning activities correspond to three of the kinds of decisions outlined by Paterson and mentioned above. The planning activity, corresponding type of decision, and appropriate level of management involvement is shown in Figure 5.

From Figure 5 it is apparent that all four planning activities should be carried out by line management, either top, senior, or middle. This begs the question of the respective roles of line and staff management in the planning process. To clarify this problem it is necessary to refer back to the decision process consisting of information, conclusion, decision, execution.

A distinction between line and staff roles or positions in the organization can be made by saying that the normal *staff* job involves information and conclusion elements with respect to line operations. A staff manager may advise or inform a line manager as a result of his sapiental authority. However, he has no responsibility relation with the line manager since he cannot command him and has no power to impose sanction for non compliance. It would therefore

| | Planning Activity | Type of Decision | Level of Management |
|---|---|---|---|
| I | Setting objectives and goals | Policy | Board Level (Top) |
| II | Selection of Product/Market Strategy | Policy | M.D. & Directors (Top) |
| III | Setting operational policies & plans and review procedures | Programming | Top and Senior |
| IV | Preparation of detailed operating budgets | Interpretive | Middle Management |

FIG. 5 RELATION BETWEEN PLANNING ACTIVITY, TYPE OF DECISION, AND LEVEL OF MANAGEMENT INVOLVED

appear as if he should not carry out the decision or commitment to action function, or be responsible for execution, except in carrying out his own staff function.

In contrast, a *line* manager has the authority to decide or commit to action, and is either himself responsible for execution, or he delegates authority to his subordinates for this function.

It should be remembered that the four stages of the decision process may be carried out by one individual or unit in a company, or by a number of different individuals or units. With respect to the planning function, the extent to which it is carried out by different units or individuals would probably depend on the size and product diversity of the company as well as its basic organization structure. In a small single-product company the top managers can probably carry out all four parts of the decision process themselves. However, as the need for specialized environmental information arises in making strategic decisions, the information gathering function is likely to be separated out and given to a staff assistant.

Similarly, as the work of preparing forecasts and operating plans beyond the normal budget period develops, the accountant or finance department is likely to give this task to an individual not involved in the preparation and running of the current budget. It is likely that the environmental information-gathering task and the long-range-planning task will be combined in one person or unit which would then become the "planning department", and would also take on the role of analysis and evaluation of alternatives *based on criteria provided by top management*; i.e. reaching conclusions or making recommendations but *not* making decisions. Only those executives who are responsible for execution and have the authority to command and sanction can rightfully have the authority to commit the company to action.

A second reason for the necessary evaluation of a "planning department" is that the type of person required for environmental analysis, evaluation of alternative courses of action, or the preparation of three to five year operational plans, is likely to require a very different background, knowledge and experience from a line manager or a practising accountant. A third set of attributes involving the ability to innovate, imagination and creativity may also be required for someone largely responsible for thinking up and evaluating alternative proactive or even reactive strategies in a competitive environment.

The problem in etting up such a department is to avoid it usurping the functions of line management on the one hand, or having its plans forgotten in a bottom drawer of the chief executive's desk, on the other. It has also been found[16] that to be effective, planning departments should play an important integrative role "between differentiated major departments and divisions of the enterprise". Following Lawrence and Lorsch[17] Athreya suggests that to be effective the planners should:

1. Have a task orientation or approach intermediate

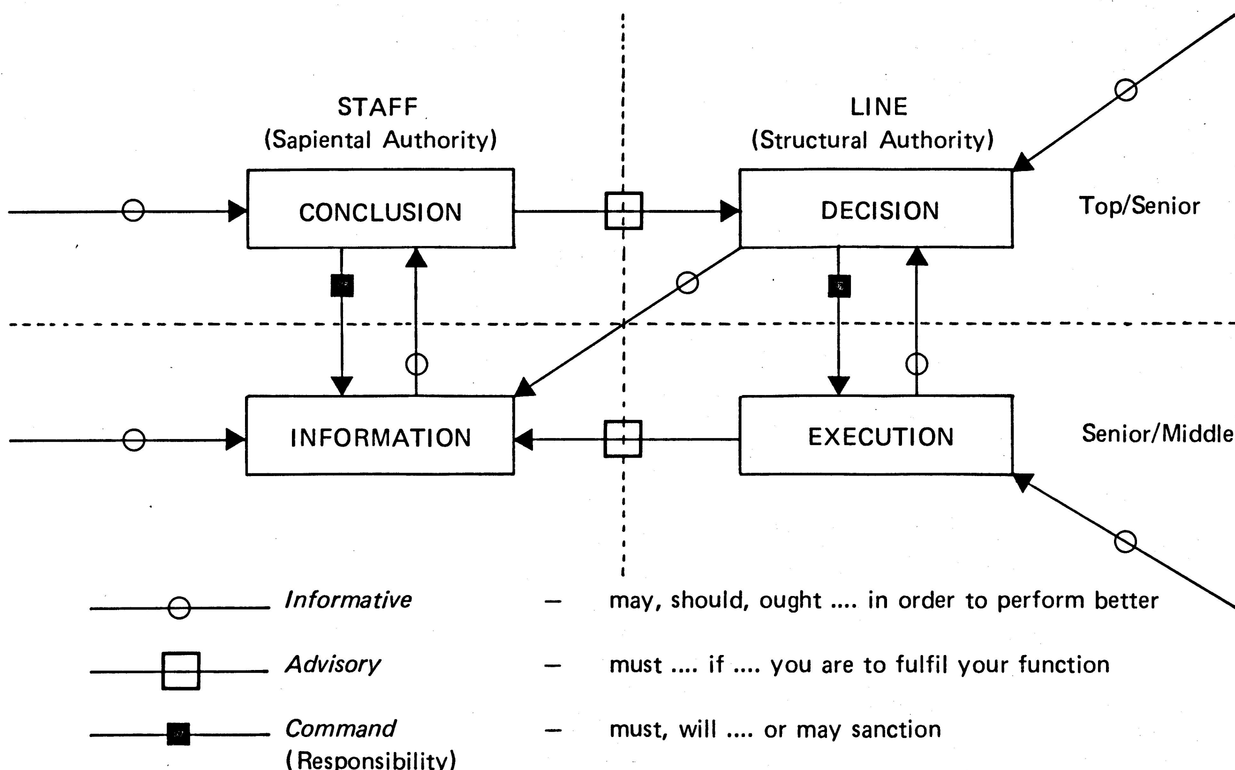



FIG. 6 DECISION PROCESS AND RELATIONS, AND ASSOCIATED TYPES OF MANAGEMENT

between those of the other departments, e.g. not too production or too marketing oriented.

2. Have a perceived high position in the company based on professional expertise.
3. Have a global or overall company or division, as opposed to functional or departmental point of view.

These findings are consistent with the Paterson decision model as applied to the planning process, and to avoid these problems and ensure an appropriate and real contribution from the planning function in the achievement of organizational purpose, top management must ensure:

1. that each of the four types of planning activities is carried out in the appropriate level in the organization (see Figure 5),
2. that the four stage decision process is correctly applied to each planning activity, with an appropriate division of tasks between line and staff managers on the one hand, and top, senior, or middle management on the other.

A generalized summary of the decision process, the relations between decision units, the kinds of decisions and the level of management involvement is shown in Figure 6. This conceptional framework is proposed not as the ultimate answer to a company's planning department problems, but rather as a means of analysing who should be doing what in the planning process. It is still up to top management to evaluate their own company's needs correctly, but this framework for thinking about the problem will hopefully ensure a smoother working and more effective solution.

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## *Try this*

**IT GIVES YOU** a lift when your boss says, "I was wrong". How often do you give that lift to your colleagues? It clears the air and makes you more human in their eyes.

Try some of these:

- I made a mistake. I'm sorry
- That's great. I should have thought of that.
- You've given me a whole new slant.
- My actions have been 180° out of phase with what they should have been.
- I wish it were only my judgment. My motives were wrong too.
- I bit off more than I could chew.
- We tested the results against my ideas. They don't work. Let's try yours.

Herdruk met die toestemming van die Redakteur uit *Salvo* van 6 Augustus 1975, uitgegee deur Krygkor en die Krygstuigraad.