

Course OGE  
Organizational Design and Management

*Managing the Planning Process*

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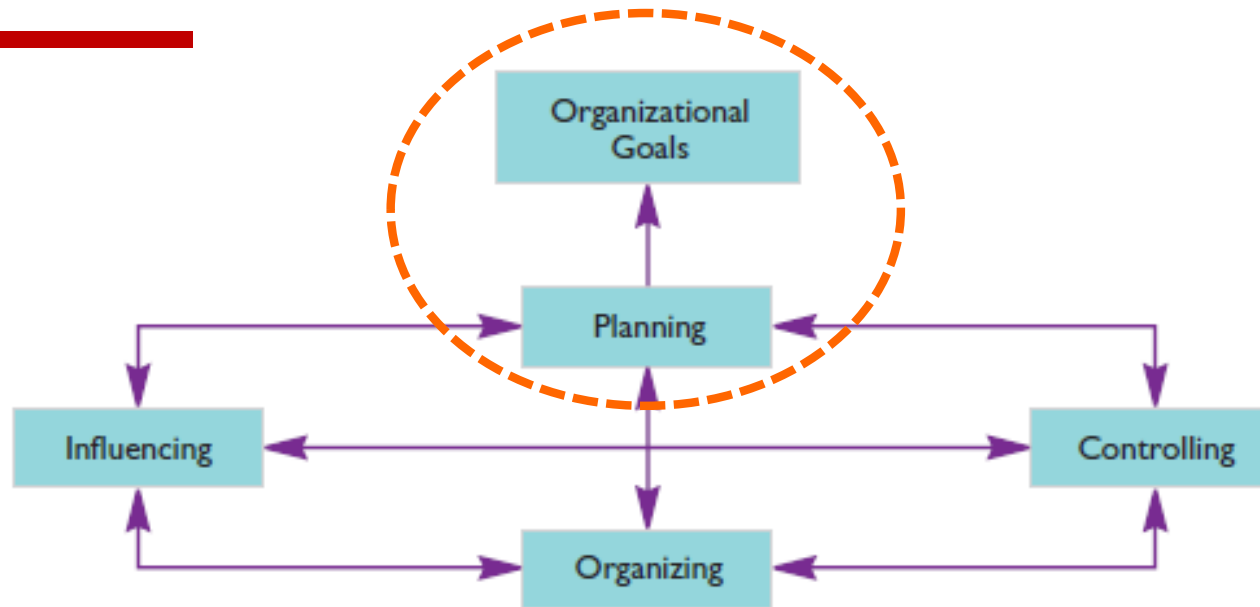
*The contents presented here has been collected from different sources (Books: Organizational theory, design and change (Gareth R.Jones); Modern Management (Certo); Managment and Organizations (Robbins Coultler) and lectures notes from several origins). Several additions, modifications and updates have been made by Américo Azevedo (ala@fe.up.pt) in order to support the learning process defined in the context of OGE program .*

After studying this class, you should be able to:

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- **Define** the nature and purposes of planning.
- **Describe** the main corporate and business planning / strategies organizations use.
- **Define and explain** the different steps of strategic process and explain why it's important.

# Remembering the Four Activities of Management

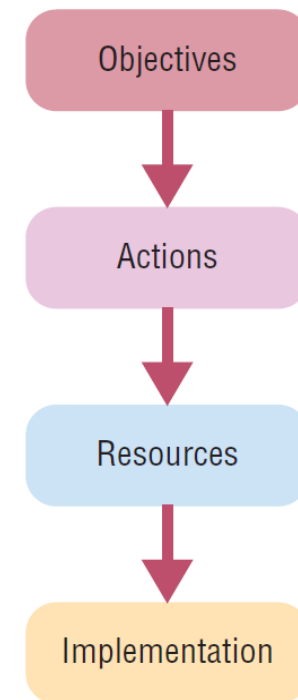


Planning	Organizing	Leading	Controlling	Lead to
Setting goals, establishing strategies, and developing plans to coordinate activities	Determining what needs to be done, how it will be done, and who is to do it	Motivating, leading, and any other actions involved in dealing with people	Monitoring activities to ensure that they are accomplished as planned	Achieving the organization's stated purposes

# Planning: the process of setting objectives and determining how to best accomplish them

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- Planning –
  - defining the organization's **goals/Objectives**, establishing **strategies** for achieving those goals, and developing **plans** to integrate and coordinate work activities.
- Formal planning
  - Specific, time-oriented goals
  - Goals written and shared



# Planning and Organizational level

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**Long-Term Plans:** set broad, comprehensive, and longer-term action directions for the entire organization

**Strategic Planning**

**Top Executives**

**Middle-Level Managers**

**First-Level Managers**

**Operational Planning**

**Short-term Plans:** identify short-term activities to implement strategic plans

# Main phases

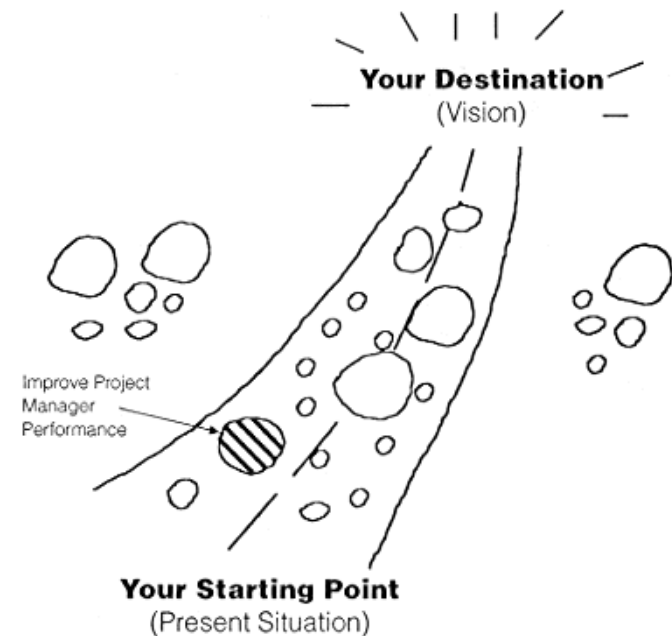
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Source: Essentials of Contemporary Management [Gareth R Jones, Jennifer M George], 2014

# Strategy

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- **Strategy** is the set of decisions and related actions taken to determine and **shape the long-term direction and scope** of the organisation and to realise its strategic intent.
- **Strategic management** - involves the **formulation** and **implementation** of the major **goals** and **initiatives**, based on consideration of **resources** and an assessment of the internal and external **environments** in which the organization competes.

# Types of strategies

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## **Corporate-Level Strategy**

A plan of action to manage the growth and development of an organization so as to maximize its long-run ability to create value

## **Business-Level Strategy**

A plan of action to take advantage of favorable opportunities and find ways to counter threats so as to compete effectively in an industry

## **Functional-Level Strategy**

A plan of action to improve the ability of an organization's departments to create value



# Corporate level strategies

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involves choosing in which industries and countries a company should invest its resources to achieve its mission and goals

- **Concentration on a single industry**
  - focuses on its primary line of business and increases the number of products offered or markets served in this primary business
- **Vertical integration**
  - Backward vertical integration - the organization becomes its own supplier
  - Forward vertical integration - the organization becomes its own distributor
- **Horizontal integration**
  - a company grows by combining with competitors.
- **Diversification**
  - when a company combines with other companies in different, but related, industries or in different and unrelated industries

# Business level strategies

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Two basic ways to gain a competitive advantage in a particular market or industry (Porter):

- **Differentiation** (increase its value to customers)
  - a company that competes by offering unique products that are widely valued by customers
- **Cost Leadership** (lowering the costs)
  - when an organization competes on the basis of having the lowest costs in its industry

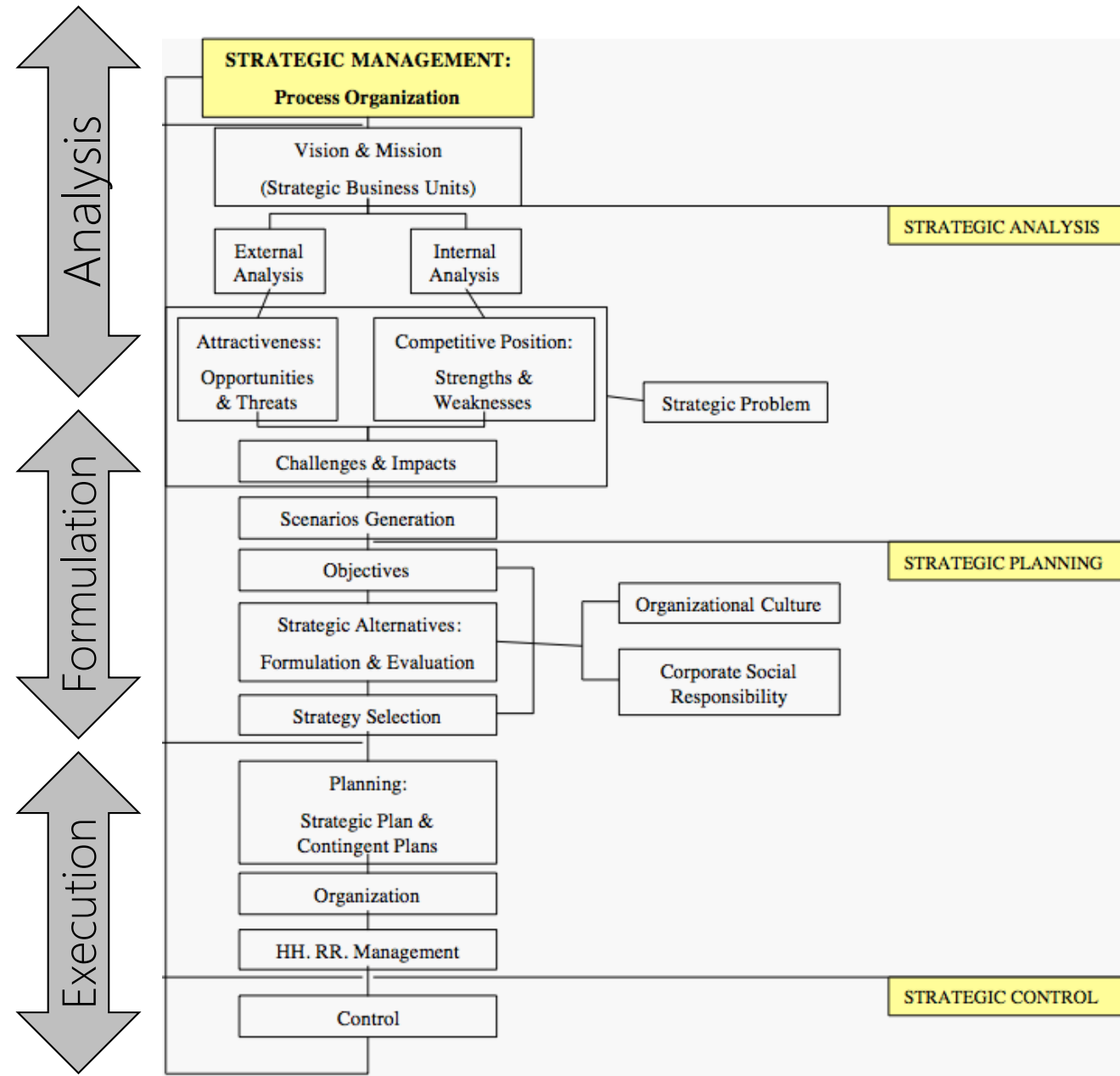
Porter also argues that managers must choose between serving the whole market or serving just one segment or part of a market (Focus)

In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy)

# The strategic management process (A)

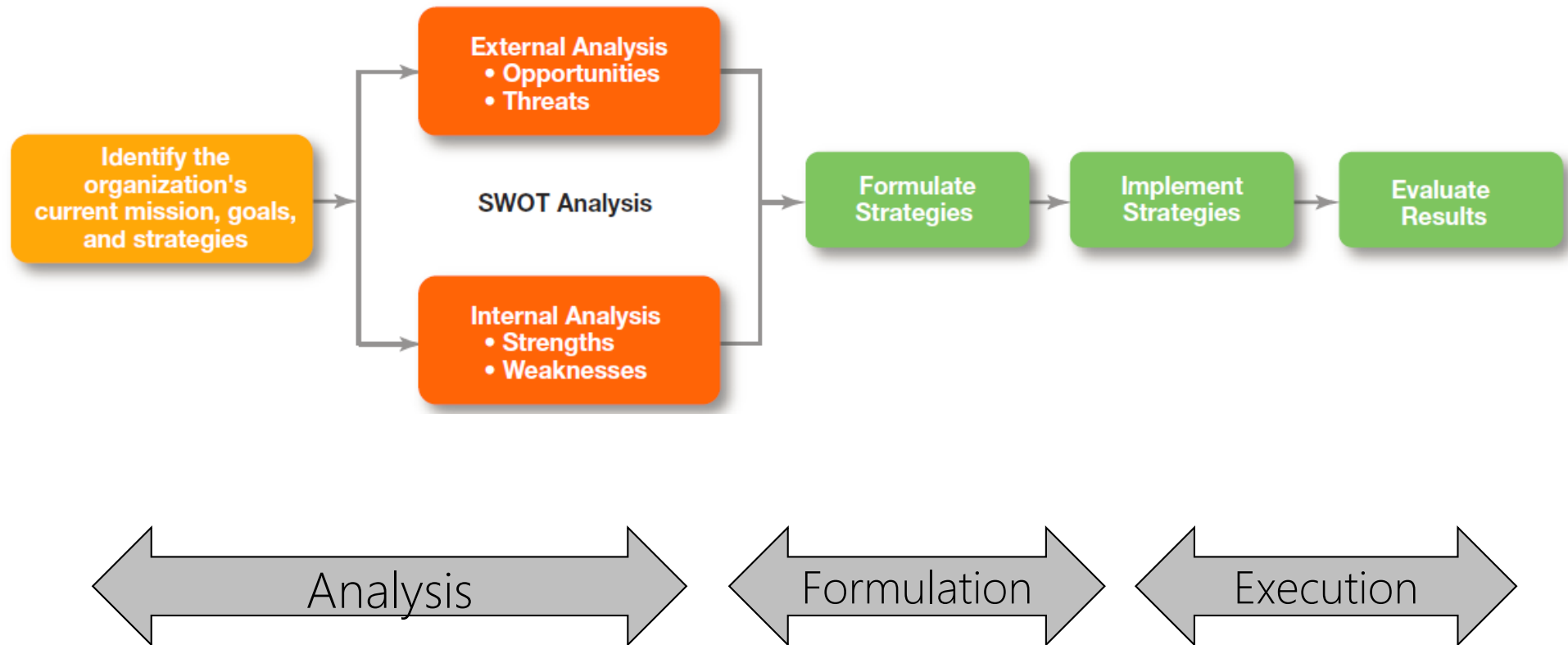
## Strategic management process:

a set of steps that encompasses strategic analysis, strategic formulation and strategy execution



# The strategic management process (B)

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1st Step: We need to consider organisation's core purpose and articulate what we wish to achieve in the long term

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The concepts of **Purpose, Mission, Vision,** and **Values** are important components of an organization's strategy and help to define the **company's identity and guide its decisions.**

# Purpose, Mission, Vision, and Values

## PURPOSE

The WHY

**Why the organization exists?**

## VALUES

*The Guiding Principles*

**What are the Guiding Principles that provide an organization with purpose and direction?**

## VISION

The future Goals

**What are the future goals?**

## MISSION

The Path

**What does the organization do to accomplish it?**

# Purpose and Mission

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PURPOSE	McKinsey & Company's	Accenture	PwC
	<i>"To help create positive, enduring change in the world,"</i>	<i>"To deliver on the promise of technology and human ingenuity"</i>	<i>"To build trust in society and solve important problems."</i>
MISSION	<i>To help our clients make distinctive, lasting, and substantial improvements in their performance and to build a great firm that attracts, develops, excites, and retains exceptional people.</i>	<i>To solve our client's toughest challenges by providing unmatched services in strategy, consulting, digital, technology, and operations."</i>	<i>"To help organizations and individuals create the value they're looking for, by delivering quality assurance, tax, and advisory services."</i>

**Fonte:** <https://www.inc.com/scott-goodson/purpose-vs-mission-whats-difference.html>

# The Strategic Management Process

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## 1st Step:

**We need to consider organisation's core purpose and articulate what we wish to achieve in the long term.**

### Establishing Organizational Direction

- Determining Organizational Purpose
- Developing a Mission Statement
- Relationship Between Mission and Objectives

*Mission: a concise statement of the purpose of an organization and primary objectives; the scope of its products and services*

### ■ Question Analysis

- What are the purposes and objectives of the organization?
- Where is the organization presently going?
- In what kind of environment does the organization now exist?

*What business should we be involved in?  
New products? Diversification?*



# Mission and goals is the first step of the strategic process

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**Ryanair's mission** is “to offer low fares that generate increased passenger traffic while maintaining a continuous focus on cost containment and efficiency operation.”

**Farfetch** exists for the love of fashion. We believe in empowering individuality. Our **mission** is to be the global technology platform for luxury fashion, connecting creators, curators and consumers.

**Google:** To organize the world's information and make it universally accessible and useful

# Values

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The **vision** and **mission** state where the organization is going (**vision**) and what it will do to get there (**mission**). They direct the efforts of people in the organization toward common goals.

The **values statement**, also called the code of ethics, differs from both the **vision** and **mission** statements.

The **values statement defines what the organization believes in and how people in the organization are expected to behave**—with each other, with customers and suppliers, and with other stakeholders.

It provides a moral direction for the organization that guides decision making and establishes a standard for assessing actions.

It also provides a standard for employees to judge violations. For a values statement to be effective, it **must be reinforced at all levels of the organization** and must be used to guide attitudes and actions.

# Values

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- INTEGRITY. Know and do what is right.
- RESPECT. Treating others the way you want to be treated.
- RESPONSIBILITY. Embrace opportunities to contribute.
- EXCELLENCE ....
- AMBITION....
- ....

# Purpose, Mission, Vision, Values

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Overall, these concepts provide a **framework** for organizations to define their **identity, direction, and priorities**.

When crafted and communicated effectively, they can **inspire and guide** employees, attract customers, and provide a roadmap for achieving success.

# The Strategic Management Process: analysis

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## Environmental Analysis

- General Environment
- Specific (Industry) Environment
- Internal Environment



## External Analysis: **PEST(EL)** framework and **Five Forces Model**

- PEST analysis (Political, Economic, Social and Technological analysis) describes a framework of macro-environmental factors
- Five Forces Model – determine industry attractiveness and competitiveness within an industry

# SWOT Analysis - provides a systematic approach to perform an internal and external analysis

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## dimensions

- **Strengths:** characteristics of the business or project that give it an **advantage over others**
- **Weaknesses:** characteristics that place the business or project at a **disadvantage relative to others**
- **Opportunities:** elements that the business or project **could exploit to its advantage**
- **Threats:** elements in the environment that **could cause trouble** for the business or project



# Questions for SWOT Analysis

Potential Strengths	Potential Opportunities	Potential Weaknesses	Potential Threats
<p>Well-developed strategy?</p> <p>Strong product lines?</p> <p>Broad market coverage?</p> <p>Manufacturing competence?</p> <p>Good marketing skills?</p> <p>Good materials management systems?</p> <p>R&amp;D skills and leadership?</p> <p>Human resource competencies?</p> <p>Brand-name reputation?</p> <p>Cost of differentiation advantage?</p> <p>Appropriate management style?</p> <p>Appropriate organizational structure?</p> <p>Appropriate control systems?</p> <p>Ability to manage strategic change?</p> <p>Others?</p> <p>Internal Environment</p>	<p>Expand core business(es)?</p> <p>Exploit new market segments?</p> <p>Widen product range?</p> <p>Extend cost or differentiation advantage?</p> <p>Diversify into new growth businesses?</p> <p>Expand into foreign markets?</p> <p>Apply R&amp;D skills in new areas?</p> <p>Enter new related businesses?</p> <p>Vertically integrate forward?</p> <p>Vertically integrate backward?</p> <p>Overcome barriers to entry?</p> <p>Reduce rivalry among competitors?</p> <p>Apply brand-name capital in new areas?</p> <p>Seek fast market growth?</p> <p>Others?</p> <p>External Environment</p>	<p>Poorly developed strategy?</p> <p>Obsolete, narrow product lines?</p> <p>Rising manufacturing costs?</p> <p>Decline in R&amp;D innovations?</p> <p>Poor marketing plan?</p> <p>Poor materials management systems?</p> <p>Loss of customer goodwill?</p> <p>Inadequate human resources?</p> <p>Loss of brand name?</p> <p>Growth without direction?</p> <p>Loss of corporate direction?</p> <p>Infighting among divisions?</p> <p>Loss of corporate control?</p> <p>Inappropriate organizational structure and control systems?</p> <p>High conflict and politics?</p> <p>Others?</p> <p>Internal Environment</p>	<p>Attacks on core business(es)?</p> <p>Increase in domestic competition?</p> <p>Increase in foreign competition?</p> <p>Change in consumer tastes?</p> <p>Fall in barriers to entry?</p> <p>Rise in new or substitute products?</p> <p>Increase in industry rivalry?</p> <p>New forms of industry competition?</p> <p>Potential for takeover?</p> <p>Changes in demographic factors?</p> <p>Changes in economic factors?</p> <p>Downturn in economy?</p> <p>Rising labor costs?</p> <p>Slower market growth?</p> <p>Others?</p> <p>External Environment</p>



# Example

<b>STRENGTHS:</b> <ul style="list-style-type: none"><li>-Marketing expertise.</li><li>-Exclusive access to natural resources.</li><li>-Patents.</li><li>-New, innovative product or service.</li><li>-Location of your business.</li><li>-Cost advantage through proprietary know-how.</li><li>-Quality processes and procedures.</li><li>-Strong brand or reputation.</li></ul>	<b>WEAKNESSES:</b> <ul style="list-style-type: none"><li>-Lack of marketing expertise.</li><li>-Undifferentiated products and service (i.e. in relation to your competitors).</li><li>-Location of your company.</li><li>-Competitors have superior access to distribution channels.</li><li>-Poor quality of goods or services.</li><li>-Damaged reputation.</li></ul>
<b>OPPORTUNITIES:</b> <ul style="list-style-type: none"><li>-Developing market (China, the Internet).</li><li>-Mergers, joint ventures or strategic alliances.</li><li>-Moving into new attractive market segments.</li><li>-A new international market.</li><li>-Loosening of regulations .</li><li>-Removal of international trade barriers.</li><li>-A market that is led by a weak competitor.</li></ul>	<b>THREATS:</b> <ul style="list-style-type: none"><li>-A new competitor in your own home market.</li><li>-Price war.</li><li>-Competitor has a new, innovative substitute product or service.</li><li>-New regulations.</li><li>-Increased trade barriers.</li><li>-A potential new taxation on your product or service.</li></ul>



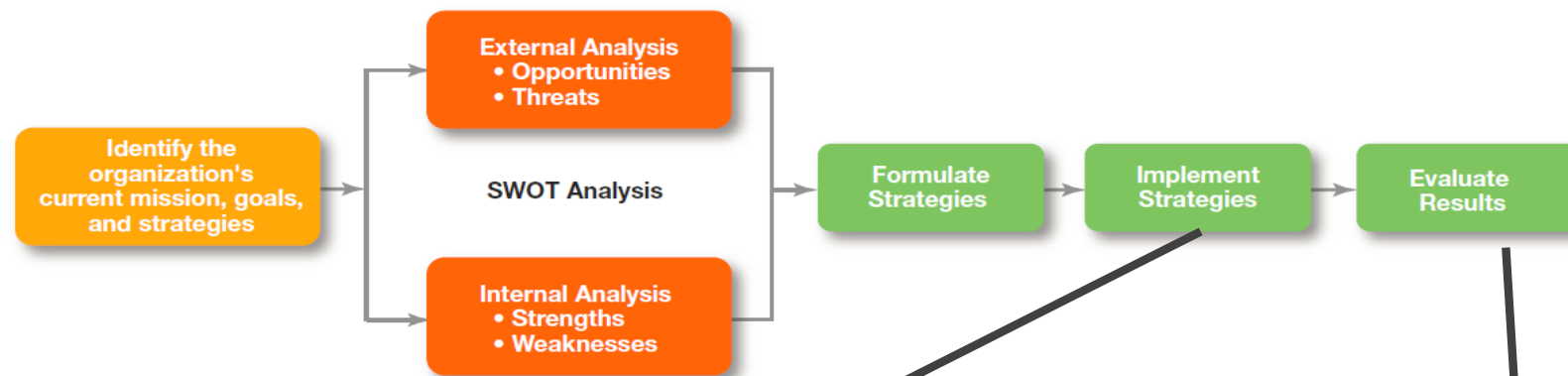
# SWOT Analysis → strategies formulation

<div>Environmental Factors</div> <div>Own Specific Factors</div>	External Opportunities: <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul>	External Threats: <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul>
	<div>Own Strengths:</div> <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul>	<div>Strategies to make use of Opportunities through our Strengths:</div> <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul> <div>OFFENSIVE STRATEGY</div>
	<div>Own Weaknesses:</div> <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul>	<div>Strategies to make use of Opportunities to minimize Weaknesses:</div> <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul> <div>ADJUST STRATEGY</div>
		<div>Strategies to prevent Threats through our Strengths:</div> <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul> <div>REACTIVE STRATEGY</div>
		<div>Strategies to minimize the potential dangers lying in sectors where our Weaknesses meet Threats:</div> <ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li><li>•</li></ul> <div>DEFENSIVE STRATEGY</div>

# SWOT Analysis → example

<b>ANALYSIS</b>	<b>OPPORTUNITIES:</b> <b>O1: Strong demand of a new product.</b> <b>O2: Possibility of selling through large retailers.</b>	<b>THREATS:</b> <b>T1: Existing products consumption is declining.</b> <b>T2: An important competitor has arisen.</b> <b>T3: New regulations from the European Union.</b>
<b>STRENGTHS:</b> <b>S1: Financial strength.</b> <b>S2: Loyal and reliable customer base.</b> <b>S3: Good factory and warehouses locations.</b>	<b>OFFENSIVE STRATEGY:</b> <b>O2, S1, S3: Intense brand promotion towards large retailers and end customers.</b>	<b>REACTIVE STRATEGY:</b> <b>T3, S1: Precise fulfillment of the new regulations.</b> <b>T2, S2: Excellence in customer service.</b>
<b>WEAKNESSES:</b> <b>W1: Obsolete facilities.</b> <b>W2: Low staff qualification.</b> <b>W3: Noncompetitive prices.</b>	<b>ADJUST STRATEGY:</b> <b>O1, W1: Investment in new productive facilities for the new product.</b>	<b>DEFENSIVE STRATEGY:</b> <b>T2, W1, W3: Investment in new productive facilities for existing products.</b>

# Planning and Implementing strategy



- Allocating responsibility for implementation to the appropriate individuals or groups.
- Drafting detailed action plans that specify how a strategy is to be implemented.
- Establishing a timetable for implementation that includes precise, measurable goals linked to the attainment of the action plan.
- Allocating appropriate resources to the responsible individuals or groups.
- Holding specific individuals or groups responsible for the attainment of corporate, divisional, and functional goals.

The final step in the strategic management process is evaluating results.

- How effective have the strategies been at helping the organization reach its goals?
- What adjustments are necessary?