

AD-A145 616

LINKING STRATEGIC PLANNING AND MANAGEMENT CONTROL(U)
NAVAL POSTGRADUATE SCHOOL MONTEREY CA D R TRAUGH
MAR 84

1/1

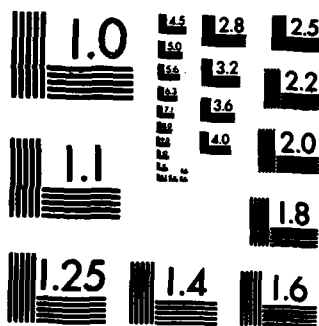
UNCLASSIFIED

F/G 5/1

NL

END

FORMED
DATE



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

(2)

NAVAL POSTGRADUATE SCHOOL

Monterey, California



DTIC
ELECTE
SEP 19 1984
S B D

AD-A145 616

THESIS

LINKING STRATEGIC PLANNING
AND MANAGEMENT CONTROL

by

Diane R. Traugh

March 1984

Thesis Advisor:

R. Evered

DTIC FILE COPY

Approved for public release; distribution unlimited.

84 09 17 076

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO. A145 616	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) Linking Strategic Planning and Management Control		5. TYPE OF REPORT & PERIOD COVERED Master's Thesis; March 1984
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Diane R. Traugh		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS Naval Postgraduate School Monterey, California 93943		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS Naval Postgraduate School Monterey, California 93943		12. REPORT DATE March 1984
		13. NUMBER OF PAGES 60
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) Unclassified
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Strategic Planning Management Control		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) The purpose of this research is to review and integrate the literature describing the relationship between the strategic planning process and the management control process. The assumption made is that neither the strategic planning process nor the management control process are achieved in isolation from each other. Elements or dimensions of each process must exist on a common ground and serve as integrating mechanisms		

DD FORM 1 JAN 73 1473

EDITION OF 1 NOV 68 IS OBSOLETE
S/N 0102-LF-014-6601

Unclassified

1 SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

#20 - ABSTRACT - Continued

between the two processes. The focus of the thesis is to identify the common elements or dimensions.

The tool for implementing strategic planning decisions is the management control system. The management control system will be effective if expectations are clearly communicated, managers are motivated toward the organization's goals, and the system effectively monitors how appropriate the strategies continue to be. Essentially, good management produces an integrated planning-controlling system in an organization. The literature suggests that those managers who understand how to integrate the planning and controlling processes produce better performance.

Accession For	
NTIS GRA&I	<input checked="checked" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	



S/N 0102- LF- 014- 6601

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

Approved for public release; distribution unlimited.

Linking Strategic Planning
and Management Control

by

Diane R. Traugh
Lieutenant Commander, United States Navy
B.A., University of Minnesota, 1973
M.A., Catholic University of America, 1980

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL

March 1984

Author:

Diane R. Traugh

Approved by:

Roger W. Clelland

Thesis Advisor

Philip G. Zorn

Second Reader

Richard L. Elster

Chairman, Department of Administrative Science

Kenneth T. Marshall

Dean of Information and Policy Sciences

ABSTRACT

↳ The purpose of this research is to review and integrate the literature describing the relationship between the strategic planning process and the management control process. The assumption made is that neither the strategic planning process nor the management control process are achieved in isolation from each other. Elements or dimensions of each process must exist on a common ground and serve as integrating mechanisms between the two processes. The focus of the thesis is to identify the common elements or dimensions.

The tool for implementing strategic planning decisions is the management control system. The management control system will be effective if expectations are clearly communicated, managers are motivated toward the organization's goals, and the system effectively monitors how appropriate the strategies continue to be. Essentially, good management produces an integrated planning-controlling system in an organization. The literature suggests that those managers who understand how to integrate the planning and controlling processes produce better performance. ↩

TABLE OF CONTENTS

I.	INTRODUCTION -----	8
A.	SCOPE -----	8
B.	PURPOSE -----	8
C.	RESEARCH DESIGN -----	10
	1. Research Question -----	10
	2. Approach -----	12
	3. Method -----	12
II.	OVERVIEW OF STRATEGIC PLANNING -----	14
A.	STRATEGY -----	14
	1. What Strategy Is -----	14
B.	PLANNING -----	16
	1. What Planning Is -----	16
	2. What Planning Is Not -----	18
	3. Choosing Not to Plan -----	18
C.	STRATEGIC PLANNING -----	19
	1. Objectives of Strategic Planning -----	19
	2. A Nine-Step Strategic Planning Model -----	20
	3. Value and Benefits of Strategic Planning -	21
	4. Judging the Effectiveness of Strategic Planning -----	23
III.	ANTHONY'S MANAGEMENT CONTROL MODEL -----	25
A.	MANAGEMENT CONTROL SYSTEMS -----	25
	1. Planning and Control Processes -----	25

B.	THE MANAGEMENT CONTROL PROCESS -----	27
1.	Programming -----	28
2.	Budgeting -----	28
3.	Operations -----	29
4.	Reporting and Analysis -----	29
C.	MANAGEMENT CONTROL SYSTEM CHARACTERISTICS ---	29
1.	Programs -----	29
2.	Data -----	29
3.	Total System -----	30
4.	Financial Structure -----	30
5.	Rhythm -----	30
6.	Integration -----	30
D.	BEHAVIORAL ASPECTS OF MANAGEMENT CONTROL ----	30
1.	Behavior -----	30
2.	Implications -----	32
IV.	ANALYSIS -----	34
A.	STRATEGY MAKING METHODS -----	34
B.	STRATEGY (TOMORROW) VS. OPERATIONS (TODAY) --	36
C.	ROLE OF THE PLANNER -----	37
D.	FINANCIAL MANAGEMENT ISSUES -----	38
1.	Linking Strategic Planning and Budgets --	38
2.	Traditional Accounting Modes May Hinder Planning and Control -----	38
3.	Role of the Controller -----	39
4.	Relating Short-term and Long-term Budgeting -----	39
5.	Budgeting Helps and Conflicts with Planning -----	40

E.	THE REALITY GAP -----	41
F.	IMPLEMENTING STRATEGY -----	41
G.	THE CONCEPT OF STRATEGIC CONTROL -----	43
H.	AN INTEGRATED PLANNING-CONTROLLING SYSTEM ---	44
I.	BEHAVIORAL SCIENCE AND PLANNING AND CONTROL -	45
J.	CONTROL SYSTEMS -----	46
K.	PLANNING OR CONTROL -----	48
V.	SUMMARY AND CONCLUSIONS -----	49
A.	STRATEGIC PLANNING VS. MANAGEMENT CONTROL ---	49
B.	THE IMPACT OF STRATEGIC PLANNING ON MANAGEMENT CONTROL -----	49
C.	STRATEGIC PLANNING PROBLEMS -----	50
D.	OVERCOMING STRATEGIC PLANNING ROADBLOCKS ----	51
E.	CONCLUSIONS: LINKING THE STRATEGIC PLANNING PROCESS AND THE MANAGEMENT CONTROL PROCESS --	52
	BIBLIOGRAPHY -----	55
	INITIAL DISTRIBUTION LIST -----	60

I. INTRODUCTION

A. SCOPE

This thesis deals with strategic or long-range planning and management control processes. Often in discussion and in the general literature, strategy and management control are treated as separate topics. Managers must understand each topic; yet, a further understanding of the interrelationship between strategy and management control would also be valuable. A manager gaining more senior key leadership positions is tasked to balance strategy and control, within the context of limited resources. Examining the relationships between the strategic planning process and the management control process could be useful by providing information which assists the manager at any level to function more effectively.

B. PURPOSE

The purpose of this research is to review and integrate the literature describing the relationship between the strategic planning process and the management control process. The Navy financial manager (billet subspecialty code XX31) is assigned in a variety of billets. Billets requiring a financial management subspecialty exist in the following areas:¹

¹Source: Financial Management Subspecialty Office (OP-921C2)

- Accounting
- Auditing
- Budget
- Comptroller
- Financial Control
- Financial Instructor
- Financial Management/Administration
- Public Works Financial Management
- Planning, Programming, and Budgeting
- Supply Financial Management

Accounting billets require skills in directing account maintenance, expenditure recording, and financial reporting and analysis. Accounting activities are carried out according to higher level direction. Auditing billets require appraisal of Navy financial management and business activities, as evaluated against higher level guidelines. Budget billets require abilities in securing organizational requirements, analyzing estimated resources, and preparing budget justifications based on higher level guidance. A comptroller directs the formulation, justification, and administration of fiscal and budget management policies, plans, and procedures. Resource utilization data and status reports are prepared in accordance with higher level requirements. Financial control billets require skills in expenditure review, fiscal controls, accounting and auditing systems, and evaluation. Financial management/administration

billets demand expertise in establishing financial policy, integrating financial policy with legislation and statutory constraints, and evaluating alternatives and the impacts of funding decisions. Planning, programming, and budgeting billets require interpreting Department of Navy guidelines in developing organizational plans, constructing the Program Objectives Memorandum (POM) submission, and developing the organizational budget to reflect POM decisions (OP-921C2). All of the above duty assignments require to some degree the ability to balance higher level guidance with existing management control systems.

This research area was selected for several reasons. First, strategic planning and management control are subjects of interest to the researcher. Second, it is expected that the findings will lead to suggested points of focus to assist a manager who must balance both strategy and control requirements. Third, it is expected that the findings of this thesis will be generally applicable to many job situations at many levels.

C. RESEARCH DESIGN

1. Research Question

The conceptual framework for this thesis is represented in Figure 1. Existing literature describing the strategic planning process was reviewed. And, Anthony's model of the management control process was reviewed.

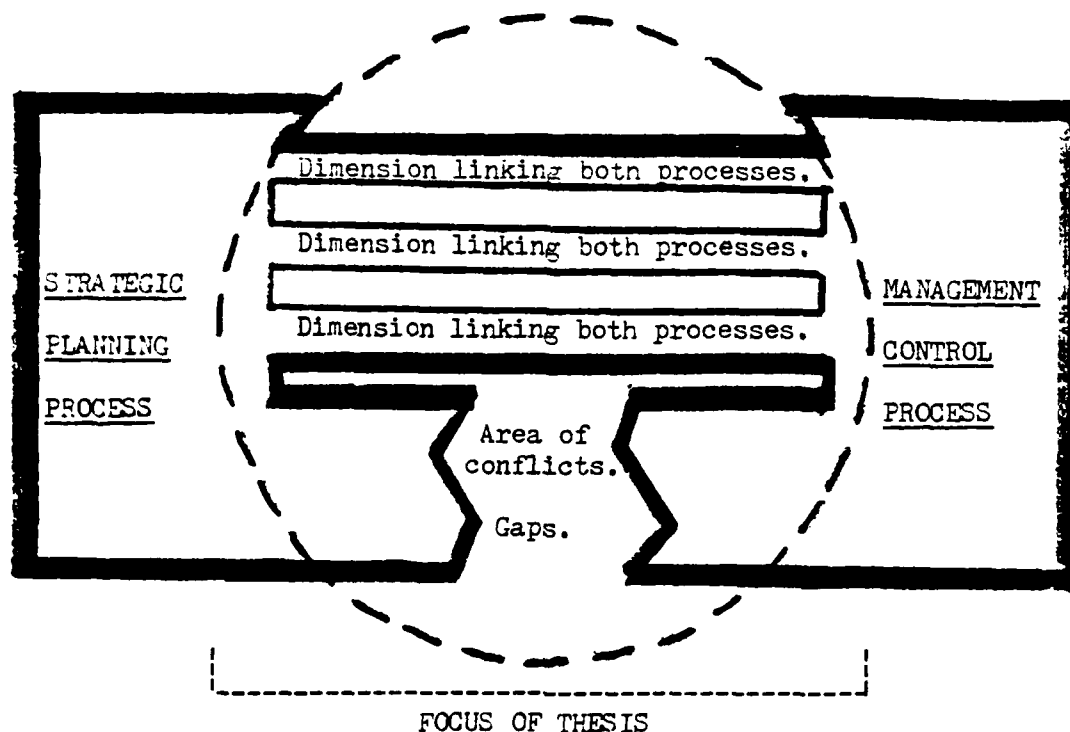


Figure 1. Conceptual Framework

The assumption made is that neither the strategic planning process nor the management control process are achieved in isolation from each other. Elements or dimensions of each process must exist on a common ground and serve as integrating mechanisms between the two processes. The focus of the thesis is to identify the relationships between the strategic planning process and the management control process. That is; the research questions for this thesis are: (1) What elements or dimensions link the two processes? and, (2) What elements or dimensions are in conflict and create gaps in linking the processes of strategy and control?

2. Approach

A literature search in the area of strategic planning, and the strategic planning process was completed. Key classic writings in the topic area were reviewed. Most of the literature examined was written within the last fifteen years. A review of material describing Anthony's management control model was completed. Special attention was focused on relating management control to strategy. The Anthony Model (described in Chapter III) of the management control process (programming, budgeting, operating, reporting and analysis) is used because much of the Department of Defense is organized according to this model.

3. Method

The method to produce the findings of this thesis is called structure mapping by Simon. This method investigates a larger structure or system (Simon, 1978, p. 57). In this case, strategic planning and management control have been combined to define the system of interest. Researching the system has been accomplished by literature review. Structure mapping encompasses the classification and comparison types of research, and some deduction.

Classification is the process of sorting data into categories which may be examined for relationships. In this type of research, rather than collecting new data for classification, existing data is used. Existing data on strategic planning was examined and existing data on Anthony's

management control model was examined for the purpose of comparison.

Comparison research contrasts two or more entities or concepts with one another as opposed to against a standard of some type. Comparisons are usually made on one dimension at a time. In this case, the concept of strategic planning has been compared with the concept of management control.

Deduction, or logical thinking, is part of the structure mapping approach and the resulting conclusions have validity relative to the extent that the assumptions are well chosen.

Structure (or system) mapping is descriptive to a degree; however, it is more highly organized than simple description. Whereas normal description serves to give an account of a situation, structure mapping begins with a conceptual framework (Figure 1) that the investigator tries to fill in. What the researcher is looking for is pre-defined. Generalities in structure mapping are known and the task is to fill in the specifics.

II. OVERVIEW OF STRATEGIC PLANNING

A. STRATEGY

1. What Strategy Is

Webster's New World Dictionary (1976, p. 1407)

states the word strategy is derived from the Greek word strategos, meaning "a general." Evered (1983, p. 58) provides a concise description of how the meaning of strategy evolved over time.

Initially strategos referred to a role (a general in command of an army). Later it came to mean "the art of the general," which is to say the psychological and behavioral skills with which he occupied the role. By the time of Pericles (450 BC) it came to mean managerial skill (administration, leadership, oration, power). And by Alexander's time (330 BC) it referred to the skill of employing forces to overcome opposition and to create a unified system of global governance.

Relatively recently, the concept of strategy has become popular in the field of business management resulting in a variety of terms and definitions. Sawyer (1981, p. 3) defines a strategy as "a road map to the goals: that is, an assembly of the elements which, when linked together effectively, permit a plan which moves the business forward towards the specific accomplishments it has chosen to attempt." Steiner (1969, p. 237) defines strategic planning as "the process of deciding the basic mission of a company, the objectives which it seeks to achieve, and the major strategies and policies governing the use of resources at

the disposal of the firm to achieve its objectives."

"Strategy (Steiner, 1969, p. 238) means a specific action, usually but not always the deployment of resources, to achieve an objective decided upon in strategic planning."

Pearce (1982, p. 4) defines strategic management as "the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organization." Andrews (1980, p. vi) defines strategy as "At its simplest, a strategy can be a very specific plan of action directed at a specified result within a specified period of time." Andrews further offers the concept of corporate strategy (1980, p. 18).

Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities.

Corporate strategy defines the businesses in which a company will compete, preferably in a way that focuses resources to convert distinctive competencies into competitive advantages. (1980, p. 18)

There is general agreement that the responsibility for strategy, strategic planning, or corporate strategy exists at the top management levels. Barnard (1938, p. 217) first identified the essential executive functions as (1) "to provide the system of communication, (2) to promote the securing of essential efforts, and (3) to formulate and define purpose." Andrews (1980, p. iii) contends that "the

highest function of the executive is still seen as leading the continuous process of determining the nature of the enterprise and setting, revising, and achieving its goals."

In summary, the concept of strategy can be viewed as a process. The first level of the process is formulating the organization's overall purpose(s) (or strategies). The second level of the process is to identify and create a compatible organizational structure to achieve the purpose(s). The third level of the process is to select specific methods (or strategies) by which to achieve the stated purposes. The final level is to incorporate a control system which provides feedback data for process monitoring and evaluation.

B. PLANNING

1. What Planning Is

Vander Weele (1980, p. 16) defines planning as "the systematic and rational way of examining the future to determine what you can do to achieve a desirable future and to avoid a future which you do not want." Kahalas (1980, p. 22) describes the major activities of planning as forecasting, developing objectives, programming, scheduling, budgeting, developing procedures, and developing policies. Business planning can be compared to the basic problem-solving or decision-making process of defining the problem, analyzing the problem, developing alternative solutions, evaluating the alternatives, and selecting a course of action. Mockler (1972, p. 322) discusses that planning of all types is

essentially accomplished by a six-step process (Figure 2) which is similar to basic problem-solving.

1. Plan and organize the planning effort.
2. Define planning premises.
3. Determine objectives and overall directions.
4. Develop policies and overall guidelines for actions.
5. Develop implementation plans and their budgets.
6. Review and refine the plans periodically.

Figure 2. Mockler's Six-Step Planning Process

Whereas the six steps may capture the planning process, applying the process is not a simple task considering the diversity of size and kinds of organizations, and the degree of management involvement in planning.

Ideally, a successful planning process would accomplish seven things according to Ewing (1968, p. 9).

It would--lead to a better position or standing for the organization; help the organization progress in the ways that its management considers most suitable; help every manager think, decide, and act more effectively for progress in the desired direction; help keep the organization flexible; stimulate a cooperative, integrated, enthusiastic approach to organizational problems; indicate to management how to evaluate and check up on progress toward the planned objectives; and lead to socially and economically useful results.

The ideal planning process would succeed in presenting the organization, both internally and externally, in the best possible way.

2. What Planning Is Not

Another way to define planning is to identify what should not be expected from the planning process. Drucker (Ewing, 1972, p. 3), Ewing (1968, p. 15), and Steiner (1969, p. 17) all discuss that planning is not forecasting; nor is planning an attempt to eliminate risk or avoid risk taking. Planning is not making decisions for the future in the present (Drucker, Steiner). Corporate planning is not an aggregation of functional plans or a blueprint for the future (Steiner). Ewing adds that planning is not the same thing as budgeting; planning is not report writing; and planning is not the maintenance of a planning department or of any organizational device. Further, planning is not equal to public relations or communications. Finally, planning is not strictly an attempt to improve operational efficiency. In fact, short term efficiency choices may not lead in the same direction as the desired long-range goals (Ewing, 1972, p. 17).

3. Choosing Not to Plan

Advantages and disadvantages exist if an organization chooses not to develop a strategy or plan. By not planning, an organization saves time, money, and executive talent; does not restrict the potential field of opportunities; and has the advantage of being able to act on an opportunity when the timing appears to be best (Ansoff, 1965, p. 113).

However, Ansoff argues that there are several disadvantages to not planning (Ansoff, 1965, p. 114). First, a lack of rules to guide the search for new opportunities would result in passively waiting for opportunities or randomly searching for them. Second, without a focus for efforts, opportunities may be poorly analyzed and understood resulting in poorer quality project decisions being made. Third, a predetermined yardstick will not be available to assist in judging if an opportunity is a good one. Fourth, without some kind of periodic appraisal, the status of products and efficiency of resource allocation can not be evaluated. Finally, an organization will lack an internal ability to anticipate change and coordinate activities. Ansoff (1965, p. 115) summarizes by stating "for most firms the advantages of strategy will outweigh those of total flexibility."

C. STRATEGIC PLANNING

1. Objectives of Strategic Planning

The strategic planning literature covers a variety of views on the appropriate intensity level of planning, how effective different types of planning can be, and what an organization can realistically expect to be accomplished by a planning effort. It is widely agreed, however, by those in the field that strategic planning is a necessary task. Forsyth (1973, p. 97) states the seven objectives of strategic planning are to:

- increase the sensitivity of the organization to the total economic, social, political, labor, educational, technological, and competitive environment.
- provide the ability to evaluate major strategic opportunities to facilitate optimum trade-offs in the allocation of resources.
- highlight and contain the risks in massive strategic commitments.
- strengthen a sense of total business responsibility throughout the organization.
- increase the sophistication and effectiveness of the planning process at all levels.
- provide for sharper and more constructive review of basic strategies and business plans.
- provide the ability to make decisions that will enhance profitable growth of the corporation.

Gup (1979, p. 28) suggests beginning the strategic planning process by asking three questions. First, Where are you going? Answering this question requires management to "develop (a) a corporate mission, (b) a scope of operations, and (c) specific goals or objectives" (p. 29). Second, What is the environment? This question is answered by evaluating internal conditions, external conditions, threats, opportunities, and alternatives. Third, How do you get there? Getting there is accomplished by developing strategies, contingency plans, and operating plans.

2. A Nine-step Strategic Planning Model

Cohen and Cyert (1973, p. 349) describe the strategic planning process in a nine-step model. Each step describes a task necessary in the process.

CYERT AND COHEN STRATEGIC PLANNING PROCESS MODEL

- (1) Formulation of goals. (the responsibility of top management)
- (2) Analysis of the environment. (general condition of the economy is important)

- (3) Assigning quantitative values to the goals. (attach a quantitative value to previously defined goals)
- (4) The microprocess of strategy formulation. (each operating unit defines a strategy for itself)
- (5) The gap analysis. (management compares unit performance predictions with corporate goals)
- (6) Strategic search. (internal search for means to cover goals not covered by unit plans)
- (7) Selecting the portfolio of strategic alternatives. (select strategy from choices)
- (8) Implementation of the strategic program.
- (9) Measurement, feedback, and control.

The nine steps should be viewed as a continuous, dynamic, ongoing process and not as a once-through to the answer formula.

3. Value and Benefits of Strategic Planning

Formal long-range planning appears to be valuable in terms of financial benefits and behavioral benefits. Thune and House (1970, p. 86) found that companies that engaged in formal long-range planning outperformed a comparable group of informal planners (performance measures included sales, earnings per share, stock price). They cautioned, however, that "formal planning may be a characteristic of a well-managed organization rather than the single cause of successful economic performance" (1970, p. 87). Wood (1979, p. 517) and Pearce (1982, p. 17) highlight a variety of literature reporting that strategic or long-range planning is associated with better financial performance than informal planning. Andrews (1980, p. 46) concludes that even though the evaluation and misevaluation of strategy are important to consider--"the fact that a business enterprise guided by

a clear sense of purpose rationally arrived at and emotionally ratified by commitment is more likely to have a successful outcome, in terms of profit and social good, than a company whose future is left to guess work and chance."

Pearce (1982, p. 47) describes five behavioral benefits of the strategic planning process. First, subordinates will be more alert to strategic planning activities. Second, group generated decisions, based upon combined knowledge, will more likely be the best alternatives. Third, wider planning participation should improve employee motivation. Fourth, gaps and overlaps among individuals and groups should be reduced by clarifying the role of each. Finally, participation should reduce resistance to change. All employees may not agree with all decisions, but, there will be at least an understanding of why a decision was necessary.

Vander Weele (1980, p. 18) reports that managers perceive a number of advantages to companies engaging in planning. Strategic planning is seen as improving coordination and communication among managers and business units, and permitting a more dynamic view of the enterprise. Planning assures continuous thinking about the future and provides a timetable for action. Participative strategic planning provides a common language for managers, and builds commitment to objectives. Fear of uncertainty or surprises may be reduced by discussing and evaluating contingency situations during the planning process. Planning institutionalizes

success by allowing an organization to know how success was achieved and the procedure may then be repeated. Current decisions may be better in light of long-range goals. Strategic planning becomes easier and less time consuming as it goes on. Lastly, participating in planning has a positive impact on people within the organization by improving morale, increasing motivation, and providing a unique educational experience.

4. Judging the Effectiveness of Strategic Planning

The effectiveness of strategic planning must be considered at the initial stages as well as toward the end of the planning term. Mockler (1972, p. 210) cites Payne as having outlined the following criteria which may be used to judge the effectiveness of strategic planning during the initial phases.

- (1) Has the planning team determined the key influences in the growth of the industry and evaluated the influences of each.
- (2) Have the strengths and weaknesses of the company been accurately evaluated.
- (3) Have the capacities of different company functions to support the plan been projected far enough ahead.
- (4) Is there a practical timetable.
- (5) Have alternatives been considered.
- (6) What provisions have been made for future reverses.

Mockler also presents six criteria for evaluating the effectiveness of a strategic planning effort towards the end of the planning term.

- (1) Are the major objectives detailed in the plan being met, and if they are not is it because the initial strategic planning was unrealistic.
- (2) Are the major environmental trends that were forecast actually occurring.
- (3) Have major emergencies been anticipated,

and have the plans to meet them proved adequate.

(4) Have new external developments been incorporated into the plan when they occurred, and have major company programs been continuously reviewed within the long-range planning perspective. (5) Has return on investment fared better than industry competition. And, (6) Has the company led or followed in product, market, and facility development. (1972, p. 210)

Essentially, if predictions about the future are fairly accurate, and unanticipated situations can be handled effectively, then the planning effort may be judged as successful.

III. ANTHONY'S MANAGEMENT CONTROL MODEL

A. MANAGEMENT CONTROL SYSTEMS

1. Planning and Control Processes

"Two of the most important activities in which all managers engage are (1) planning and (2) control. Planning is deciding what should be done and how it should be done, and control is assuring that the desired results are obtained" (Anthony, 1980, p. 2). Planning goes on at all levels in an organization. Control is also an activity that is carried on throughout the organization. Anthony organizes planning and control around three processes:

- Strategic Planning
- Management Control
- Operational Control

All of these processes involve both planning and control activities. The relative importance of planning vs. control distinguishes the three processes. (Figure 3 represents the relative emphasis on planning as compared with the emphasis on control for each process.) Management control, relative to the other processes, is of primary interest.

a. Strategic Planning

Organizations have multiple goals, and normally top management is responsible for deciding what the goals should be. "Top management also decides on the general

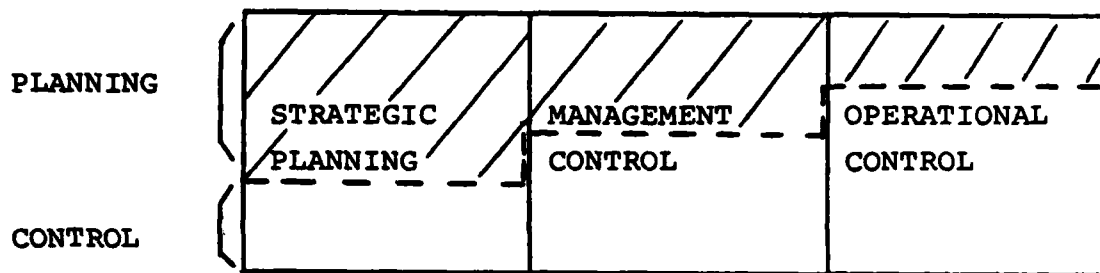


Figure 3. Relative Importance of Planning and Control
(Anthony, 1974, p. 302)

nature of the activities that the organization should undertake in order to achieve their goals; these are its strategies" (Anthony, 1980, p. 2). By definition, "strategic planning is the process of deciding on the goals of the organization, on changes in these goals, on the resources used to attain these goals, and on the policies that are to govern the acquisition, use, and disposition of these resources" (Anthony, 1974, p. 299).

b. Management Control

The management control process accepts the given strategies and focuses on implementing the strategies. Strategies must be communicated to the managers of all units and the efforts of each manager must be coordinated. By definition, "management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's goals" (Anthony, 1974, p. 300).

c. Operational Control

Operational processes facilitate the day to day activities of the organization. Operational control is distinguished from management control in that it involves little management judgment and requires little interaction among managers. By definition, "operational control is the process of assuring that specific tasks are carried out effectively and efficiently" (Anthony, 1974, p. 300).

B. THE MANAGEMENT CONTROL PROCESS

The principal steps in the management control process are programming, budgeting, operating, and reporting and analysis. This process is a closed loop process (Figure 4). Evaluation of actual performance leads back to a re-look at the first step, programming.

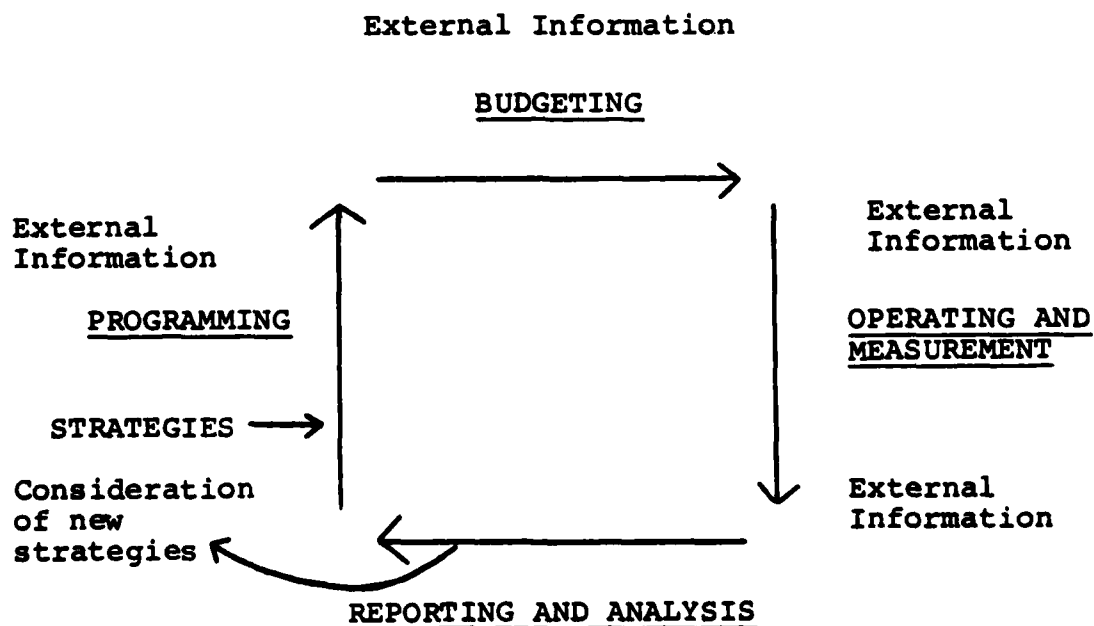


Figure 4. Phases of Management Control Process
(Anthony, 1980, p. 15)

1. Programming

"Programming is the process of deciding on the programs that the company will undertake and the approximate amount of resources that are to be allocated to each program" (Anthony, 1974, p. 302). Decisions are made within the context of the goals and strategies the organization has previously identified. The programming phase has two aspects: (1) the proposed programs for the immediate period, and (2) fitting together the specific programs into the organization's overall or long-range plan. A long-range plan is usually 5 years ahead, but could be from 3 to 20 years. Programs covering several years tend to define the organization's overall direction. Approved programs, for the immediate period or covering several periods, form the basis of the budgeting process.

2. Budgeting

A budget is a plan expressed in dollars covering a specific time period. In the budgeting process the program is translated into terms that correspond to the areas of responsibility of those who are charged with executing it. The budget is a statement of the outputs that are expected during the budget year and the resources that are to be used in achieving these outputs. Budgets are useful for the following purposes: "(1) for making and coordinating plans, (2) for communicating these plans to those who are responsible for carrying them out, (3) in motivating managers at all

levels, and (4) as a standard with which actual performance subsequently can be compared" (Anthony, 1974, p. 322).

3. Operating

During actual operations, records are kept of resources consumed and outputs achieved. Cost data are used as a basis for future programming. Internal auditing procedures are used to ensure collecting accurate data and a minimum of departure from the plan.

4. Reporting and Analysis

Accounting information compares planned outputs and inputs with actual outputs and inputs. Reports containing this data are used as a basis for coordinating and controlling the current activities of the organization; for evaluating operating performance to decide to continue, change, or discontinue an activity; and as a basis for program evaluation.

C. MANAGEMENT CONTROL SYSTEM CHARACTERISTICS

Anthony lists the following as the principal characteristics of a management control system (Anthony, 1975, p. 462).

1. Programs

A management control system focuses on programs and responsibility centers. (Note: The term responsibility center means any organization unit that is headed by a responsible manager.)

2. Data

The information in a management control system is (1) planned data such as programs, budgets, and standards; and (2) actual results.

3. Total System

A management control system is a total system in that it provides information about each part of the organization and the manager is concerned with balancing all of the parts.

4. Financial Structure

The management control system is usually built around a financial structure. Resources and revenues are expressed in dollars.

5. Rhythm

The management control process is rhythmic. Activities are according to a step-by-step procedure with a given timetable using specific forms.

6. Integration

A management control system is a coordinated, integrated system. Collection of actual performance data is in a format consistent with planned performance data.

D. BEHAVIORAL ASPECTS OF MANAGEMENT CONTROL

1. Behavior

The management control process involves people from the lowest responsibility center to the highest management position. Anthony lists several aspects of behavior that are essential to an understanding of the management control process (Anthony, 1974, p. 309).

a. Behavior

Individuals in organizations have personal goals that may be expressed as needs: both material such as money; and psychological such as the need for achievement, power, or a sense of personal worth. The importance of these needs varies with different people and with the same person at different times.

b. Motivation

Individuals are influenced both by expectation of reward and by the fear of punishment. Money is a valued reward, up to a point. Motives may be unconscious or unclear. Motivation is weakest when the person perceives the goal to be too difficult or too easy to attain. Applying some type of pressure to gain performance improvement is usually ineffective.

c. Goal Congruence

A management control system should encourage people to take actions that are perceived as in their self-interest and also in the best interests of the organization.

d. Cooperation and Conflict

Subordinates react to top management direction according to how the demands affect the subordinate's personal needs. Conflict often exists. At the same time, a certain amount of cooperation must exist in order for work to be accomplished.

2. Implications

An awareness of human behavior has some direct implications for the management control process. Anthony lists six relevant areas (1974, p. 314).

a. Management Sponsorship

Managers must be convinced that top management considers the control system to be important. If top management pays no attention to the control process, subordinates will do likewise.

b. Participation and Understanding

Individuals must agree that the standards they are being evaluated against are appropriate and fair. If there is no agreement, then an evaluation will likely be rejected or resented. A way to lessen this problem is to allow the individuals to participate in the standards setting process.

c. Rewards

Management control systems are dependent upon the actions that top management takes in response to reported performance. Poor performance cannot be ignored, strong performance must be recognized. Also, agreement must exist that the basis of measurement is fair.

d. Focus on the Line Manager

The line managers are the focal points in management control. Subordinates take direction from their line superiors and they should receive any praise or criticism from their line superiors, not from staff personnel.

e. Need for Internal Consistency

Performance actually desired by top management must be consistent with the aspects of performance being measured. If several behaviors are being measured, an individual may be uncertain as to the relative weights of each performance measure and place emphasis in an area not intended by top management as important.

f. Individual Differences

As stated, individuals differ in their needs and in their reactions to rewards and punishments. A good management control system allows for the manager to recognize these differences and respond accordingly.

IV. ANALYSIS

The strategy and strategic planning process literature was reviewed with the Anthony management control process model in mind. Several ideas emerged as issues to be highlighted as important to the understanding of the relationships between the strategic planning process and the management control process. The ideas discussed in this section include: strategy making methods, strategy vs. operations, role of the planner, financial management issues, the reality gap, implementing strategy, the concept of strategic control, an integrated planning-controlling system, behavioral science and planning and control, control systems, and planning or control.

A. STRATEGY MAKING METHODS

Approaches to strategic planning are as varied as the organizations engaging in planning. Argenti (1974, p. 72) suggests that strategic decision-making is accomplished in three basic ways: by intuition or "entrepreneurial flair," on an ad hoc basis, or by an established system or process. Ideally, corporate strategy is designed; however, elements of any strategy may be interlinked in conflicting ways.

Business strategy-making or policy-making in government is also described in three modes by Mintzberg. In the entrepreneurial mode, a "strong leader takes bold, risky actions

on behalf of his organization" (Mintzberg, 1973, p. 44).

The characteristics of the entrepreneurial mode are:

(1) "active search for new opportunities," (2) centralized power in the chief executive, (3) "dramatic leaps forward in the face of uncertainty," and (4) growth as the dominant goal (Mintzberg, 1973, p. 45).

In the adaptive mode, "the organization adapts in small disjointed steps to a different environment" (Mintzberg, 1973, p. 44). The characteristics of the adaptive mode are:

(1) "strategy-making reflects a division of power among members," not clear goals, (2) reactive solutions to problems, (3) "incremental, serial-step decisions," and (4) decision-making is disjointed (Mintzberg, 1973, p. 46).

In the planning mode, "formal analysis is used to plan explicit, integrated strategies for the future" (Mintzberg, 1973, p. 44). The characteristics of the planning mode are: (1) the analyst plays a major role in strategy-making, (2) systematic analysis, (3) "the integration of decisions and strategies" (Mintzberg, 1973, p. 47). Figure 5 depicts Mintzberg's three modes of strategy making.

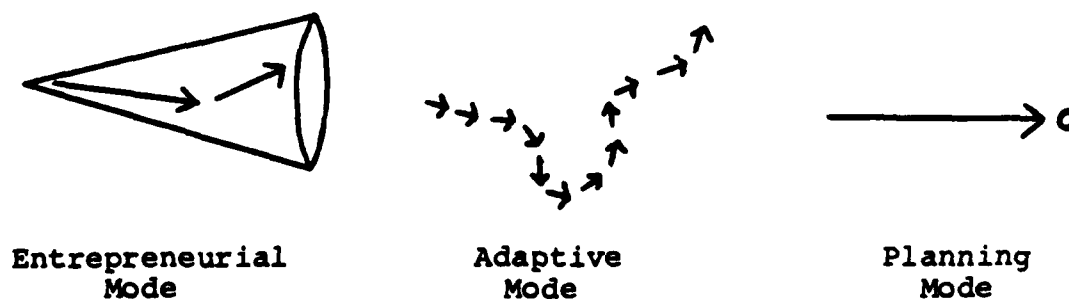


Figure 5. Mintzberg's Three Modes (1973, p. 49)

B. STRATEGY (TOMMORROW) VS. OPERATIONS (TODAY)

Often management decisions affect the current short-term period and also have an impact upon long-term strategic goals. A single decision may not be viewed as that critical; but, many individual decisions can have a cumulative effect. Banks (1979, p. 113) states short-term vs. long-term trade-offs are more likely to occur in the form of "(1) postponing capital outlays, (2) deferring operating expenses, (3) reducing operating expenses, and (4) other operating changes (such as, product mix, marketing strategy, or pricing)." Trade-offs are not random but influenced by two primary considerations. First, performance evaluation is important. If short-term performance is rewarded, then short-term goals will be selected. Second, if a balance between short-term and long-term goals is not communicated by the organization, then there is a tendency to select short-term goals because they are more visible.

Management can control the trade-off decisions in several ways (Banks, 1979, p. 117). First, realistic goals minimize undesirable trade-offs. Second, longer range evaluations emphasize long-term goals. Third, line management involvement in both strategic and operating plans creates an understanding of how the two relate. Fourth, planning and review sessions can be used to discuss short vs. long-term trade-offs. Finally, changing key personnel or creating a new unit to achieve a better balance between long and short-term trade-offs

may be more effective than trying to change the entire organization.

C. ROLE OF THE PLANNER

The function of control has some well established methods that are widely applied. The function of long-term planning has more recently acquired a degree of definition. Specifically, the role of the corporate planner has developed in several respects (Steiner, 1970, p. 134). The corporate planner is now considered to be performing an important and necessary function for management. The converted old-line operating manager has been replaced by a person recognized as a professional coordinator, not a "salesman." The corporate planner has assumed a much more active role in change implementation rather than merely a full time paper analyst. Planning has become more sophisticated in procedures and tools available. The art of developing long-range objectives has developed rapidly.

The role of the corporate planner will continue to expand. Planners will be more involved in the decision-making process at the top levels (Steiner, 1970, p. 136). Greater attention will be focused on the environment not only to look for economic changes, but, also to identify changes in social values. Companies attuned to attitude changes will have a competitive advantage. Steiner also discusses that planners are performing two different functional tasks. The need for better decision-making demands better analytical tools. And,

larger companies demand a more complicated planning system. Finally, as planners become more skilled at understanding the environment, so will they become more able to identify opportunities and threats and guide the organization through changes.

D. FINANCIAL MANAGEMENT ISSUES

Several issues emerged which could be of particular interest to the manager with specific financial responsibilities.

1. Linking Strategic Planning and Budgets

Three characteristics of the strategic planning process impact on management accounting, specifically budgeting (Seed, 1980, p. 14). First, strategic business units compete for limited resources, which must be allocated. Second, strategic plans may be structured differently from operating plans and budgets. Third, strategic plans may be prepared in isolation from operating plans. Strategic plans may vary in timing, whereas, operating plans will usually be cyclical.

2. Traditional Accounting Modes May Hinder Planning and Control

Vangermeersch (1973, p. 10) suggests that four aspects of traditional accounting may be a hindrance to planning and control. Selection of the corporate fiscal year should coincide with the natural business year. Financial statements for an unnatural business year are a consolidated statement of two partial, separate accounting periods making management policy difficult to assess. The year as the focal point for

accounting may also be a hindrance. Some projects are longer than one year. Writing off expenses annually, for a project that is several years long, may distort management's view of the value of the effort. Accounting has usually been concerned with dollar information only. Information about operations in nondollar terms is also there and could be valuable to managers. Finally, very often accounting reports are geared to stockholder needs and tax considerations. Alternative accounting policies could provide useful information for planning and control purposes.

3. Role of the Controller

A controller has many opportunities to enhance the performance of the organization--not by increasing sales or creating a new product, but by improving the bottom line figure. One of the opportunities to do this is to get involved in long-range planning. Johnson (1972, p. 47) suggests that the controller look beyond the conventional accounting cycle and think in terms of operating different budgets concurrently. The current budget may be the traditional year in length. The strategic budget may be three or five or more years. The controller would be valuable by coordinating the concurrent plans. The controller should be concerned with establishing the natural business cycle for the organization, and establishing accounting systems for the future.

Vander Weele (1980, p. 38) further suggests that the controller could serve as a link between interests in the organization, be an objective balancing force in the planning

process, and be specifically concerned with the long-term impact of current financial decisions.

4. Relating Short-term and Long-term Budgeting

"The primary functions of the budget are to communicate expectations and to aid in the allocation of resources" (Grossman, 1982, p. 24). Figure 6 depicts how long-term strategy is made up of a series of short-term strategies.

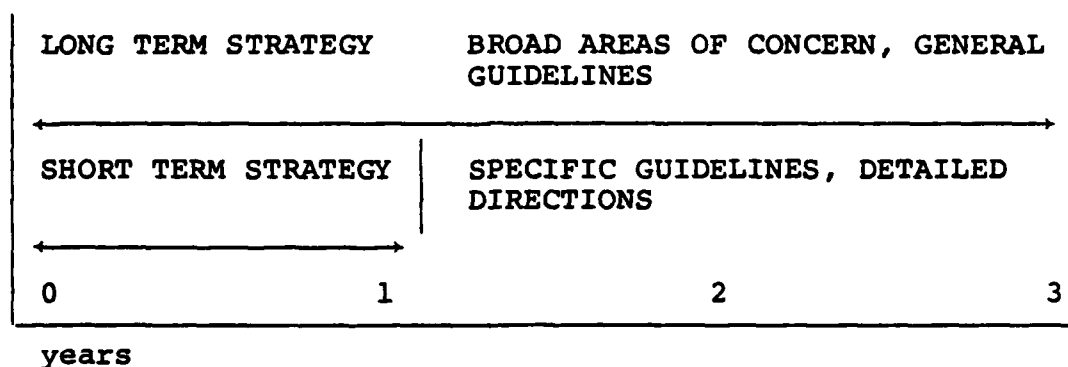


Figure 6. Long and Short Term Strategies

Each short-term plan is a step towards the long-term plan, with the achievement of the long-term plan as the goal.

5. Budgeting Helps and Conflicts with Planning

Budgeting helps the planning process by: being an aid to communication; serving as a tool for evaluation of a program compared to other programs; improving the coordination of efforts; and as a control technique (Ewing, 1968, p. 101). Budgeting conflicts with the planning process: by sometimes being equated to planning; when budgeting personnel are expected to also do the planning function; and by

treating the budget as a forecast rather than the "statement of management action" (Ewing, 1968, p. 108) that it is.

E. A REALITY GAP

The concept of strategic planning has enjoyed much attention and popularity since the 1970's. Paul (1978, p. 124) suggests this is true because strategic planning appeared to promise managers some control over the future, and implementation techniques were available. However, planning does not guarantee the future, and managers learned several lessons. First, quantitative measures (financial data) tended to be the focal point of the planning. Often financial forecasts (usually optimistic goals of top management) differed from the actual performance (usually more accurately predicted by the mid-level managers). Management then focused on the disparity or "gap" between expected results and actual results. Trying to close the gap only demonstrated that controlling the future required more than a plan. Second, it is difficult to tell whether strategic planning failures resulted from a poorly executed plan or as the result of a poorly conceived plan. Third, there remains the inability to predict the future situation, and the tendency to forget the value of the planning process and focus on the plan itself.

F. IMPLEMENTING STRATEGY

Roush discussed four factors critical to successful strategy implementation. Organizations that adopted strategic planning sometimes expected the "new ideas" to be successful

within the "old" management system. Roush (1980, p. 4) states implementing a new strategy effectively depends on: "(1) organizational structure, (2) people--the right people in the right jobs, (3) culture--viewpoint on the right way to do things, and (4) control systems--which support implementation and assess performance." Each factor is important. The aspect of control is the major interest in this thesis. Key participants in the strategy implementation process are the chief executive officer (CEO), chief planning officer, and the controller. Unless the CEO gives strategy consistent attention, operating managers will focus their efforts somewhere else. The planner is chief administrator of the process. A new strategy may require changes in the controller function and responsibilities.

"Since effective implementation can make a sound strategic decision ineffective or a debatable choice successful, it is as important to examine the processes of implementation as to weigh the advantages of available strategic alternatives" (Andrews, 1980, p. 27). Andrews discusses strategy implementation as a series of administrative subactivities. Organization structure and relationships are important. Organizational processes and behavior (standards, motivation, control systems, recruitment) must support the purposes of the organization. And, top leadership may be decisive in accomplishing a strategy.

Lorange (1976, p. 75) identifies six factors to consider regarding strategy implementation. How to communicate the

corporate goals is a concern. The goal-setting process for the divisions may be a top-down or a bottom-up method. The ability to scan the environment to facilitate adaptation of the corporation is critical. Subordinate managers will be dividing their resources among quantitative and qualitative concerns. The corporate planner's role is system maintenance and coordination of the planning effort. Lastly, the linking of planning to budgeting is a gradual process of narrowing choices and of final commitment to an alternative.

C. THE CONCEPT OF STRATEGIC CONTROL

A relatively new concept in the strategy literature is the idea of strategic control. Lorange (1983, p. 51) defines the final management process element intended for monitoring progress in strategy implementation as strategic control. The strategic control process is represented by Figure 7.

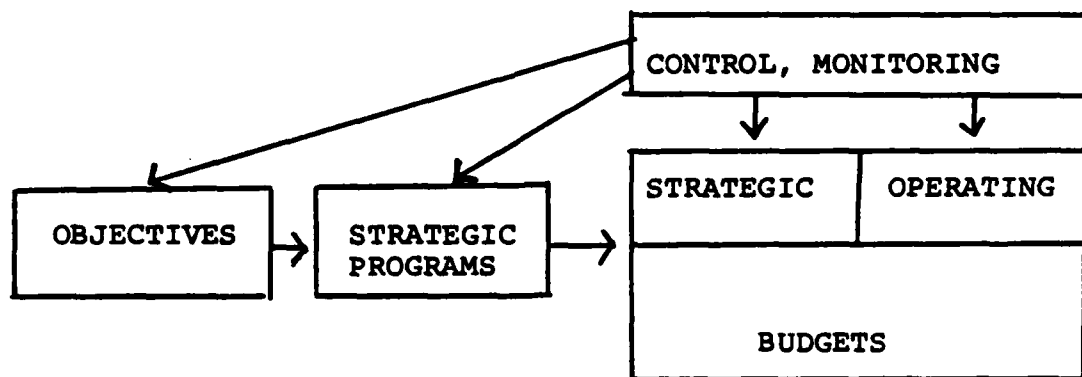


Figure 7. Strategic Control Process (Lorange, 1983, p. 52)

The first step of the process "assesses how well the critical assumptions underlying an objective are actually

holding up" (Lorange, 1983, p. 52). Changes in assumptions may cause a revision to the stated objectives. Second, there must be a mechanism to follow strategic programs. Third, budget control methods should distinguish between strategic and operating budgets. A basic issue in strategic control "is to be able to reconcile the tradeoff between near-term and longer-term aspects of performance" (Lorange, 1983, p. 53).

Bales cites three reasons for strategic control failure (1977, p. 20). First, superficial analysis sometimes merely provides a rationale for keeping the status quo. Analysis may easily be misapplied or misinterpreted. Second, monolithic planning may result from using data developed for one purpose to justify or base another function upon. Third, an independent review process, lacking in critical challenge, may allow poorly developed strategies to be approved. Grinding through the process does not guarantee results.

H. AN INTEGRATED PLANNING-CONTROLLING SYSTEM

Berry relates strategic planning to controlling by an intermediate process called "action planning." Figure 8 represents the three phases of his model.

The first phase of Berry's model is strategic planning which involves assessing (1) the external environment, (2) internal strengths and weaknesses, and (3) threats and opportunities; and determining the organization's master strategy. Second, action planning integrates strategy and

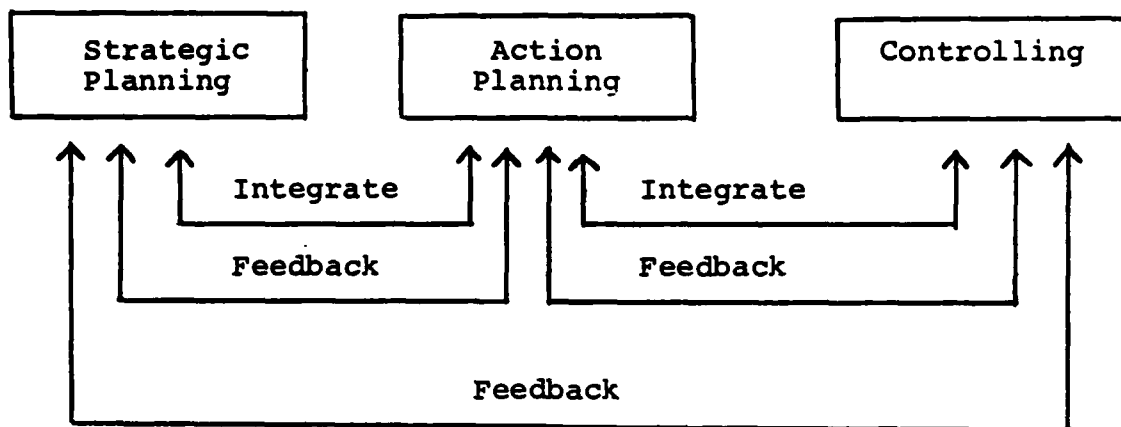


Figure 8. Integrated Planning-Controlling System
(Berry, 1981, p. 14)

operations. Action plans (1) specify clear objectives, (2) identify activities, (3) assign responsibility and authority, (4) establish time and resource requirements, and (5) communicate and coordinate (Berry, 1981, p. 14). Third, the controlling process establishes standards, provides for collecting data on actual performance, evaluates performance, feedsback results, and takes corrective action. Feedback is the key to this phase.

I. BEHAVIORAL SCIENCE AND PLANNING AND CONTROL

The essence of modern planning and control is "efficient and effective allocation of human, physical, and financial resources to attain the objectives of the organization" (San Miguel, 1977, p. 177). An understanding of behavior is necessary and complex. San Miguel examines behavior on three levels: the individual, the small group; and the large,

complex organization. Research on the individual highlights that control systems have a significant impact on individual behavior; participation in goal setting can motivate performance; and individuals vary with regard to ability, risk-taking, and decision-making (San Miguel, 1977, p. 178). Research on behavior in small groups highlights that each individual brings unique experience and values to a group; but, must now interact in a social setting regulated by factors such as leadership, role differentiation and expectations, authority, communications, and rewards (San Miguel, 1977, p. 180). It is suggested that group cohesiveness, group size, group structure, and communications networks are important factors in examining management planning and control systems (San Miguel, 1977, p. 181). Behavioral research at the organizational level seeks to understand and improve the internal decision-making processes. Reporting and control systems determine the information flow across subunits critical to decision-making.

In summary, "behavioral research has come full circle--from an emphasis on individual behavior to an emphasis on complex organizations and then back to an emphasis on the individual as an active participant in large, complex organizations" (San Miguel, 1977, p. 183).

J. CONTROL SYSTEMS

Management control systems have been described as primarily structural or behavioral (Ansari, 1977, p. 101). The

structure element is "the rules for the measurement, collection, processing, and transmission of information" (Ansari, 1977, p. 102). The behavioral element is "the set of social relationships through which (control) systems achieve their goals" (Ansari, 1977, p. 102).

The structural approach is a rational view of control as a problem of designing the most effective information network. Concerns include how to measure variables at different levels; how to recognize significant disturbances; when and how often to feedback and feedforward to management; to what extent information will be summarized or integrated; and how often to provide feedback to subordinates (Ansari, 1977, p. 103).

The behavioral approach views control as a problem of designing the social relationships by which an organization will operate most effectively. Control was first described in terms of formal power and economic rewards. Later, it was recognized that social needs as well as economic needs had an impact upon performance. The current behavioral approach to control is a contingency view, or the view that appropriate control varies according to the situation.

Ansari concludes (1977, p. 105) that "structuralists fail to recognize the impact of people on information structures, behavioral writers tend to ignore the effect of information on people." What is needed is a broader view of control systems which considers the interrelationship between information and people.

K. PLANNING OR CONTROL

Effective planning would be expected if planners at all levels were thoroughly competent, adequate time was available, and accurate and sufficient information was readily available. However, planners must operate in an environment of uncertainty, with limits and constraints. Hughes (1978, p. 1) suggests that management control will be no better than the quality of the planning effort. The better and more complete the planning process, the more effective the management control process can be.

In contrast, Green (1976, p. 42) suggests that control is really a cover for poor planning. Perfect planning could perfectly predict the future and control would be unnecessary. His assumption is that people are concerned about organizational goals to the extent that they contribute to personal goals. Therefore, control is a manager's insurance against an unpredictable future.

Both views serve to highlight the interrelationship between the planning process and the controlling process. A skillfully directed planning effort would probably also include meaningful control mechanisms which would be viewed as useful management tools and not just "hammers" to assure performance. Certainly any control mechanism or report used to feedback results to management must be regularly reviewed for validity.

V. SUMMARY AND CONCLUSIONS

A. STRATEGIC PLANNING VS. MANAGEMENT CONTROL

Forsyth (1973, p. 97) provides a brief summary comparison of the strategic planning process and the management control process.

	<u>Strategic Planning</u>	<u>Management Control</u>
Definition	Strategic planning is the process of deciding on objectives, resources required, and policies that govern the use of resources.	Management control is the process that ensures that objectives are accomplished effectively and efficiently.
Cycle	Can be irregular to respond to unpredictable environment.	Regular, repetitive cycle.
Structure	Various analytical techniques.	Uniform financial structure.
Outcomes	Expected results of a plan.	To influence action intended to lead to desired results.
Timeframe	Longer horizon.	Shorter intervals.
Information	External, predictive.	Internal, historical, integrated.
Stability	Strategy must be continuously reviewed and articulated.	Control is an established process.

B. THE IMPACT OF STRATEGIC PLANNING ON MANAGEMENT CONTROL

The tool for implementing strategic planning decisions is the management control system. The management control

system will be effective if expectations are clearly communicated, managers are motivated toward the corporate goals, and the system effectively monitors how appropriate the strategies continue to be. Successfully integrating the strategic planning process with the management control system will depend on how well results can be tracked and measured and how effectively performance evaluation systems reflect the longer-term organizational strategies (Forsyth, 1973, p. 101).

C. STRATEGIC PLANNING PROBLEMS

Regardless of how sincere the strategic planning effort is, there remains the problem that forecasting the future situation is not controlling it. Many reasons exist to cause the planning effort to fail.

Argenti (1974, p. 27) describes three roadblocks to planning. There remains an overwhelming pressure to produce short-term results. The chief executive officer (CEO) may be more skilled at "getting things done" than reflective thought about long-term goals. Finally, planners are sometimes still passive analysts in the process. They have theoretical skills but are weak in the political skills necessary for action. Hussey (1971, p. 24) also cites faults of the CEO, and faults of the planner as reasons why a planning effort may fail. Additionally, Hussey notes an organization may not be ready for an advanced planning effort.

Steiner provides a wider view of why long-range planning may be faulty (Denning, 1971, p. 250). First, problems may exist in conceiving and understanding the process of planning. Top management support may be lacking, the planning staff role may be poorly defined, miraculous immediate results may be expected, and failure to realize planning means change may be adversely impacting upon the planning process. Second, problems may occur in developing an adequate plan and establishing realistic objectives, policies, and strategies. Unclear goals, unrealistic strategies, inadequate time to plan, weak staff, poor review, or not relating short and long term plans commonly weaken the planning effort. Third, procedures for effective planning may not be established. Lack of procedures, lack of a written plan, dependence on one person, insufficient data, and keeping the planning process separate from operations contribute to a failure in planning.

D. OVERCOMING STRATEGIC PLANNING ROADBLOCKS

Mockler (1972, p. 30) offers practical guidelines for overcoming roadblocks to strategic planning. Clear communication of the purpose of the planning effort is necessary. Adequate staff is needed. Both staff and line managers must be involved in planning implementation. Top management must be supportive of the planning effort. Some formality and discipline must be introduced into the process. Specific responsibilities must be assigned to specific people with a time requirement. Lastly, the act of planning is as important

as the plan itself because it improves communication and provides a measure of achievement.

E. CONCLUSIONS: LINKING THE STRATEGIC PLANNING PROCESS AND THE MANAGEMENT CONTROL PROCESS

The purpose of this thesis is to review and integrate the literature describing the relationships between the strategic planning process and the management control process. The conceptual framework for comparison of the two processes was presented in Figure 1. The conclusions record the elements or dimensions that have been identified as linking the two processes.

Many dimensions link the two processes in positive mutually supportive ways.

- The processes overlap. Strategic control and action planning describe the area of overlap.
- Because predicting the future cannot be perfect, planning cannot be perfect and control is necessary to provide feedback on planned vs. the actual situation.
- The need for an organization to cooperate in order to survive will help coordinate the processes.
- Top management support for the planning process will get the attention of managers at all levels.
- Articulation of clear goals allows better objectives to be identified and more meaningful measures to be selected.
- Standards identified in plans become the basis for measurement in control mechanisms.
- Feedback from control mechanisms provides a basis for strategy review.
- Participation in planning opens communications within the organization.

- Both processes include timetables and goals and encourage a future orientation for the organization. Planning selects the desired state and control monitors progress toward the desired state.
- Both staff and line management involvement in planning and controlling will coordinate the functions.
- Key managers who understand and participate in both processes can serve to integrate the functions of planning and control.
- Planners are becoming more skilled at applying techniques that coordinate the two functions.
- The controller may be able to play a more significant role in the planning process by coordinating concurrent plans or by serving as an objective balancing force in the planning process.
- A financial structure links the two processes.
- Strategic plans may be articulated in terms of programs, and budgeting is executed by programs.
- The budget is a primary tool of control.
- The general information flow within an organization may connect and facilitate the processes.
- Reward systems can tie desired and actual performance.
- Management control is sometimes considered short-term strategy which combines in series to produce the longer-term strategy.
- Planning is about relating goals to resources. Controlling is about relating the efficient use of resources to achieve stated goals.

Other dimensions link strategic planning and management control in ways that cause conflicts between the two processes.

- A poor understanding of planning may cause unrealistic expectations regarding results, in turn making control more difficult.
- The planning process may be misused or misapplied.
- Management choices often will favor either today or tomorrow, but not both.

- A weak understanding of roles by planners and controller or general conflict within an organization may gap the processes.
- Partial or random planning will weaken control efforts.
- Performance measures may emphasize short-term goals only.
- Organizations may not be ready for change, planned or otherwise.
- Individual resistance to plans or control measures may exist.
- The reality of limited resources may degrade one or both of the processes.
- Plans or control measures in dollar data only may cause conflict between the processes.
- General uncertainty throughout an organization may create a poor climate for successful planning and controlling.
- Coordinating annual plans and multi-year plans may be difficult.
- Plans may poorly define output measures. Invalid or surrogate measures may result.

Most of the elements or dimensions identified above could be placed in either or both categories depending on the situation. No single dimension stands out as a must be present or must not be present criteria. The ultimate value of planning and control is achieving desired results. The literature suggests that those managers who understand how to integrate the planning and controlling processes produce better performance. Essentially, good management produces an integrated planning-controlling system in an organization. Good management identifies clear goals; produces complete plans; matches values, goals, and resources; assures appropriate action; copes successfully with change; and makes effective use of feedback tools for evaluation.

BIBLIOGRAPHY

- Andrews, K. R., The Concept of Corporate Strategy, Richard D. Irwin, Inc., 1980.
- Ansari, S. L., "An Integrated Approach to Control System Design," Accounting, Organizations and Society, Vol. 2, No. 2, 1977, pp. 101-112.
- Ansoff, R. N., Corporate Strategy, McGraw-Hill, 1965.
- Anthony, R. N., and Herzlinger, R. E., Management Control in NonProfit Organizations, Richard D. Irwin, Inc., 1980.
- Anthony, R. N., and Reece, J. S., Management Accounting Principles, 3rd ed., Richard D. Irwin, Inc., 1975.
- Anthony, R. N., and Welsch, G. A., Fundamentals of Management Accounting, Richard D. Irwin, Inc., 1974.
- Argenti, J., Corporate Planning, Dow Jones-Irwin, Inc., 1969.
- Argenti, J., Systematic Corporate Planning, Nelson, 1974.
- Bales, C. F., "Strategic Control: The President's Paradox," Business Horizons, August 1977, pp. 17-28.
- Banks, R. L., and Wheelwright, S. C., "Operations vs. Strategy: Trading Tomorrow for Today," Harvard Business Review, May/June 1979, pp. 112-120.
- Barnard, C. I., The Functions of the Executive, Harvard University Printing, 1938.
- Berry, W., "Beyond Strategic Planning," Managerial Planning, March/April 1981, pp. 12-15, 40.
- Branch, M. C., The Corporate Planning Process, Riverside Press, 1962.
- Camillus, J. C., "Six Approaches to Preventive Management Control," Financial Executive, December 1980, pp. 28-31.
- Cammann, C., and Nadler, D. A., "Fit Control Systems to Your Managerial Style," Harvard Business Review, January/February 1976, pp. 65-72.
- Cohen, K. J., and Cyert, R. M., "Strategy: Formulation, Implementation, and Monitoring," The Journal of Business, July 1973, pp. 349-367.

- Denning, B. W., Corporate Planning: Selected Concepts, McGraw-Hill, 1971.
- Donnelly, R. M., "Strategic Planning for Better Management," Managerial Planning, November/December 1981, pp. 2-6, 41.
- Ellis, R. L., and Melrose, J. P., "Auditing the Management Process," The International Auditor, August 1980, pp. 53-64.
- Emshoff, J. R., and Mitroff, I. I., "Improving the Effectiveness of Corporate Planning," Business Horizons, October 1978, pp. 49-60.
- Evered, R., "So What is Strategy?", Long Range Planning, Vol. 16, No. 3, 1983, pp. 57-72.
- Ewing, D. W., The Practice of Planning, Harper & Row, 1968.
- Ewing, D. W., Long Range Planning for Management, Harper & Row, 1972.
- Forsyth, W. E., "Strategic Planning in the 70's," Financial Executive, October 1973, pp. 96-102.
- Green, T. B., "Control: the Cover for Poor Planning," Managerial Planning, March/April, 1976, pp. 42-43.
- Grossman, S. D., and Lindhe, R., "Important Considerations in the Budgeting Process," Managerial Planning, September/October, 1982, pp. 24-29.
- Gup, B. E., "Begin Strategic Planning by Asking Three Questions," Managerial Planning, November/December 1979, pp. 28-31, 35.
- Guttry, H. V., Jr., "Internal Controls and the Financial Executives," Financial Executive, April 1978, pp. 42-48.
- Heskett, J. L., "Logistics-Essential to Strategy," Harvard Business Review, November/December 1977, pp. 85-96.
- Hobbs, J. M., and Heany, D. F., "Coupling Strategy to Operating Plans," Harvard Business Review, May/June 1977, pp. 119-126.
- Hughes, R. E., "Planning: The Essence of Control," Managerial Planning, May/June 1978, pp. 1-10.
- Hussey, D. E., Introducing Corporate Planning, Pergamon Press, 1971.

- Jennings, M. M., and Shipper, F., "Strategic Planning for Managerial-Political Interaction," Business Horizons, July/August 1981, pp. 44-51.
- Johnson, E. A., "The Controllershship Function," Management Accounting, March 1972, pp. 45-48.
- Kahalas, H., "Planning Types and Approaches: A Necessary Function," Managerial Planning, May/June 1980, pp. 22-27.
- Lorange, P., and Vancil, R. F., "How to Design a Strategic Planning System," Harvard Business Review, September/October 1976, pp. 75-81.
- Lorange, P., "Strategic Control: Some Issues in Making it Operationally More Useful," Working Paper No. PSIRP-82-001, February 1982, pp. 1-37.
- Lorange, P., "Organization Structure and Process: Implications for Effective Strategic Management," Unpublished Article, June 1983, pp. 1-68.
- MacAvoy, R. E., "Strategic Planning," Financial Executive, June 1980, pp. 36-40.
- Malernee, J. K., Jr., and Jaffe, G., "An Integrative Approach to Strategic and Financial Planning," Managerial Planning, January/February 1982, pp. 35-43.
- Mears, P., "Integrated Planning and Controlling," Managerial Planning, March/April 1978, pp. 25-33.
- Mintzberg, H., "Strategy Making in Three Modes," California Management Review, Winter, 1973, pp. 44-53.
- Mintzberg, H., "Patterns in Strategy Formation," Management Science, May 1978, pp. 934-948.
- Mockler, R. J., "Theory and Practice of Planning," Harvard Business Review, March/April 1970, pp. 148-159.
- Mockler, R. J., Business Planning and Policy Formulation, Appleton-Century-Crofts, 1972.
- Naylor, T. H., "Strategic Planning Models," Managerial Planning, July/August 1981, pp. 3-11.
- Naylor, T. H., and Neva, K., "Design of a Strategic Planning Process," Managerial Planning, January/February 1980, pp. 3-7.

- Paul, R. N., Donavan, N. B., and Taylor, J. W., "The Reality Gap in Strategic Planning," Harvard Business Review, May/June 1978, pp. 124-130.
- Pearce, J. A., II, "An Executive-Level Perspective on the Strategic Management Process," California Management Review, Fall 1981, pp. 39-48.
- Pearce, J. A., II, and Robinson, R. B., Jr., Strategic Management, Richard D. Irwin, Inc., 1982.
- Rappaport, A., "The Strategic Audit," Journal of Accountancy, June 1980, pp. 71-77.
- Roush, C. H., Jr., and Ball, B. C., Jr., "Controlling the Implementation of Strategy," Managerial Planning, November/December 1980, pp. 3-12.
- San Miguel, J. G., "The Behavioral Sciences and Concepts and Standards for Management Planning and Control," Accounting, Organizations and Society, Vol. 2, No. 2, 1977, pp. 177-186.
- Sawyer, G., "Elements of a Strategy," Managerial Planning, May/June 1981, pp. 3-5, 9.
- Schoeffler, S., Buzzell, R. D., and Heany, D. F., "Impact of Strategic Planning on Profit Performance," Harvard Business Review, March/April 1974, pp. 137-145.
- Searfoss, D. G., "Some Behavioral Aspects of Budgeting for Control: An Empirical Study," Accounting, Organizations and Society, Vol. 1, No. 4, 1976, pp. 375-385.
- Seed, A. H., III, "Strategic Planning: The Cutting Edge of Management Accounting," Management Accounting, May 1980, pp. 10-16.
- Shirkey, C. P., "Characteristics of Bureaucratic Organizations: A Management Perspective," Naval War College Technical Note, 1973.
- Simon, J. L., Basic Research Methods in Social Science: The Art of Empirical Investigation, 2nd ed., Random House, 1978.
- Steiner, G. A., Top Management Planning, MacMillan Publishing Co., Inc., 1969.
- Steiner, G. A., "Rise of the Corporate Planner," Harvard Business Review, September/October 1970, pp. 133-139.

- Stonich, P. J., and Zaragoza, C. E., "Strategic Funds Programming--The Missing Link in Corporate Planning," Managerial Planning, September/October 1980, pp. 3-11.
- Thune, S. S., and House, R. J., "Where Long-Range Planning Pays Off," Business Horizons, August 1980, pp. 81-87.
- Vancil, R. F., "So...You're Going to Have a Planning Department," Harvard Business Review, May/June 1967, pp. 88-96.
- Vancil, R. F., "What Kind of Management Control Do You Need?", Harvard Business Review, March/April 1973, pp. 75-86.
- Vancil, R. F., and Lorange, P., "Strategic Planning in Diversified Companies," Harvard Business Review, January/February 1975, pp. 81-90.
- Vander Weele, R., "The Expanded Role of Controllershship in Strategic Planning," Managerial Planning, September/October, pp. 16-18, 22, 38.
- Vangermeersch, R., "Accounting, A Hindrance to Planning and Control?", Managerial Planning, July/August 1973, pp. 10-13.
- Webber, R. A., Management: Basic Elements of Managing Organizations, 2nd ed., Richard D. Irwin, Inc., 1979.
- Webster's New World Dictionary, Second Edition, World Publishing, 1976.
- Wheelen, T. L., and Hunger, J. D., Strategic Management and Business Policy, Addison-Wesley, 1983.
- Wood, D. R., Jr., and LaForge, R. L., "The Impact of Comprehensive Planning on Financial Performance," Academy of Management Journal, Vol. 22, No. 3, 1979, pp. 516-526.
- Young, D. W., "Administrative Theory and Administrative Systems: A Synthesis Among Diverging Fields of Inquiry," Accounting, Organizations and Society, Vol. 4, No. 3, pp. 235-244.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22314	2
2. Library, Code 0142 Naval Postgraduate School Monterey, California 93943	2
3. Lcdr. D. R. Traugh 5506 Maplefield Place Alexandria, Virginia 22310	3
4. Professor Roger Evered, Code 54Ev Naval Postgraduate School Monterey, California 93943	1

END

FILMED

10-84

DTIC