

## Chapter 7: PLANNING AND GOAL SETTING

### Learning Objectives and Lecture Summary

After studying this chapter, students should be able to:

1. *Define goals and plans and explain the relationship between them.*

A goal is a desired future state that the organization attempts to realize. A plan is a blueprint for goal achievement and specifies the necessary resource allocations, schedules, tasks, and other actions. The term planning usually incorporates both ideas and means determining the organization's goals and defining the means for achieving them.

2. *Explain the concept of organizational mission and how it influences goal setting and planning.*

The overall planning process begins with a mission statement, which describes the organization's reason for existence. The mission describes the organization's values, aspirations and reason for being. A well-defined mission is the basis for development of all subsequent goals and plans. Without a clear mission, goals and plans may be developed haphazardly and not take the organization in the direction it needs to go. Because of mission statements, employees, customers, suppliers, and stockholders know the company's stated purpose and values.

*Categorize the types of goals an organization should have.*

3. Within the organization there are three levels of goals: strategic, tactical, and operational.
  - *Strategic goals* are broad statements of where the organization wants to be in the future. Strategic goals pertain to the organization as a whole and are the stated intentions of what the organization wants to achieve.
  - *Tactical goals* define the results that major divisions and departments within the organization must achieve. Tactical goals apply to middle management and describe what major subunits must do in order for the organization to achieve its overall goals.
  - *Operational goals* describe specific results expected from departments, work groups, and individuals. Operational goals are precise and measurable.

4. *Explain how managers use strategy maps to align goals.*

A strategy map is a visual representation of the key drivers of an organization's success and shows how specific goals and plans in each area are linked. Strategy maps provide a powerful way for managers to see the cause-and-effect relationships among goals and plans. Managers use the strategy map to align operational goals with tactical goals and to align tactical goals with strategic goals.

5. *Define the characteristics of effective goals.*

Organizational goals at the strategic, tactical, and operational levels should: be specific and measurable; cover key result areas; be challenging but realistic; include a defined time period; and be linked to rewards.

6. *Describe the four essential steps in the management by objectives (MBO) process.*

Management-by-objectives (MBO) is a method whereby managers and employees define goals for every department, project, and person and use them to control subsequent performance. Four major activities must occur in order for MBO to be successful.

- *Setting goals.* This is the most difficult step in MBO. A good goal should be concrete and realistic, provide a specific target and time frame, and assign responsibility. Goals may be quantitative or qualitative. Goals jointly derived by mutual agreement between employee and supervisor create the strongest commitment to achieving goals.
- *Developing action plans.* An action plan defines the course of action needed to achieve the stated goals. Action plans are made for both individuals and departments.
- *Reviewing progress.* A periodic progress review is important to ensure that action plans are working. This periodic checkup allows managers and employees to determine if they are on target or if corrective action is necessary. The point of MBO is to achieve goals. The action plan can be changed whenever goals are not being met.
- *Appraising overall performance.* The final step in MBO is to determine if annual goals have been achieved for both individuals and departments. Success or failure to achieve goals can become part of the performance appraisal system and the designation of salary increases and other rewards. The appraisal of departmental and overall corporate performance shapes goals for the coming year.

The MBO cycle repeats itself on an annual basis. The specific application of MBO must fit the needs of each company.

7. *Compare and contrast single-use plans and standing plans.*

Single-use plans are developed to achieve a set of goals that are not likely to be repeated in the future. Single-use plans typically include both programs and projects. A program is a plan for attaining an important, one-time organizational goal. A project is also designed to achieve a one-time goal, but generally is short-term and has narrow objectives.

Standing plans are ongoing plans that are used to provide guidance for tasks performed repeatedly within the organization. The primary standing plans are organizational policies, rules, and procedures. Standing plans generally pertain to such matters as employee illness, absences, smoking, discipline, hiring, and dismissal.

8. *Discuss the benefits and limitations of planning.*

The benefits of planning include:

- *Goals and plans provide a source of motivation and commitment.* Planning can reduce uncertainty for employees and clarify what they should accomplish.

- *Goals and plans guide resource allocation.* Planning helps managers decide where they need to allocate resources, such as employees, money, and equipment.
- *Goals and plans are a guide to action.* Planning focuses attention on specific targets and directs employee efforts toward important outcomes.
- *Goals and plans set a standard of performance.* Because planning and goal setting define desired outcomes, they also establish performance criteria so managers can measure whether things are on or off track.

The limitations of planning include:

- *Goals and plans can create a false sense of certainty.* Having a plan can give managers a false sense that they know what the future will be like.
  - *Goals and plans may cause rigidity in a turbulent environment.* A related problem is that planning can lock the organization into specific goals, plans, and time frames, which may no longer be appropriate.
  - *Goals and plans can get in the way of intuition and creativity.* Success often comes from creativity and intuition, which can be hampered by too much routine planning.
9. *Describe contingency planning, scenario building, and crisis planning, and explain the importance of each for today's managers.*

Contingency plans define company responses to be taken in the case of emergencies, setbacks, or unexpected conditions. Contingency planning enables managers to identify important factors in the environment and develop plans. They respond quickly to be somewhat proactive, even in an uncertain and dynamic environment, rather than simply being buffeted about by events.

Scenario building involves looking at current trends and discontinuities and visualizing future possibilities. Managers use historical data to develop reasonable expectations for the future and to mentally rehearse different potential future scenarios based on anticipating varied changes that could affect the organization.

Crisis planning includes two essential stages: crisis prevention and crisis preparation. The crisis prevention stage involves activities of managers to prevent crises and detect warning signs of potential crises. The crisis preparation stage includes all the detailed planning to handle a crisis when it occurs, and appointing a crisis management team and spokesperson. The team should be able to immediately implement the crisis management plan, so training and practice are important. At this point it becomes critical for the organization to speak with one voice so that employees, customers, and the public do not get conflicting stories about what happened and what the organization is doing about it. After ensuring the physical safety of people, the next focus should be on responding to the emotional needs of employees, customers, and the public. Organizations should also strive to give people a sense of security and belonging.

10. *Identify innovative planning approaches that managers use in a fast-changing environment.*

- *Set stretch goals for excellence.* Stretch goals get people to think in new ways that can lead to bold, innovative breakthroughs.

- *Use performance dashboards.* Performance dashboards help executives keep track of key performance metrics, and help all employees track progress toward goals, see when things are falling short, and find innovative ways to get back on course toward reaching specified targets.
- *Deploy intelligence teams.* An intelligence team is a cross-functional group of managers and employees, usually led by a competitive intelligence professional, who work together to gain a deep understanding of specific business issue, with the aim of presenting insights, possibilities, and recommendations about goals and plans related to that issue. Intelligence teams are useful when the organization confronts a major intelligence challenge.