CHAPTER EIGHT
Setting Goals and Making Plans

DETAILED LECTURE OUTLINE

I. Introduction to goals and plans
   A. Setting goals and making plans are the two basic components of the planning function of management
      1. Goals = the desired results or objectives that members in an organization are pursuing
      2. Plans = the steps and actions that are required to achieve goals
   B. Four steps of the planning process
      1. Set mission/vision
         a) Top management primarily responsible
         b) Very long-term time frame (5 or more years)
      2. Set strategic goals/plans
         a) Top and middle management involvement
         b) Three- to five-year time frame
      3. Set operations goals/plans
         a) Middle and lower management involvement
         b) Annual or quarterly time frame
      4. Implementation
         a) Involves every organizational level
         b) Ongoing/daily time frame
   C. Two basic types of organizational goals and plans
      1. Ongoing goals and plans: guide the continuing activities that are consistent with the basic purpose of the organization and are reflected in its mission statement, standing plans, and standard operating procedures
      2. Change-oriented goals and plans: new initiatives and changes to be made in an organization’s practices as reflected in the organizational vision

II. Mainstream approach to goals and plans
   A. Step 1: Develop overarching mission and vision
      1. Mission statement = statement of the fundamental purpose of an organization, often describing what an organization does, whom it serves, and how it differs from similar organizations
         a) Common issues mentioned in mission statements include products/services, customers, organizational self-concept, survival/growth/profitability, employees, markets, philosophy, technology, and public image
         b) Industry differences in the specific issues mentioned in the mission statement
      2. Vision statement = a change-oriented statement of what an organization is striving to become (typically five or more years in the future)
         a) Mainstream visions focus on future competitiveness and financial success
         b) Good vision statements are future-orientated, inspiring, challenging, brief, clear, and stable
c) Industry differences in emphases of vision statements and financial success of an organization.

B. Step 2: Develop strategic goals and plans
1. The specific goals and plans are directed at gaining advantages over competitors
2. Influenced by the organization’s strengths, weaknesses, opportunities, and threats

C. Step 3: Develop organizational goals and plans
1. Goals and plans help develop standardization
   a) Standardization = the process of developing uniform practices for organizational members to follow in doing their jobs
2. Operational goals = outcomes to be achieved by an organizational department, work group, or individual member.
   a) Typically set by mid- and lower-level management
   b) The time horizon of operational goals is typically less than one year
   c) People usually can focus on three to seven operational goals at a time
   d) “SMART” goals: Mainstream research shows that certain goals maximize performance
      (1) S-Specific: should be detailed and precise on what is to be accomplished
      (2) M-Measurable: able to be assessed objectively
      (3) A-Achievable: within reach yet challenging
         (a) Stretch goals = very difficult goals that go beyond normal incremental changes to dramatically improve productivity, efficiency, and profitability
      (4) R-Results-based: have clear, demonstrable outcomes (not just activities)
      (5) T-Time-specific: specify clear deadline for accomplishment
   e) Performance standards: similar to goals in that they set expectations for the outcomes employees are expected to achieve
3. Operational plans = steps and actions that will help to meet short-term goals
   a) Plans follow from SMART goals
   b) Time frame is usually around a year
   c) Two overarching issues in making plans
      (1) What activities and resources are necessary?
         (a) What steps and actions are needed to achieve goals?
         (b) In what order and when does each action need to be performed?
         (c) What resources are needed?
         (d) How can resources be acquired?
      (2) What are the constraints and contingencies?
         (a) Contingencies = scenarios that suggest how managers will respond to possible future events that could disrupt existing plans, such as a natural disaster or a major recession
         (b) Crises = events that have a major effect on the ability of an organization’s members to carry on their daily tasks. Impact of crises can be limited through prevention, preparing, and responding in a timely fashion
4. Standing plans = plans that provide guidance for activities that are performed repeatedly
   a) Standard operating procedures = specific steps that must be taken when performing certain tasks
   b) Policies = guidelines for making decisions and taking action in various situations
   c) Rules and regulations = prescribed patterns of behavior that guide everyday work tasks
D. Implement and monitor goals and plans
   1. Two possible outcomes
      a) Goals are met
         (1) Often followed by a reward
      b) Goals are not met, so there is need to develop new goals and/or plans
         (1) Stakeholders might not believe in the value of the goals
         (2) Overemphasizing change-oriented goals rather than ongoing goals can interfere
              with current day-to-day operations

III. Multistream approach to goals and plans
   A. Similar to Mainstream four-step approach, but two key differences
      1. Includes more stakeholders throughout the process, rather than simply relying on
         management to develop goals and plans
      2. Focuses more on sustenance economics and varied goals, rather than Mainstream focus on
         acquisitive economics and profit maximization
   B. Step 1: Develop overarching mission and vision
      1. Involve a variety of stakeholders (e.g., community, suppliers, employees, customers)
         a) Advantages of including multiple stakeholders
            (1) Variety of perspectives improves the quality of the mission and vision
            (2) Increases buy-in and support for the mission and vision
      2. Multistream mission and vision statements may look radically different from Mainstream or
         may look similar but be enacted differently because of different values
         a) Organizations may have unwritten or tacit goals that are ongoing and well known in
            the organization even if they are not explicitly expressed in the formal mission or
            vision statement
   C. Step 2: Develop strategic goals and plans
      1. Multistream managers identify economic and noneconomic opportunities such as improving
         the natural environment or social well-being
      2. Multistream managers are sensitive to strategies that emerge from practice in addition to
         those that are formally planned beforehand
   D. Step 3: Develop operational goals and plans
      1. Operational goals: Multistream managers rely on a process parallel to Mainstream SMART
         goals
      2. Multistream “SMART2” goals
         a) S-Significant: challenging and engaging
            (1) Use stretch goals to help individuals grow and development
         b) M-Meaningful: has meaning beyond simply maximizing productivity
         c) A-Agreed-upon: members participate in developing their own goals
            (1) Seek input from all stakeholders, even if doing so involves monetary costs
         d) R-Relevant: linked to important issues for a variety of stakeholders
         e) T-Timely: appropriate for the times and situations
      3. Operational plans
         a) Two overarching issues in making plans
            (1) What activities and resources are necessary?
               a) Multistream managers seek advice and participation of multiple
                  stakeholders
               b) Multistream managers consider wider range of nonfinancial issues than
                  Mainstream managers
            (2) What are the constraints and contingencies?
               a) Consider the effects of actions on the environment and other stakeholders
      4. Implement and monitor goals and plans
a) Ongoing feedback is sought from various stakeholders
b) Goals and action plans are evaluated and revised as appropriate
c) Members are reinforced for their efforts as appropriate