Chapter 7
Managerial Planning and Goal Setting

Chapter Outline

I. Overview of Goals and Plans
   A. Purposes of Goals and Plans
II. Goals in Organizations
    A. Organizational Mission
    B. Goals and Plans
    C. Hierarchy of Goals
III. Criteria for Effective Goals
IV. Planning Types and Performance
    A. Management by Objectives
    B. Single-Use and Standing Plans
    C. Contingency Plans
    D. Crisis Management Planning
V. Planning in the New Workplace
    A. Traditional Approaches to Planning
    B. New Workplace Approaches to Planning

Annotated Learning Objectives

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 reasons for existence. The mission describes the organization’s values and aspirations. 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.

3. **Describe the types of goals an organization should have and why they resemble a hierarchy.**

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 intend to 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.

Goals fit into a hierarchy. The achievement of goals at lower levels permits the attainment of higher-level goals. This is called a means-ends chain because lower-level goals lead to accomplishment of higher-level goals.

4. **Define the characteristics of effective goals.**

Organizational goals at the strategic, tactical, and operational levels should have the following characteristics:

- Specific and measurable
- Cover key result areas
- Challenging but realistic
- Defined time period
- Linked to rewards
5. **Describe the four essential steps in the 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 check-up 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, the designation of salary increases, and other rewards. The appraisal of departmental and overall corporate performance shapes goals for the next year. The MBO cycle repeats itself on an annual basis. The specific application of MBO must fit the needs of each company.

6. **Explain the difference between 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. Standing plans generally pertain to such matters as employee illness, absences, smoking, discipline, hiring, and dismissal.

7. **Describe and explain the importance of the three stages of crisis management planning.**

The three stages of crisis management planning include prevention, preparation, and containment. The prevention stage involves activities managers undertake to try to prevent crises from occurring and to detect warning signs of potential crises. One critical part of the prevention stage is building relationships with key stakeholders.
such as employees, customers, suppliers, governments, unions, and the community. By developing favorable relationships, managers often prevent crises from happening. Open communication with employees, customers, and all stakeholders enables the organization and stakeholder groups to better understand one another and develop mutual respect. The preparation stage includes all the detailed planning to handle crises when it occurs. Three steps in the preparation stage are designating a crisis management team and spokesperson, creating a detailed crisis management plan, and setting up an effective communications system. The crisis management team is a cross-functional group of people who are designated to swing into action if a crisis occurs. They are closely involved in creating the crisis management plan, and they’ll be called upon to implement the plan if a disaster hits. Containment focuses on the organization’s response to an actual crisis and follow-up concerns.

Some crises are inevitable no matter how well prepared an organization is. When a crisis hits, a rapid response is crucial. The team should be able to immediately implement the crisis management plan, so training and practice are important. This is the stage where 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 also strive to give people a sense of security and belonging.

8. **Discuss how planning in the new workplace differs from traditional approaches to planning.**

The process of planning is changing. Traditionally, strategy and planning has been the domain of top managers. However, in today’s workplace, top managers no longer control the planning process; everyone becomes involved. In some companies, planning is being taken out of the executive boardroom and central planning department to become a part of everyday work throughout the organization. Traditionally, corporate planning has been done entirely by top executives, by consulting firms, or most commonly, by central planning departments. Central planning departments are groups of planning specialists who report directly to the CEO or president. This planning approach was top down because goals and plans were assigned to major divisions and departments from the planning department after approval by the president. Although traditional approaches to planning still are popular with some companies, formal planning increasingly is being criticized as inappropriate for today’s fast-paced environment.

A new approach to planning in the new workplace is to involve everyone in the organization, and sometimes outside stakeholders as well, in the planning process. The evolution to a new approach began with a shift to decentralized planning, which
means that planning experts work with managers in major divisions or departments to develop their own goals and plans. This enables managers throughout the company to come up with their own creative solutions to problems and become more committed to following through on the plans. Some guidelines for planning in the new workplace are to start with a strong mission, set stretch goals, create a culture that encourages learning, design new roles for planning staff, use temporary task forces, and planning still starts and stops at the top.

Lecture Outline

Suggested Opening Remarks

The Europa Hotel provides an excellent example of crisis management planning. The Europa, like most major hotels, has long had clear procedures for evacuation and dealing with disasters, and the hotel has a good record of getting people out fast. Amazingly, no one has ever been killed by a bomb at the Europa. Because the Europa has had so much experience dealing with crises, managers and employees have become ever alert to even the smallest signals that something is amiss, so they have been able to take quick action and prevent even greater damage or loss of life.

The Europa is highly skilled at handling the containment stage of crisis. After one bomb that ripped a huge hole in the side of the hotel and injured 13 people, everyone was back to work as usual by lunchtime. Hotel manager John Toner uses every crisis as a way to learn more, be better prepared, and make the company better and stronger. He believes the tendency to immediately look for ways to cut costs and lay people off following a crisis is dangerous. “I don’t look for cost savings. I don’t look at the bottom line—it’ll look after itself,” he says. Instead Toner focuses on taking care of employees and guests and finding ways to make the business better. Because of that attention, hotel staff and guests have remained resolutely loyal to the Europa.

I. OVERVIEW OF GOALS AND PLANS

Exhibit 7.1

Of the management functions described in Chapter 1 - planning, organizing, leading, and controlling - planning is considered the most fundamental.

Goals and plans have become general concepts in our society.

➢ What are goals and plans?

A goal is defined as a desired future state, the organization attempts to realize; goals are important because they define the purpose of an organization.

A plan is a blueprint for goal achievement and specifies the necessary resource allocations, schedules, tasks, and other actions.

Goals specify future ends; plans specify today’s means.

The word planning usually incorporates both ideas; it means determining the organization’s goals and defining the means for achieving them.
The planning process starts with a formal mission that defines the basic purpose of the organization, especially for external audiences. Top managers are responsible for establishing strategic goals and plans that reflect a commitment to both organizational efficiency and effectiveness. Tactical goals and plans are the responsibility of middle managers. Operational plans identify the specific procedures or processes needed at lower levels of the organization. Front-line managers and supervisors develop operational plans that focus on specific tasks and processes and that help to meet tactical and strategic goals.

Planning at each level supports the other levels.

**Discussion Question # 5:** A new business venture has to develop a comprehensive business plan to borrow money to get started. Companies such as Federal Express, Nike, and Rolm Corporation say they did not follow the original plan very closely. Does that mean developing the plan was a waste of time for these eventually successful companies?

**II. PURPOSES OF GOALS AND PLANS**

- Why do many managers focus on operational issues and short-term results rather than long-term goals and plans?

The complexity of today’s environment and uncertainty about the future overwhelms many managers; however, planning positively affects a company’s performance. Developing explicit goals and plans at each level illustrated in Exhibit 7.1 is important because of the external and internal messages they send and benefits they provide:

- **Legitimacy.** An organization’s mission describes what the organization stands for and its reason for existence. It symbolizes legitimacy to external and internal audiences such as investors, customers, and suppliers.

- **Source of Motivation and Commitment.** Goals and Plans facilitate employees’ identification with the organization and help motivate them by reducing uncertainty and clarifying what they should accomplish.

- **Resource Allocation.** Goals help managers decide where to allocate resources, for employees, money, and equipment.

- **Guides to Action.** Goals and plans focus on specific targets and direct employee efforts toward important outcomes.

- **Rationale for Decisions.** Through goal setting and planning, managers learn what the organization is trying to accomplish.
Decisions throughout the organization must be consistent with the plan.

- **Standard of Performance.** As goals define outcomes for the organization, they serve as performance criteria.

For example, when Chevrolet managers set the goal of a 15 percent sales boost, employees throughout the company started striving to meet that goal.

The overall planning process prevents managers from thinking in terms of day-to-day activities.

**Discussion Question #1:** To what extent would planning have helped the U.S. Postal Service respond more quickly and effectively to the crisis of anthrax-tainted letters being sent through the mail? What types of planning would be appropriate for unexpected events?

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III. GOALS IN ORGANIZATIONS

- How does the overall planning process begin?

The overall planning process begins with a mission statement and strategic goals for the organization as a whole.

A. Organizational Mission

At the top of the goal hierarchy is the *mission*, which states the organization’s values, aspirations, and reason for existence.

Mission statements are the basis for development of all goals and plans; without a clear mission, goals and plans may not take the organization in the right direction.

The *mission statement* is a broadly stated definition of the organization’s basic business scope and operations that distinguishes it from similar types of organizations.

The content focuses on market and customers, desired fields of endeavor, corporate values, product quality, location of facilities, and attitude toward employees.

The mission statement explains the purpose and values of the company to the board of directors, employees, customers, suppliers, stockholders, and the public.

**Discussion Question #2:** Write a brief mission statement for a local business with which you are familiar. How might having a clear, written mission statement benefit a small organization?
B. Goals and Plans

Strategic goals are broad statements describing where the organization wants to be in the future.

Strategic goals pertain to the entire organization rather than to specific divisions or departments.

Strategic plans define the action steps by which the company intends to attain strategic goals.

The strategic plan is the blueprint that defines the organizational activities and resource allocations; strategic planning tends to be long-term.

Tactical goals are the results that major divisions and departments within the organization intend to achieve.

Tactical goals apply to middle management and describe what major subunits must do in order for the organization to achieve strategic goals.

Tactical plans define what major departments and organizational subunits will do to implement the organization's strategic plan; they tend to be for a shorter time period.

Operational goals are the specific results expected from departments, work groups, and individuals.

Operational plans are developed at the lower levels of the organization to specify action plans toward achieving operational goals and to support tactical plans.

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UNLOCKING CREATIVE SOLUTIONS THROUGH TECHNOLOGY

United States Joint Forces Command

“Collateral damage”----when innocent civilians or friendly troops are killed---is one of the most heartbreaking results of any war. Now technology may reduce the likelihood of collateral damage. A new software application called Joint Time Sensitive Targeting Manager (JTSTM) was used in Iraq for the first time in live operation. All armed forces commanders can log onto the JTSTM network and see a common picture of the battlefield. Every group is aware of what every other group of services is doing. The Joint Forces Command believes the technology will be a key factor in improving coordination and avoiding friendly fire.

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C. Hierarchy of Goals

Exhibit 7.3
Effectively designed organizational goals fit into a hierarchy where the achievement of goals at lower levels permits the attainment of higher-level goals. This is called a *means-ends chain* because lower-level goals lead to accomplishment of higher-level goals.

The shrinking of middle management combined with a new emphasis on employee empowerment have led to greater involvement of all employees in goal-setting and planning at each level.

An example of a goal hierarchy is illustrated in Exhibit 7.3.

**Discussion Question #3:** What strategic plans could the college or university at which you are taking this management course adopt to compete for students in the marketplace? Would these strategies depend on the school’s goals?

### IV. CRITERIA FOR EFFECTIVE GOALS

**Exhibit 7.4**

A. Goal Characteristics

Goal characteristics pertain to organizational goals at the strategic, tactical, and operational levels:

- **Specific and measurable.** When possible, goals should be expressed in quantitative terms. Vague goals tend not to motivate employees.

- **Cover key result areas.** Key result areas are those items that contribute most to company performance. Key result areas should include both internal and external customers.

- **Challenging but realistic.** The best quality programs start with extremely ambitious goals that challenge employees to meet high standards.

  When goals are unrealistic, they set employees up for failure and lead to decreasing employee morale.

  If goals are too easy, employees may not feel motivated.

  *Stretch goals* are extremely ambitious by realistic goals that challenge employees to meet high standards.

- **Defined time period.** Goals should specify the time period over which they will be achieved; a time period is a deadline on which goal attainment will be measured.

- **Linked to rewards.** The impact of goals depends on the extent to which salary increases, promotions, and awards are based on goal achievement.

  People who attain goals should be rewarded.
Discussion Question #6: What are the characteristics of effective goals? Would it be better to have no goals at all than to have goals that do not meet these criteria?

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V. PLANNING TYPES

- What kinds of planning approaches do managers use?

Managers use strategic, tactical, and operational goals to direct employees and resources toward achieving specific outcomes, so the organization performs efficiently and effectively.

Managers use a number of planning approaches to include management by objectives, single-use plans, standing plans, and contingency plans.

A. Management by Objectives

Management by objectives (MBO) is a method whereby managers and employees define objectives for every department, project, and person and use them to monitor subsequent performance.

Four major activities must occur in order for MBO to be successful.

- Setting goals. Setting goals is the most difficult step in MBO and should involve employees at all levels.
  
  A good goal should be concrete and realistic, provide a specific target and time frame, and assign responsibility.
  
  Mutual agreement between employee and supervisor creates 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 action plans are working.
  
  This review allows managers and employees to see if they are on target and if corrective action is necessary.

- Appraising overall performance. The final step in MBO is to evaluate whether annual goals have been achieved for both individuals and departments.

  Success or failure to achieve goals can be part of the performance appraisal system and the designation of salary increases and other rewards.

  Siemens of Germany instituted MBO and has dramatically improved its speed and overall financial performance; MBO helped energize manager and employee actions.
The MBO cycle repeats itself on an annual basis.

Exhibit 7.6

The benefits of the MBO process can be many. Corporate goals are more likely to be achieved when they focus on manager and employee efforts.

Problems with MBO occur when the company faces rapid change; the environment and internal activities must have some stability for performance to be measured against goals.

Discussion Question #4: If you were a top manager of a medium sized real estate sales agency, would you use MBO? If so, give examples of goals you might set for managers and sales agents.

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B. Single-Use and Standing Plans Exhibit 7.7

Single-use plans are developed to achieve objectives that are not likely to be repeated in the future.

Single-use plans include both programs and projects.

Standing plans are used to provide guidance for tasks performed repeatedly within the organization.

The primary standing plans are organizational policies, rules, and procedures.

Many companies are discovering a need to develop standing plans regarding the use of email.
CHAPTER 7  Managerial Planning and Goal Setting  •  181

MANAGER’S SHOPTALK

Regulating E-Mail in the Workplace

Top executives around the globe are discovering that casual e-mail messages can come back to haunt them—in court. Of the 1,100 companies surveyed 14 percent had been ordered to disclose e-mail messages. A written formal policy is the best way for companies to protect themselves.

• Make clear that all e-mail and its contents are the property of the company.
• Tie the policy to the company’s sexual harassment policy or other policies governing employee behavior on the job.
• Establish clear guidelines on matters such as the use of e-mail for jokes and other non-work related communication, the sending of confidential messages, and how to handle junk e-mail.
• Establish guidelines for deleting or retaining messages.
• Consider having policies pop up on users’ screens when they log on.

C. Contingency Plans

Contingency plans, often referred to as scenarios, define company responses to be taken in case of emergencies or setbacks.

Contingency plans cover such situations as catastrophic decreases in sales or prices, and loss of important managers.

Discussion Question #8: Assume Southern University decides to (1) raise its admission standards and (2) initiate a business fair to which local townspeople will be invited. What types of plans would it use to carry out these two activities?

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VI. PLANNING IN A TURBULENT ENVIRONMENT

Why had contingency planning taken on a whole new urgency?

For U.S. firms, September 11, 2001 marked a turning point, when the turbulence and the uncertainty of today’s world became frighteningly clear.

Since then, managers have renewed their emphasis on bracing for unexpected --- even unimaginable—events.
Two recent extensions of contingency planning are building scenarios and crisis management planning.

A. Building Scenarios

Scenario building is looking at trends and discontinuities and imagining possible alternative futures to build a framework within which unexpected future events can be managed.

With scenario building a broad base of managers mentally rehearse different scenarios based on anticipating varied changes that could impact the organization.

Scenarios are like stories that offer alternative vivid pictures of what the future will look like and how managers will respond.

Typically, two to five scenarios are developed for each set of factors, ranging from the most optimistic to the most pessimistic view.

Scenario building forces managers to mentally rehearse what they would do if their best-laid plans collapse; Royal Dutch/Shell has long used scenarios for the oil industry.

By rehearsing a scenario in which oil supplies were disrupted and prices rose, Shell was prepared for the 1973 oil embargo and moved from number 8 to being the second largest oil company in the world.

Discussion Question #10: How does scenario building differ from contingency planning?

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B. Crisis Management Planning

Managers cannot always anticipate future events and build scenarios to cope with them.

Events are so sudden and devastating that they require immediate response.

Consider the November 2001 crash of an American Airlines flight in a New York neighborhood already devastated by terrorist attacks.

For managers to respond appropriately, they need carefully thought-out and coordinated crisis management plans.

The three essential stages of crisis management include prevention, preparation, and containment.

1. Prevention

Although unexpected events and disasters will happen, managers should do everything they can to prevent crises.

Exhibit 7.8
A critical part of the prevention stage is building trusting relationships with key stakeholders such as employees, customers, suppliers, governments, unions, and the community.

By developing favorable relationships, managers can often prevent crises from happening and respond more effectively to those that cannot be avoided.

For example, organizations that have open, trusting relationships with employees and unions may avoid crippling labor strikes.

Good communication helps managers identify problems early so they do not turn into major issues.

Nike did not heed the warning that its logo would offend Muslims; the company had to recall nearly 40,000 pairs of shoes and issue an apology to Muslims.

2. Preparation

Preparation includes designating a crisis management team and spokesperson, creating a detailed crisis management plan, and setting up an effective communications system.

Some companies are setting up crisis management offices, with high-level leaders who report direction to the CEO.

The crisis management team is a cross-functional group of people who are designated to swing into action if a crisis occurs.

They are closely involved in creating the crisis management plan they will implement if a crisis occurs; a spokesperson should be designated.

The crisis management plan is a detailed written plan that specifies the steps to be taken, and by whom, if a crisis occurs.

The plan should ensure the safety of employees, customers, procedures for back-up and recovery of computer systems, evacuation procedures, and alternative work sites.

The plan should be a living, changing document that is regularly reviewed, practiced, and updated as needed.

A command center serves as a place for the crisis management team to meet, gather data and monitor incoming information, and disseminate information to the media.

3. Containment

Some crises are inevitable, and a rapid response is crucial.

Containment focuses on the organization’s response to an actual crisis and any follow-up concerns.

At this stage, it is critical for the organization to speak with one voice so there are no conflicting stories about events and the organization’s actions.
After ensuring people’s safety, the next focus is on responding to the emotional needs of employees, customers, and the public.

Giving facts and statistics to downplay the disaster always backfires because it does not meet emotional needs; people need to feel that someone cares about the effects of this disaster.

Organizations should strive to give a sense of security and hope by getting back to business quickly; people want to feel that they have a job and can care for their families.

A crisis is an important time for companies to strengthen their stakeholder relationships.

Discussion Question #7: How is planning changing in the new workplace? Do you think planning becomes more important or less important in a world where everything is changing so fast and crises have become a regular part of organizational life? Why?

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V PLANNING FOR HIGH PERFORMANCE

How does planning affect performance?

The purpose of planning and goal setting is to help the organization achieve high performance.

Overall organizational performance depends on achieving outcomes identified by the planning process; traditionally, strategy and planning have been done by top managers. Today, managers involve people from throughout the organization.

A. Traditional Planning Approaches.

Traditionally, corporate planning has been done by top executives or by central planning departments.

The central planning department is a group of planning specialists who developed strategic plans for the corporation as a whole; this was the 1970s approach.

Central planning departments may be out of touch with the constantly changing realities faced by front line employees, leaving them with a plan that no longer fits.

B. High-Performance Planning Approaches.

A new approach to planning is to involve everyone in the organization and sometimes outside stakeholders as well, in the planning process.

Decentralized planning means that planning experts work with managers in major divisions or departments to develop their own goals and plans.
This enables managers throughout the company to come up with their own creative solutions to problems and become more committed to following through on plans.

Top executives saw the benefits of pushing decentralized planning further, by having planning experts work directly with line managers and front-line employees to plan. Planning comes alive when employees are involved in setting goals and determining the means to reach them.

Some guidelines for planning in the new workplace:

1. Start with a Strong Mission and Vision

   Planning in the new workplace requires flexibility to meet ever-changing demands from the environment.

   During times of turbulence or uncertainty, a powerful sense of purpose (mission) and direction (vision) becomes even more important.

   Without guidelines for thinking and behavior, the resources of a fast-moving company can become uncoordinated, with employees pursuing different plans.

   A compelling mission and vision can serve to increase employee commitment and motivation, which are critical to compete in a fast-shifting environment.

2. Set Stretch Goals.

   Stretch goals are highly ambitious goals that are so clear, compelling, and imaginative that they fire up employees and fuel progress.

   A company that focuses on gradual, incremental improvements to products, processes, or systems will get left behind.

   Managers use stretch goals to achieve six sigma quality, by first setting a goal which, once reached, is stretched to a far higher level.

### UNLOCKING CREATIVE SOLUTIONS THROUGH PEOPLE

**SRC Holdings Corporation: Changing Lives by Changing Business**

Jack Stack and 12 other former International Harvester managers started Springfield Remanufacturing Corporation on a shoestring in 1983. Today the company is part of SRC Holdings Corporation, a group of 22 semiautonomous companies. Stack has tapped into people’s universal desire to win. His philosophy is that “the best, most efficient, most profitable way to operate a business is to give everybody a voice in how the company is run and a stake in the financial outcome, good or bad.” Top managers meet with middle managers, supervisors, and front-line employees throughout their divisions to develop and sell their long-range plans. Employees take their company’s success personally because they all own shares in the company.

3. Create a Culture that Encourages Learning.
Today’s managers create an environment that celebrates diversity, supports risk-taking, and encourages constant experimentation and learning. Managers advocate individual lifelong learning, and they invest in education and training to keep people’s minds and skills sharp. An important value is questioning the status quo; opportunities might come from very different directions than the basis of today’s success.

Managers have to change quickly, which requires a mind-set that embraces ambiguity, risk taking, making mistakes, and learning.

4. Embrace Event-Driven Planning

*Exhibit 7.9*

*Event-driven planning* is a continuous, sequential process rather than a staid planning document. It is evolutionary and interactive, taking advantage of unforeseen events to shift the company as needed to improve performance. Event-driven planning allows for flexibility to adapt to market forces or other shifts in the environment, rather than being tied to a plan that no longer works.

5. Use Temporary Task Forces

A *planning task force* is a group of managers and employees who develop a strategic plan. Many companies use interdepartmental task forces to help establish goals and make plans for achieving them. Today’s companies are focused on satisfying the needs and interests of all stakeholder groups, so they bring them into the planning and goal-setting process.

6. Planning Still Starts and Stops at the Top

Top managers create a mission and vision that is worthy of employees’ best efforts and provides a framework for planning and goal setting. Even though planning is decentralized, top managers must show support and commitment to the planning process. Top managers also accept responsibility when planning and goal setting are ineffective, rather than blaming the failure on lower-level managers or workers.

**Discussion Question #9:** In what types of organizations do you think event-based planning would be most useful? Why

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**Lecture Example File**
Nokia is planning to introduce a new product that will penetrate and serve a new target market. The introduction of a new range of handcrafted mobile telephones, some adorned with precious stones, as the world's largest mobile phone maker steps up efforts to tap the luxury goods market.

A new Nokia subsidiary, called Vertu, will start operations later this month to produce status-symbol mobiles and other personal communications devices for the seriously rich.

The move comes at a time that mobile phone makers are looking to find new growth areas as sales stall in saturated markets following several years of runaway growth.

Nokia's rivals have for years produced limited editions of expensive phones or built custom-made ones.

A few years ago Sweden's Ericsson made gold-plated phones for several customers in the Middle East. U.S wireless company Motorola has added gold and black and white diamond elements to its phones, popular with oil sheiks, and works with the Dubai agent of luxury jeweler Tiffany & Co.

The only luxury phone Nokia produces is a gold version of the tiny 8850-fashion phone for the Asian Pacific market.

The new division is a marked shift by Nokia, which makes one in three of all phones, sold globally and has built its brand through its strong designs, user-friendly phones and ability to adapt quickly to consumer demand.

Management has developed this new set of strategies to create a competitive edge to serve a market segment that has been ignored in the past. To be successful, these strategies must be in place, restructuring of division must be forth coming, and reengineering of existing jobs must be changed to reflect the shifts occurring in the marketplace.

**Answers to End-of-Chapter Discussion Questions**

1. *What types of planning would have helped Exxon respond more quickly to the oil spill from the Exxon Valdez near Alaska?*

   If Exxon had developed detailed contingency plans, it could have responded more quickly. Contingency planning is done to prepare for uncontrollable factors including accidents.

2. *Write a brief mission statement for a local business. Can the purpose and values of a small organization be captured in a written statement?*

   This question is designed to give students the opportunity to write a mission statement. Usually, they will discover that it is more difficult than they thought. The actual mission statement will vary by business. One would expect a short and straightforward statement. The basic business activities and purposes should be included. Values can also be included in such a statement.
3. What strategies could the college or university at which you are taking this management course adopt to compete for students in the marketplace? Would these strategies depend on the school’s goal?

Yes, strategies will depend on the school’s goal. For example, if a university adopted a goal of increasing the number of merit scholars who enroll each year from 50 to 60, then strategies could be to send letters to merit scholars, schedule visits of university representatives at the schools, or offer scholarships to entice the students to attend the university. If the goal is simply to increase the number of students, administrators could determine what attracts students to the university and attempt to adopt strategies related to them. The strategies might include the implementation of highly visible programs such as changing tuition rates, building additional dormitories, or striving to field a winning football team.

4. If you were a top manager of a medium sized real estate sales agency, would you use MBO? If so, give examples of goals you might set for managers and sales agents.

A real estate agency is ideally suited to management by objectives because agents’ activities are discrete and measurable. Goals can be set for the agency as a whole and for each sales manager and agent. For example sales goals might describe the number of calls an agent should make, the amount of deposits expected each week or month, and the total amount of sales. Action plans would include activities needed to generate the desired sales, including local advertising and direct contact of people who plan to move into town. Progress could be reviewed every month and overall performance evaluated at the end of the year. MBO could be a powerful technique in this type of organization.

5. A new business venture has to develop a comprehensive business plan to borrow money to get started. Companies such as Federal Express, NIKE, and Rolm Corporation say they did not follow the original plan very closely. Does that mean Developing the plan was a waste of time for these eventually successful companies?

No, it was not a waste of time for these companies. Developing a business plan also helps a company consider all aspects of the business. For example, an inventor may come up with a neat new product and not consider where or how to market it. He may not consider financing either. Developing a business plan helps the company devise options not previously considered. Even if the plan is not followed exactly, it provides many other benefits.

6. A famous management theorist proposed that the time horizons for all strategic plans are becoming shorter because of the rapid changes occurring in organizations’ external environments. Do you agree? Would the planning time horizon for IBM or Ford Motor Company be shorter than it was 20 years ago?

This question is designed to stimulate student thinking, and there is no single correct answer. Generally, researchers and managers believe that the rate of change in the external environment is faster than it was 20 or more years ago. The question is how
the rate of change influences planning. The outcome is somewhat paradoxical. As organizations experience greater environmental turbulence, managers feel greater pressure to plan, but plans are less effective. Plans are only good for the foreseeable future; in a rapidly changing environment they are not a good indicator of the future. When environmental change is slow, managers have greater ability to plan for the future, but plans are unneeded because environmental elements tomorrow will be very much the same as today. For the most part, genuinely reliable plans are short term--from 1 to 2 years. Most managers agree that seeing even 5 years into the future is impossible. They go through the planning process but rely most heavily on shorter-term plans. Thus, we might reasonably expect that the planning time horizon for IBM or Ford Motor Company would not be any longer than it was 20 years ago, and could be even shorter.

7. What are the characteristics of effective goals? Would it be better to have no goals at all than to have goals that do not meet these criteria?

The goal setting process, whether for the individual, division, or the organization, is enhanced by following specific guidelines, as described in the chapter. First, goals should be clearly defined and measurable in quantitative terms. For example, decreasing production costs 3 percent, or increasing profits by 2 percent. Managers should identify a few areas, which are important to overall company performance. Concentration of goals in these key result areas increases the possibility of success. Once key areas have been identified, managers should establish goals that challenge the organization, but which can be realistically achieved. Goals should not be open-ended, but should include a specific deadline for achievement, at which point goal attainment can be measured. Goal achievement should be tied to some reward through salary increases, individual awards, promotions, etc. The attainment of goals and setting of new goals is a measure of constant improvement, and it is never in the best interest of an individual or organization to forego goal-setting because some element, such as the link to rewards, is not included.

8. What do you think are the advantages and disadvantages of having a centralized planning department to do an organization’s planning compared with having decentralized planning groups provide planning support to line managers?

The centralized planning department can hire staff experts who are skilled and trained in the planning process. These experts gather data on the environment and the organization; they use sophisticated statistical tools to help analyze trends and develop plans for the future. The disadvantage is that they tend to be too far removed from the day-to-day activities and markets of the organization. Planning thus becomes an abstract set of statistical computations rather than a realistic set of activities that meets the organization’s needs. A related disadvantage is that line managers, who know the most about an organization and are responsible for implementing the plan, are less likely to be involved when planning is done by a centralized department. A decentralized planning staff, on the other hand, provides support and training to the line managers, who assume responsibility for the plan.
9. Assume Southern University decides to (1) raise its admission standards and (2) initiate a business fair to which local townspeople will be invited. What types of plans would it use to carry out these two activities?

Raising admission standards would require a standing plan to provide guidance for admissions performed repeatedly over the next several semesters. Within the concept of a standing plan, the university may use policies, procedures, or rules to enforce the new admission standards. A policy would define admission standards, in general, and procedures would describe how to admit students under the new policy. Specific rules might also be established for specifying exactly what action to take in specific admission situations.

Initiating a business fair would probably require a single-use plan. The single-use plan develops a set of objectives that will not be repeated in the future. The business fair would probably be considered a project, for which participants would develop a set of short-term objectives and plans to achieve the one-time goal.

**Teaching Note for Experiential Exercise**

**Company Crime Wave**

This short exercise provides an excellent opportunity to review and reinforce the material on ethics from Chapter 5. The discussion of whether the listed behaviors are theft, acceptable behavior, or somewhere in between can be done individually or in small discussion groups. Once consensus is reached on how the items should be categorized, break the class into small discussion groups. Each group should develop its own ethics policy. You should allow 20 to 30 minutes for this activity. Then bring the class back together. Have each group read its ethics policy to the class, then lead a discussion on the strong and weak points of each policy. Close the exercise with identifying the elements of an ethics policy that most groups included or now feel is important as a result of hearing other groups’ policies.

**Teaching Note for Ethical Dilemma**

**Repair or Replace?**

Gambling on the service department to fix Ross & Lindsey’s current hodgepodge system is a gamble Nolan and ComputerSource can’t afford to take. For one thing, Nolan realizes ComputerSource cannot afford the amount of time and work needed to really correct the problems with the client’s current system—and indeed, completely correcting those problems is likely impossible. To take money from the client and fix the problem only half-way would not only be unethical but also bad for future business. “If it doesn’t work, it is their problem,” is an attitude no service business can afford to take. The best option here is Number 3—to be open and honest with the client, give them as much information as possible, and allow them to make an informed choice. It’s true that Nolan is risking having Ross & Lindsey take their business elsewhere, but he is pretty sure they
will face the same problem with other companies. In addition, he can still offer to take the patchwork approach, as long as the client is aware of the possible problems with such an approach.

Surf the Net

1. **Organizational Mission.** Student responses in the selection of three mission statements of fortune 500 firms will vary. Examples of three companies are: TDIIndustries is the premier Construction and Service company in Texas, providing mechanical, refrigeration, electrical, plumbing, control, building control and energy services to customers all over the Southwest and especially Texas for over 50 years. Hewlett-Packard. We have trust and respect for individuals. We focus on a high level of achievement and contribution. We conduct our business with uncompromising integrity. We achieve our common objectives through teamwork. We encourage flexibility and innovation.

   **Synovus Financial Corporation.** To exceed expectations of our customers by delivering the finest quality customer service. Through well-trained and highly motivated employees who provide continuous quality improvements that produce the highest levels of corporate performance and enhance value for our shareholders.

2. **Schedules.** On the Free Download site, the software offered will of course change from month to month. But at the time of this publication, students should download the more generic business software such as Task Plus Professional 4.2.5, JobPro Central Scheduling Task and Job Management 2.6 and Appointment Book Network Version 3.6.

3. **Shewhart Cycle.** Walter A. Shewhart, father of statistical quality control, “Shewhart simulated theoretical models by marking numbers on three different sets of metal-rimmed tags. Then he used an ordinary kitchen bowl – the Shewhart bowl – to hold each set of chips as different sized samples were drawn from his three different populations. There was a bowl; and it played a vital role in the development of ideas and formulation of methods culminating in the Shewhart control charts.”

Case for Critical Analysis Solution

**H.I.D.**

1. *What is H.I.D.’s mission at the present time? How may this mission change?*

   H.I.D.’s current mission could be stated as “providing medium-priced hotel lodging in smaller city locations in Georgia and Canada.” If Dave Collins’ proposal is accepted, this mission would change to one of providing expensive hotel lodging in large cities on a nationwide basis.

2. *What do you think H.I.D.’s mission, strategic goals, and strategic plans are likely to be at the end of this planning session? Why?*
What the new mission and goals will be is hard to predict exactly. Dave Collins, who is H.I.D.’s president, proposes the most ambitious goals including 50 hotels in 10 years. If Collins’ mission is adopted, the strategic goals will be to build 26 or 27 hotels over the next five years in new locations. Strategic planning will be focused on identifying locations for these hotels and obtaining financing and construction. However, the opinions of other executives will carry weight in the discussion. They too are knowledgeable, and they do not feel that such rapid growth is appropriate. Collins may give in to them and accept a more moderate goal of 20 hotels in 10 years, with about 15 over the next 5 years. One possible outcome is that, after fully discussing the issue, the executives will compromise on some middle ground. The compromise will be less growth than Collins wants, but more growth than is desired by the other executives.

3. What goal-setting behavior is being used here to reach agreement among H.I.D.’s managers? Do managers typically disagree about the direction of their organization?

The behavior in this case is coalition building. As managers offer different points of view, they arrive at an understanding of the range of goal possibilities and begin to form alliances. After the initial discussion, Dave Collins had different goals from the others, who might be considered to have a tentative coalition. However, through additional discussion, Dave Collins and the others will probably reach agreement and pursue the new goals with a single mind. This kind of discussion, disagreement, and negotiation is typical for top managers trying to agree on the direction of the organization. People working at lower levels may take goals for granted, but top managers have to select goals from among conflicting alternatives.