

An aerial photograph of a large, colorful geometric plaza. The plaza is composed of various colored rectangular sections: light blue, white, red, purple, and green. A large green square is the central focus, with several people walking on it. Other people are scattered throughout the plaza, some walking on the light blue paths. The overall design is reminiscent of Piet Mondrian's abstract art style.

7th Asia-Pacific Edition

# MANAGEMENT

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Organisational planning and goal setting

# CHAPTER 7



# CHAPTER 07

## Organisational planning and goal setting

1

Define goals and plans, and explain the relationship between them

2

Describe the types of goals an organisation should have and how managers use strategy maps to align goals

3

Describe the four essential steps in the process of management by objectives (MBO)

4

Discuss the benefits and limitations of planning

5

Describe and explain the importance of contingency planning, scenario building and crisis planning for today's managers

6

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



Does goal setting fit your management style?

	Mostly true	Mostly false
1 I have clear, specific goals in several areas.		
2 I have a definite outcome in life that I want to achieve.		
3 I prefer general to specific goals.		
4 I work better without specific deadlines.		
5 I set aside time each day or week to plan my work.		
6 I am clear about the measures that indicate when I have achieved a goal.		
7 I work better when I set more challenging goals for myself.		
8 I help other people clarify and define their goals.		



# GOAL SETTING AND PLANNING

- Of the four management functions – **planning**, organising, leading and controlling – described in Chapter 1, planning is considered the most fundamental

goal	plan
<ul style="list-style-type: none"><li>• A desired future state that the organisation attempts to realise.</li></ul>	<ul style="list-style-type: none"><li>• A blueprint specifying the resource allocations, schedules and other actions necessary for attaining goals.</li></ul>



# GOALS, PLANS AND PERFORMANCE

- Planning starts with a formal mission that defines the basic purpose of the organisation, especially for external audiences.
- The mission is the basis for the strategic (organisation) level of goals and plans.
- This in turn shapes the tactical (divisional) level and the operational (departmental) level.
- Goals and plans at all levels of the organisation interweave, contribute to, and support each other.



# LEVELS OF GOALS OR PLANS AND THEIR IMPORTANCE

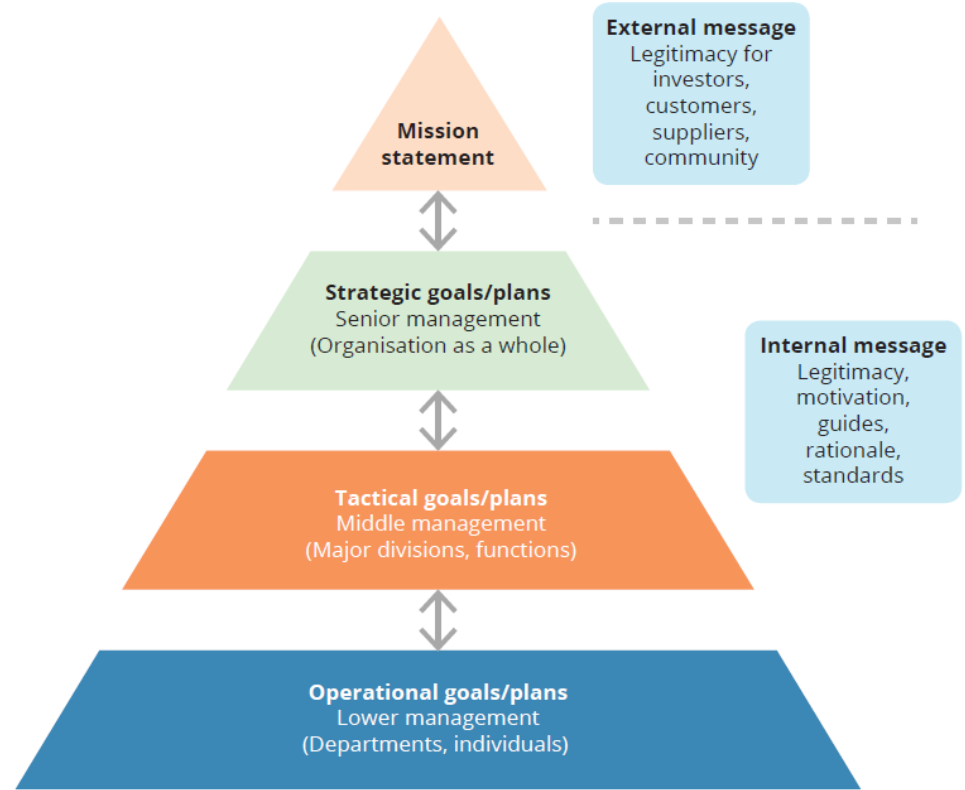


Exhibit 7.1 Levels of goals or plans and their importance



# ORGANISATIONAL PLANNING PROCESS

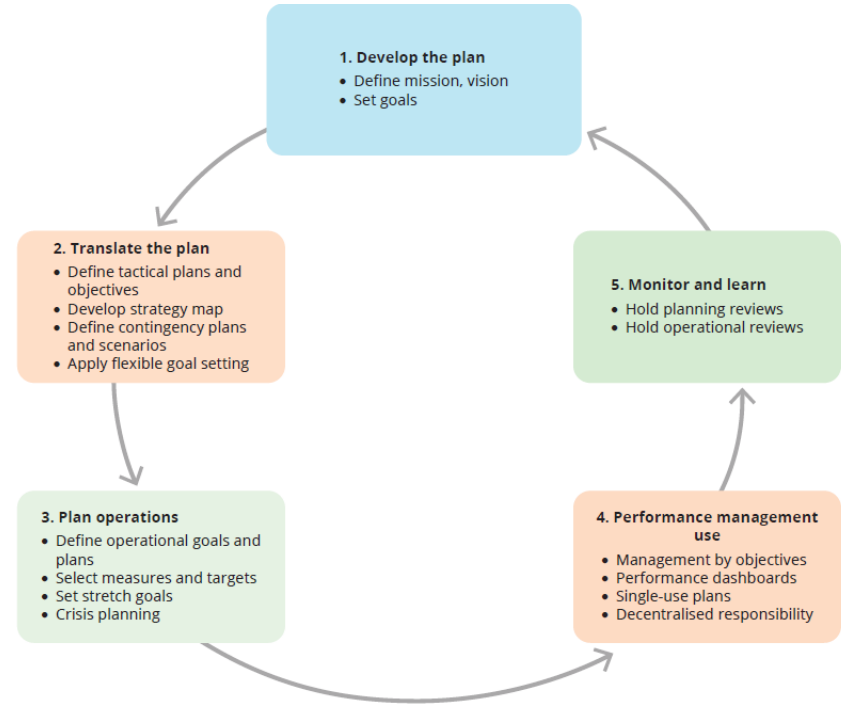


Exhibit 7.2 The organisational planning process

Source: Based on Kaplan, R. S. and Norton, D. P. (January 2008). 'Mastering the Management System'. *Harvard Business Review*, 63–77.



# MESSAGES AND VALUES CONTAINED IN GOALS AND PLANS

Important in terms of:

- Legitimacy (external and internal)
- Source of motivation and commitment
- Resource allocation
- Guides to action
- Rationale for decisions
- Standard of performance



# GOAL SETTING IN ORGANISATIONS

- The top goal in an organisation is the **mission**. It is an organisation's reason for existing
- The mission **statement is a broad definition** of the mission
- **Strategic goals** and **plans** need to be flexible
- The planning process comprises several steps and links all parts of the organisation



# GOALS AND PLANS

strategic goals	strategic plans	tactical goals	tactical plans	operational goals	operational plans
<ul style="list-style-type: none"><li>• Broad statements of where the organisation wants to be in the future</li><li>• Pertain to the organisation as a whole, rather than to specific divisions or departments.</li></ul>	<ul style="list-style-type: none"><li>• The action steps by which an organisation intends to attain its strategic goals.</li></ul>	<ul style="list-style-type: none"><li>• Goals that define the outcomes that major divisions and departments must achieve in order for the organisation to reach its overall goals.</li></ul>	<ul style="list-style-type: none"><li>• Plans designed to help execute major strategic plans and to accomplish a specific part of the organisation's strategy.</li></ul>	<ul style="list-style-type: none"><li>• Specific, measurable results expected from departments, work groups and individuals within the organisation.</li></ul>	<ul style="list-style-type: none"><li>• Plans developed at the organisation's lower levels that specify action steps towards achieving operational goals and that support tactical planning activities.</li></ul>



# ALIGNING GOALS WITH STRATEGY MAPS

Goals are aligned to help the organisation achieve high performance and fulfil its mission

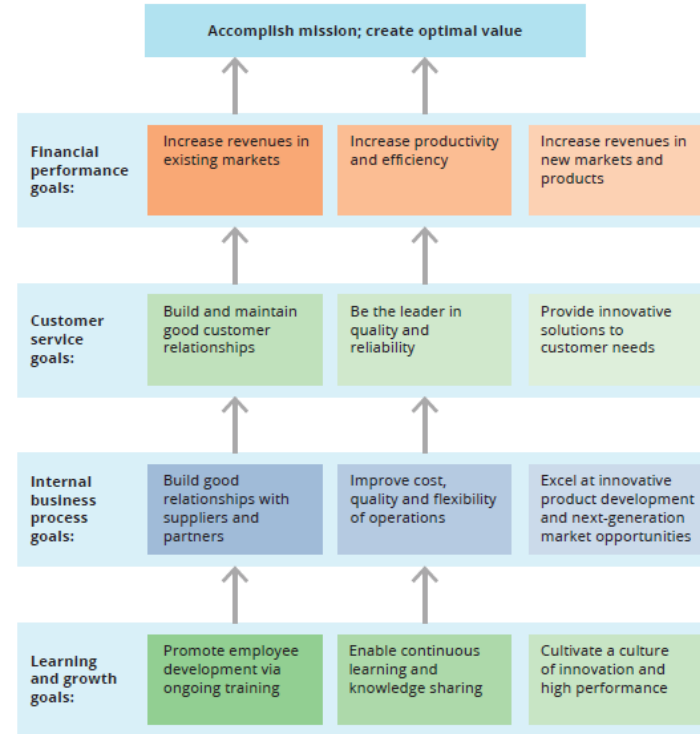


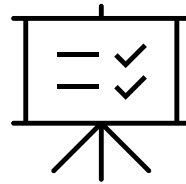
Exhibit 7.3 A strategy map for aligning goals

Source: Based on Kaplan, R. S. and Norton, D. P. (January 2008). 'Mastering the Management System'. *Harvard Business Review*, 63-77; and Kaplan, R. S. and Norton, D. P. (September-October 2000). 'Having Trouble with Your Strategy? Then Map It'. *Harvard Business Review*, 167-76.



# PERFORMANCE MANAGEMENT

- Important consideration is how to establish effective goals
- Goal setting directly influences employee motivation and performance
- Managers use goals in a number of planning approaches, including management-by-objectives (MBO), single-use plans and standing plans, for performance management



# CRITERIA FOR EFFECTIVE GOALS

- Effective goals share certain characteristics

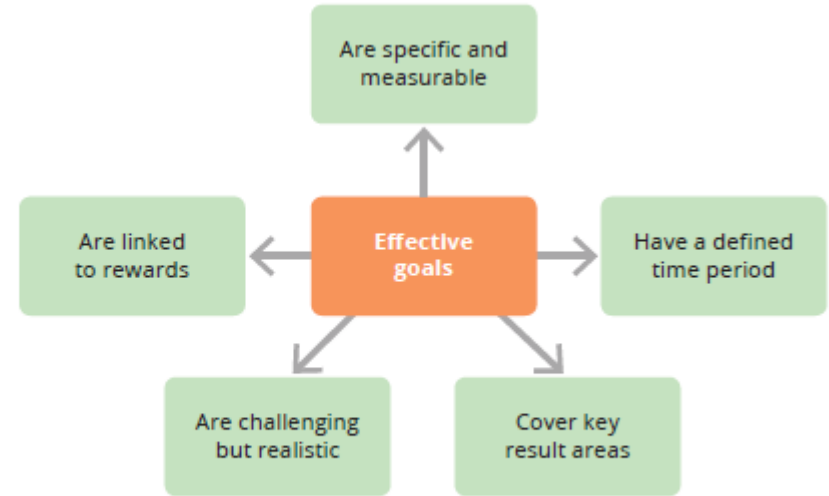


Exhibit 7.4 Characteristics of effective goals



# CHARACTERISTICS OF EFFECTIVE GOALS

- When possible, operational goals should be expressed in quantitative terms
- Not all goals can be expressed in numerical terms, but vague goals have little motivating power for employees
- Goals be precisely defined and allow for **measurable** progress
- Effective goals should have a **defined time period**
- Measurements are sometimes referred to as key performance indicators (KPIs)
- KPIs assess how well the organisation is progressing toward attaining its strategic goal





# BENEFITS OF MBO

Performance is improved when employees are committed to attaining the goal and are motivated because they help decide what is expected



Exhibit 7.6 MBO benefits



# PROBLEMS WITH MBO

- Problems occur when MBO is used inappropriately
  - Over-emphasis on goal attainment can lead to cutting corners
- MBO is not a stand-alone plan
- Alternative is MBM
  - Management by means which focuses attention on the methods and processes used to achieve goals



# SINGLE-USE AND STANDING PLANS

- Single-use plans
  - set of goals that are not likely to be used again
    - events not likely to recur
- Standing plans
  - provide ongoing guidance for tasks performed repeatedly in the organisation
    - processes and procedures



Single-use plans	Standing plans
<p><b>Program</b></p> <ul style="list-style-type: none"> <li>• Plans for attaining a one-time organisational goal</li> <li>• Major undertaking that may take several years to complete</li> <li>• Large in scope; may be associated with several projects</li> <li>• Examples: building a new headquarters; converting all paper files to digital</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Broad in scope – a general guide to action</li> <li>• Based on an organisation's overall goals/strategic plan</li> <li>• Defines boundaries within which to make decisions</li> <li>• Examples: drug-free workplace policies; sexual harassment policies; continuous improvement; social media policies</li> </ul>
<p><b>Project</b></p> <ul style="list-style-type: none"> <li>• Also a set of plans for attaining a one-time goal</li> <li>• Smaller in scope and complexity than a program; shorter time horizon</li> <li>• Often one part of a larger program</li> <li>• Examples: renovating the office; setting up an organisation intranet</li> </ul>	<p><b>Rule</b></p> <ul style="list-style-type: none"> <li>• Narrow in scope</li> <li>• Describes how a specific action is to be performed</li> <li>• May apply to specific setting</li> <li>• Examples: No-smoking rule in areas of plant where hazardous materials are stored</li> <li>• Procedure (sometimes called a standard operating procedure)</li> <li>• Defines a precise series of steps to attain certain goals</li> <li>• Examples: procedures for issuing refunds; procedures for handling employee grievances</li> </ul>

Exhibit 7.7 Major types of single-use and standing plans



# BENEFITS OF PLANNING

- Planning is generally beneficial
- Goals and plans:
  - Provide a source of motivation and commitment
  - Guide resource allocation
  - Are a guide to action
  - Set a standard of performance



# LIMITATIONS OF PLANNING

- Planning can also hurt organisations
- Goals and plans:
  - Can create too much pressure
  - Can create a false sense of security or certainty
  - Cause rigidity in a turbulent environment
  - Limits the benefit of intuition and creativity



# PLANNING IN A TURBULENT ENVIRONMENT

Types of planning to **counter** the effects of today's turbulent environment:

- Contingency planning
- Scenario planning
- Crisis planning



# CONTINGENCY PLANNING

- Defines organisation response to specific situations such as emergencies, setbacks or unexpected conditions
- Brain storm worst case scenarios
- Develop strategies to counter impacts



# SCENARIO PLANNING

- A forecasting technique
  - Is **future**-focused
- Possible scenarios based on extrapolating from current trends and considering future discontinuities
- Two to five possible scenarios for each factor
- Strategies to deal with each scenario



# CRISIS PLANNING

- Firms engage in *crisis planning* to help them cope with serious and unexpected events or disasters
- Crisis planning enhances a company's ability to respond to events that may have significant or even crippling repercussions
- Good crisis planning may well reduce the incidence of trouble



# CRISIS MANAGEMENT PLANNING

- A good **crisis management plan (CMP)** can mitigate the effects of sudden and devastating events. It should cover:
  - Pre-event preparation and planning
  - Response and recovery, and
  - Post event strategies.



# CRITICAL INFRASTRUCTURE DISTURBANCE PROCESS (CIDP)

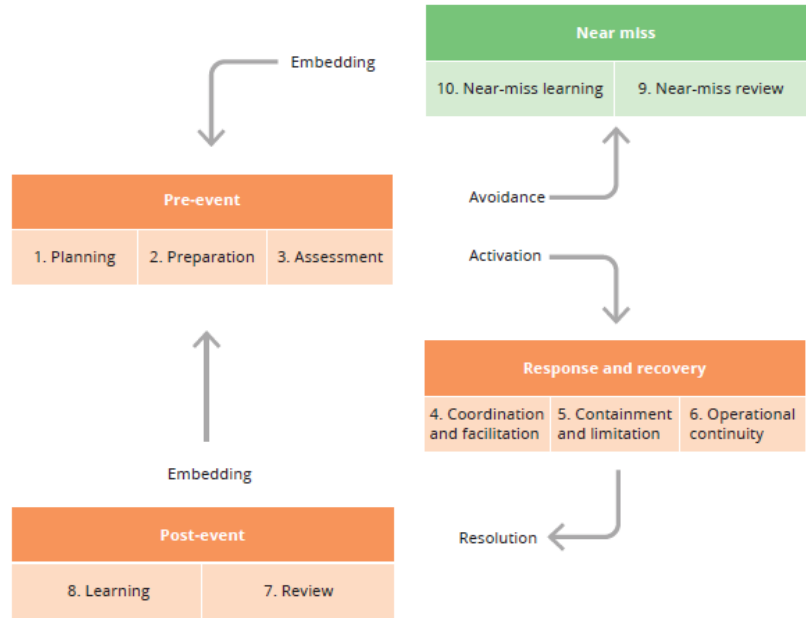


Exhibit 7.8 Critical infrastructure disturbance process (CIDP)

Source: Developed by Devine, M. J. (2014). 'Risk Management and High Reliability; A case study of Australian Airport Management' (PhD thesis), p. 285.



# PRE-EVENT

- Although unexpected events and disasters will happen, managers should aim to prevent crises
- Critical part of the pre-event stage is building trusting relationships with key stakeholders such as employees, customers, suppliers, governments, unions and the community
- Open communication helps identify problems early so they do not turn into major issues



# PREPARATION AND PLANNING

- Preparation is the most prevalent of the three pre-event functions
- Requires the manager to designate a crisis management team and spokesperson
- Create a detailed **crisis management plan** and set up an effective communications

## crisis management plan (CMP)

- A detailed written plan that specifies the steps to be taken, and by whom, if a crisis occurs.



# RESPONSE AND RECOVERY

- When crisis hits, a rapid response is crucial
- Activate the crisis management plan
- Critical for the organisation to speak with one voice so people do not get conflicting stories
- Ensure people's physical safety in a crisis
- Next focus is responding to the emotional needs of employees, customers and the public



# POST-EVENT

- Important for an organisation to reflect on what it has just experienced
- Ensure that any mistakes are not repeated
- Improve the chances of avoiding the same type of disturbance happening again
- Post-event reviews
- Learnings to embed back into the crisis management process



# INNOVATIVE APPROACHES TO PLANNING

- Involving every one in the organisation
- Sometimes outside stakeholders are involved
- Guidelines for innovative planning:
  - Set **stretch** goals
  - Use performance dashboards
  - Apply flexible goal setting



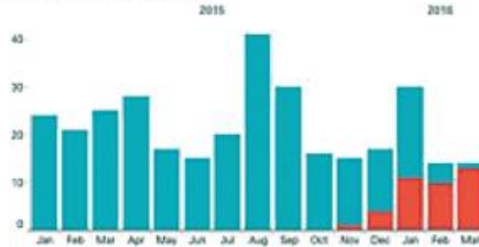
# Complaints Dashboard

Total Complaints: **Closed 288** **Open 39** **Total 327**

Date Received: 1/1/2015 ————— 3/18/2018

Source Type: All Show Open/Closed: All

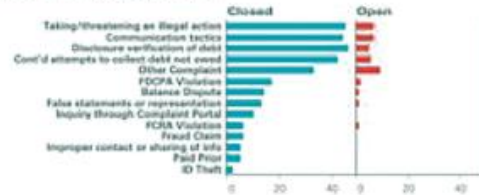
## Complaints by Month



## Open Complaints by State (click to filter)



## Complaints by Reason



## Complaints by Party (click to filter)

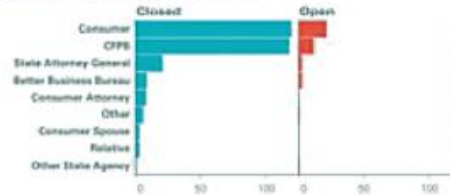


Exhibit 7.10 A performance dashboard for planning

Source: Andy Cotgreave, '7 Tips and Tricks from the Dashboard Experts', Tableau Software, LLC. ([https://www.tableau.com/about/blog/2017/10/7-tips-and-tricks-dashboard-experts-76821?\\_\\_src=liftigniter&\\_\\_widget=blog-widget&di\\_source=LI&di\\_medium=blog-widget](https://www.tableau.com/about/blog/2017/10/7-tips-and-tricks-dashboard-experts-76821?__src=liftigniter&__widget=blog-widget&di_source=LI&di_medium=blog-widget))



# SUSTAINABLE DEVELOPMENT AND GOAL SETTING

- Sustainable organisations set goals for their environmental performance
  - e.g. Reducing carbon footprint by 20% over three years
- This achieves systematic and disciplined implementation rather than **talk and no action**



# CHAPTER 7 – BRIEF SUMMARY

7.1 Planning is the act of determining goals and defining the means of achieving them.

7.2 Goals and plans need to be in alignment so that they are consistent and mutually supportive.

7.3 Managers formulate goals that are specific and measurable, cover key result areas, are challenging but realistic, have a defined time period and are linked to rewards.

7.4 Planning and goal setting can provide a source of motivation and guide effective decision making for performance and resource allocation, but can also provide a sense of false security and reduce the organisation's ability to navigate turbulent times if they are not flexible or responsive.

7.5 Managers use innovative planning approaches to cope with today's turbulent environment. Contingency planning and scenario building allow managers to look at trends and discontinuities in the environment in order to identify solutions before problems arise for the organisation – making them more prepared for an uncertain future.

7.6 Approaches to planning change with the times. In many companies today, planning leverages the use of performance dashboards and continually revising challenging stretch goals to remain adaptive.

