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Managing Performance Improvement

Sample only

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PEARSON

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Setting goals for the organisation

Learning outcomes

After reading this chapter you should be able to:

- * explain why planning is necessary
- * explain why plans should be written
- * explain the term 'planning'
- * state why planning is a legitimate management function
- * explain how better planning may reduce mistakes
- * list the components of plans
- * state the reasons for managers' need to plan
- * explain the benefits of planning in a changing environment
- * state the purpose of a vision statement
- * state the purpose of a mission statement
- * identify the differences between strategic and operational planning
- * explain the term 'strategic planning'
- * explain the term 'goal'
- * outline the process of goal setting.



INTRODUCTION

While there is plenty of evidence in the research literature to suggest a connection between planning and performance, there is also a body of evidence to suggest that it may not be so directly or closely connected as is often assumed.¹ To capitalise on the connection, no matter how small or large, performance needs to be planned. The old saying ‘If you don’t know where you are going, how are you going to get there?’ evidences the common sensibility that some planning ought to occur before you embark on a course of action, even if only to clarify what the end will be. Those organisations that are regarded as highly successful have a number of things in common, including the existence of planning processes to identify what end results are required and how they can be achieved.²

All managers do planning in all areas of an organisation. It occurs in all sorts of organisations, from small businesses to large bureaucracies. Planning can be formal or informal in nature and, while this chapter suggests that planning should be somewhat formal (i.e. written down and shared), planning is just as legitimate if it is not written down and is known only to senior managers. (This often occurs in small businesses.) However, research has suggested that organisations are more likely to achieve results where plans are written down and shared among staff and managers, and where staff participate in the development of them.³ ‘Planning cannot guarantee improved performance, but it should improve the probability of improved performance.’⁴ Planning should be a vital part of performance management and the whole organisation if it is to achieve its goals.⁵ Without a performance plan you cannot manage the performance needed to reach organisational goals. This is reasonably self-evident. A plan is an objective reference point for the employer and employee. A written plan is a clear, objective statement of how the organisational goals will be achieved to which all can refer.

In this chapter the process of planning is examined, together with the process of strategic planning that forms the basis for the setting of goals and other performance targets or measures across the organisation.

What is planning?

Planning is a difficult and intangible management function to tie down. Yet, as humans, we do it all the time. We plan holidays, career moves, buying new cars and houses, family get-togethers, and how to get to places we have never been to before. This level of planning and fine detail does not seem to be reflected in management behaviour in the workplace. Note the following definitions of planning:

*. . . examining the future and drawing up the plan of action.*⁶

*. . . Planning encompasses defining the organisation’s objectives or goals, establishing an overall strategy for achieving these goals, and developing a comprehensive hierarchy of plans to integrate and coordinate activities.*⁷

*. . . Plans are projected courses of action aimed at achieving future objectives.*⁸

These definitions suggest that planning is an activity that looks at the future and how you will get there. Planning requires time to think about the future, and is a legitimate and essential management function. Managers need to take the time to think and plan to ensure that goals are met. This means that a manager can, and should, legitimately block out periods of the working day on a regular basis in order to think and plan. This kind of activity is part of your management responsibilities and is essential if you are to manage successfully.

In the 1970s and 1980s, when the Western world rediscovered the quality management processes Japan was using (which they originally imported from the United States, between the 1920s and 1950s),⁹ it learned that considerable time was devoted to the planning of work and much less to the actual execution of work. In fact, the ratio was approximately two-thirds of the available time set aside for planning and one-third for implementation. This underscores the perceived importance of the planning function for managers, especially in relation to managing performance. The Japanese found that more time spent in planning reduced mistakes and improved quality and productivity, thus boosting overall organisational performance. A reduction in mistakes leads to a reduction in costs incurred when organisations try to correct mistakes. The next section explores the relationship between planning and performance. Plans incorporate goals and actions, as suggested by Figure 1.1.

FIGURE 1.1 Components of plans



Why plan?

The reason that an organisation and its management must plan is simply to achieve its organisational goals, as well as the goals to which boards, shareholders and governments subscribe. Ideally, staff have some input into the process of setting the organisational objectives through the strategic planning processes. Table 1.1 provides further reasons why managers should plan.

TABLE 1.1 Why managers should plan

To:

- coordinate individual efforts
- enable action planning
- enable management of change
- facilitate decision making and reduce waste
- focus effort on results/goals
- give clear directions to others
- identify resources required
- meet deadlines
- monitor and evaluate performance
- reduce delays and disruptions
- reduce duplication
- reduce uncertainty
- set priorities
- set parameters for monitoring

In the current organisational environment the question is often asked: ‘Why bother to plan?’. Things often change so quickly that plans are frequently superseded within months or weeks of their being adopted. This is especially so in the technology industry and the public service, where a change in government or ministerial priorities (sometimes driven by knee-jerk reactions to public opinion) can completely reshape the objectives and strategies of a department or branch. Other industries where rapid change is occurring are banking and finance; education; gas, electricity and water supply; and communication services. This issue goes to the very heart of the reason for planning.

Learning organisations

In order to keep up with their frequently changing environment, organisations need to aim at achieving a 'learning organisation' culture. A learning organisation is one that has developed a continuous capacity to adapt and change to achieve sustained existence. The focus is on excelling for customers, staff and owners through expanding the organisation's capacity to ensure future success.

Learning organisations do not have boundaries as part of their structure. They thrive on risk taking and growth while ensuring a total quality management (TQM) style commitment to stakeholders. The TQM philosophy has a strong customer focus, with a belief that improvement never stops and that the key to effective TQM is empowerment of employees. Learning organisations utilising the TQM framework continuously benchmark against external sources to ensure that best practice is applied. The emphasis is on how people work together, strongly highlighting honesty, two-way feedback, and personal and professional development to motivate employees. These organisations also recognise that to improve, they need to review organisational visions and objectives in response to changes that shape external influences. This is a core part of the learning organisation's philosophy.

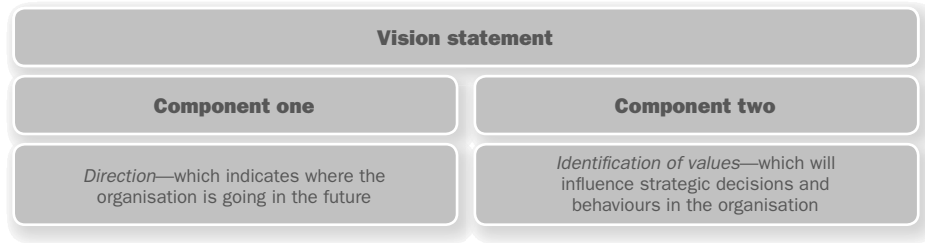
Planning in a changing environment

A changing environment, however, is not an adequate reason for abandoning the planning process. The process itself requires a manager to think carefully about the future and to develop strategies and actions to deal with it. This takes time and effort, and as a consequence you become familiar with the myriad issues, challenges, potential problems, competitors and environmental pressures that face your organisation. Even though you may choose goals and actions that are superseded for reasons beyond your control, the process of planning is not wasted. A skilfully developed plan will always incorporate elements of uncertainty, together with appropriate contingency measures. Having planned, you will understand the nature of your business more thoroughly, which will facilitate greater flexibility in, and ensure timeliness of, your response. Remember the Karpin Report, which noted that Australian managers were inflexible and rigid.¹⁰ A manager must accept that nothing is likely to stay the same in the new global environment. A skilled manager will be able to cope with and manage change as a matter of everyday activity, with the use of planning skills. A plan means that change is likely to reduce stress for all workers.

Planning for performance

Planning for performance starts at the very highest levels of an organisation, and a great deal of work needs to go into planning the organisation's performance. A vision must be decided on. This is a statement about the things that the organisation considers to be important. Perry et al. suggest that there are two components of an organisation's vision that are part of its culture:¹¹ first, there is the component of direction, which indicates where the organisation is going in the future; and second, there is the identification of values that will influence strategic decisions and behaviours within the organisation. A vision statement sets the direction. This is illustrated in Figure 1.2.

FIGURE 1.2 Components of a vision statement



Examples



Next, the mission of the organisation needs to be developed. This involves a broad description of what the organisation is about. The mission statement defines the overall purpose of the organisation, its reason for being. Some examples of mission statements are provided in Figure 1.3.

FIGURE 1.3 Mission statement examples



Vision and mission statements may also be combined in one statement: see Figure 1.4.

FIGURE 1.4 Combined vision and mission statement

'The Commonwealth Bank's vision is to be Australia's finest financial services organisation through excelling in customer service.

We aspire to:

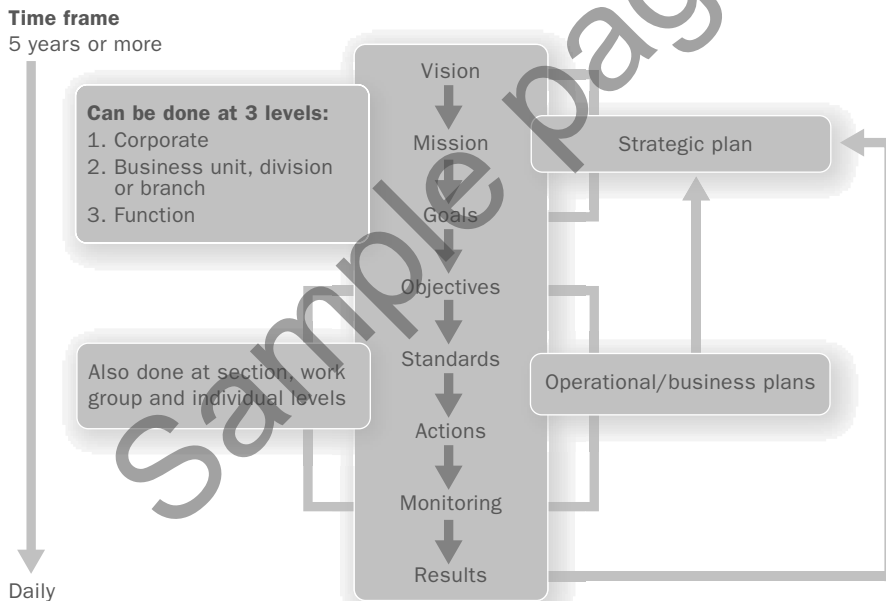
- Have people that are engaged, passionate and valued
- Provide a service experience our customers appreciate
- Deliver top quartile returns to our shareholders
- Be respected and admired in our community

We want to be the financial services organisation chosen by customers because of our outstanding service. Ultimately, we want to be known as a great company to bank with, work in and invest in.'

Source: Commonwealth Bank, <www.commbank.com.au>

The vision and mission statements lead into the strategic planning process, which in turn leads to the operational or business planning processes, which form the basis for the setting of individual performance objectives. This process is illustrated in Figure 1.5.

FIGURE 1.5 The planning process



CHECK YOUR UNDERSTANDING

- 1 How does planning contribute to improved performance?
- 2 Why is planning a useful activity for managers?
- 3 Do you agree that managers should spend two-thirds of their time planning and the other one-third implementing? Explain.
- 4 Why should individual performance objectives be linked to planning activities?
- 5 'An organisation can survive without plans.' Comment on this statement.
- 6 What role do vision and mission statements play?



SKILLS PRACTICE

Plan a piece of work that you need to complete within the next few weeks. The work might be employment-related, study-related, home-related or something like a party. Use the planning process in Figure 1.5 to guide your efforts.

Strategic planning

From Figure 1.6 you will see there is a difference between strategic planning and operational planning. The difference is partly a matter of level and partly a matter of time frames. Strategic plans are focused on time frames of three to five years into the future, whereas operational plans, also known as business plans, are usually written for the next 12-month period (although they can stretch to about three years in some circumstances). Nevertheless, there are legitimate exceptions to this, with the actual time frame being determined in part by the rate of change affecting the organisation.

Differences between strategic planning and operational planning

Johnson and Scholes developed a very clear diagram that succinctly represents the major differences between strategic and operational planning (Figure 1.6).¹² Notice that operational management is more predictable, systemised and specific than strategic management. This suggests that different skills and knowledge are required to move from operational management to strategic management.¹³ This was reinforced by the Karpin Report,¹⁴ which demonstrated that the strengths of first-line managers in Australia did not correspond well with what were considered to be the ideal management characteristics. The top two perceived weaknesses of Australian management were listed as 'short-term view' and 'lack of strategic perspective'. This research was confined to first-line managers. Different characteristic sets might be reflected with higher levels of management. Karpin also identified the lack of inclusion of management development in strategic plans (only 25% of organisations surveyed included it).¹⁵ Management development is critical if the soft skills are to be developed by managers to underpin performance management.

FIGURE 1.6 Differences between strategic and operational management¹⁶

Strategic planning	Operational planning
<ul style="list-style-type: none"> • Ambiguity • Complexity • Non-routine • Organisation-wide • Fundamental • Significant change • Environment- or expectations-driven 	<ul style="list-style-type: none"> • Routinised • Operationally specific • Small-scale change • Resource-driven

Complexity of strategic management

Strategic management is demanding. Well-structured strategic plans can return the effort invested in their development through the excitement and anticipation they can generate and their capacity to energise the people within an organisation. When making strategic plans, managers make educated guesses about the future based on as much information as they can gather. This requires managers to look across the whole organisation, not just their own specialty. Generally, the literature holds very complex definitions of strategic management,¹⁷ but they revolve around the basic concept that strategic management is about:

... aligning the organisation with the internal resources and the external environment to ensure long-term survival.

Strategic management involves:

- identifying where the organisation is currently
- assessing how the external environment is likely to affect the organisation
- deciding what alternative actions are possible to reach the vision and mission
- choosing an action or a number of actions
- implementing the choices.

Johnson, Scholes and Whittington have identified the following characteristics of strategic decisions:¹⁸

- Strategy is likely to be concerned with the long-term direction of an organisation.
- Strategic decisions are about the scope of an organisation's activities.
- Strategic decisions are normally about trying to achieve some advantage for the organisation over the competition.
- Strategy matches the organisation's activities with the environment in which it operates.
- Strategy matches the organisation's activities to its resource capability.
- Strategic decisions have major resource implications for an organisation.
- An organisation's strategy will be affected not only by environmental forces but also by the values and expectations of those who have power in and around the organisation.

To develop and implement a strategic plan, Robbins and Mukerji suggest nine steps:¹⁹

- 1 Identify the organisation's mission, objectives and strategies.
- 2 Analyse the environment in which the organisation is operating.
- 3 Identify opportunities and threats to the organisation.
- 4 Analyse the organisation's resources.
- 5 Identify the strengths and weaknesses of the organisation.
- 6 Review the organisation's mission and objectives.
- 7 Formulate strategies to achieve desired goals.
- 8 Implement strategies.
- 9 Evaluate the results.

While the process of strategic planning may be complex, the activity can be easily managed with the aid of these succinct guidelines. The complexity lies in the thinking and the challenges that present themselves during the activity of planning strategically.

Strategic plans

Strategic plans are focused on the whole organisation, providing overarching objectives for the organisation, its direction and how it will interact with its environment. These provide the backdrop to the development of key performance indicators and critical success factors for the organisation (these are explained in Chapter 2) and operational plans (explained in Chapter 3). From these, the organisation can monitor its performance and individuals can develop their own performance objectives. The broad and necessary framework for a performance management system is then in place. Goals form the foundation of all plans in the organisation, and they may range from broad aims to specific targets. Figure 1.7 illustrates the relationship between goals and other planning activities in an organisation. Goals provide the direction for the future.

FIGURE 1.7 Relationship between goals and other planning activities



Goal setting

A definition

A goal is a direction, a point you want to head towards, a destination or a purpose. Many different words are used interchangeably with the word 'goal', such as aim, objective, target or purpose. The literature suggests that there is no great difference between these words, although there is some consensus that the words 'goal' and 'aim' refer to more general descriptions of intent, while 'objective' and 'target' are more specific in nature. Whatever word you use, the principle and the process of developing them are the same. Plans can be seen as elaborations of the path for reaching goals—the detailed steps for getting from A to Z. Plans are therefore based on goal-setting theory.

Process of setting goals

Based on the research, Robbins and Hunsaker suggest five fundamental rules for goal setting that ensure that a goal is a useful and effective tool for a manager.²⁰ They are:

- 1 Goals need to be specific.
- 2 Goals need to be challenging.
- 3 Goals must have time limits.
- 4 Goals must be decided on participatively.
- 5 Feedback must be included in the goal-setting framework.

Research suggests that goals need to be both future-based and more immediate.²¹ Goals that reach too far into the future, without supporting subgoals to facilitate the achievement of the main goal, are more likely to remain unachieved. Subgoals also need to be specific and measurable. They facilitate appropriate learning and development of strategies to achieve the main goal.

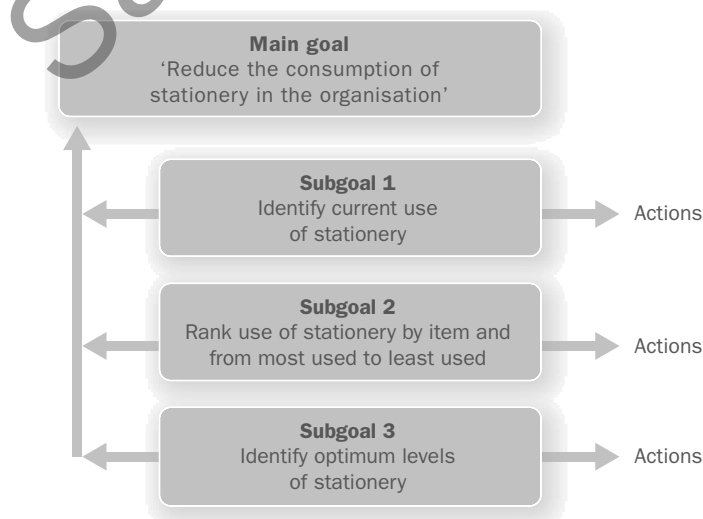
Based on these five rules, goal setting becomes a disciplined, logical process to move through. The challenge in goal setting is determining the substance of the goals and deciding exactly what it is that you want to achieve. This is true for any level of goal setting—strategic plans, operational plans or individual performance objectives. The process is the same, it is just the substance that is different. Follow the eight steps below to set goals:

- 1 Broadly identify what it is you want to achieve (goal).
- 2 Narrow it down to a number of specific things (subgoals) to be achieved that will enable the main goal to be reached.
- 3 Identify how you will measure the achievement of the subgoal(s). At this stage, subgoals are often known as objectives because they include the measure.
- 4 Identify the specific level of achievement required for each subgoal.
- 5 Identify linkages between subgoals.
- 6 Set a time limit for when each subgoal must be achieved.
- 7 Identify and rank subgoals, from most important to least important.
- 8 Develop an action plan for each subgoal.

The two processes above are illustrated in Figure 1.8, which demonstrates the relationships between the main goal and subgoals and the actions to achieve them.

Having set goals, you will plan strategies and actions to achieve them. Goals, strategies and actions are the basis of plans.

FIGURE 1.8 Goals and subgoals





SKILL AND KNOWLEDGE APPLICATION

TASK

Take a goal that you would like to achieve. Write it down. Using the Robbins and Hunsaker rules and the steps identified above, fine-tune the goal so that it is specific and measurable, then develop a number of supporting or subgoals that will lead you to the attainment of the main goal. For example, if you wanted to buy a new car, the written goal statement and subgoals should look something like this:

Main goal

- Buy a new \$30,000 red Honda car with finance from the XYZ Bank, with a \$5000 deposit by March XXXX. The car has to have power steering, air conditioning, central locking, cloth seats and a four-litre engine.

Subgoals

- Achieve savings of \$5000 deposit.
- Achieve maximum interest on savings.
- Find buyer for present car.

Strategies

- Reduce number of visits to the cinema.
- Reduce the price of all gifts to \$15.
- Open an account at XYZ Bank.
- Decide how to advertise old car.

Actions

- Check bank interest rates and requirements for lending.
- Visit car showroom to identify the car of choice and requirements.
- Find out what delivery schedules are like and when the order must be placed.
- Test drive the required car.

CONCLUSION

Skilled goal setting has been linked to many successful individuals. While it is doubtful that the setting of goals by itself will ensure success, it does lay the foundations for success. Plans are built on goals. To be effective, goals need to be specific to and challenging for the individual, and must be part of a series that culminates in the attainment of an overall goal. Any goal will be made up of a number of smaller goals that must be achieved before the main aim can be reached. Goals that are effective and have measurable outcomes form the basis of useful plans. Strategic plans, operational plans and individual performance objectives are all based on the setting of goals. The better the goal—the more realistic, challenging, specific and measurable—the more likely it is that your plans will be useful and play a vital role in your success and that of your enterprise.

Goals and plans do change, however. Circumstances eventuate that sometimes require a complete change of goals and plans. This does not mean that the planning done to date has been wasted. The planning you have done leaves you better prepared for change and develops flexibility, enabling you to react more quickly to economic, political, consumer and other changes that affect your organisation.

Planning and performance are linked through the process of goal setting. Strategic planning is the first part of the performance planning process. This sets up the general direction of the organisation and facilitates the development of operational plans, right down to individual performance objectives. An organisation without strategic plans is like a loose cannon firing at will, with no aim or particular objective in mind. Strategic plans bring together what is important for the organisation so that lower-level plans, such as operational and individual performance plans, can be developed to contribute to the organisation's overall plans.

**CASE STUDY**

Annie's Nanny Service is a babysitting service located in a remote community. Annie, the owner of the business, had seen a market in this remote community for the provision of babysitting services for professionals, working mums, and parents who just needed a break. The business provides opportunities for nannies to be booked in advance, or when required on short notice for short- and long-term contracts. Initially, the service began with the employment of a couple of mums and teenagers wishing to earn extra money. However, from word of mouth, and due to the exceptional service resulting from the high standard of the nannies employed by Annie's Nanny Service, the business expanded rapidly. Annie is now finding it difficult to keep up with the demand for the service and is spending all of her time recruiting and dealing with booking requirements for new jobs.

As often happens with many small businesses that expand quickly, Annie had not had time to put in place a structure to support the growth of her business. Annie has just employed a Business Manager, Norma, to assist her with the growth of the business. Annie sees that there is a huge demand in the local community, due to its remoteness, and wants to branch out into other remote communities in the region. These communities sustain a lot of itinerant workers who do not have the support of families for babysitting services.

Annie now has 20 nannies working for her on a part-time and full-time basis within the local community and is still not filling the demand for her services. She sees the appointment of Norma as critical to the success of her expanding business.

Annie is frustrated because she can see the potential for her business but she is bogged down in the day-to-day administration of the business.

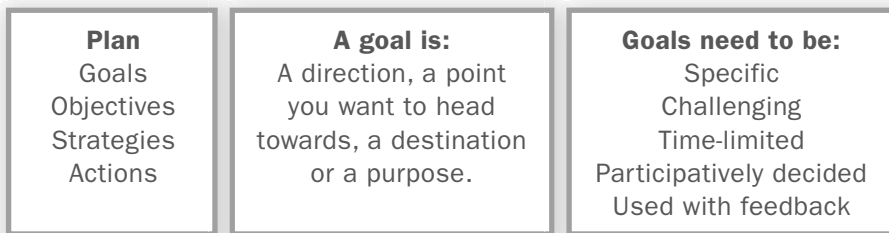
QUESTIONS

- 1 What steps would you expect the Business Manager to take initially to get control of Annie's Nanny Service?
- 2 What role should Annie now focus on as the business owner?
- 3 Who—Annie or Norma—should let the employees know where the company is heading?
- 4 What might have happened if Annie had allowed the company to continue in the way it was going?



JOB AIDS

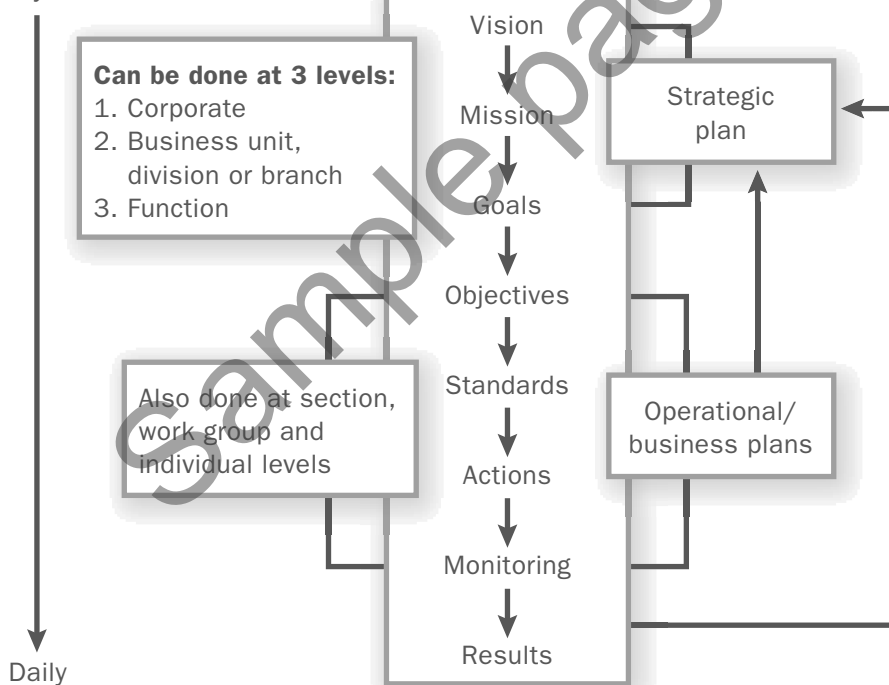
Components of plans



The planning process

Time frame

5 years or more



CHECKLISTS

To develop a strategic plan:

- Identify the organisation's mission, objectives and strategies.
- Analyse the environment in which the organisation is operating.
- Identify opportunities and threats to the organisation.
- Analyse the organisation's resources.
- Identify the strengths and weaknesses of the organisation.
- Review the organisation's mission and objectives.
- Formulate strategies to achieve desired goals.
- Implement strategies.
- Evaluate the results.

To set goals:

- Broadly identify what it is you want to achieve.
- Narrow it down to a number of specific things (goals) to be achieved that will enable the main goal to be reached.
- Identify how you will measure the achievement of the goal(s). At this stage, goals are often known as objectives because they include the measure.
- Identify the specific level of achievement required for each goal.
- Identify links between goals.
- Set a time limit for when each goal must be achieved.
- Identify and rank goals, from most important to least important.
- Develop an action plan for each goal.

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Sample pages