

over a period of time, or single-use plans, developed for activities that are not likely to be repeated in the future.

- There are three types of standing plans:  
(1) A policy is a standing plan that outlines the general response to a designated problem or situation. (2) A procedure outlines the response to particular problems or circumstances. (3) A rule designates specific required action.
- There are two types of single-use plans:  
(1) A program encompasses a range of projects or activities. (2) A project is a single-use plan of less scope and complexity.



#### 5.4 Promoting Goal Setting: SMART Goals & Management by Objectives

- The five characteristics of a good goal are represented by the acronym SMART. A SMART goal is one that is Specific, Measurable, Attainable, Results oriented, and has Target dates.
- Management by objectives (MBO) is a four-step process in which (1) managers and employees jointly set objectives for the employee, (2) managers develop action plans, (3) managers and employees periodically

review the employee's performance, and (4) the manager makes a performance appraisal and rewards the employee according to results. The purpose of MBO is to motivate rather than to control subordinates.

- For MBO to be successful three things have to happen. (1) The commitment of top management is essential. (2) The program must be applied organizationwide. (3) Objectives must cascade—becoming more specific at lower levels of the organization.
- Deadlines are essential to planning because they become great motivators both for the manager and for subordinates.



#### 5.5 The Planning/Control Cycle

- Once plans are made, managers must stay in control using the planning/control cycle, which has two planning steps (1 and 2) and two control steps (3 and 4), as follows:  
(1) Make the plan. (2) Carry out the plan.  
(3) Control the direction by comparing results with the plan. (4) Control the direction by taking corrective action in two ways—namely, (a) by correcting deviations in the plan being carried out or (b) by improving future plans.

## Understanding the Chapter: What Do I Know?

1. What are planning, strategy, and strategic management?
2. Why are they important?
3. What is the difference between a mission and a vision, a mission statement and a vision statement?
4. What are three types of planning?
5. What are three types of goals?
6. What are different kinds of plans?
7. What are SMART goals?
8. What is Management by Objectives?
9. What three things have to happen for MBO to be successful?
10. Explain the planning/control cycle.

## Management in Action

### GE's Poor Planning Results in Delays & Increased Costs

General Electric Co. ran into a problem with how it had planned to move drilling equipment from the U.S. to Alberta, Canada. The equipment, called an evaporator, is used to extract crude oil from the ground, and it spans almost double the length of a Space Shuttle Orbiter.

*The Wall Street Journal* reported that “GE lost an attempt to overrule a federal injunction preventing it from using a stretch of scenic Idaho highway to haul

the giant piece of equipment.” As you would expect, the company appealed the injunction. For now, however, the equipment is “stuck near the Port of Wilma in Clarkson, Washington, without a way to get to its destination hundreds of miles away.”

“Moving it takes tow trucks—one pulling and another pushing—with 20 axles along multiple trailers stretching the load out to 250 feet. Interstate highways aren’t an option, because the load can’t get under the overpasses,” according to the newspaper report.

GE is very concerned about moving the equipment because failure to do so could cost the company about

\$75 million in sales, according to *The Wall Street Journal*. One option is to follow the lead of Imperial Oil. Two years ago the company encountered a similar problem, leading it to disassemble the equipment and then transport it along various interstate highways.

Transportation of the equipment is being challenged by the Nez Perce Tribe and conservation group Idaho Rivers United. These groups “are concerned the giant convoys will change the national forest’s character and infringe on tribal values,” the *Journal* said.

The holdup is a key issue for GE because the company has a strategy to grow revenue by focusing on its oil business. For example, “the company has been building up its oil field services businesses for the past decade, and GE Chief Executive Jeff Immelt has invested to expand its offerings in unconventional fields like shale gas and the oil sands.

“GE’s Resource Conservation Company International has delivered about 20 evaporators to oil sands projects since 2002 using different routes. This time it contracted a British Columbia firm to make the evaporator after getting the order from an undisclosed client in early 2012.”

The company did not take the transportation of the equipment lightly. Continues the report: “It mapped out a transport route that follows 100 miles of U.S. Highway 12, which cuts through Idaho’s National Forest along switchbacks up to the Bitterroot Range’s Lolo Pass.” The company also decided to travel only at night so that it would not disrupt travel on the highway. The plan was to drive 15 minutes and then pull over so that other vehicles could pass. The company also planned to have an ambulance follow the convoy so that it could take care of any emergencies that might occur along the highway.

Part of GE’s planning included a trial run over the same route. There were no incidents and the company received permits from the state highway patrol. This experience led the company to conclude that there would not be any problems with transporting the equipment.

“The fact that GE had the full support of Idaho’s transportation Department gave us a very high degree of confidence,” said William Heins, RCCI’s operating chief. But despite 15 months of detailed planning, GE failed to get approval from the Nez Perce Tribe, which lives on the land around the scenic highway, or from the Forest Service, which has authority over the 100-mile-long stretch of highway. The Nez Perce Tribe and Idaho Rivers United objected and in August went to court, winning an injunction to stop the mega-load shipments pending a review of how the traffic would impact the environment.

“GE tried to get the court to reconsider the injunction noting that the delay would be burdensome. Mr. Heins told the court the injunction could cost the company \$3.6 million in damages from liquidated contracts, \$5 million in increased transportation and equipment costs, and up to \$75 million in potential lost revenue,” reported *The Wall Street Journal*. “The judge was not swayed by these arguments. The judge concluded that the company made ‘an informed gamble,’ and then declined to override the injunction.”

## FOR DISCUSSION

1. Which of the fundamentals of planning did GE execute ineffectively? Explain your rationale.
2. Which of the three types of goals were ineffectively managed by GE? Explain.
3. State two SMART goals for GE based on the case. Given the political issues discussed in the case, how might GE ensure that these goals are attainable? Discuss.
4. Using Figure 5.5, describe what GE could have done to improve the process of transporting the evaporator. Provide specific recommendations.
5. What did you learn about planning based on this case? Explain.

Source: Excerpted from K. Linebaugh, “Road Hog: GE’s Rig Is Stuck in Idaho,” *The Wall Street Journal*, October 17, 2013, pp. B1, B2.

## Legal/Ethical Challenge

### How Do You Think Companies Should Respond to Accusations Made by a Whistle-Blower?

We defined a whistle-blower in Chapter 3 as an employee who reports organizational misconduct to the public. Whistle-blowing is important to organizations for many reasons. One critical one is that the Sarbanes-Oxley law, which was discussed in Chapter 3, mandates that companies develop processes and procedures

for handling whistle-blowing. The Dodd-Frank law further provides financial rewards for employees who implicate security fraud and other types of wrongdoing. Civilians have received millions for exposing wrongdoing in companies that do business with the U.S. government.

This challenge involves consideration of how organizations should plan to respond to claims of misconduct or illegal activity. Consider what happened at