>> Hello. This is the lecture for managing-- managerial planning and goal setting, the addendum management 3110, also includes change management. Let me talk a little bit about what we're going to try to do here in this section. What you should be doing is listening to this lecture and then following along with the posted PowerPoints, and then after you're done, then you can go take your quiz. And, so I'd like to briefly kind of go over what we're going to talk about, we're going to look at the definitions of goals and plans and the planning process itself. We're going to look at how the mission of the company affects or influences those goals in the planning that we do. And we're also going to look at the hierarchy of goals and plans and the importance of there being a hierarchy of goals and plans, and then we'll look at what an effective goal is, as well as what we use goals for in our controlled process which is a term called the MBO or management by objective. We'll talk about different types of plans, short-term plans that we use. And, also about planning in a fast-change environment as well as change or the process of change within the organization and how we redo our planning on our goals when things have to change. So, let's go on with the PowerPoint slides if you look at the one on planning for the future. One of the things that hopefully is evidence in the text as you read through is that managers have a lot of things going on. And particularly as you look at that external environment, there are things that change, the economic changes, political changes, those kind of things. And we have to be adaptable to those changes in the environment. We don't live in a static environment, it's very turbulent. And so, because of all of the changes that are going on in the external environment to the company, there's been a surge refocus on planning in the planning process. And we'll talk about how the way we plan-- or the way we planned, you know, 30 or 40 years ago and how that's different today. But let's go back and look at just the definitions for goals and plans in the planning process. So if you look at that slide there, goal is simply somewhere we want to end up, that's the desired future state. And the plan is the roadmap for getting there. And so-- And the planning process is determining and looking at our goals and looking at the means for achieving them. When we talk about planning of the four main management functions, planning, organizing, leading, controlling, planning is the most fundamental. It's the most basic. It's where everything has to start. You've heard the adage, "If you fail the plan, you plan to fail." And, you'd be surprised particularly in small companies which many people here in Utah anyway are going to work for, 70% of you're going to work for a small company, you'd be surprised that how many managers, owners, operators of small organizations don't do the planning. All the planning-- or don't do a formal planning session with their employees. All the planning resides in their head. And that's a recipe for disaster, so planning, again, that most fundamental basic of functions that managers do. One of the things that we'd like to talk about is the hierarchy or the levels of goals and plans and their importance. If you look at the exhibit on slide six there, we start off with a mission statement. Now mission statements are broad statements that kind of tell the-- you know, our external people what we're about. But it's also used for our customers as well, our employees, it's a message to say, "Here's what we got." We're going to look at mission statement here in a minute. And then as you move down the scale there, you have strategic goals and plans, those are the things that are done at the top and then you have-- and I don't care if you've memorized these exact names, but you have tactical goals and plans and operational goals and plans. What I care about is that you understand that each of these layers of goals and plans lead to the fulfillment of the higher order of goals and plans. And that's what management is about, is we have to make sure that each of our departments, that their plans, their goals are in tandem or in concert with the strategic goals or plans of the organization, and correspondingly, that our front line managers and our workers, that their goals and plans are in concert and tied to the tactical goals, so that we-- you know, everything is operating together and flowing through. That's a good part of what I mentioned that management does. Another value of goals and plans is it invites-- or it's-- gives the organization a sense of legitimacy, sense of motivation, as I mentioned earlier, becomes the guide for how we operate and our standards of operation. And also as we get into our section on structuring or organizing, it becomes the method for how we allocate our resources. And primary resource is being capital but also are people. So for example if we have a strategy, a competitive strategy of customer service, we're going to be a customer service oriented company, that's one of our strategies, and that's what we want to be. That's our goal is to out service our competition. And an example of a guide for resources might be, all right, well if that's my goal, as to be service-oriented, then how do I spend my money. If I have-- do I spend a few hundred dollars and buy an answering machine through the phones. Or do I spend 25, 30,000 year-end hire a receptionist to answer those phones. And so that's what I mean by resource allocation. It becomes kind of a guide for that. And-- So those are things that goals do for us. Other benefits, it becomes-- if we have goals in place, it become a rational for how we decide to do things. It's no secret if you study management at all, there's all sorts of examples of even large organizations that gets lost. Lee Iacocca of Chrysler back in the '80s and '90s got lost in his decision making, buying shares, they're buying into Ferrari and also buying a jet company. And so sometimes if we have, you know, a clear mission and clear goals, it keeps us from deviating from that. And as I mentioned earlier, those goals and plan becomes standard of performance or how we're going to measure the operations of the company as we roll forward. So let's go back and look at each one of those in little more detail. If we look at the organizational mission or the mission statement, that's basically a statement that tells the outside world why we exists or what's our reason for existing. Some of you may have probably have been involved in creating mission statements. But it's a broad statement of scope of our business of who our market is, who our customers are, and what distinguishes us from the competition. Those are some core elements of mission statements. You know, oftentimes include things about our customers, about our values, about our quality or service, like I said about our strategy. Or it might also include something about our attitude towards employees, how important they are, those kind of things. So if you flip to the next slide, I got an example here of-- and this is pulled of the web of Ben & Jerry's mission statement. If you read through that, Ben & Jerry's has three concepts. And if you understand, if you know anything about that company, it's really quite interesting how they've got it listed here. They got a social mission, to operate the company in a way that actively recognizes the central role that business plays in society, by initiating in innovative ways to improve quality life locally, nationally and internationally. So, that's actually listed first in their mission statement. Then they have a product mission. To make and distribute and sell the finest quality all-natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the environment. So you can kind of see their whole foods mentality there, the finest quality and natural product. And if you know anything about the founders Ben & Jerry, they're very much about that. You know, they don't buy milk from producers that don't free range their cows and those kind of thing. So, it's-- they reflect that in their mission statement. And then finally, and this is one I'm glad they have in here is their economic mission, to operate the company on a sustainable financial basis, profitable growth, increasing value for our stake holders and expanding opportunities of development and career growth for our employees. Again, stake holders, employees, underlying mission of Ben & Jerry's is the determination to seek new and creative ways of addressing all three parts by holding deep respect for individuals, inside and outside the company, and for the communities which they are part. So, that's very, very broad statement. But it's-- if you know anything about Ben & Jerry's it's very good at telling what they're about. Now, that mission statement becomes the mantra for all their other goals and plans that they start within the organization. They're not going to do anything strategically that violates that mission. So, it becomes kind of a guidepost, a beacon for them to run their company by. And as we move down and we look at the next level of goals and plans, this would be the strategic goals. This is something about where the organization wants to be in the future. And it pertains of the whole organization. Now, one of the things you have to understand about strategic goals and strategic plans is they are, you know, broad action steps. They become that, as I mentioned earlier, that Blue Point Print for how the organizations they allocate resources. They also tend to be fairly long term, usually at least a year and if not up to five years. Although many organizations, because the turbulent environment don't spend as much time in long-term planning as they used to. But at least a year, a year to five years is our strategic goals and plans. And then down from there, we tactical or functional levels of goals and plans. These applied to our operational departments. So, middle management are, you know, vice presidents or department heads, those kinds of things. And they define the goals for that functional level or maybe the division of the company. And they're a little shorter timeframe, usually quarterly up to a year. And those are the tactical levels. And then moving down again, operational goals and plans, those are the front line managers and workers. They have to do with specific results that are measurable. And they're usually somewhat short-term in nature, often times daily, if not weekly, the goals and plans. And so, if we look at all those different layers, the operational, the tactical and the strategic. The important part is each of those lower level goals, if we start at the operational in low level, have to lead to fulfillment of the next layer or the higher level goals. And that process is called means-end-chain. It's very important that management, in particularly senior management, keeps an eye on that so that they don't have departments or managers off going doing different things. So for example, my strategic goal of the organization might be something like this, we want to increase profits by 20% next year. That might be the goal. OK. And that might be the strategic goal of the organization. And so, we move down to the tactical level or the functional level of middle management. And each of those functional departments are going to set goals and plans in place that meet that higher level goals, so for example, increasing profitability by 20%. So, operations may go out and look and see how they can streamline processes and take cost out of that. Well, that will help increase profits. Sales department, they might look at how they can increase the total amount of goods going out. So they might have some goals centered around increasing sales. But both of those goals lead to fulfillment of that increasing the profits which is the strategical goal. And then as we move down for example to the operation level, the front line managers and workers, those goals have to meet in concert with tactical level. So I might have the sales manager works with the particular sales person and says, OK, you know, we're going to look at each of your accounts, your A accounts, and we're going to set weekly goals for the performance of those accounts from a sales standpoint so that we can achieve our tactical goal of increasing sales to go along the strategic goal of increase in profitability. So that all-- that whole process is described as a means-end-chain. That lower level goals have to lead for the fulfillment of higher level goals. And it's management's responsibility to make sure they're all doing that, that we don't have lower levels managers and whatnot going off and doing their own thing. And when we don't manage that, companies tend to break down. Again, that term we talked about earlier, entropy. Or without being managed, that organizations tend to fall apart, right. And that's what we're talking about, it's those lower levels have to lead to fulfillment of higher levels. So, let's talk about an effective goal itself, what are some characteristics. And I've got a couple of slides here but there's basically five key areas that goals have to meet to be very effective. One is they have to be specific and measurable. OK. They got to be very specific. So, I can't say, I'm going to set a goal of increasing profits. That's not specific enough. I have to say, I am going to increase profits by 20%. Now, I'm specific. Can I measure that? Yes, I can measure that. The other is we set goals that cover key result areas. So, we, you know, we want to make sure that the goals and plans that we're setting are, you know, really looking at our core functions and what are going to make a difference in fulfilling those goals. For example, I want to work for a company where management was looking at controlling the number of bathroom breaks. Actually came up with a number of bathroom breaks per employee that they wanted to work towards. And I'm sorry but that's not-not a key result area. I didn't see how that would, you know, relate to anything that's, you know, the company was looking to do as far as their strategic goals. OK. Another one is we call them stretch goals, but challenging but realistic goals. We can actually set goals that are either way too hard and turn everybody off, or way too easy and nobody is motivated by them. So we call them stretch goals, challenging but realistic. And then the other thing is it got to be for a defined time period. A goal has to have that defined time period. And also if we're going to have effective goals that challenge people, they ought to also have, should have some sort to link to a reward. So that the individuals that are taking part in fulfilling those goals get something out of it. And if you flip to the next slide, if this helps you remember what an affected goal is, [inaudible] this is nothing new here, but this-- a SMART goal or S-M-A-R-T acronym. And again, specific, measurable, attainable, butt we'll call it stretch there, link to rewards and time-oriented. OK. So, you know, an example of a declaration or a goal that doesn't meet many of those might be our goal for our project is to raise awareness. Well, awareness is not very specific nor is it measurable. There's nothing in there that states anything about time. Nobody knows if it's attainable or not. And, you know, what's the reward for it. So when you look at goals, make sure they're SMART goal. And I'll give you an example, number years ago. I worked for a gentleman that actually bought my company. I agreed to stay on for a period of time and help him through the transition. And he came down to our office one day and decided that he want to do something to motivate our employees to increase sales. And so, he locked himself in his room for a whole day, day and half actually, and created this chart, this fantastic chart and was wanting to present it to the staff. And he called us all together into the break room. There's about 15 of us on the second day. And he was very animated, very excited about this goal, this new-- he called it the game. And he had a poster board made up with the game. And it went something like this. His goal was to double sales in three months. Now, we were an established company, have been in business 10 years. And we had about 80% market share. So, we were immediately scratching our heads saying, "Well, double sales," right? And then, also, in three months. So he at least had a time moniker on there. And then he went on and he talked about how the plan for doing that. The plan for doing that was to-- everybody in the company from the senior management on down was going to work twice as many hours. Somehow, he had in his mind that if we work twice along, we get twice as much sales. So that was the plan part of it. And, you know-- And then, he was savvy to the reward part. He made up a reward schedule that was his chart and it was directly related to the salary. If you had higher salary, you got a more of reward. Lower salary, you got less of reward. Such that the highest paid person, meaning the manager, if I work twice as many hours over a three month period, I get a $90 reward. So we'll talk about in our motivation section. Rewards have to be desirable, right? And then it went down from there such that person out in the warehouse order picker worker made like 22.50. Now, at least the hourly people I assume we get their time in a half, right. And so, maybe they got some reward on that. Well, if you look at a SMART goal, what's the key element that he violated? One is that it wasn't attainable. And everybody knew right of the-- right out of the shoot that it was not attainable. In fact, he danced around in front of everybody and asked them all what they thought after he made this big presentation. And our warehouse manager which is big burly guy stood up and put his hands in his pocket and said, "You're full of shit," and walked out of the room. And so that's kind of reaction he get. So just keep in mind, those goals specific, measurable, stretch goal, attainable, but, you know, stretch they're linked to a meaningful reward and time-oriented. OK. So from there, we look at goals. Goals really become the objective by which we manage the company, our strategic goals, our tactical goals, operational goals, each individual goals. We set all those and then we create plans for achieving them and we put those things in process. And do we just let those fly? No, a smart manager is going to review progress. That's step three if you're looking at that next slide. Review progress on a regular basis. For me as a sales manager, I review progress every week with my sales people. I knew the moment they submitted an order for their A account whether that A account's dollar total was on target, whether was above target or it was below target and by how much. OK. So that I could take corrective action and, you know, call my salesperson up or text him, email him and say, "Hey, what happened with ABC account? Why are they not up to par?" Or, you know, "Congratulations, that's a great job. You got 20% more than we had budgeted out of, you know, this account." So that progress has to be reviewed on a consistent basis. And then we run for a period of time. And step four in there is the appraisal, the overall performance. And this is where-- this is largely where we look at departments, but we also look at individuals. And this appraisal performance is where the rewards are attached. So maybe it's with that salesperson. You know, "Congratulations, you made your quarterly numbers. Here's your bonus check." OK. So that overall appraisal of performance on a little longer term scale than just reviewing the progress, right. OK. So that's the management by object. That's the model that we're going to control the company with. And there's lots of benefits by that. And-- That we have. We can improve our performance. Everybody at all levels of the organization know what their objectives are. We can track those. We can see that there are-- each of the lower level objectives lead to fulfillment of higher level. And it motivates our employees. We can look at performance issues or performance gaps. We'll talk about that in a minute. And we can also look at, you know, focus our efforts on activities that best lead us to the fulfillment of our goals, right? There are some problems with the-- in the MBO process. One of which I saw and observed specifically with a rather large vendor of ours, Colgate Palmolive. At one time, their salespeople had to spend their entire Mondays filling out sales reports. Now, I don't know about you, but a good salesperson is really good with people. Where would you want your people person? You'd want them out interacting with people, not filling out reports. So sometimes, organizations become too mechanistic and too focused on reports rather than the actual action ends that are, you know, make the company money. Other things we look for and your slide refers to these as single-used plans. We develop programs, your definition there, a complex that have objectives and plans to achieve important, one-time organizational goal. And then I'll talk about that in a minute. But we-- maybe we have, for example, you know, some new product launch that could be a program or a project, a very similar program, oftentimes a little smaller in scope. So we get project managers who are given assignments to fulfill short-term projects that get them done, they're gone. But we create plans of how we're going to do those. Other types of plans, and these refer to standing plans. So we have policy, rules, procedures that define the way we do things in a routine method, so that we're handling similar situations in the same manner so that we're not giving confused signals to our employees. For example, we have a policy that, "Hey, you come to work late, you get a warning. You come to work late a second time, you get written up. You come late third time, you get, you know, you get a day off without pay. You come to work late the fourth time, you're fired," you know. Maybe that's the policy. But we have that policy in place so that everybody is treated the same, and we know what those are. And so those become plans in a certain sense that we put in place or sometimes we'll have-- many organizations will have an employment manual that list all those policies, rules and procedures just so everybody has-- knows what the plan is for any given situation. Another thing that organizations spend a lot of time doing, and that is something called contingency planning. In other words, we look at things. We try to identify things in the environment that may happen. And we do that on two metrics. One, we look at the likelihood of something happening. So-- And if this more likely to happen, then we do a lot more contingency planning for it. So for example, a lot of companies do, you know, planning around economic downturns or declining market, something like that, because that's fairly cyclical, it happens, you know, every three or four years, there's a downturn. And so we plan for, you know, downturns in sales. We might also, you know, if you're doing a project with some of these classes do, and if it's outdoors, you know, you might have a weather or a thing. If you're planning a wedding, outdoor wedding, you look at contingency plans or what if the weather is bad, what are we going to do? And you create a plan around that because those are uncontrollable factors that we can't control, but we need to look at. The other thing is you look at both likelihood of it happening and also the impact of it happening. For example, many organizations including Utah State University have a fire evacuation plan for our buildings, right? I happen to teach in the business building, it's nine-storeys tall. And every year, we have a fire escape drill. Everybody has to get out of the building. And we plan for that and we practice that. Well, what's the likelihood of the building starting on fire? I could be here three lifetimes and I doubt I'd see a building on fire or this building on fire. But think of the impact if it did happen, it would be catastrophic. And so we create contingency plans both based on frequency, likelihood of them happening and also the impact if they did happen. So those are things that we plan around. And we build scenarios for how to handle-- or contingency plans for how to handle those, what are the possible alternative plans we can do. Another concept is crisis management. We build again, you know, we built prevention systems, preparation systems, and containment systems in there for how to handle a crisis. One of the interesting things about crisis is when you look at crisis planning and containment, which I think got cut off on your slide, is you want to maintain disability. You as a manager in a crisis need to maintain visibility. And that's probably the single most important thing for you to do is figure out there in front of your employees and being a leader, being a guidepost for what we're going to do and what we need to do. We look at, historically, how we plan-- historically most organizations had a central planning office. That was kind of the traditional approach where senior management got together occasionally, brought in some specialist, some advisers. They came in and help us plan for the whole organization including our divisions and our departments. Whereas, today, more higher performance organizations do more of a decentralized planning. If you look at the organizational chart, that pyramid, you look at where our very valuable information comes into the organization from our customers, sometimes from our suppliers and whatnot that's usually at that bottom of the pyramid. It's our frontline manager's workers that are working with the customer that are getting that information and yet, who's making the decision in a traditional organization? People at the top. And oftentimes, there's a disconnect there. So, high performance or decentralized planning makes those people up and involves them in the planning process. So we get a much better decision, a much better plan for rolling the organization forward. And so, again, planning really, really comes alive when we involve our employees in the process. And we'll talk about the employee involvement and this important particularly when we look at change because that's the next topic we want to look at is change within an organization. Organizations, because of our ever changing work environment, particularly driven by technology, we need to look, continuously improve, adapt to different situations or adopt technology as it becomes available, or we're left behind. Does becoming-- That change and change management is particularly important. It's critical today. Let me give you a quick example. A number of years ago, I believe it was 1993, Motorola, you're familiar with Motorola, won the Malcolm Baldrige Award for quality and excellence in their products. You know, big, big company, you know, millions-- hundreds of millions of dollars. But-- Well, the interesting thing is by the end of the '90s, Motorola was almost out of business, almost bankrupt. And what happened was that Motorola and managers were exposed to this new technology. And they made a decision that they didn't want to go with it probably because they had all these cost in the old systems. And they didn't want to, you know, they didn't want to lose that money. Then [inaudible] in a business where at some cost because it's already spent. But the technology that I'm referring to is digital. They chose to stick with analog systems because somebody in their company either didn't see the merit of digital or didn't want to move away from the tens and millions of dollars they had invested in analog systems. And so that's an example of how just one little failure had changed, or looking at the environment around us, almost did the company end, right? That was a huge, huge leap. So we looked at several different things when we talk about organizational change. We look for a new way of doing things. We look for a product change or technology change. And maybe the change in process and how we build things, those kind of things. And change doesn't just happen. It doesn't just happen by itself. There's a process behind change and it kind of-- it starts like this. There's usually a person who sees a need for change. And often, we'll call that, well, an idea champion. So they see a need, they visualize the future or the product or service that they want to change. But if you go down to the next slide there, there's really four roles. There's-- And in that change process, there's an inventor, there's somebody that understands the technical side of change. We'll take our example of Motorola, guarantee they had engineers that were not consulted very closely on digital. Now, this is in the mid-'90s. I was exposed to digital in 1982 in Japan when I saw the first laserdisc player. And that was pretty fantastic. So we're talking 15 years later almost. And Motorola ignored their engineers, right? So the inventor is somebody that understands the technical aspect of the idea. But that's all they know. It's the idea champion that takes that technical aspect, believes in the idea and has a vision for how that's going to apply within the organization. And then goes and confronts the cost and then gets the support they need to, oftentimes the financial support, to overcome the barriers within the organization to make that change. Another role within that change process is a sponsor or somebody in senior management, high level, that can remove the organizational barriers, provide, you know, particularly if it's, you know, like Motorola, you know, the decision or the funds to try out the new technology, right? And then the other role is-- I would tell you is very important is the role of critique. We don't just change because we want to or because we think it's the latest fad. We got to have somebody play the role of critical evaluator, somebody that can look at all the what ifs and expose those and bring those up before the group, OK? So we look at change, we look at the change process. I'm going to kind of diverge here a little bit and tell you a quick story about a company that I visited a few years ago, most of you have heard of it. It's called-- well, Boeing plant down in Mesa, Arizona. And the Boeing plant in Mesa, Arizona builds the apache helicopter. And if you go back to slide 26, I believe it is, and click on-- if you're viewing it on the slideshow option, you can click on change and there'll be a video that pops up and tells you a little bit about the Boeing experience or at least the plane itself. Boeing had an interesting experience there where their customer-- their only customer came to them and said, "You know, we really love the plane. In fact, some of the aspects of the-- of that plane if you're familiar with it at all, it's the most lethal piece of armament in the US military." This Boeing helicopter is just fantastic. It has all sorts of weaponry on it, also has all sorts of digital equipment that can read a battlefield and convey that back to the pilot and the gunner. For example, that ship can come up over a rise and it has the surveillance equipment on it, cameras and whatnot that immediately survey the surroundings and relay back to the pilot and the gunner, the most lethal targets on the ground to the ship. So it comes up over a rise and it might identify surface-to-air missile batteries that are the most lethal. That's what would knock the plane out of the sky, right? And it says, "Here they are, ting, ting, ting, ting." And it shows up on the monocle of the gunner. And then the computer recommends, based on distance and the type of target it is, what the gunner should fire at that target. And all the gunner has to do is lock in, look at that target and lock in, and he has to go ahead and fire that. And literally, within a matter of seconds, this ship can up over the rise. The computers relay to the gunner what's lethal to the ship. The gunner says, "Yeah, do that." And [noise]. And they go out and fire these armaments of various kinds at these targets. You know, some of them are pretty simple like you might read an armored personnel carrier on the ground. And so, it relay back to the gunner and say, "Fire this sequence, five or six armor piercing rounds, two or 30 millimeter cannon followed by five or six high explosion rounds." And so those arm piercing rounds go through the vehicle, create a hole. The high explosive rounds go through the holes and blow up the vehicle from inside. Very fantastic piece of armament. And it was just a-- really, the technology design-- I'm not a warmonger but the technology is just astounding what that ship can do. Problem was, as the military came to Boeing and said, "Cancel it," and they went on to explain why that we love it, we love everything about it, but the price is just so high. That time, this is about eight years ago or so, the price had gone up to about $85 million a plane to do all those really cool things. And, of course, the maintenance on helicopters is really high. And so, the military is just under a lot of pressure. It's just too expensive. We can't, you know, we can't maintain them. They're expensive to maintain and expensive to purchase. Well, what do you do if you're Boeing and your only customer comes to you and says cancel it? And it's kind of interesting process what Boeing went through because they-- Actually their CEO got everybody together, 4000 employees into big auditorium, made the announcement said, "Hey, here's what's happened. We need to fix this. We got a little bit of time. We can work on it, make a presentation to the defense department of what we can do." And so what they did is they brought those people together. They divided them up into groups and say, "Here's our problem, work on it. Work on what you do. We got to bring cost out of this plane." Make a long story short, they took the number of man hours it took to produce that plane from 5600 man hours approximately down to about 1700 man hours. Now, we're not talking $7 an hour jobs here, folks, right? These are highly specialized skilled positions, right? But there, it will take that much time out of the production of the plane. And then they went even further and worked with their suppliers. Some cases actually sending their own engineers to help suppliers out to make their components either cheaper or faster. And they were able to get the cost-- The supply cost, their component cost down by over 30%. They were able to take the price of the plane from that 85 million down to about 30 to 32 million. And then they went one step further. They went to the military. Remember, we talked in our early chapters about value. We're creating value for the customer. They went back to the military and they devised a system where they could take some of the military's old planes that were built back in the '80s. They didn't have all that really cool digital equipment I told you about in armaments and whatnot. They could strip those planes down to the chassis, literally take the motors, that drive shaft, the paint right off of them, put them in the assembly line, reassemble them with all the cool digital equipment, put their old motors and everything back in and give it back to the military for about 15 to $16 million. So you're talking about creating value. So then what's-- required a bit of change, quite a bit of change, right? In the process of all that, they are able to save their operations. The military was, you know, very-- reinstituted the contracts. In fact, bought more planes because they were cheaper, they're, you know, easier to acquire and save the company. But that was a major change that they had to go through. And, you know, you look at that change process or the model for change, if you look at slide 32, it's, you know, you look at the external forces and the internal forces for change. And then in Boeing's case, it was the customer and external came to them and said, "Cancel it." Well, that quickly leads to recognize for the need for change. And then they had to go through and design a change. And they used their whole organization, everybody in the company, every manager, every engineer was involved in that change. And then they implemented those and they got a reduction of man hours, they got reduction of parts and those kind of things. Other forces for change oftentimes come from our internal processes or the MBO, management by objective. We realize that there's a disparity between the actual performance or the goal-- or excuse me, the goal of the company and the actual performance. And we looked at that, we call that a performance gap. And that's the number one internal force for change is called a performance gap. And so, we see that within organizations or failure to meet our goals, right? So recognize there's a need for change, we design a solution, we implement it. And so, you can kind of look for that. Again, performance gap, again, being one of the major force for change from internal standpoint, again, that disparity between our goals and our actual performance.

[ Inaudible Remark ]

Then we look about-- All right, well, how do we go about designing change? Well, we need to make sure we've clearly defined the problem, right? In Boeing's case, the customer came said, "Cancel it, too expensive." All right, problem is clear-- pretty clear and defined. Now, we get together, we brainstorm. We look at how other people do things. That's that benchmarking, right? Benchmarking is looking at who else in our industry, who's the best in our industry and how do they do things? And they become the benchmark for how we're going to do things, best practice, focus groups. And so, Boeing brought all their people together into smaller groups. And they created solutions or options of how they're going to roll forward and created new goals and plans to roll forward with their organization. Well, when we implement change, sometimes change is not-- or often times change is not accepted by our people, right? And we really need our people on board with this. But we have to analyze why people or employees would be resistant to change. And if you look at slide 36, it identifies those, number one, being how does it affect me or self interest? What, you know, how does this can affect me? Am I going to lose my job? Am I going to lose my power, my-- you know, my position, my prestige, whatever? That's one of the biggest obstacles to change, that self-interest. Another one is a lack of understanding. We just don't see the need for change, right? Or trust, we don't trust. Oh yeah, you've been through this before and you left us hanging high and dry. So there's a trust issue, or just a general uncertainty. And then another one there is the different assessment of goals. Maybe the people don't see it quite the same way. So, if, you know, you examine how each one of those, you have to look at what you can use, you as a manager, to overcome those resistors to change. By the way, couple other approaches to overcome-- Well, we have to look at-- I'm sorry, we have to look at how we're going to overcome those resistors to change. And then the next slide there at slide 37, there's three of them in blue. And I've highlighted those because those are the most important. Number one is communication. When Boeing got their contract cut, the CEO immediately communicated to everybody. In fact, brought them all together and said, "Our contract has been cut." So immediately, everybody is on the same boat. There's a self-interest that we're all, "Hey, we're out of a job if we don't fix this." The next one is education. You provide your people with the information. And I found this to be very true in running my own company. If you provide your people with your information open book policy, let them review the books. I let my employees look at our sales and profitability and all those kind of things. And they're pretty smart, they could see when company was doing better and was doing worst. They could more importantly see their part in it. So you educate them. And then you allow them like Boeing did to participate in a change or the planning for the change. And when you do that, you go so far into removing all that self-interest, that lack of understanding, the uncertainty, that different assessment of goals and plans because you've involved them, they bought in, they're much more likely to buy in and be part of it, OK? You also need top management support. And if top management doesn't support it, it won't go anywhere. And finally, we look at other ways of overcoming resistance to change. Certain situations for example, you're running a company that has union contracts, you may have to go out and do some negotiation, right? But again, I would involve the union people and the-- I would involve them in education, communication. Let them participate in ideas to change because they can see their part in it. But sometimes negotiation is, you know, area you have to look at. And finally, the last one there that's listed is coercion. Coercion in most cases should never be used. Coercion builds resistance. Almost always builds resistance. The only time coercion has a place within an organization is when a crisis exist, all right? So the building is on fire. We're not going to form a committee and decide how we're going to evacuate. I'm going to tell you to get the hell out of the building, all right? But that's the only time coercion should be used is in a crisis situation. The rest of time, if you're using-- if you're a manager that uses coercion, you are building resistance and/or your good people that have other opportunities are going to leave, OK? All right, that's our discussion or lecture for the day on planning, goal setting and change in plans and goals. Please take a look at those slides and as you review those, you're listing this lecture and then take your corresponding quiz that goes along with it. Thank you.