

## UNIT 2

### **Planning:**

Planning is the process by which managers establish goals and define the methods by which these goals are to be attained. Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, which is choosing from among alternative future courses of action.

Planning is deciding in advance what is to be done; that is a plan is a projected course of action.”

### **7 Main Nature and Features of Planning in Business**

The following facts come to light about its nature and features:

#### **(1) Planning Focuses on Achieving Objectives:**

Management begins with planning and planning begins with the determining of objectives. In the absence of objectives no organisation can ever be thought about. With the determining of objective, the way to achieve the objective is decided in the planning.

In case, it is necessary to change the previously decided course of action for the attainment of objectives, there is no hesitation to do so. It is thus clear that planning is helpful in the attainment of objectives.

For example, a company decides to achieve annual sales of? 12 crores. After deciding upon this objective, planning to achieve this objective shall immediately come into force. It was thought to achieve this objective by giving advertisement in the newspapers.

After some time it comes to be known that the medium of advertisement appeared to be incapable of achieving the target. In such a situation the medium of advertisement can be changed and it can be shifted from newspapers to television in this way, every possible change is made through the planned action for the purpose of achieving the objective.

## **(2) Planning is Primary Function of Management:**

Planning is the first important function of management. The other functions, e.g., organising, staffing, directing and controlling come later. In the absence of planning no other function of management can be performed.

This is the base of other functions of management. For example, a company plans to achieve a sales target of 112 crores a year. In order to achieve this target the second function of management, i.e., organising comes into operation.

Under it the purchase, sales, production and financial activities are decided upon. In order to complete these activities, different departments and positions are decided upon. The authority and responsibility of every position are decided upon.

After the work of organising, information about the number of different people at different levels required to achieve the objective shall have to be provided. This job will be performed under staffing. Similarly, planning is the base of other functions like directing and controlling.

## **(3) Planning is Pervasive:**

Since the job of planning is performed by the managers at different levels working in the enterprise, it is appropriate to call it all-pervasive. Planning is an important function of every manager; he may be a managing director of the organisation or a foreman in a factory.

The time spent by the higher-level managers in the process of planning is comparatively more than the time spent by the middle-level and lower-level managers. It is, therefore, clear that all the managers working in an enterprise have to plan their activities.

For example, the decision to expand business is taken by the higher-level managers. The decision to sell products is taken by the middle-level and lower-level managers.

#### **(4) Planning is Continuous:**

Planning is a continuous process for the following reasons:

(a) Plans are prepared for a particular period. Hence, there is need for a new plan after the expiry of that period.

(b) In case of any discrepancy plans are to be revised.

(c) In case of rapid changes in the business environment plans are to be revised.

#### **(5) Planning is Futuristic:**

Planning decides the plan of action what is to be done, how is it to be done, when it to be done, by whom is it to be done all these questions are related to future. Under planning, answers to these questions are found out.

While an effort is made to find out these answers, the possibility of social, economic, technical and changes in legal framework are kept in mind. Since planning is concerned with future activities, it is called futuristic.

For example, a company is planning to market a new product. While doing so it shall have to keep in mind the customs and the interests/tastes of the people and also the possibility of any change in them.

#### **(6) Planning Involves Decision Making:**

Planning becomes a necessity when there are many alternatives to do a job. A planner chooses the most appropriate alternative. Therefore, it can be asserted that planning is a process of selecting the best and rejecting the inappropriate. It is, therefore, observed that planning involves decision making.

For example, Mr. Anthony lives in a town where only commerce stream is taught in schools. His daughter has passed matrix and wants to get admission in 10 + 1. It is evident that there is only one option for her, i.e., commerce.

She doesn't have to think or plan anything. On the other hand, if all the three faculties' art, science & commerce were available in the schools, she would have to definitely think and plan about the subject of study. It would have been nothing but decision making in this case.

### **(7) Planning is a Mental Exercise:**

Planning is known as a mental exercise as it is related to thinking before doing something.

#### **Characteristics of Planning:**

##### **1. Planning is goal-oriented.**

- a. Planning is made to achieve desired objective of business.
- b. The goals established should get general acceptance otherwise individual efforts & energies will go misguided and misdirected.
- c. Planning identifies the action that would lead to desired goals quickly & economically.
- d. It provides sense of direction to various activities. E.g. Maruti Udyog is trying to capture once again Indian Car Market by launching diesel models.

##### **2. Planning is looking ahead.**

- a. Planning is done for future.
- b. It requires peeping in future, analyzing it and predicting it.
- c. Thus planning is based on forecasting.
- d. A plan is a synthesis of forecast.
- e. It is a mental predisposition for things to happen in future.

##### **3. Planning is an intellectual process.**

- a. Planning is a mental exercise involving creative thinking, sound judgement and imagination.
- b. It is not a mere guesswork but a rotational thinking.
- c. A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
- d. Planning is always based on goals, facts and considered estimates.

##### **4. Planning involves choice & decision making.**

- a. Planning essentially involves choice among various alternatives.
- b. Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
- c. Thus, decision making is an integral part of planning.
- d. A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

##### **5. Planning is the primary function of management / Primacy of Planning.**

- a. Planning lays foundation for other functions of management.
- b. It serves as a guide for organizing, staffing, directing and controlling.

- c. All the functions of management are performed within the framework of plans laid out.
  - d. Therefore planning is the basic or fundamental function of management.
- 6. Planning is a Continuous Process.**
- a. Planning is a never ending function due to the dynamic business environment.
  - b. Plans are also prepared for specific period of time and at the end of that period, plans are subjected to reevaluation and review in the light of new requirements and changing conditions.
  - c. Planning never comes to an end till the enterprise exists, issues, problems may keep cropping up and they have to be tackled by planning effectively.
- 7. Planning is all Pervasive.**
- a. It is required at all levels of management and in all departments of enterprise.
  - b. Of course, the scope of planning may differ from one level to another.
  - c. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.
- 8. Planning is designed for efficiency.**
- a. Planning leads to accomplishment of objectives at the minimum possible cost.
  - b. It avoids wastage of resources and ensures adequate and optimum utilization of resources.
  - c. A plan is worthless or useless if it does not value the cost incurred on it.
  - d. Therefore planning must lead to saving of time, effort and money.
  - e. Planning leads to proper utilization of men, money, materials, methods and machines.
- 9. Planning is Flexible.**
- a. Planning is done for the future.
  - b. Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, govt. policies etc.
  - c. Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

### **Importance/Significance of Planning:**

#### **1. Planning provides Direction:**

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

## **2. Planning Reduces the risk of uncertainties:**

Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

## **3. Planning reduces over lapping and wasteful activities:**

The organizational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

## **4. Planning Promotes innovative ideas:**

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

## **5. Planning Facilitates Decision Making:**

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

## **6. Planning establishes standard for controlling:**

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the

actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

### **7. Focuses attention on objectives of the company:**

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

### **Limitations of Planning:**

#### **1. Planning leads to rigidity:**

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

#### **2. Planning may not work in dynamic environment:**

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic

policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes take place in environment.

### **3. It reduces creativity:**

With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

### **4. Planning involves huge Cost:**

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

### **5. It is a time consuming process:**

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

### **6. Planning does not guarantee success:**

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.



## **7. Lack of accuracy:**

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

For example, if in the plan it is assumed that there will be 5% inflation rate and in future condition the inflation rate becomes 10% then the whole plan will fail and many adjustments will be required to be made.

### **Planning Process/Steps in Planning:**

#### **1] Recognizing Need for Action**

An important part of the planning process is to be aware of the business opportunities in the firm's external environment as well as within the firm. Once such opportunities get recognized the managers can recognize the actions that need to be taken to realize them. A realistic look must be taken at the prospect of these new opportunities and SWOT analysis should be done.

#### **2] Setting Objectives**

This is the second and perhaps the most important step of the planning process. Here we establish the objectives for the whole organization and also individual departments. Organizational objectives provide a general direction, objectives of departments will be more planned and detailed.

Objectives can be long term and short term as well. They indicate the end result the company wishes to achieve. So objectives will percolate down from the managers and will also guide and push the employees in the correct direction.

#### **3] Developing Premises**

Planning is always done keeping the future in mind, however, the future is always uncertain. So in the function of management certain assumptions will have to be made. These assumptions are the premises. Such assumptions are made in the form of forecasts, existing plans, past policies, etc.

These planning premises are also of two types – internal and external. External assumptions deal with factors such as political environment, social environment, the advancement of technology, competition, government policies, etc. Internal assumptions deal with policies, availability of resources, quality of management, etc.

These assumptions being made should be uniform across the organization. All managers should be aware of these premises and should agree with them.

#### **4] Identifying Alternatives**

The fourth step of the planning process is to identify the alternatives available to the managers. There is no one way to achieve the objectives of the firm, there is a multitude of choices. All of these alternative courses should be identified. There must be options available to the manager.

Maybe he chooses an innovative alternative hoping for more efficient results. If he does not want to experiment he will stick to the more routine course of action. The problem with this step is not finding the alternatives but narrowing them down to a reasonable amount of choices so all of them can be thoroughly evaluated.

#### **5] Examining Alternate Course of Action**

The next step of the planning process is to evaluate and closely examine each of the alternative plans. Every option will go through an examination where all their pros and cons will be weighed. The alternative plans need to be evaluated in light of the organizational objectives.

For example, if it is a financial plan. Then in that case its risk-return evaluation will be done. Detailed calculation and analysis are done to ensure that the plan is capable of achieving the objectives in the best and most efficient manner possible.

#### **6] Selecting the Alternative**

Finally, we reach the decision making stage of the planning process. Now the best and most feasible plan will be chosen to be implemented. The ideal plan is the most profitable one with the least amount of negative consequences and is also adaptable to dynamic situations.

The choice is obviously based on scientific analysis and mathematical equations. But a manager's intuition and experience should also play a big part in this decision. Sometimes a few different aspects of different plans are combined to come up with the one ideal plan.

## 7] Formulating Supporting Plan

Once you have chosen the plan to be implemented, managers will have to come up with one or more supporting plans. These secondary plans help with the implementation of the main plan. For example plans to hire more people, train personnel, expand the office etc are supporting plans for the main plan of launching a new product. So all these secondary plans are in fact part of the main plan.

## 8] Implementation of the Plan

And finally, we come to the last step of the planning process, implementation of the plan. This is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization. The tools required for such implementation involve the types of plans- procedures, policies, budgets, rules, standards etc.



## **Types of planning:**

### **Operational Planning**

“Operational plans are about how things need to happen,” motivational leadership speaker Mack Story said at LinkedIn. “Guidelines of how to accomplish the mission are set.”

This type of planning typically describes the day-to-day running of the company. Operational plans are often described as single use plans or ongoing plans. Single use plans are created for events and activities with a single occurrence (such as a single marketing campaign). Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step-by-step process for accomplishing particular objectives.

### **Strategic Planning**

“Strategic plans are all about why things need to happen,” Story said. “It’s big picture, long-term thinking. It starts at the highest level with defining a mission and casting a vision.”

Strategic planning includes a high-level overview of the entire business. It’s the foundational basis of the organization and will dictate long-term decisions. The scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission and values.

### **Tactical Planning**

“Tactical plans are about what is going to happen,” Story said. “Basically at the tactical level, there are many focused, specific, and short-term plans, where the actual work is being done, that support the high-level strategic plans.”

Tactical planning supports strategic planning. It includes tactics that the organization plans to use to achieve what’s outlined in the strategic plan. Often, the scope is less than one year and breaks down the strategic plan into actionable chunks. Tactical planning is different from operational planning in that tactical plans ask specific questions about what needs to happen to accomplish a strategic goal; operational plans ask how the organization will generally do something to accomplish the company’s mission.

### **Contingency Planning**

Contingency plans are made when something unexpected happens or when something needs to be changed. Business experts sometimes refer to these plans as a special type of planning.

Contingency planning can be helpful in circumstances that call for a change. Although managers should anticipate changes when engaged in any of the primary types of planning, contingency planning is essential in moments when changes can’t be foreseen. As the business world

becomes more complicated, contingency planning becomes more important to engage in and understand.

## **Types of Plan**

Planning is a pervasive function of management, it is extensive in its scope. So all managers across all levels participate in planning. However, the plans made by the top level manager will differ from the ones that lower managers make.

Plans also differ from what they seek to achieve and what methods will be used to achieve them. So let us look at the types of plans that managers deal with.

## **Objectives**

This is the first step in planning the action plan of the organization. Objectives are the basics of every company and the desired objective/result that the company plans on achieving, so they are the endpoint of every planning activity.

For example one of the objectives of an organization could be to increase sales by 20%. So the manager will plan all activities of the organization with this end objective in mind. While framing the objectives of the organization some points should be kept in mind.

- Objectives should be framed for a single activity in mind.
- They should be result oriented. The objective must not frame any actions
- Objectives should not be vague, they should be quantitative and measurable.
- They should not be unrealistic. Objectives must be achievable.

## **Strategy**

This obviously is the next type of plan, the next step that follows objectives. A strategy is a complete and all-inclusive plan for achieving said objectives. A strategy is a plan that has three specific dimensions

- i. Establishing long-term objectives
- ii. Selecting a specific course of action
- iii. allocating the necessary resources needed for the plan

Forming strategy is generally reserved for the top level of management. It actually defines all future decisions and the company's long-term scope and general direction.

## **Policy**

Policies are generic statements, which are basically a guide to channelize energies towards a particular strategy. It is an organization's general way of understanding, interpreting and implementing strategies. Like for example, most companies have a return policy or recruitment policy or pricing policy etc.

Policies are made across all levels of management, from major policies at the top-most level to minor policies. The managers need to form policies to help the employees navigate a situation with predetermined decisions. They also help employees to make decisions in unexpected situations.

## **Procedure**

Procedures are the next types of plan. They are a stepwise guide for the routine to carry out the activities. These stepwise sequences are to be followed by all the employees so the activities can be fulfilled in an organized manner.

The procedures are described in a chronological order. So when the employees follow the instructions in the order and completely, the success of the activity is pretty much guaranteed.

Take for example the procedure of admission of a student in a college. The procedure starts with filling out an application form. It will be followed by a collection of documents and sorting the applications accordingly.

## **Rules**

Rules are very specific statements that define an action or non-action. Also, rules allow for no flexibility at all, they are final. All employees of the organization must compulsorily follow and implement the rules. Not following rules can have severe consequences.

Rules create an environment of discipline in the organization. They guide the actions and the behaviour of all the employees of the organization. The rule of "no smoking" is one such example.

## **Program**

Programmes are an in-depth statement that outlines a company's policies, rules, objectives, procedures etc. These programmes are important in the implementation of all types of plan. They create a link between the company's objectives, procedures and rules.

Primary programmes are made at the top level of management. To support the primary program all managers will make other programs at the middle and lower levels of management.

## **Methods**

Methods prescribe the ways in which in which specific tasks of a procedure must be performed. Also, methods are very specific and detailed instructions on how the employees must perform every task of the planned procedure. So managers form methods to formalize routine jobs.

Methods are very important types of plan for an organization. They help in the following ways

- give clear instructions to the employees, removes any confusion
- Ensures uniformity in the actions of the employees
- Standardizes the routine jobs
- Acts as an overall guide for the employees and the managers

## **Budget**

A budget is a statement of expected results the managers expect from the company. Budgets are also a quantitative statement, so they are expressed in numerical terms. A budget quantifies the forecast or future of the organization.

There are many types of budgets that managers make. There is the obvious financial budget, that forecasts the profit of the company. Then there are operational budgets generally prepared by lower-level managers. Cash budgets monitor the cash inflows and outflows of the company.

## **Objectives:**

Mc. Farland defines objectives, "Objectives are the goals, aims, or purposes that organizations wish to achieve over varying periods of time."

## **Features of Objectives:**

### **Following are the features of objectives:**

1. Every organization has objectives rather it is started to achieve certain objectives. All the members of an organization channelize their energies to achieve the stated goals.

2. The objectives of a business organization may be broad as well specific. These may be set for the whole organization or different segments of it. The objectives may be for long term or short periods. The overall objectives of the organization are supported by the sub objectives. For example, the objective of earning a certain percentage of profit in a particular year will be achievable only if objectives of manufacturing, marketing, finance departments support it.

3. Objectives have hierarchy. At organizational level broad objectives are fixed by the top level management. The broad objectives are specified at departmental level and then they are derived for different sections. Various objectives at different levels try to achieve organizational objectives.

4. An organization tries to fulfill the needs and aspirations of society. The organizational objectives should have social sanctions since these are social units. The aspirations of society should be reflected from the business objectives.

5. Business objectives may change as per the environmental changes or change in social needs. The present objectives may have to be changed as per the new situations. The objective of earning profits has of late been associated with the social responsibility of business. Similarly, new objectives may be added or old objectives may be modified or changed.

6. All organizational objectives are inter-related. The achievement of main objectives will require the achievement of subordinate objectives also. The non- achievement of small objectives will also mean the non- achievement of main objective. So all the objectives are inter-related and they cannot be taken up independently.

7. Another important characteristic of objectives is their multiplicity. There may be a number of objectives for which a concern may strive to achieve at the same time. The major objectives may also be more. At every hierarchical level too, the objectives may be many. Different areas



of business have their own objectives. Management should try to achieve all the objectives efficiently and effectively.

8. The objectives should be based on practical situations. They should also take into account the philosophy and thinking of the management. The objectives should be realistic so that they may be converted into actual performance. Unrealistic objectives do more harm than good because they discourage the employees rather than encouraging them.

### **Classification of Objectives:**

**Management objectives can be classified as follows:**

#### **1. Primary Objectives:**

These are the objectives for which a company has been started. Every business aims to earn more and more profits out of its working. Primary objectives are related to the company and not to individuals. Earning of profits out of providing goods and services to the customers is the primary objective of a company. The goods and services are provided as per the requirements of customers. Earning profits through customer satisfaction helps in earning goodwill and regular clientele. The production of goods and services as per determined targets will be achieved through individual goals of employees in the organization.

#### **2. Secondary Objectives:**

These objectives help in achieving primary objectives. The targets are identified and efforts are made to increase efficiency and economy in the performance of work. The goals dealing with analysis, advice and interpretation provide support to goals directed by primary objectives. Secondary objectives, like primary objectives, are impersonal in nature. The primary goal of earning profits through providing goods and services will be achieved if there is a plan to add new products in the market at regular intervals. The goal of adding new products will be a secondary goal which will help in achieving the primary objective.

### 3. Individual Objectives:

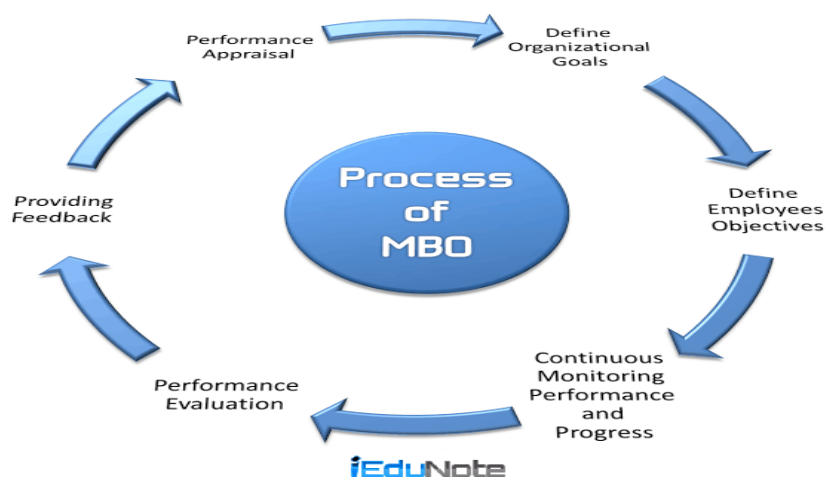
These are the goals which individual members in an organization try to achieve on daily, weekly, monthly or yearly basis. These objectives are achievable as subordinate to primary and secondary goals. Most of the individual objects are economic, psychological or non-financial rewards which an individual tries to achieve by using resources of time, skill and effort. An individual tries to satisfy his needs and desires by working in an organization. In order to motivate individuals for raising their performance, organizations offer varied incentives.

### 4. Social Objectives:

These are the goals of an organization towards society. These include the obligations required by the community, government agencies etc. These also include goals intended to further social, physical and cultural improvement of the society. Social obligations of business has become essential these days. Business has to produce goods and services by taking into consideration health requirements of people. There are expectations that business should also spent a part of its profits for the welfare of community.

### Management by Objectives (MBO):

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization.



The 6 steps of the MBO process are;

1. Define organizational goals
2. Define employees objectives
3. Continuous monitoring performance and progress
4. Performance evaluation
5. Providing feedback
6. Performance appraisal

### **1. Define Organizational Goals**

Goals are critical issues to organizational effectiveness, and they serve a number of purposes. **Organizations can also have several different kinds of goals**, all of which must be appropriately managed.

And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

### **2. Define Employees Objectives**

After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.

The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

### **3. Continuous Monitoring Performance and Progress**

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

- Identifying ineffective programs by comparing performance with pre-established objectives.
- Using zero-based budgeting.
- Applying MBO concepts for measuring individual and plans.
- Preparing long and short-range objectives and plans.
- Installing effective controls, and
- Designing a sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

#### **4. Performance Evaluation**

Under this MBO process performance review is made by the participation of the concerned managers.

#### **5. Providing Feedback**

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions.

This continuous feedback is supplemented by periodic formal appraisal meetings in which superiors and subordinates can review progress toward goals, which lead to further feedback.

#### **6. Performance Appraisal**

**Performance appraisals** are a regular review of employee performance within organizations. It is done at the last stage of the MBO process.