

Principles of Management



Unit - II PLANNING

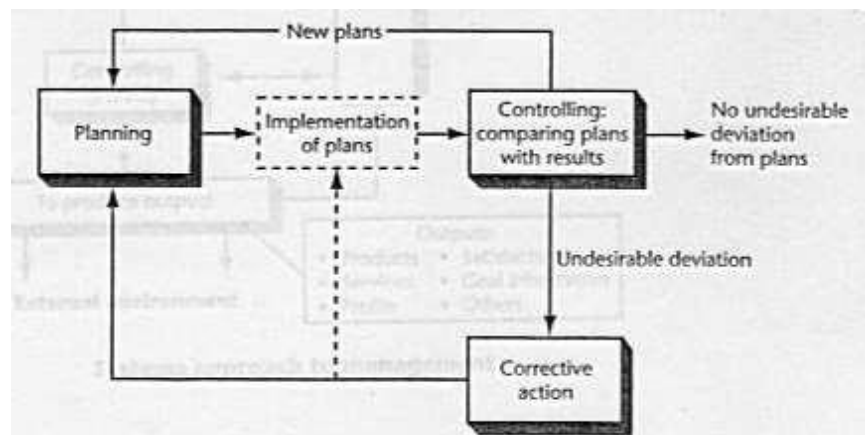
Nature and purpose of planning - Planning process - Types of plans - Objectives - Managing by Objective (MBO) strategies - Types of strategies - Policies - Decision Making - Types of decision - Decision making process - Rational decision making process - Decision making under different conditions.

2.1 INTRODUCTION TO PLANNING

In designing an environment for the effective performance of individuals working together in a group, a manager's most essential task is to see that everyone understands the group's mission and objectives and the methods for attaining them. If group effort is to be effective, people must know what they are expected to accomplish. This is the function of planning. It is the most basic of all the managerial functions.

Planning involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision-making, i.e., choosing a course of action from among alternatives. Plans thus provide a rational approach to achieving preselected objectives.

Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable—the Siamese twins of management (See figure below). Any attempt to control without plans is meaningless, since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control.



2.2 DEFINITIONS

“Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization to achieve desire results.” - **George Terry**

“Planning is deciding advance what to do, how to do it, when to do it, who is to do it. It bridges the gap between where we are, where we want to go. It makes it possible for things to occur which would not otherwise happen.” - **Koontz and O’Donnel**

Based on futurity: “Planning is a trap laid down to capture the future”-**Allen**.

“Planning is informed anticipation of future” -**Haimann**.

“Planning is ‘anticipatory’ decision-making” -**R.L. Ackoff**.

Planning is required to make decisions on

- What should be done?
- How it should be done?
- Who will be responsible?
- Where the action is to be taken?
- Why is it done?



Planning is the first step of management process concerned with the establishment of objectives and analysis of present limitations for attaining such goals.

Planning Is:

- A promise to do something acceptable
- An exciting opportunity to form a mental model to guide future activities.

2.3 NATURE OF PLANNING

- ✓ Planning is goal-oriented
- ✓ Primacy of Planning
- ✓ Pervasiveness of Planning
- ✓ Efficiency, Economy and Accuracy
- ✓ Planning is an intellectual process
- ✓ Limiting Factors
- ✓ Flexibility
- ✓ Co-ordination



- Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
- Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
- Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
- Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
- Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager.
- Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
- Flexibility:** The process of planning should be adaptable to changing environmental conditions.
- Co-ordination:** Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.

2.4 PURPOSES / IMPORTANCE OF PLANNING

Planning seems to take a lot of effort. As a managerial function planning is important due to the following reasons:-

- i. **To provide direction**
- ii. **To reduce / offset uncertainty and change**
- iii. **To minimize waste and redundancy**
- iv. **To set the standards to make control effective**
- v. **To manage by objectives**
- vi. **To help in co-ordination**
- vii. **To secure economy in operation**
- viii. **To increase organizational effectiveness**

- i. ***Planning provides direction:*** Planning provides direction to managers and non-managers alike. When employees know what their organization or work unit is trying to accomplish and what they must contribute in order to reach goals, they can coordinate their activities, cooperate with each other and do what it takes to accomplish those goals. Without planning, department and individuals might work at cross-purpose and prevent the organization from efficiently achieving goals.
- ii. ***Planning reduces / Offset uncertainty and change:*** Planning reduces uncertainty by forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate response. Although planning won't eliminate uncertainty, managers plan so they can respond efficiently. Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
- iii. ***Planning Minimizes waste and redundancy:*** Planning Minimizes waste and redundancy. When work activity is coordinated around plans, inefficiency becomes obvious and can be corrected and eliminated.
- iv. ***Planning establishes the goals or standard to make control effective:*** When managers plan, they develop goals and plan. When they control they see whether the plans have been carried out and the goals met. Without planning there would be no goals against which to measure or evaluate work effort. The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
- v. ***To manage by objectives:*** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
- vi. ***To help in co-ordination:*** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
- vii. ***To secure economy in operation:*** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
- viii. ***To increase organizational effectiveness:*** Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the

manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

2.5 FEATURES OF PLANNING

- ✓ It is primary function of management.
- ✓ It is an intellectual process.
- ✓ Focuses on determining the objectives.
- ✓ Involves choice and decision making.
- ✓ It is a continuous process.
- ✓ It is a pervasive function.



2.6 CLASSIFICATION OF PLANNING / TYPES OF PLANNING

Planning is a complex and comprehensive process involving a series of overlapping and interrelated elements or stages, including strategic, tactical, and operational planning.

I. On the basis of content, Plans can be classified as:

- A. Strategic Planning**
- B. Tactical Planning**
- C. Operational planning**

A. Strategic planning establishes master plans that shape the destiny of the firm. An **example of strategic planning** is when the executive team at **Harley-Davidson Inc.** planned how to deal with the demographic shift of their customer base becoming much older. Strategic plans set broad, comprehensive, and longer-term action directions for the entire organization.

- It is the process of deciding on Long-term objectives of the organization.
- It encompasses all the functional areas of business
- It decides major goals and policies of allocation of resources to achieve these goals.
- Done at higher levels of management
- Less detailed because it is not involved with the day to day operations of the organization

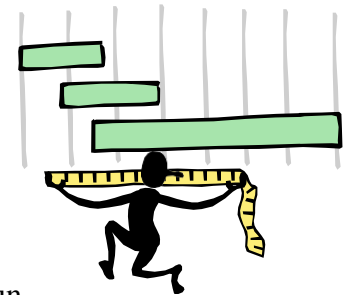
B. Tactical planning translates strategic plans into specific goals and plans that are most relevant to a particular organizational unit. The tactical plans also provide details of how the company or business unit will compete within its chosen business area. Middle level managers have the primary responsibility for formulating and executing tactical plans. These plans are based on marketplace realities when developed for a business. Conditions can change rapidly in competitive fields such as a Korean company suddenly developing a substantially lower-price sports bike.

- It involves conversion of detailed and specific plans into detailed and specification plans.
- It is the blue print for current action and it supports the strategic plans.
- It is Mid-term term
- It is more detailed because it involves with day to day operations of the organization.
- It is done at middle level of management



C. Operational planning identifies the specific procedures and actions required at lower levels in the organization. If Harley- Davidson wants to revamp an assembly line to produce more sports bikes, operational plans would have to be drawn. In practice, the distinction between tactical planning and operational planning is not clear-cut. However, both tactical plans and operational plans must support the strategic plan such as revamping manufacturing and marketing to capture a larger group of young cyclists..

- It is short term
- It is more detailed because it is involves with day to day operations of the organization.
- Done at lower level of management
- Define what needs to be done in specific areas to implement strategic plans.
 - Production plans
 - Financial plans
 - Facilities plans
 - Marketing plans
 - Human resource plans



II. On the basis of time period

- **Long term planning**
 - Time frame beyond five years. **Long term Plans:** >5yrs
 - It specifies what the organization wants to become in long run.
 - It involves great deal of uncertainty.
 - Higher management levels focus on longer time horizons.
 - Cover a longer time
 - May include a variety of different types of training

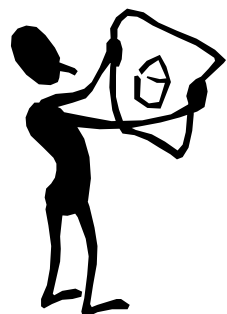
Some examples **Long term Plans:**

- An annual plan, including Fast Start and basic training
- Makeup training sessions
- Den chief training
- Regular monthly roundtables
- Supplemental training
- Personal coaching
- Self-study



We should not overlook the importance of long-range plans in providing a total leadership growth and development program for leaders.

- **Intermediate term/ Midterm planning**
 - Time frame between two and five years. **Medium Term Plans:** >1 yr but <5yrs
 - It is designed to implement long term plans.
- **Short term planning**
 - Time frame of one year or less. **Short term Plans:** Upto one year
 - It provide basis for day to day operations.
 - Meet a particular objective in the near future
 - Cover a limited area of training
 - Answer the question: Are we doing things right?
 - Should fit well within and contribute to long-range plans



Some examples:

- Plans for basic training sessions for new leaders who have just been recruited
- Plans for a den chief training conference
- Plans for training roundtable staff members

2.7 PLANNING PROCESS

Planning at its best is a systematic process. The various steps involved in planning are given below:



1. Perception of Opportunities (The market, Competition, what customer wants, Strength and weakness): Although preceding actual planning and therefore not strictly a part of the planning process, awareness of an opportunity is the real starting point for planning. It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely, knowledge of where we stand in the light of our strengths and weaknesses, an understanding of why we wish to solve uncertainties, and a vision of what we expect to gain. Setting realistic objectives depends on this awareness. Planning requires realistic diagnosis of the opportunity situation. Defining the present situation includes measuring success and examining internal capabilities and external threats.

2. Establish Goals and Objectives (Where we want to be and what we want to accomplish and when): The second step in planning is to establish goals and identify objectives that contribute to the attainment of goals. (Goals are broader than objectives, whereas objectives function as smaller goals that support the bigger goals.)

The first step in planning is to establish objectives for the entire enterprise and then for each subordinate unit. Objectives specifying the results expected indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs. **Enterprise objectives** should give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. Major **department objectives**, in turn, control the objectives of subordinate departments, and so on down the line. The objectives of lesser departments will be better framed, however, if subdivision managers understand the overall enterprise objectives and the implied derivative goals and if they are given an opportunity to contribute their ideas to them and to the setting of their own goals.



3. Considering the Planning Premises (Analyze the Environment to Forecast Aids and Barriers to Goals and Objectives): As an extension of defining the present situation, the manager or other planner attempts to predict which internal and external factors will foster or hinder attainment of the desired ends. These are forecast data of a factual nature, applicable basic policies, and existing company plans. Premises, then, are planning assumptions – in other words, the expected environment of plans in operation. This step leads to one of the major principles of planning. Planning premises include far more than the usual basic forecasts of population, prices, costs, production, markets, and similar matters. Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.

4. Develop Action Plans to Reach Goals and Objectives: Goals and objectives are only wishful thinking until action plans are drawn. An **action plan** consists of the specific steps necessary to achieve a goal or objective.

5. Develop Budgets: Planning usually results in action plans that require money to implement. Among the expenses would be larger advertising and promotion budgets geared to seniors and women.

6. Implement the Plans: If the plans developed in the previous five steps are to benefit the firm, they must be put to use. A frequent criticism of planners is that they develop elaborate plans and then abandon them in favor of conducting business as usual. One estimate is that 70 percent of the time when CEOs fail, the major cause of failure is poor execution, not poor planning. Poor execution in this study included not getting things done, being indecisive, and not delivering on commitments. Furthermore, execution is considered to be a specific set of behaviors and techniques that companies need to master in order to maintain a competitive advantage.

7. Control the Plans: Planning does not end with implementation, because plans may not always proceed as conceived. The control process measures progress toward goal attainment and indicates corrective action if too much deviation is detected. The deviation from expected performance can be negative or positive. Progress against all of the goals and objectives mentioned above must be measured. One goal was to hold on to much of the existing customer base.

Make Contingency Plans: Many planners develop a set of backup plans to be used in case things do not proceed as hoped. A **contingency plan** is an alternative plan to be used if the original plan cannot be implemented or a crisis develops. (The familiar expression “Let’s try plan B” gets at the essence of contingency planning.)



2.8 INSTRUMENTS OF PLANNING

Plans can be classified as:

1. *Mission or purpose*
2. *Objectives or goals*
3. *Strategies*
4. *Policies*
5. *Procedures*
6. *Rules*
7. *Programs*
8. *Budgets*

1. Mission or Purpose: The mission, or purpose (the terms are often used interchangeably), identifies the basic purpose or function or tasks of an enterprise or agency or any part of it. Every kind of organized operation has, or at least should have if it is to be meaningful, a mission or purpose.

For example, the purpose of a business generally is the production and distribution of goods and services. The purpose of a state highway department is the design, building, and operation of a system of state highways.

The mission of an oil company, like Exxon, is to search for oil and to produce, refine, and market petroleum and petroleum products, from diesel fuel to chemicals.

2. Objectives or Goals: Objectives, or goals (the terms are used interchangeably), are the ends toward which activity is aimed. They represent not only the end point of planning but also the end toward which organizing, staffing, leading, and controlling are aimed.

3. Strategies: For years, the military used the word strategies to mean grand plans made in light of what it was believed an adversary might or might not do. While the term still usually has a competitive implication, managers increasingly use it to reflect broad areas of an enterprise's operation. Here the term, strategy is defined as the determination of the basic long-term



objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

4. Policies: Policies also are plans in that they are general statements or understandings that guide or channel thinking in decision making. Not all policies are "statements"; they are often merely implied from the actions of managers. The president of a company, for example, may strictly follow-perhaps for convenience rather than as policy-the practice of promoting from within; the practice may then be interpreted as policy and carefully followed by subordinates. In fact, one of the problems of managers is to make sure that subordinates do not interpret as policy minor managerial decisions that are not intended to serve as patterns. Policies define an area within which a decision is to be made and ensure that the decision will be consistent with, and contribute to, an objective. Policies help decide issues before they become problems, make it unnecessary to analyze the same situation every time it comes up, and unify other plans, thus permitting managers to delegate authority and still maintain control over what their subordinates do. There are many types of policies.

Examples include policies of hiring only university - trained engineers, encouraging employee suggestions for improved cooperation, promoting from within, conforming strictly to a high standard of business ethics, setting competitive prices, and insisting on fixed, rather than cost-plus pricing

5. Procedures: Procedures are plans that establish a required method of handling future activities. They are chronological sequences of required actions. They are guides to action, rather than to thinking, and they detail the exact manner in which certain activities must be accomplished.

For example; Case Western University outlines three steps for its appraisal process: (1) setting performance objectives, (2) performing a mid-year review of the objectives, and (3) conducting a performance discussion at the end of the period.' Procedures often cut across departmental lines. For example, in a manufacturing company, the procedure for handling orders may involve the sales department (for the original order), the finance department (for acknowledgment of receipt of funds and for customer credit approval), the accounting department (for recording the transaction), the production department (for the order to produce the goods or the authority to release them from stock), and the shipping department (for determination of shipping means and route).

A few examples illustrate the relationship between procedures and policies. Company policy may grant employees vacations; procedures established to implement this policy will provide for

scheduling vacations to avoid disruption of work, setting rates of vacation pay and methods for calculating them, maintaining records to ensure each employee of a vacation, and spelling out the means for applying for leave.

6. Rules: Rules spell out specific required actions or non actions, allowing no discretion. They are usually the simplest type of plan. "No smoking" is a rule that allows no deviation from a stated course of action. The essence of rule is that it reflects a managerial decision that a certain action must- or must not-be taken. Rules are different from policies in that policies are meant to guide decision making by marking off areas in which managers can use their discretion, while rules allow no discretion in their application.

7. Programs: Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets. They may be as major as an airline's program to acquire a \$400 million fleet of jets or a five-year program to improve the status and quality of its thousands of supervisors. Or they may be as minor as a program formulated by a single supervisor to improve the morale of workers in the parts manufacturing department of a farm machinery company.

8. Budgets: A budget is a statement of expected results expressed in numerical terms. It may be called a "quantified" plan. In fact, the financial operating budget is often called a profit plan. A budget may be expressed in financial terms; in terms of labor-hours, units of product, or machine-hours; or in any other numerically measurable terms. It may deal with operation, as the expense budget does; it may reflect capital outlays, as the capital expenditure budget does; or it may show cash flow, as the cash budget does.



2.9 OBJECTIVES

Objectives: *Objectives* were defined earlier as the important ends toward which organizational and individual activities are directed. Since writers and practitioners make no clear distinction between the terms *goal* and *objectives*, they are used interchangeably in this book. Within the context of the discussion, it will become clear whether the objectives are long term or short term, broad or specific. The emphasis is on **verifiable** objectives, which means at the end of the period it should be possible to determine whether or not the objective has been achieved. The goal of every manager is to create a surplus or profit. Clear and verifiable objectives facilitate measurement of the surplus as well as the effectiveness and efficiency of managerial actions.

The Nature of Objectives

Objectives state end results, and overall objectives need to be supported by sub objectives. Thus, objectives form a hierarchy as well as a network. Moreover, organizations and managers have multiple goals that are sometimes incompatible and may lead to conflicts within the organization, within the group, and even within individuals. A manager may have to choose between short-term and long-term performance, and personal interests may have to be subordinated to organizational objectives.

Hierarchy of objectives

Objectives form a hierarchy, ranging from the broad aim to specific individual objectives. The zenith of the hierarchy is the purpose or mission, which has two dimensions.

1. Social purpose: Contributing to the welfare of people by providing goods and services at a reasonable price.

2. Mission or purpose of the business: To furnish convenient, low-cost transportation for the average person. The stated mission might be to produce, market, and service automobiles. The distinction between purpose and mission is a fine one, and therefore many writers and practitioners do not differentiate between the two terms. At any rate, these aims are in turn translated into general objectives and strategies, such as designing, producing, and marketing reliable, low-cost, fuel-efficient automobiles.

3. Specific objectives: Objectives in the key result areas. These are the areas in which performance is essential for the success of the enterprise. Although there is no complete agreement on what the key result areas of a business should be-and they may differ between enterprises.

Peter F. Drucker suggests the following: *market standing, innovation, productivity, physical and financial resources,*

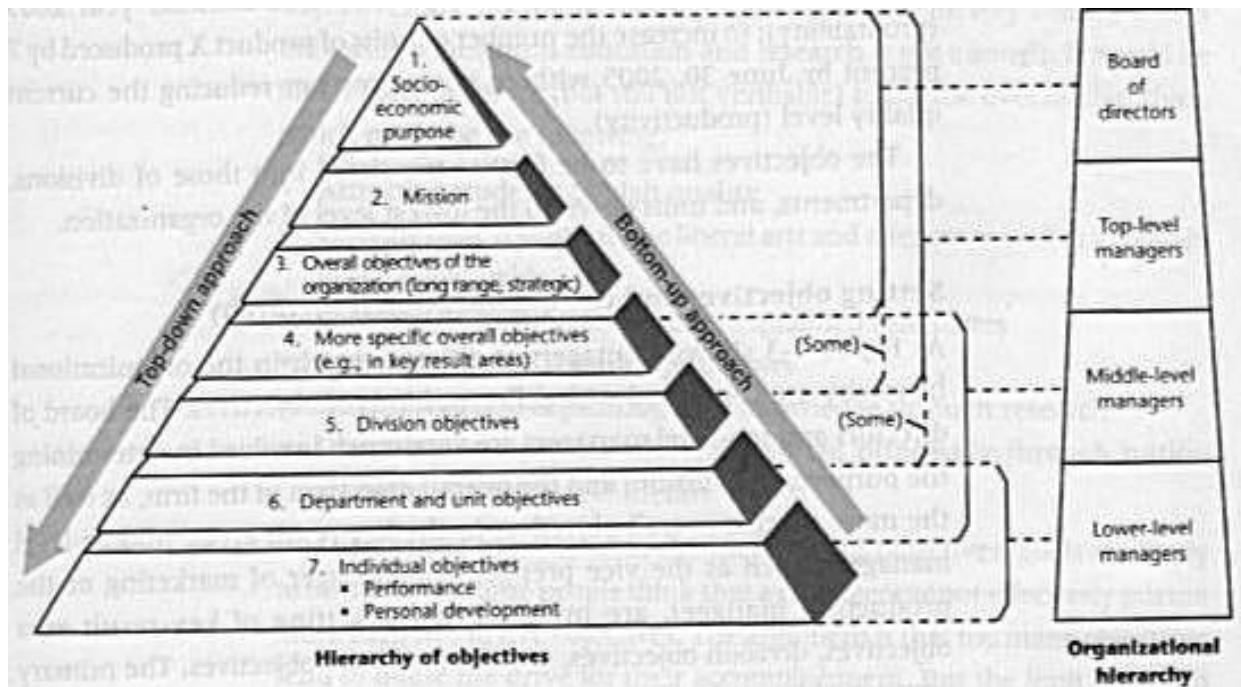
profitability, manager performance and development, worker performance and attitude, and public responsibility. Two other key result areas have become of strategic importance: *service and quality.*



Examples of objectives for key result areas are:

- To obtain a 10 percent return on investment by the end of calendar year (profitability);
- To increase the number of units of product X produced by 7 percent by June 30, without raising costs or reducing the current quality level (productivity).

The objectives have to be further translated into those of divisions, departments, and units down to the lowest level of the organization.



A sample means-ends chain for total quality management.



Examples of Non-Verifiable and Verifiable objectives

Non-Verifiable Objective

- To make a reasonable profit
- To improve communication
- To improve productivity of the production department
- To develop better managers
- To install a computer system

Verifiable objective

- To achieve a return on investment of 12% at the end of the current fiscal year
- To issue a two-page monthly newsletter beginning July 1, 2005, involving not more than 40 working hours of preparation time (after the first issue)
- To increase production output by 5% by December 31 without additional costs while maintaining the current quality level

- To design and conduct a 40-hour in-house program on the "fundamentals of management," to be completed by October 1, involving not more than 200 working hours of the management development staff and with at least 90% of the 100 managers passing the exam (specified)
- To install a computerized control system in the production department by December 31, 2005, requiring not more than 500 working hours of systems analysis and operating with not more than 10% downtime during the first three months or 2% thereafter.

Advantages of Objectives

- ✓ Clear definition of objectives encourages unified planning.
- ✓ Objectives provide motivation to people in the organization.
- ✓ When the work is goal-oriented, unproductive tasks can be avoided.
- ✓ Objectives provide standards which aid in the control of human efforts in an organization.
- ✓ Objectives serve to identify the organization and to link it to the groups upon which its existence depends.
- ✓ Objectives act as a sound basis for developing administrative controls.
- ✓ Objectives contribute to the management process: they influence the purpose of the organization, policies, personnel, leadership as well as managerial control.

Process of Setting Objectives

Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business. In the setting of objectives, the following points should be borne in mind.

- Objectives are required to be set by management in every area which directly and vitally affects the survival and prosperity of the business.
- The objectives to be set in various areas have to be identified.
- While setting the objectives, the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
- The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.
- Objectives must be consistent with one and other.
- Objectives must be set in clear-cut terms.
- For the successful accomplishment of the objectives, there should be effective communication.

2.10 ADVANTAGES OF PLNNING: / BENEFITS OF PLANNING

- Reduces unnecessary pressures of immediacy
- Reduces mistakes and oversights
- Ensures a more productive use of resources
- Makes control easier
- Increases effectiveness of a manager
- Improves focus and flexibility.
- Improves action orientation.
- Improves coordination.
- Improves time management.
- Improves control.
- Knowing what to expect reduces stress
- Allows you to have the required materials
- Provides a sense of accomplishment & well-being
- Leaders receive accurate and complete information, and do a better job as a result.
- Helps the organization progress in a manner considered most suitable
- Employees know what is expected.
- Employees stay within the time limits.
- Managers give enthusiasm and confidence to other leaders.

1) Sole Proprietor Firm: It is the oldest and simplest form of starting a business organization. When a

2.11 LIMITATIONS OF PLANNING

- Effectiveness depends upon correctness of assumptions
- Planning is expensive
- Planning delays actions
- Encourages a false sense of security



2.12 GUIDELINES FOR EFFECTIVE PLANNING

- Involve top management only at key points in the planning process
- Involve line execs in developing the plans
- Do not look for the perfect answer
- Planning should provide realistic targets & alternatives ways to achieve them
- Plans should start on a small scale and be expanded only when the execs have learned the technique & have become convinced of their usefulness



“Plan your work. Work your plan.”

2.13 MANAGEMENT BY OBJECTIVES (MBO)

- MBO was first popularized by Peter Drucker in 1954 in his book 'The practice of Management'.
- MBO (Management by objectives) as a comprehensive managerial system that integrates many key managerial activities in a systematic manner and is consciously directed toward the

effective and efficient achievement of organizational and individual objectives. This view of MBO as a system of managing is not shared by all. While some still define MBO in a very narrow, limited way, we prefer to see it as a comprehensive goal-driven, success-oriented management system as shown below. Besides being used for performance appraisal, as an instrument for motivating individuals, and in strategic planning, there are still other managerial subsystems that can be integrated into the MBO process. They include human resource planning and development (staffing as well as individual and organization development), career planning (building on personal strengths and overcoming weaknesses), the reward system (paying for performance), budgeting (planning and controlling), and other managerial activities important for a specific position. These various managerial activities need to be integrated into a system. In short, MBO, to be effective, must be considered a way of managing as shown in below, and not an addition to the managerial job.

MBO Definition:

- “MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual’s major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

Features of MBO

- MBO is concerned with goal setting and planning for individual managers and their units.
- The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
- Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
- MBO focuses attention on appropriate goals and plans.
- MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

Process of MBO:

The various steps in the MBO process are

- Setting of organizational purpose & objectives (long term objectives)
- Planning premises (certain assumptions about future happenings).
- Fixing Key result areas (it indicates the strength of the organization)
- Setting superior’s objectives (long term & short term objective).
- Superior’s recommendations for subordinate’s objectives.
- Subordinates statement of his objective.
- Matching of goals & resources.
- Subordinate’s agreed objectives
- Setting standard for subordinate performance
- Periodic review and appraisal of performance.

Benefits of management by objectives

- Better managing of organizational resources and activities.
- Clarity in organizational action & objectives.
- MBO provides greatest opportunity for personal satisfaction (for managers)
- MBO provides a basis for organizational change and provide a framework and also it provide guideline for planned change ,enabling the top mgt to initiate, plan , direct and control the direction , speed and change.
- MBO helps the manager to understand their role in the total organization involvement.
- Commitment and hardwork by managers as they are involved in setting the objectives.(participating in the mgt
- MBO helps in evaluating the performance systematically.
- MBO motivates the workers &make the job meaningful.
- Mgt takes the decision very quickly as the workers know the purpose of taking decisions
- Improvement of managing through results-oriented planning
- Clarification of organizational roles and structures as well as delegation of authority according to the results expected of the people occupying the roles
- Encouragement of commitment to personal and organizational goals
- Development of effective controls that measure results and lead to corrective actions

Failures of management by objectives and some recommendations

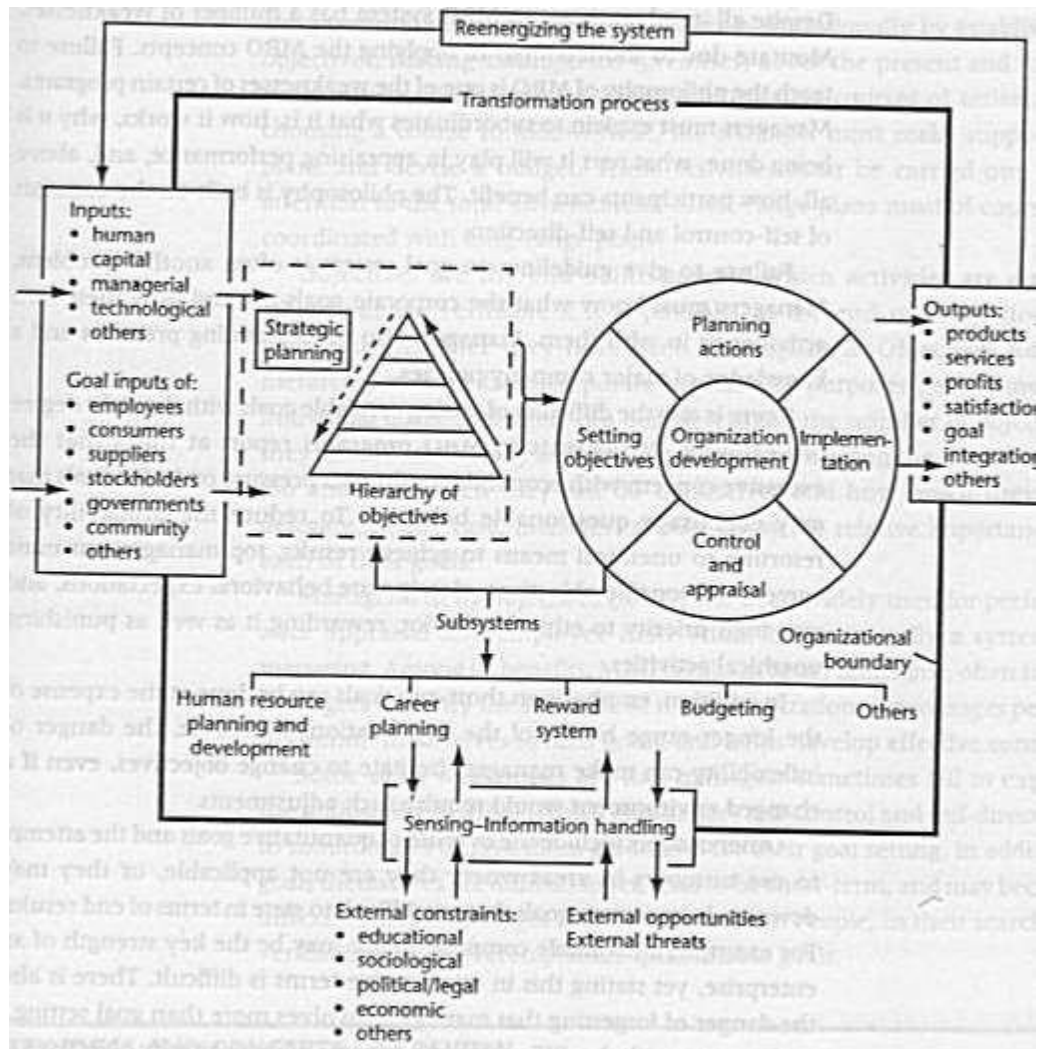
Despite all its advantages, an MBO system has a number of weaknesses. Most are due to shortcomings in applying the MBO concepts.

1. Failure to teach the philosophy of MBO is one of the weaknesses of certain programs. Managers must explain to subordinates what it is, how it works, why it is being done, what part it will play in appraising performance, and, above all, how participants can benefit. The philosophy is built on the concepts of self-control and self-direction.
2. Failure to give guidelines to goal setters is often another problem. Managers must know what the corporate goals are and how their own activities fit in with them. Managers also need planning premises and a knowledge of major company policies.
3. There is also the difficulty of setting verifiable goals with the right degree of flexibility. Participants in MBO programs report at times that the excessive concern with economic results puts pressure on individuals that may encourage questionable behavior. To reduce the probability of resorting to unethical means to achieve results, top management must agree to reasonable objectives, clearly state behavioral expectations, and give high priority to ethical behavior, rewarding it as well as punishing unethical activities.
4. Emphasis on short-run goals can be done at the expense of the longer-range health of the organization.
5. Moreover, the danger of inflexibility can make managers hesitate to change objectives, even if a changed environment would require such adjustments.
6. Other dangers include the overuse of quantitative goals and the attempt to use numbers in areas where they are not applicable, or they may downgrade important goals that are difficult to state in terms of end results. For example, a favorable company image may be the key strength of an enterprise, yet stating this in quantitative terms is difficult. There is also the danger of forgetting that managing involves more than goal setting. But even with the difficulties and dangers of managing by objectives in certain situations, this system emphasizes in practice the setting of goals long known to be an essential part of planning and managing.



Limitations of MBO:

- Time consuming process: requires large amt of time of the senior managers and cost high due to paper work and other resources which are scarce.
- Fail to teach philosophy: managers fail to teach MBO philosophy of managing an organization.
- Variable objective: Setting of variable objectives difficult at least in time areas.
- Much emphasis for short term objectives at the cost of long term objectives.
- Danger on inflexibility
- Difficulty of setting goals



How to make MBO effective:

- Support from all types of MGT
- Acceptance of MBO program by managers
- Training of managers
- Organizational commitment: MBO
- Allocation of adequate time and resources
- Provision of uninterrupted information feedback

