BUSINESS PLAN MANAGEMENT

MONITORING AND EVALUATING A BUSINESS PLAN

Learning Outcome 3

Monitor and evaluate a business plan

Assessment Criteria

3.1   Specify method, source, frequency and channels of collection and reporting of results to regularly review plan outcomes and formulate any recommendations for changes.

3.2   Set out performance indicators for all elements of plan to enable cost-effective monitoring and unambiguous evaluation.

3.3   Justify the maintenance of open communication with staff in order to gain their support and to give staff and customers timely information of changes to plan.

3.4   Formulate a schedule which best provides for change in order to achieve objectives with minimum disruption of cost.

Content

- **2.2 MONITORING THE BUSINESS PLAN**

- This section deals with the business planning component "Monitoring" (How are we going? Are we in control?)

  - **Features of monitoring and control systems**

    - Monitoring refers to the control function in management. The plan establishes a course of action and monitoring is essential to see that the organisation stays on course.

    - Monitoring is the work a manager does to assess and regulate work in progress and to assess results secured

    - The benefits of control are

      - Better scope for delegation

      - Fewer boundary disputes

      - Better feed-back about performance and   recognition of achievement

    - The systems for control are

      - Business planning system

- Management authority and responsibility system

- Funding approval system

- Supply, production and distribution systems

- Management information system (inc. accounting, marketing, human resources, projects etc)

- The principles of control are

  - The critical few

    - A small number of causes induces the largest proportion of results therefore we must identify the critical factors that will give rise to most of the consequences

    - For example, a small number of products or customers might yield the most profit. A small percentage of defects might cause the most waste. A small percentage of customers might cause the most bad debts.

    - This principle enables us to focus the greater part of our energy and resources on the few variables that yield the greatest results

  - The point of control

    - The greatest potential for control exists at the point where action takes place

    - Reason for de-centralised control

    - This recognises that the people doing the work are (or should be) the most concerned about its accomplishment and therefore

      - Should have and receive the most information about the work being done

      - Should be the first to receive this information

  - Self-control

    - Tends to be the most effective control

    - Constant correction by others builds resentment and lower enthusiasm

    - Better for people to have the tools to check themselves and correct their own mistakes

- - Requires participation in establishing plans and standards

  - Variances still need to be reported to superiors

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- **Management information systems (MIS)**

  - **Definition**

    - The ability to collect, analyse, store and report information is the key to fast, precise and flexible monitoring and control.

    - MIS refers to the development and implementation of systems and schedules to collate and analyse results relevant to plan and includes data for performance standards, measuring performance, evaluating performance and taking corrective action

  - **Performance standards**

    - Performance standards are criteria specified in advance by which work and results can be measured and evaluated

    - They provide a way of differentiating between good work and poor work and validating evidence of acceptable performance

    - Managers must be able to articulate and communicate the difference between good work and poor work and the criteria for excellence in all areas of delegation

      - Good plans vs poor plans

      - Good organisation vs poor organisation

      - Good training vs poor training etc

    - Standards are developed after objectives in the form of sub-objectives, programmes, schedules and budgets

    - Standards must be realistic in terms of past performance but not set too low, producing slackness, or too high, discouraging achievement

    - Participation builds understanding and acceptance

    - Keep standards flexible by being willing to amend unrealistic plans

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- **Measuring performance**

  - Records and reports provide the means for measuring performance against standard

  - System reports

    - Usually written or computer generated

    - Cover the whole organisation

    - Provides managers with data relating to their accountability

    - Should focus on critical objectives and critical performance areas

  - Individual reports

    - Can be written and oral

    - Go to superiors for review and discussion

    - Usually related to the business plan and budget

  - Additional requirements of all reports

    - Stewardship accounting - which relates costs, income and resource use to accountability areas (eg cost or profit centres)

    - Promptness

    - Understandability

- **Evaluating performance**

  - Actual data allows comparison with the plan

  - These results must be analysed and interpreted

  - Includes formal performance reviews (say every six or twelve months) and more frequent informal reviews (say weekly or at least once per month). The accountable person explains performance against the plan and the reasons for exceptions. Problems are identified and explored and significant elements for the new plan are discussed, agreed and scheduled.

  - Involves developing and implementing systems and schedules to

    - Analyse results relevant to plan

- Identification of tolerable and exceptional deficiencies

- Evaluate all possible responses to the outcomes

- Determine which plan elements should be revised

- **Taking corrective action**

  - Control is effective when managers are prompted to take remedial action themselves

  - There are two types of corrective action

    - Operating action - to deal with short term variations as a matter of routine

    - Management action - where an analysis of the basic cause concludes that more fundamental changes are required to the plan

  - Where it is necessary to change the plan, procedures must be developed to ensure that any appropriate changes to formal action plans are

    - Approved by management

    - Communicated to staff at appropriate levels

    - Continually monitored

  - It may be necessary for people to take responsibility to change themselves or ultimately (after due process) have their responsibilities changed.

Assignment 1
Enrico's Investments Case Study

This assignment must be handed out at the beginning of the module and completed before work commences on Learning Outcome 2.   It will be used as resource material during presentation of Learning Outcomes 2 and 3. The case study material follows on the next page.

Assignment 2
Prepare a business plan for a tourist organisation, or other such organisation as may be approved, in management report form.

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