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## What is 'Management By Objectives - MBO'

Management by objectives (MBO) is a management model that aims to improve 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 should ensure better participation and commitment among employees, as well as alignment of objectives across the organization.

**1B.**  **DESCRIBE THE MBO PROCESS.**

The six steps of MBO process are shown below:

### 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**](http://iedunote.com/kinds-of-organizational-goals), based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

### 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.

### 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**](http://iedunote.com/zero-base-budgeting),
  + Applying MBO concepts for measuring individual and plans,
  + Preparing long and short range objectives and plans,
  + Installing [**effective controls**](http://iedunote.com/desiging-effective-control-system), and
  + Designing sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

### iv. Performance Evaluation

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

### V. 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 which superiors and subordinates can review progress toward goals, which lead to further feedback.

### vi. Performance Appraisal

[Performance appraisals](http://iedunote.com/how-performance-appraisal-work) are a regular review of employee performance within organizations. It is done at the last stage of MBO process.

1. **Define Decision**

The act or process of [deciding](http://www.dictionary.com/browse/decide); determination, as of a question or doubt, by making a judgment.

The thought process of selecting a logical choice from the available options.  
When trying to make a good decision, a person must weight the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.

**2B. Describe the Rational Decision-Making Process in Business**

The presumption in the rational decision making process is that there is only ONE BEST solution to every problem and it focuses on trying to find that solution. Sometimes we just need a solution that works versus the best [solution](http://www.managementskillsadvisor.com/problem-solving-techniques.html) at that

moment. This model is also based on prediction of outcomes based on different solutions; however our ability to predict the future is often limited and hence skewed.

This process also requires a great deal of time and thought along with information, it also negates the emotional aspect of decision making.

There is also an eight step decision making process which has been outlined below:

**Step 1:**Identification of the Problem

**Step 2:**Identification of decision criteria

**Step 3:** Allocation of weights to criteria

**Step 4:**Development of Alternatives

**Step 5:**Analysis of Alternatives

**Step 6:** Selection of Alternatives

**Step 7:**Implementation of the Alternatives

**Step 8:**Evaluation of the Decision Effectiveness

The rational decision making process is highly effective when used in team decision making and also when making decisions regarding important business outcomes. When dealing with any situation where the decision will affect the companies’ future or financials or employee and customer satisfaction, it is best to follow the rational decision making process.

In order to facilitate the rational decision making model there are many forms and templates available both on and offline to help your team make a decision effectively such as Decision matrix, Pugh matrix, decision grid, Selection matrix, and criterion rating form along with many others.

When selection a model and a form it is best to select on that appeals to your style and level of comfort with this leadership tool.