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**1a. 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

### 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.

### Performance Evaluation

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

### 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.

### Performance Appraisal

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

#### 1c. What is the Usefulness of MBO to a Business Organization

#### 1) Improved Planning:

MBO involves participative decision-making which makes objectives explicit and plans more realistic

#### 2) Coordination:

MBO helps to clarify the structure and goals of the organization. Harmony of objectives enables individuals at various levels to have a common direction. Every individual knows clearly his role in the organization, his area of operation and the results expected of him

#### 3) Motivation and Commitment:

Participation of subordinates in goal setting and performance reviews tend to improve their commit­ment to performance.

#### 4. Accurate Appraisals:

MBO replaces trait based appraisal by per­formance based appraisal. Quantitative targets for every individual ena­ble him to evaluate his own performance.

#### 5. Executive Development:

The MBO strategy is a kind of self-discipline whereby shortcomings and development needs are easily iden­tified. It stresses upon a long term perspective and self-development

#### 6. Organizational change and Development:

MBO provides a frame­ work for planned changes. It enables managers to initiate and manage change. It helps to identify short-comings in organizational structure and processes

# 2a Define Decision

# Decision is a choice made between alternative courses of action in a situation of uncertainty.

# 2b describe the Rational Decision Making Process in Business

# Rational Decision Making Process

The rational decision making process is a cognitive process which is made up of a logical step by step process. In this process the emphasis is on thinking things through and also on weighing the outcomes and alternatives before arriving at a final decision.

In general there are 5 broad steps in rational decision making process, through different models follow different methodologies.

* First we must identify the situation and the decision that is needed to be made.
* Second all the important criteria must be discussed and identified.
* All possible situations must be carefully considered.
* All possible situations must be considered along with their outcomes to see which best fits the bill.
* The best option is then chosen.

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.

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.