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BUS 206 ASSIGNMENT

**Assignment Title: Introduction to Business Assignment**

Question

1a. what is Management by Objective (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?

Management by Objectives (MBO) is a performance management approach in which a balance is sought between the objectives of employees and the objectives of an organization. There are 5 management objectives steps to follow which are the following:

1. Determine or revise the organizational objectives

Strategic organizational objectives are the starting points of management by objectives. These objectives stem from the mission and vision of an organization. If an organization has not formulated these yet, it does not make sense to carry out the next steps.

2. Translating the organizational objectives to employees

In order to make organizational objectives organization-wide, it is important that these are translated to employee level. For efficiency reasons, Peter Drucker used the SMART Goals acronym SMART (Specific, Measurable, Acceptable, Realistic and Time-bound). The element Acceptable is crucial in management by objectives as this is about agreement on the objectives between the employees and the organization. The management by objectives principle does not allow management to determine the objectives by themselves. According to management by objectives, objectives should be clearly recognizable at all levels and everyone should know what their responsibilities are in this. Communication is also an important item for consideration when it comes to expectations, feedback and to giving rewards for objectives that have been achieved.

3. Stimulate the participation of employees in the determining of the objectives

The starting point is to have each employee participate in the determining of personal objectives that are in line with the objectives of the organization. This works best when the objectives of the organization are discussed and shared throughout all levels of the organization so that everyone will understand why certain things are expected of them. In this way, everyone can make their own translation of what their contribution can be to the objectives. This approach increases the involvement and commitment of the objectives. Instead of simply following expectations of managers and executives, everyone in an management by objectives approach will know what is expected of them. By broadening the decision making process and responsibility throughout the organization, people are motivated to solve the problems they are faced with in an intelligent manner and they are given the information they need so that they can be flexible in the changing circumstances. This participatory process ensures that personal objectives with respect to general team objectives, department objectives, business unit objectives and ultimately organizational objectives are made clear.

4. Monitoring of progress

Because the goals and objectives are SMART, they are measurable. If they cannot be measured, a system will have to be set up in which a monitoring function is activated when the objectives are deviated from. Detection must be timely so that large problems can be prevented. On the other hand, it is important that the agreed objectives do not cause abnormal behaviour of employees for example. For instance, when a service call must be handled within seven minutes and as a result employees finish these calls after 6 minutes and 59 seconds to meet this requirement. There are always exceptions to a rule and these situations should always be supervised.

In Management by Objectives, employees are not supported by their management through annual performance reviews. Management by Objectives is about growth and development. Each objective comprises mini objectives and it is about supporting these in small steps in the form of coaching by managers or executives. Create a clear path with sufficient evaluation moments so that growth and development can be monitored accurately.

5. Evaluate and reward achievements

Management by Objectives has been designed to improve performance at all levels within an organization. A comprehensive evaluation system is therefore essential. As goals and objectives have been SMART formulated, they make the evaluation of processes very easy. Employees are evaluated and rewarded for their achievements in relation to the set goals and objectives. This also includes accurate feedback.

1c. what is the Usefulness of MBO to a business Organisation?

The main benefits of MBO are as follows:

1) Improved Planning:

MBO involves participative decision-making which makes objectives explicit and plans more realistic. It focuses attention on goals in key result areas. MBO forces managers to think in terms of results rather than activities. It encourages people to set specific pleasurable goals instead of depending on hunches or guesswork. An integrated hierarchy of objectives is created throughout the organization. Precise performance objectives and measures indicating goal accomplishment are laid down. There is a time bound programme.

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. Interlinking of corporate, unit and individual objectives helps in the decentralization of authority and fixation of responsibility. MBO result in clarification of organizational roles and structure. It promotes and integrated view of management and helps interdepartmental co-ordination.

3) Motivation and Commitment:

Participation of subordinates in goal setting and performance reviews tend to improve their commit­ment to performance. The corporate goals are converted into personal goals at all levels to integrate the individual with the organization Timely feedback on performance creates a feeling of accomplishment Job enrichment and sense of achievement help to improve job satisfac­tion and morale. Improved communication and sense of involvement provides psychological satisfaction and stimulates them for hard work Conversion of organizational goals into personal goals helps to integrate the individual with the organization. MBO ensures perfor­mance by converting objective needs into personal goals and by providing freedom to subordinates.

4. Accurate Appraisals:

MBO replaces trait based appraisal by per­formance based appraisal. Quantitative targets for every individual ena­ble him to evaluate his own performance. Performance under MBO is innovative and future oriented. It is positive, more objective and par­ticipative. Emphasis is on job requirements rather than on personality. MBO is not a scapegoat approach rather it involves constructive criti­cism to assess why operations have failed or lagged behind and suggests remedial actions like organizational restructuring, better communica­tion systems, more effective incentives to motivate executives, etc. MBO provides an objective criterion for evaluation of actual performance. "Indeed one of the major contributions of MBO is that it enables us to substitute management by self-control, for management by domina­tion."'Control becomes more effective due to verifiable standards of per­formance. Subordinates know in advance how they will be evaluated.

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. MBO releases potential by providing opportunities for learning, innova­tion and creativity. It encourages initiative and growth by stretching capabilities of executives. MBO makes possible a high degree of self- control by individual managers and increases decentralization of authority.

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. In this way, MBO improves the capacity of the organization to cope with its changing environment. When an organization is managed by objectives, it becomes performance-oriented and socially-useful.

Originally MBO was developed for business organizations but now it is being used by social welfare organizations also. But MBO might not be very successful in welfare organizations because of the abstract nature of the values to be measured in specific and quantified terms, general unwillingness on the part of personnel to subject their efforts to precise evaluations and lack of measuring instruments which could generate valid and reliable data. MBO has special significance in the areas of long range planning and performance appraisal.

2a. Define Decision?

A choice made between alternative courses of action in a situation of uncertainty. A decision can also be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities.

2b. Describe the Rational Decision-Making Process in Business?

Rational Decisions

Business people are faced with decision making every day. Intuitive and rational decision making are the two ways that an individual can approach problem solving. Some people are very aware of feelings or instincts and use them as guides to decision making. These types of feelings are instinctive and rely on intuition and not facts. In fact, intuition is the ability to have a grasp on a situation or information without the need for reasoning. In business, people use this type of decision making when facts are unavailable or when decisions are difficult in nature.

The second, opposing type of decision making is called rational decision making, which is when individuals use analysis, facts and a step-by-step process to come to a decision. Rational decision making is a precise, analytical process that companies use to come up with a fact-based decision. Let's take a look at how the rational decision-making process can work in an organizational environment.