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1. 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

1b Steps in the Process of Management by Objectives

Process of Management by Objectives

With the aim to achieve greater efficiency and performance, employee’s motivation is really important to have and Management by Objectives (MBO) is a best approach to do so. This approach was proposed by Peter Drucker in the 1960’s, and by definition, process of management by objectives show a personnel management system, where the organization set, plan, monitor and achieve specific objectives with the mutual cooperation of both high level and low-level employees. For business passionate individuals, the concept of MBO may be clear, yet there is a need to understand the process of management by objectives.

Management By Objectives Process

The process of MBO involves six key steps that incorporate managerial activities in such a systematic way, which is directly influenced towards efficient and effective achievement to individuals and organizational objectives. In case someone wants to analyze the practical importance of Management by Objectives, then it is good to summarize all the objectives of the organization together with individual goals. The six steps involved in the process of MBO are determining organizational goals, determining employees’ objectives, constantly monitoring progress and performance, performance evaluation, providing feedback and performance appraisal. Moreover, all these steps are briefly defined as follows.

1. Determining Organizational Goals

The entire development of an organization depends on the set goals. A goal is the most critical and necessary factor behind the effectiveness and efficiency of an organization, so it is important to effectively manage set goals either single or many of different kinds. Prior to start working on the set goals, the managers should determine organizational goals with the aim to create a potential management that must be capable of handling different kinds of goals easily. Determining goals don’t mean creating goals, as the preliminary goals are set by the top level supervisors on the basis of in-depth analysis and judgment about what should be accomplished and how to do so in a certain period.

2. Determining Employees’ Objectives

After determining the organizational goals, the next thing to do is to know the individual’s goals or more clearly employees’ goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources will they use to achieve the goal. Also, if needed, then managers and employees can classify the goals from the most important to the least one in order to make the goal achieving process more easily and in favor of the organization.

3. Constant Monitoring Progress and Performance

The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and performance of the employees. There are certain things stated below that can help managers to monitor performance and progress.

Checking less-effective or ineffective programs by performing a comparison of performance with already prepared objectives.

Using ZBB (Zero Based Budgeting)

For measuring plans and individuals, implementing MBO concepts

Defining short and long term plans and objectives

Installing efficient and effective controls

Eventually, composing completely sound structure of the organization with all things at appropriate places such as responsibilities, decision making and so on.

4. Performance Evaluation

As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Keep in the mind, performance evaluation is one the most important factors of the organization that can help operating certain objectives smoothly.

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.

2. Definition of decision: A choice made between alternative courses of action in a situation of uncertainty.

2b. RATIONAL DECISION MAKING

Rational decision making is a multi-step process for making choices between alternatives. The process of rational decision making favors logic, objectivity, and analysis over subjectivity and insight. The word “rational” in this context does not mean sane or clear-headed as it does in the colloquial sense.

The approach follows a sequential and formal path of activities. This path includes:

Formulating a goal(s)

Identifying the criteria for making the decision

Identifying alternatives

Performing analysis

Making a final decision.