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**Question**

1a. What is Management by Objective (MBO)?

1b. Describe the MBO Process

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

2a. Define Decision

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

**Answers**

**1a**.

Management by objectives can be defined as 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.**

It involves six key steps. 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.

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.

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.

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. **Providing Feedback**

The psychologically influential factor of MBO is constantly providing feedback to employees regarding their performance and individual goals, so that they can monitor, correct and extra improve their skills and mistakes. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals.

6. **The Performance Appraisal**

Performance appraisals are the final step of the process of Management by Objectives. By definition, a day by day review of the employee’s performance across the organization can be called as performance appraisal. Performance appraisal is associated with the term performance evaluation, but in some cases, both differ from each other.

**1c**.

**Management by Objectives develops a result-oriented philosophy**: The Management by Objectives (MBO) process is all about the delivery of results (outcome) as opposed to management by crisis (MBC)). While managers are expected to develop Goals and objectives; action plans and provide their people with the resources they need, employees are expected to do their part by making positive contributions towards the organizational goals.

**Formulation of clearer goals**: In many organizations, goals are only set once a year. The goals that are set in the MBO process are done in a way that makes them measurable and verifiable, whilst making sure that each and every one can be attained. The idea is that problem areas are highlighted, with goals put in place to iron out those issues, thus making everyone more effective in the job that they do.

**Management by Objectives Facilitates objective appraisal**: The evaluation process is designed to be fair from the start, with all of the goals are put together in by the entire team. Giving individuals the freedom to exercise their own creativity makes for a happier set of employees, all of whom become fully committed to reaching the organizational goals.

**Raises employee morale**: Too many employees feel as though they are left out of the decision process, but this is not the case with Management by Objectives. Since they play a part in setting goals, the bigger picture becomes far clearer to everyone. This in turn leads to a companywide boost in morale.

**Facilitates effective planning**: The Management by Objectives program makes organizational planning much more effective. Everyone is forced to look at results as opposed to winging it when crises arise. When effective planning is put in place, fewer of those problems tend to arise, allowing mangers to focus on what is important.

**Acts as motivational force**: Since everyone is on the same page when it comes to reaching the goals of the organization, there is a higher level of imagination and creativity that comes with that. With everyone working together for a common goal, there is a much higher level of motivation to reach them.

**2a.**

A decision can 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. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

**2b.**

Decision-making involves the following phases:

1. **Identifying the Problem**: The first step in the decision-making process is to identify the actual cause of a problem. It involves defining and formulating the problem clearly and completely. In practice, defining the problem is not an easy task. What seems to be a problem may actually be the symptoms of it. So the manager should dig further to identify the real problem.

2. **Analyzing the Problem**: After the problem is defined, the next step in the process of decision-making is, analyzing the problem. it involves the collection and classification of as many facts as possible. The assembled information should be classified on the basis of futurity of the decision and the impact of the decision. Collection of relevant and accurate data is essential because the quality of decision will depend upon the quality of data used.

3. **Developing Alternative Solution for the Problem**: Majority course of action will have alternatives. A course of action does not become the best merely because it has been in use for a long time. Hence, the sound decision necessitates the consideration of all alternatives. This step involves the identification of limiting factors because it will enable the manager to search for those alternatives which will overcome the limiting factors.

4. **Evaluating the Alternatives**: After having developed the appropriate alternatives, the next step is evaluating them so as to choose the best one. While comparing the alternatives, various factors that are given here under are to be considered.

1. Quantitative Factors – factors which can be measured e.g., fixed and operation costs.
2. Qualitative Factors or intangible Factors — factors which cannot be measured i.e., immeasurable factors, e.g., labor relations, change in technology.

5. **Deciding the Best Course of Action**: After the evaluation of various alternatives, the next step is deciding the best alternative. The manager should take into account the economy, risk factors, the limitation of resources, feasibility of its implementations, etc., at the time of deciding the best course of action. Koontz and O’Donnell have suggested three bases for deciding the best one from the alternatives viz.,

1. Past Experience,
2. Experimentation, and
3. Research and Analysis.

6. **Conversion of Decision into Action**: If the decision taken remain in the paper, there is no meaning in taking decisions. Once a decision is made, it should be converted into action i.e, implemented. Implementation involves the following steps.

1. Communicating the decision to all the employees concerned.
2. Assigning the responsibility of carrying out the decision to certain employees.
3. Developing the procedure for the purpose of executing the decision.
4. Developing feedback mechanisms to check on the progress of the implementation.