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* 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.

* Describe the MBO Process

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.

1. **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. At one point, feedback helps individuals know their weakness. While on the other hand, it also motivates already potential individuals to enhance and develop their performance additionally.

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**](http://www.businessstudynotes.com/hrm/performance-appraisal-process-of-performance-appraisal/) is associated with the term performance evaluation, but in some cases, both differ from each other.

* What is the Usefulness of MBO to a business Organisation?

Planning is an essential part of management – it is not taken offhandedly, but after a careful and extensive study as well as based on required experience. Planning enables the organization to design the activities in such a manner that the goals and objectives can be attained effectively while providing the sense of involvement and team spirit among the employees. This way, employees are supposed to contribute their part in a positive manner. Thus, MBO, being extremely result oriented, involves making realistic plans and participative decision making which enables to attain the goals and objectives in a way as intended and planned.

Formulating clearer goals is a great way to lead the employees at all levels of organization to have a common direction. MBO, aiming at effective utilization of human resource seeks to achieve the coordinated structure of activities by integrating the individuals with the organization provides harmony of objectives by making every employee more effective that in turn leads to attain the predefined objectives effectively and efficiently.

The process of MBO leads to greater motivation and commitment. Since it creates the sense that each and every employee is working for a common goal, it instills motivation and commitment in the attainment of objectives in a way as wanted.

MBO facilitates effective control and monitoring the activities of the employees.

* Define Decision

Decision making is a vital component of small business success. Decisions based on a foundation of knowledge and sound reasoning can lead the company into long-term prosperity; conversely, decisions made on the basis of flawed logic, emotionalism, or incomplete information can quickly put a small business out of commission (indeed, bad decisions can cripple even big, capital-rich corporations over time). All businesspeople recognize the painful necessity of choice. Furthermore, making these choices must be done in a timely fashion, for as most people recognize, indecision is in essence a choice in and of itself—a choice to take no action. Ultimately, what drives business success is the quality of decisions and their implementation. Good decisions mean good business.The concept of decision making has a long history; choosing among alternatives has always been a part of life. But sustained research attention to business decision making has developed only in recent years. Contemporary advances in the field include progress in such elements of decision making as the problem context; the processes of problem finding, problem solving, and legitimation; and procedural and technical aids.

* Describe the Rational Decision-Making Process in Business

Rational decision making is a multi-step process formaking choices between alternatives. The process ofrational 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. Rational decision making is a multi-step process, from problem identification through solution, for making logically sound decisions