**BUS 206 ASSIGNMENT**

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

**SOLUTION**

1a) Management by Objectives is a technique used by management to achieve collaboration between managers and their subordinates in goal-setting and planning processes.

1b) It refers to a formal set of procedures that begins with goal-setting and continues through performance review. Managers and those they supervise act together to set common goals. Each person’s major areas of responsibility are clearly defined in terms of measurable expected results or objectives. These are used by subordinates in planning their work. At periodic intervals, the expected results or objectives jointly set by managers and their subordinates are used to monitor and review progress. On the basis of the agreed objectives or results, the performance of subordinates is evaluated.

1c) - It serves as a tool for greater [efficiency](http://www.businessdictionary.com/definition/efficiency.html) through [systematic](http://www.businessdictionary.com/definition/systematic.html) procedures.

* It improves [employee](http://www.businessdictionary.com/definition/employee.html) [motivation](http://www.businessdictionary.com/definition/motivation.html) and [commitment](http://www.businessdictionary.com/definition/commitment.html) through [participation](http://www.businessdictionary.com/definition/participation.html) in the [planning process](http://www.businessdictionary.com/definition/planning-process.html).
* It also helps in [planning](http://www.businessdictionary.com/definition/planning.html) for results instead of planning just for [work](http://www.businessdictionary.com/definition/work.html).
* It is intended to improve communication between employees and management, increase employee understanding of company goals, focus employee efforts upon organizational objectives, and provide a concrete link between pay and performance.

2a) A decision is a conscious choice which has been selected among competing alternatives and directed towards a definite purpose.

2b)   
**The Rational Decision-Making Process**

**Step 1: Diagnose and Define Problem or Opportunities**: The origin of a problem is not always obvious. If managers are to remedy a situation, they must first find out what the real problem is. One way to do this is to ask what past action or lack of action might have caused this situation to arise? In this way, managers can focus upon the events or circumstances that most likely led to the problem. An opportunity is a gap, an unsatisfied need or a need that is being inadequately satisfied by existing competitors and which can be profitably exploited.

As part of the process of defining the problem, managers should also begin to determine which problems they should or would like to solve. Managers therefore, need to distinguish between their ‘‘musts’’ and their ‘‘should’’ so that they will have a basis for proposing and evaluating solutions. That is, managers should prioritise problems in order to determine the ones that must be attended to and those that should be attended to.

**Steps 2: Establish Specific Goals and Objectives:** It is crucial to note that decision-making is always done in the context of goals and objectives; and that all behaviours are basically goal oriented. If goals and objectives are adequately established, they will dictate what results must be achieved and the measure that indicates whether or not they have been achieved. Such measure is also referred to as the decision criteria.

**Step 3: Generate Alternatives:** No major decisions can be made until several possible solutions have been generated. Otherwise, managers may be tempted to adopt the first and most obvious solution they find. The first solution may not always be the correct one. The manager needs to list all possible alternatives to solving the problem.

**Step 4: Gather and Analyse the Relevant Facts:** Once the possible alternatives have been generated, the next logical step is to gather data relating to each alternative. Data may be collected from internal sources; records available in the company or external sources. Analysis of data consists of combining or arranging the data in a form as to provide meaning or insight into the problem at hand. What resources will be available to help us solve the problem? Managers will rarely get all the answers they need to such questions from one source. At some points, however, they should have enough information to be able to formulate possible solutions.

**Step 5: Evaluate the Alternatives:** Once managers have developed a set of alternatives, they must evaluate them to see how effective each alternative will be in solving the problem. Effectiveness is determined on the basis of the decision criteria identified in Step 2. Based on the information available, the questions to be asked are: (i) how realistic the alternative is in terms of the goals and resources of the organization, and (ii) how well will the alternative help solve the problem. The alternatives must also be evaluated in terms of how well they would solve the ‘‘must’’ and ‘‘should’’ of the problem. Thereafter, the alternatives are arranged in a hierarchy, which is from most desirable to least desirable. This process is called ranking.

Step 6: Select an Alternative: At this stage, the manager chooses the best alternative based on the decision criteria earlier established. The alternative selected is the one that is most desirable of all the alternatives evaluated.

**Step 7: Analyse the Possible Consequences of the Decision:** Once managers have selected their best alternative, they must try to anticipate what problems may occur when implementing the decision. For example, there is often great resistance in organizations to change. There may be practical problems involved in implementing the decision, such as the need to obtain additional funding. Other departments in the organization that might be affected by the decision should be consulted. Competitors may be affected by the decision, and their reactions should be anticipated. Usually, however, analysing the possible consequences of their action will simply allow managers to take the necessary steps to deal with them.

**Step 8: Implement the Decision:** Ultimately, no decision is better than the action taken to make it a reality. If the decision is a good one, but subordinates are not willing or able to carry it out, then it is unlikely the decision will be very effective. A frequent error of managers is to assume that once they decide, action on it will automatically follow. Since in most situations, implementing decisions involves people, the test of a decision’s soundness is the behaviour of the people who put it into action or are affected by it. Subordinates cannot be manipulated in the same manner as other resources. Effectively communicating with the relevant individuals and groups will usually ensure success.

**Step 9: Follow Up:** Effective management involves periodic measurement of results. Actual results are compared with planned results (the objective). If deviation exists, changes must be made. Here again, we see the importance of measurable objectives. If actual results do not meet planned results, changes must be made in the solution chosen, in its implementation, or in the original objective, if it is deemed unattainable. If the original objective must be revised, then the entire decision-making process will be reactivated.