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 Assignment

1a) What is management by objective (MBO)

Management by objectives (MBO ), also known as

management by results ( MBR ), was first popularized by Peter Drucker in his 1954 book The Practice of Management . Management by objectives is the process of defining specific objectives within an organization that management can convey to organization members, then deciding on how to achieve each objective in sequence. This process allows managers to take work that needs to be done one step at a time to allow for a calm, yet productive work environment. This process also helps organization members to see their accomplishments as they achieve each objective, which reinforces a positive work environment and a sense of achievement. An important part of MBO is the measurement and comparison of an employee 's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal-setting and choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

1b) Define the MBO process

Define Organizational Goals

Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed.

And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary , based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. Define Employees Objectives After making sure that employees’ managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.

The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

Also, Read Four Common Ingredients that makes up an MBO Program.

3. Continuous Monitoring Performance and Progress

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

Identifying ineffective programs by comparing performance with pre-established objectives,

Using zero-based budgeting ,

Applying MBO concepts for measuring individual and plans,

Preparing long and short range objectives and plans,

Installing effective controls , and

Designing sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

4. Performance Evaluation

Under this MBO process performance review are made by the participation of the concerned managers.

5. Providing Feedback

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions.

This continuous feedback is supplemented by periodic formal appraisal meetings which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. Performance Appraisal

Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of MBO process.

1c) What is the usefulness of MBO to a business organizations?

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

2a) Define decision

The thought process of selecting a logical

choice from the available options.

When trying to make a good decision, a

person must weight the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation

2b) Describe the rational decision making process in business

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.

Defining the problem involves identifying the critical factors so that such factors can be restricted by the manager and finding out whether there are any limiting factors to solve the problem. For this purpose, manager should refer to the objectives, rules, policies, etc., of business.

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.