Linus Vanessa

Business Administration

Introduction to business

16/sms03/013

Management by objective

(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.

Management by objective process

MBO calls for five steps that organizations should use to put the management technique into practice. The first step is to either determine or revise organizational objectives for the entire company. This broad overview should be derived from the firm's mission and vision. The next step is translating the organizational objectives to employees. Drucker used the acronym SMART (Specific, Measurable, Acceptable, Realistic, Time-bound) to express the concept.

Step three is stimulating the participation of employees in setting objectives. After the organization's objected are shared with employees, from the top to the bottom, employees should be encouraged to help set their own objectives to achieve these goals. This gives employees greater motivation since they have greater empowerment. The next to last step is to monitor the progress. In step 2, a key component of the objectives was that they are measurable in order for employees and managers to determine how well these were met. Lastly, progress is evaluated and rewarded. This step includes honest feedback on what went well and what did not.

Usefulness of Management by objective

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.

In this way, it allows everyone to verify the performance whether or not it is being done in accordance with the set standards which have been established already to be followed.

It’s through the process of MBO that the objectives are appraised accurately. It involves establishing performance appraisal for the whole team in a fair manner on the basis of the objectives that are intended to be attained within certain time frame and in a way that is expected of. At this point, it is to be noted that the process of MBO leads to assess the results based on the performance - not based on favoritism- by eliminating biases and leading employees to greater acceptance of what results should be produced.

It is worth mentioning that the process of MBO enhances the morale of the employees as opposed to the supposition that MBO, being also known as MBR- management by results is just result oriented and that it needs employees to focus their attention on goals without specifying the behavior. As a matter of fact, the process of MBO can boost the employee morale greatly. Since the employees play an important role in setting the goals, this makes sense as to how they can perform better by finding their goals clearer. It also leads them to be more efficient and effective thereby increasing their morale.

Decision

A choice made between alternative courses of action in a situation of uncertainty.

Define Rational Decision-making process in business

The rational decision making process is a cognitive process which is made up of a logical step by step process. In this process the emphasis is on thinking things through and also on weighing the outcomes and alternatives before arriving at a final decision.

In general there are 5 broad steps in rational decision making process, through different models follow different methodologies.

First  we must identify the situation and the decision that is needed to be made.

Second all the important criteria must be discussed and identified.

All possible situations must be carefully considered.

All  possible situations must be considered along with their outcomes to see which best fits the bill.

The rational decision making process is highly effective when used in team decision making and also when making decisions regarding important business outcomes. When dealing with any situation where the decision will affect the companies’ future or financials or employee and customer satisfaction, it is best to follow the rational decision making process.