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ACCOUNTING DEPARTMENT

BUS 206

**Introduction to Business Assignment**

1a. Management by Objective (MBO) is a workforce administration technique where managers and employees work together to plan, record and monitor goals for a specific period of time. The core concept of this is planning.

1b. These are the basic steps to MBO:

▪ Central goal setting**:** defining and verifying organisational objectives is the first step in MBO process. Generally these objectives are set by central management of the organisation but it does so after consulting other managers. Before setting of these objectives, an extensive assessment of the available resources is made by the central management. It also conducts market service and research along with making a forecast. Through this elaborate analysis, the desired long run and short run objectives of the organisation are highlighted. The central management tries to make these objectives realistic and specific. After setting these goals it is the responsibility of the management that these are known to all members and are also under stood by them.

▪ Development and individual goal setting **:** After organisation objectives are established by the central management, the next step is to establish the department goals. The top management needs to discuss these objectives with the heads of the departments so that mutually agreed upon objectives are established. Long range and short range goals are set by each department in consultation with the top management. After the department goals are established, the employees work with their managers to establish their own individual goals which relate with the organisation goals. These participative goals are very important because It has been seen that employees become highly motivated to achieve the objectives established by them. These objectives for individuals should be specific and short range. These should indicate the capability of the unit of the individual. Through this process all the members of the organisation become involved in the process of goal setting.

▪ Revision of job description **:** In the process of MBO resetting individual goals involves a revision of job description of different positions in the organisation which in turn requires the revision of the entire structure of the organisation. The organisation manuals and charts may also have to be modified to portray the changes that have been introduced by the process of MBO. The job description has to define the objectives, authority and responsibility of different jobs. The connection of one job with all other jobs of the organisation also needs to be established clearly.

▪ Matching goals **:** The establishment of objectives can not be fruitful unless the resources and means required to achieve these objectives are provided. Therefore the subordinates should be provided required tools and materials which enables them to achieve the objectives efficiently and effectively. Resource requirements can be measured precisely if the goals are set precisely. This makes the process of resource allocation relatively easy. Resource allocation should be made after consulting the subordinates.

▪ Freedom implementation**:** The task team of manager and his subordinates should be given freedom in deciding the way to utilize their resources and the way to achieve their objectives. There should be very little or no interference by the seniors as long as the team is working with in the framework of organisation policies.

▪ Establishing check points**:** The process of MBO requires regularly meetings between the managers and their subordinates to discuss the progress achieve in the accomplishment of the objective established for the subordinates. For this purpose the mangers need to establish the standards of performance or check points to evaluate the progress of their subordinates. These standards need to be specified as for as possible quantitatively and it should also be ensured that these are completely understood by the subordinates. This practices needs to be followed by all managers and these should lead to an analysis of key results has the targets are represented in terms of the results. The analysis of key results should be recorded in writing and it generally contains information regarding :

(i) The overall objectives related with the job of subordinates.

(ii) The key results which must be achieved by the subordinate to fulfil his objectives.

(iii) The long term and short term priorities, a subordinate needs to adhere to.

(iv.) The extent and scope of assistance expected by a subordinate from his superior and other departmental managers and also the assistance, the subordinates is required to extend to other departments of his organisations.

(v.) Nature of information and the reports receive by the subordinate to carry out self evaluation.

(vi.) The standards use to evaluate the performance of the subordinate.

▪ Performance appraisal **:** An informal performance appraisal is generally conducted in routine by the manager, a periodic review of performance of the subordinates should also be conducted. Periodic reviews are required as the priorities and conditions change constantly and need to be monitored constantly. These reviews help the mangers as well as the subordinates to modify the objectives or the methods whenever require. This significantly increases the chances of achieving the goals and also ensures that no surprises are found at the time of final appraisal. Periodic performance appraisal needs to be based on measurable and fair standards so that these are completely understood by the subordinates and there are also aware of the degree of performance required at each step.

1 Reasons why MBO is useful in an organisation;

▪ It creates detailed reviews.

Employees need to have feedback in order to improve their performance. Feedback can only come from observations of their conduct, behavior, or work in comparison to stated objectives. MBO allows for specific feedback to be developed so that employees have less confusion over what it is they need to do or what adjustments they may need to make to better meet the objectives that have been set forth for them.

▪ The approach toward each employees is quite flexible.

Instead of having one set of standards that all employees must be able to achieve, Management by Objectives allows for individualized plans to be developed instead. Every person can have specific metrics set in place to allow them to maximize their contribution to the team. The end result is that each strength of each employee is evaluated, weaknesses are shored up, and this allows team members to benefit from their differences instead of being defined by them.

▪ It saves time.

There is very little confusion when an MBO is created to evaluate an employee. The goals that are set forth are very clear. The actions an employee has taken during a review period to meet those goals are specifically documented. This creates a review that is simple and straightforward because employees should already know what the results of the review happen to be. It creates a system of accountability for personal conduct that not every system can claim.

2a. Trewatha & Newport defines decision making process as follows:, “**Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem”**.

2b. Rational Decision-making process in business are:

▪ 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.

▪ Analysing the Problem: After the problem is defined, the next step in the process of decision-making is, analysing 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.

▪ 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.

▪ 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., unmeasurable factors, e.g., labor relations, change in technology. While evaluating the qualitative factors, the planner should see whether these factors can be quantitatively measured. If they are found not to be quantitatively measurable, then he should assess the importance and influence and then come to a conclusion.

▪ 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 feed back mechanisms to check on the progress of the implementation.

▪ Control: Once the decision is implemented, the next step is controlling. The term controlling involves the following steps:

1 Comparing the actuals with the expected results.

2 Finding out the deviation.