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**1a) WHAT IS MANAGEMENT BY OBJECTIVE**

Management by objective 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. The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management." MBO or management by objectives is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic process and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives.

1b) **MBO PROCESS**

The six steps of MBO process are shown below :

1.Define organizational goals

2.Define employees objectives

3.Continuous monitoring performance and progress

4.Performance evaluation

5.Providing feedback

6.Performance appraisal

**1.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 IN A BUSINESS ORGANIZATION**

MBO is aimed at increasing organizational performance by setting the goals of managers and subordinates together providing motivation and commitment while ensuring better communication between the superiors and the subordinates. There are many benefits of management by objectives. Let's discuss them.

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.

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.

2a. **WHAT IS DECISION**

the act or process of deciding; determination, as of a question or doubt, by making a judgment the decision process is described as a series of steps, starting with information output and analysis and culminating in resolution, namely a selection from several available alternatives. Various aspects of rationality in decision making are reviewed and the concept of personalistic versus impersonalistic choice is discussed. It is suggested that with time management control tends to involve an increasing number of formal procedures and thereby to become more impersonalistic in character.

**RATIONAL DECISION MAKING PROCESS FOR BUSINESS**

Rational decision making is a multi-step process for making choices between alternatives. The process of rational 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.

The approach follows a sequential and formal path of activities. This path includes:

1.Formulating a goal(s)

2.Identifying the criteria for making the decision

3.Identifying alternatives

4.Performing analysis

5.Making a final decision.

**Assumptions of the Rational Decision-Making Model**

The rational model of decision making assumes that people will make choices that maximize benefits and minimize any costs. The idea of rational choice is easy to see in economic theory. For example, most people want to get the most useful products at the lowest price; because of this, they will judge the benefits of a certain object (for example, how useful is it or how attractive is it) compared to those of similar objects. They will then compare prices (or costs). In general, people will choose the object that provides the greatest reward at the lowest cost.

The rational model also assumes:

An individual has full and perfect information on which to base a choice.

Measurable criteria exist for which data can be collected and analyzed.

An individual has the cognitive ability, time, and resources to evaluate each alternative against the others.

The rational-decision-making model does not consider factors that cannot be quantified, such as ethical concerns or the value of altruism. It leaves out consideration of personal feelings, loyalties, or sense of obligation. Its objectivity creates a bias toward the preference for facts, data and analysis over intuition or desires.

**Problems with the Rational Decision-Making Model**

Critics of the rational model argue that it makes unrealistic assumptions in order to simplify possible choices and predictions.