NAME: ASHIMOLE CHINONSO ELVISON

DEPARTMENT:ACCOUNTING

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 1a. Definition

Management by Objectives (MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time. Organizational goals and planning flow top-down through the organization and are translated into personal goals for organizational members. The technique was first championed by management expert Peter Drucker and became commonly used in the 1960s.

 1b. MBO PROCESS

A. 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.

B. 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.

C. 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.

D. Performance Evaluation

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

E. 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.

F. Performance Appraisal

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

 1C. Usefulness of MBO to a business Organisation?

A. Management by Objectives develops a result-oriented philosophy: The Management by Objectives (MBO) process is all about the delivery of results (outcome) as opposed to management by crisis (MBC)). While managers are expected to develop goals and objectives; action plans and provide their people with the resources they need, employees are expected to do their part by making positive contributions towards the organizational goals.

B. Formulation of clearer goals: In many organizations, goals are only set once a year. The goals that are set in the MBO process are done in a way that makes them measurable and verifiable, whilst making sure that each and every one can be attained. The idea is that problem areas are highlighted, with goals put in place to iron out those issues, thus making everyone more effective in the job that they do. This process encourages the active participation of every employee, with the end result being that the organizational goals are met within the agreed timeframe.

C. Management by Objectives Facilitates objective appraisal: The evaluation process is designed to be fair from the start, with all of the goals are put together in by the entire team. Giving individuals the freedom to exercise their own creativity makes for a happier set of employees, all of whom become fully committed to reaching the organizational goals.

D. Raises employee morale: Too many employees feel as though they are left out of the decision process, but this is not the case with Management by Objectives. Since they play a part in setting goals, the bigger picture becomes far clearer to everyone. This in turn leads to a companywide boost in morale.

E. Management by Objectives Facilitates effective planning: The Management by Objectives program makes organizational planning much more effective. Everyone is forced to look at results as opposed to winging it when crises arise. When effective planning is put in place, fewer of those problems tend to arise, allowing mangers to focus on what is important.

F. Acts as motivational force: Since everyone is on the same page when it comes to reaching the goals of the organization, there is a higher level of imagination and creativity that comes with that. With everyone working together for a common goal, there is a much higher level of motivation to reach them.

G. Management by Objectives facilitates effective control: One of the main features of MBO is the continual monitoring of progress. This allows everyone to measure their performance against the standards that have been put in place. It is those clear standards that allow everyone to work towards a very identifiable set of goals, all allowing for better control.

H. Management by Objectives facilitates personal leadership: MBO helps everyone within the organization, but it gives mangers in particular the opportunity to display their leadership skills. Keeping the entire group focused will paint a manager in a very positive light and make them more likely to advance within the company.

 2A. Define Decision

A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

 2B. Describe the Rational Decision-Making Process in Business

A. Identify the decision. The first step in making the right decision is recognizing the problem or opportunity and deciding to address it. Determine why this decision will make a difference to your customers or fellow employees.

B. Gather information. Next, it's time to gather information so that you can make a decision based on facts and data. This requires making a value judgment, determining what information is relevant to the decision at hand, along with how you can get it. Ask yourself what you need to know in order to make the right decision, then actively seek out anyone who needs to be involved.

C. Identify alternatives. Once you have a clear understanding of the issue, it's time to identify the various solutions at your disposal. It's likely that you have many different options when it comes to making your decision, so it is important to come up with a range of options. This helps you determine which course of action is the best way to achieve your objective.

D. Weigh the evidence. In this step, you'll need to "evaluate for feasibility, acceptability and desirability" to know which alternative is best, according to management experts Phil Higson and Anthony Sturgess. Managers need to be able to weigh pros and cons, then select the option that has the highest chances of success. It may be helpful to seek out a trusted second opinion to gain a new perspective on the issue at hand.

E. Choose among alternatives. When it's time to make your decision, be sure that you understand the risks involved with your chosen route. You may also choose a combination of alternatives now that you fully grasp all relevant information and potential risks.

F. Take action. Next, you'll need to create a plan for implementation. This involves identifying what resources are required and gaining support from employees and stakeholders. Getting others onboard with your decision is a key component of executing your plan effectively, so be prepared to address any questions or concerns that may arise.

G. Review your decision. An often-overlooked but important step in the decision making process is evaluating your decision for effectiveness. Ask yourself what you did well and what can be improved next time.