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DEPARTMENT: ACCOUNTING

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Assignment

1. What is management by objective?

Management by objectives (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. The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."

**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. Describe the MBO process.

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 superior is preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

### 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.

### 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;

* + 1. Identifying ineffective programs by comparing performance with pre-established objectives,
    2. Using zero-based budgeting
    3. Applying MBO concepts for measuring individual and plans,
    4. Preparing long and short range objectives and plans,
    5. Installing effective controls, and
    6. Designing sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

### Performance Evaluation

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

### 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.

### Performance Appraisal

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

2a. A decision is a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives. The decision making process is a continuous an d indispensable component of managing any organization.

2b. The rational decision making process involves the following phases:

1. Identifying the problem: This involves defining and formulating the problem clearly and completely. 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 solving the problem. For this purpose, manager should refer to the business policies or objectives of the business.
2. Analyzing the problem: This involves the collection and classification of as many factors 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 of the quality of decision will depend upon the quality of data used.
3. Developing alternative solutions: A sound decision necessitates the consideration of all alternatives. This step involves the identification of limiting factors because it will enable the manger to search for those alter natives which will overcome the limiting factors.
4. Evaluating the alternatives: Here the alternatives should be compared and the following fac tors should be considered;

\*quantitative factors

\*qualitative factors

While evaluating the qualitative factors, the planner should see whether these factors can be quantitatively measured. If they are found not to quantitatively measurable, then he should assess the importance and influence and then come to a conclusion.

1. Deciding the best course of action: Here, 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. There are 3 bases for deciding the best alternative suggested by Kontz and O’Donnell;

\*Past experience

\*Experimentation

\*Research and analysis

6.) Converting decisions to actions: Once decisions are made, they should be implemented. Implementation involves-

\* Communicating the decision to the employees concerned.

\*Assigning the responsibility of carrying out the decision to certain employees.

\*Developing the procedure for the purpose of executing decision.

\*Developing feedback mechanisms to check on the progress of the implementation.

7.) Control: Once the decision is implemented, he next step is controlling. It involves-

\*Comparing the actuals with the expected results.

\*Finding out the deviation.