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Accounting

Introduction to business (Bus 206)

Question

1a) what is management by objective (MBO)?

Management by objectives is a management model that aims to improve performances 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.

1b) describe the MBO process

* Define organizational goals
* Define employees objectives
* Continuous monitoring performance and progress
* Performance evaluation
* Providing feedback
* Performance appraisal

1. **Determining Organizational Goals**

The entire development of an organization depends on the set goals. A goal is the most critical and necessary factor behind the effectiveness and efficiency of an organization, so it is important to effectively manage set goals either single or many of different kinds. Prior to start working on the set goals, the managers should determine organizational goals with the aim to create a potential management that must be capable of handling different kinds of goals easily. Determining goals don’t mean creating goals, as the preliminary goals are set by the top level supervisors on the basis of in-depth analysis and judgment about what should be accomplished and how to do so in a certain period

2. **Determining Employees’ Objectives**

After determining the organizational goals, the next thing to do is to know the individual’s goals or more clearly employees’ goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources will they use to achieve the goal. Also, if needed, then managers and employees can classify the goals from the most important to the least one in order to make the goal achieving process more easily and in favour of the organization.

3. **Constant Monitoring Progress and Performance**

The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and performance of the employees. There are certain things stated below that can help managers to monitor performance and progress.

•Checking less-effective or ineffective programs by performing a comparison of performance with already prepared objectives.

•Using ZBB (Zero Based Budgeting)

•For measuring plans and individuals, implementing MBO concepts

•Defining short and long term plans and objectives

•Installing efficient and effective controls

•Eventually, composing completely sound structure of the organization with all things at appropriate places such as responsibilities, decision making and so on.

4. **Performance Evaluation**

As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Keep in the mind, performance evaluation is one the most important factors of the organization that can help operating certain objectives smoothly

5**. Providing Feedback**

The psychologically influential factor of MBO is constantly providing feedback to employees regarding their performance and individual goals, so that they can monitor, correct and extra improve their skills and mistakes. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals. At one point, feedback helps individuals know their weakness. While on the other hand, it also motivates already potential individuals to enhance and develop their performance additionally

6**. The Performance Appraisals**

Performance appraisals are the final step of the process of Management by Objectives. By definition, a day by day review of the employee’s performance across the organization can be called as performance appraisal. Performance appraisal is associated with the term performance evaluation, but in some cases, both differ from each other.

1c) what is the usefulness of MBO to a business organisation?

MBO is aimed at increasing organisational performances by setting the goals of managers and subordinates together providing motivation and commitment while ensuring better communication between the superiors and the subordinates. MBO can be useful to business organisation in the aspect of planning.

Planning is an essential part of management. Planning enables the organisation 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.

MBO leads to greater motivation and commitment, since it creates the sense that each and every employee is working for a common goal, it instils motivation and commitment in the attainment of objectives in a way as wanted. MBO facilitates effective control and monitoring the activities of the employees.

MBO also 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 behaviour. As a matter of fact, the process of MBO can boost the employees’ 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) Define Decision

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

2b) Describe the rational decision making process in business.

It is a method for systematically selecting among possible choices that is based on reason and facts.

In a rational decision making process, a business manager will often employ a series of analytical steps to review relevant facts, observations and possible outcomes before choosing a particular course of action. Business people are faced with decision making every day. Intuitive and rational decision making are two ways that an individual can approach problem solving.