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1. What is Management By Objective

MBO or management by objectives is defined as a comprehensive managerial system that integrates many key [managerial activities in a systematic process](http://iedunote.com/management-definition) and that is consciously directed toward the [effective and efficient](http://iedunote.com/effectiveness-efficiency-productivity-management) achievement of organizational and individual objectives.

It is the process of defining specific objectives within an organization that management can convey to organization members, then deciding on how to achieve each objective in sequence. This process allows managers to take work that needs to be done one step at a time to allow for a calm, yet productive work environment. This process also helps organization members to see their accomplishments as they achieve each objective, which reinforces a positive work environment and a sense of achievement.

There is a very close connection between the concept of Management by Objectives (MBO) and that of planning. When you go through a planning process, it is somewhat implied that the achieving of objectives is in place. Management by Objectives is very much a process that is now commonly used by modern management teams, with the original idea of MBO made famous by Peter Drucker. The basic concept of Management by Objectives is that it should not be forced upon subordinates, but rather something that is decided by a management collective. The feeling is that using that method of objective selection will lead to support from all sides, leading to all the objectives being reached more effectively.

George Odiome describes Management by Objectives as “a process whereby superior and subordinate managers of an Organization jointly define its common goals, define each individual’s major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

John Humble views Management by Objectives as “a dynamic system which seeks to integrate the company’s needs to clarify and achieve its profits and growth goals with the manager’s need to contribute and develop himself. It is a demanding and rewarding style of managing a business

1b. describe the MBO process

the MBO process includes steps like:

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. The [goals set by the superiors are preliminary](http://iedunote.com/kinds-of-organizational-goals), based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

1. **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

1. **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](http://iedunote.com/zero-base-budgeting),
    3. Applying MBO concepts for measuring individual and plans,
    4. Preparing long and short range objectives and plans,
    5. Installing [effective controls](http://iedunote.com/desiging-effective-control-system), and
    6. Designing sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

1. **Performance Evaluation**

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

1. **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.

1. **Performance Appraisal**

[Performance appraisals](http://iedunote.com/how-performance-appraisal-work) 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 to a business organization

**The main benefits of MBO are as follows:**

**1) Improved Planning:**

MBO involves participative decision-making which makes objectives explicit and plans more realistic. It focuses attention on goals in key result areas. MBO forces managers to think in terms of results rather than activities. It encourages people to set specific pleasurable goals instead of depending on hunches or guesswork. An integrated hierarchy of objectives is created throughout the organization. Precise performance objectives and measures indicating goal accomplishment are laid down. There is a time bound programme.

**2) Coordination:**

MBO helps to clarify the structure and goals of the organization. Harmony of objectives enables individuals at various levels to have a common direction. Every individual knows clearly his role in the organization, his area of operation and the results expected of him. Interlinking of corporate, unit and individual objectives helps in the decentralization of authority and fixation of responsibility. MBO result in clarification of organizational roles and structure. It promotes and integrated view of management and helps interdepartmental co-ordination.

**3) Motivation and Commitment:**

Participation of subordinates in goal setting and performance reviews tend to improve their commit­ment to performance. The corporate goals are converted into personal goals at all levels to integrate the individual with the organization Timely feedback on performance creates a feeling of accomplishment Job enrichment and sense of achievement help to improve job satisfac­tion and morale. Improved communication and sense of involvement provides psychological satisfaction and stimulates them for hard work Conversion of organizational goals into personal goals helps to integrate the individual with the organization. MBO ensures perfor­mance by converting objective needs into personal goals and by providing freedom to subordinates.

**4. Accurate Appraisals:**

MBO replaces trait based appraisal by per­formance based appraisal. Quantitative targets for every individual ena­ble him to evaluate his own performance. Performance under MBO is innovative and future oriented. It is positive, more objective and par­ticipative. Emphasis is on job requirements rather than on personality. MBO is not a scapegoat approach rather it involves constructive criti­cism to assess why operations have failed or lagged behind and suggests remedial actions like organizational restructuring, better communica­tion systems, more effective incentives to motivate executives, etc. MBO provides an objective criterion for evaluation of actual performance. "Indeed one of the major contributions of MBO is that it enables us to substitute management by self-control, for management by domina­tion."'Control becomes more effective due to verifiable standards of per­formance. Subordinates know in advance how they will be evaluated.

**5. Executive Development:**

The MBO strategy is a kind of self-discipline whereby shortcomings and development needs are easily iden­tified. It stresses upon a long term perspective and self-development. MBO releases potential by providing opportunities for learning, innova­tion and creativity. It encourages initiative and growth by stretching capabilities of executives. MBO makes possible a high degree of self- control by individual managers and increases decentralization of authority.

**6. Organizational change and Development:**

MBO provides a frame­ work for planned changes. It enables managers to initiate and manage change. It helps to identify short-comings in organizational structure and processes. In this way, MBO improves the capacity of the organization to cope with its changing environment. When an organization is managed by objectives, it becomes performance-oriented and socially-useful.

Originally MBO was developed for business organizations but now it is being used by social welfare organizations also. But MBO might not be very successful in welfare organizations because of the abstract nature of the values to be measured in specific and quantified terms, general unwillingness on the part of personnel to subject their efforts to precise evaluations and lack of measuring instruments which could generate valid and reliable data. MBO has special significance in the areas of long range planning and performance appraisal.

2.What is decision

Decision is a choice whereby a person comes to a conclusion about given circumstances/ situation. It represents a course of behaviour or action about what one is expected to do or not to do. Decision- making may, therefore, be defined as a selection of one course of action from two or more alternative courses of action. Thus, it involves a choice-making activity and the choice determines our action or inaction.

2b. describe the rational decision making process in business

Rational decision making process is when individuals use analysis, facts and a step-by-step process to come to a decision. Rational decision making is a precise, analytical process that companies use to come up with a fact-based decision. Let's take a look at how the rational decision-making process can work in an organizational environment.

It is [method](http://www.businessdictionary.com/definition/method.html) for systematically selecting among possible choices that is based on reason and facts. In a rational decision making [process](http://www.businessdictionary.com/definition/process.html), a [business](http://www.businessdictionary.com/definition/business.html) [manager](http://www.businessdictionary.com/definition/manager.html) will often employ a series of analytical steps to [review](http://www.businessdictionary.com/definition/review.html) [relevant](http://www.businessdictionary.com/definition/relevant.html) facts, observations and possible outcomes before choosing a particular [course of action](http://www.businessdictionary.com/definition/course-of-action.html).