Module 3

Management by Objectives; Decision Making, MIS

Chapter-5

MANAGEMENT
By
OBJECTIVES
(MBO)

Management by objectives
(aligned to organisation's vision and mission)

- Objectives are the endpoints, towards which activities are aimed. MBO is the philosophy of management that emphasizes the development of objectives mutually by managers and their subordinates and the use of these objectives as the primary basis of motivation, evaluation, and control efforts.

- *The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims*.

Definitions of MBO

- MBO is "*a process where by 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*.“
  - George Odiorne

- MBO is "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."
  - John Humble

Objectives and goals

The term 'objective' and 'goal' indicate an end result to be sought and accomplished.

- **Goal :** It is a desired state of affairs which an organisation wants to realize.

- **Objectives** are established to guide the efforts of the organization and each of its components to reach the Goal.

Objectives need to be SMART

- They should be concrete and specific.
- They should be measurable and controllable.
- They need to be achievable / attainable. They must be set within constraints.
- Different **objectives** must correlate with each other and are relevant
- It should be related to a time frame.

Areas which need Objectives

Peter Drucker identified 8 key areas in which organisations need objectives to be set up:

- Market Standing
- Innovation
- Productivity
- Physical and financial resources
- Managerial performance and development
- Worker's performance and attitudes
- Profitability
- Public and social responsibility

MBO : The Process

To achieve greater efficiency and performance, employee's motivation is really important. Management by Objectives (MBO) is a best approach to do so.

This approach was proposed by Peter Drucker in the 1960's, and by definition, process of management by objectives show

- ***a personnel management system,***
- ***where the organizations set, plan, monitor and achieve specific objectives***
- ***with the mutual cooperation of both high level and low-level employees*** .

MBO : The Process

The process of MBO involves six key steps that incorporate managerial activities in such a systematic way, which is directly influenced towards efficient and effective achievement individual and organizational objectives.

- Determining Organisational Goals
- Determining Employees objectives
- Constant Monitoring Progress and Performance
- Performance Evaluation
- Providing feedback
- The Performance Appraisal

Benefits of MBO

1. Clear Goals: MBO produces clear goals where performance is measurable.

2. Better planning: MBO sharpens the planning process with specific goals which are products of concrete thinking.

3. Facilitates control: A clear set of verifiable goals provide for exercising better control.

4. Objective appraisal: MBO provides a basis for evaluation an individual's performance since goals are jointly set by supervisor and subordinates. Appraisals would be more objective and impartial since employee performance is evaluated against, verifiable objectives.

MBO benefits (Contd…..)

5. Motivational force: Motivates managers in forward planning and living life in an anticipatory mode rather than responding to events. It forces managers to think of result oriented planning rather than planning for activities.

6. Better morale: Participative decision making and two-way communication encourage the subordinates to communicate freely and honestly. It minimizes the possible misunderstanding.

7. Result-oriented philosophy: Managers are forced to develop specific goals, develop appropriate action plans, marshall the resources properly and establish the controls needed.

Some of the Challenges in implementing MBO

- It is Time-consuming
- Approach is Reward-punishment oriented
- Increases paper-work
- Possibility for conflicting objectives
- Problem of coordination
- Specific goal setting may be difficult at times
- Trained managers on MBO are not in plenty
- Pressure and stress oriented
- Leading to lack of flexibility in the name of setting up goals and objectives

Why organizations failed in MBO implementation?

- One of the reasons for the failure of MBO in many organisations is that those in charge fail to recognise the potential character of the implementation process. The fault is not in the system but in its use. As with any technique, there is a right and a wrong way to implement MBO programmes.
- The following suggestions would help in making use of MBO programs effectively.
  - Enhance Commitment levels among the staff
  - Focusing on Training and Development
  - Adequate time and resources need to be allocated
  - Timely, feedback and realigning the plans accordingly
  - Politics to be avoided

Case Study on MBO

- **The Impact of Management by Objectives (MBO) on Organizational Outcome in a Digital World: A Case Study in the Aviation Industry**
- A paper presented in a International conference on Digital Economy
- And published in Digital Economy. Emerging Technologies and Business Innovation in 2019

Chapter-6

Decision Making; Creativity; and Management Information System

Decision Making

- The process of examining possibilities and options, comparing them, and choosing a course of action.

INTRODUCTION

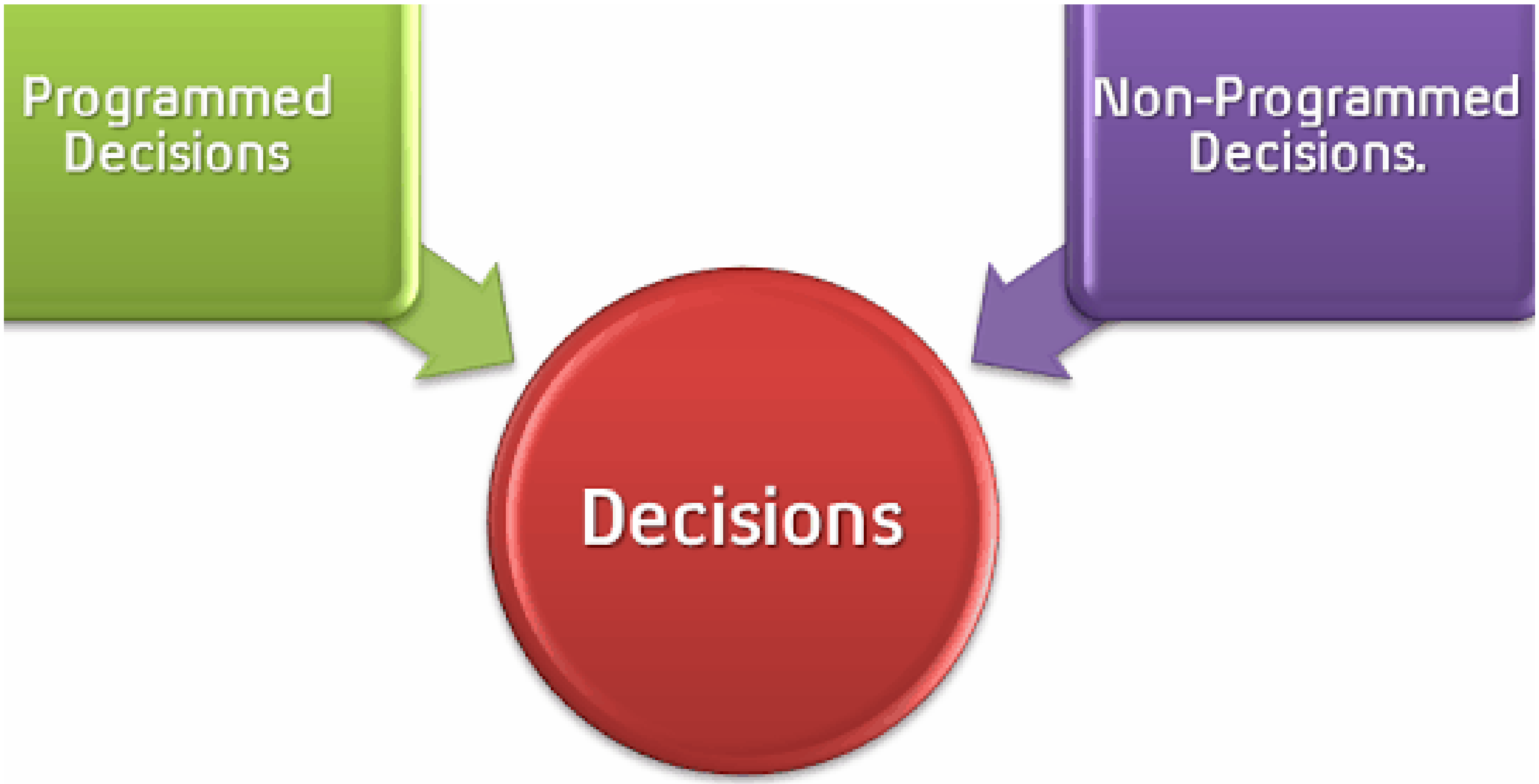
- *"Decision making is the process of making a choice between a number of options and committing to a future course of action".*
- Decision making requires choosing one course of action from among available alternatives.

- Managers diagnose problems, make **decisions** for solving them and monitor the consequences to see whether additional decisions are required.
- Good decision-making is a vital element of good management because decisions determine how the organisation solves its problems, allocates its resources and accomplishes its goals.

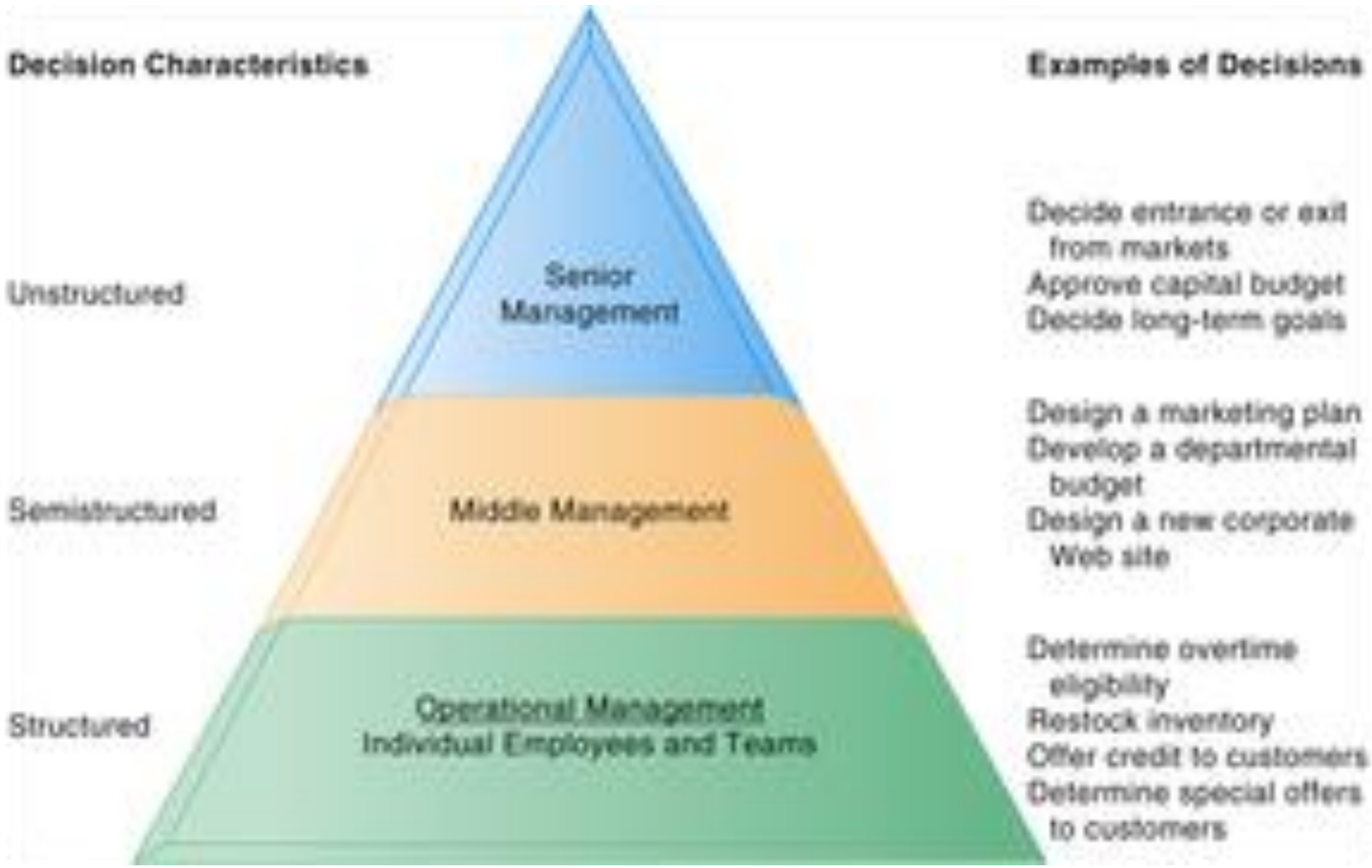
Characteristics of decision making

- Goal-oriented
- Evaluates the Alternatives
- Analytical-intellectual
- Dynamic process
- Pervasive function
- Continuous activity
- Commitment of time, effort and money

Types of decisions



Decision Making at Different Levels of Management



1. Basic vs Routine Decisions

Basic decisions are --

- Unique
- One time decisions demanding large investments
- Need Creativeness and good judgement on the part of managers

Routine decisions are --

- Repetitive in nature
- Require little deliberation
- Generally concerned with short term commitments

2. Personal vs. organisational decisions

Organisational decisions are --

- Made by managers in their official capacity
- Aimed at furthering the interests of the organisation
- Can be delegated

Personal decisions are --

- Such decisions are taken by managers in their individual capacity.
- Purely taken in personal capacity (eg., deciding at home trying what to do during leisure time : watch television, or study or retire early)

3. Programmed and Non-programmed decisions

Programmed decisions

- Problems are routine and repetitive
- Decided in accordance with some rule, procedure or convention
- Conditions are highly certain
- Made by lower level officials

Non Programmed decisions

- Problems are unique and novel
- No pre-established policies or procedures to rely upon
- Each situation is different and needs a creative solution
- Conditions are highly uncertain
- Top management responsibility

Decision making process

Making a good decision is a difficult exercise and requires a sequence of steps to be followed to arrive at a good decision

1. Identifying the problem

A problem is defined as a *discrepancy between an existing and a desired state of affairs.* Caution needs to be exercised to :

- Make sure it's a problem and not just a symptom of a problem.
- Problem identification is subjective.
- Discrepancies can be found by comparing current results with some set standards.
- Managers aren't likely to characterize a discrepancy as a problem if they perceive that they don't have the authority, information, or other resources needed to act on it.

Decision making process (Contd..)

2. Identifying decision criteria

- Identify the factors relevant
- Investment required
- Chances of failure
- Outcomes desired

3. Allocating weights to the criteria

- Prioritizing the items in the order of their importance in the decision making; assigning a weight to each item.
- Each possible solution must have features (*pros and cons*).

Decision making process (Contd..)

4. Developing alternatives

- Identify a viable alternative that could also resolve the problem.
- At this point we are just listing the alternatives

5. Analyzing alternatives

- Evaluating each alternative - its strengths and weaknesses.

6. Selecting alternative

- Choosing the best alternative

Decision making process (Contd..)

7. Implementing the decision

- Putting the decision into action by conveying into those affected and getting their commitment to it.

8. Evaluating the effectiveness of the decision

- Evaluating the outcome or result of the decision to see if the problem was resolved.
- If the problem still persists, the managers should re-assess the problem and start over again.

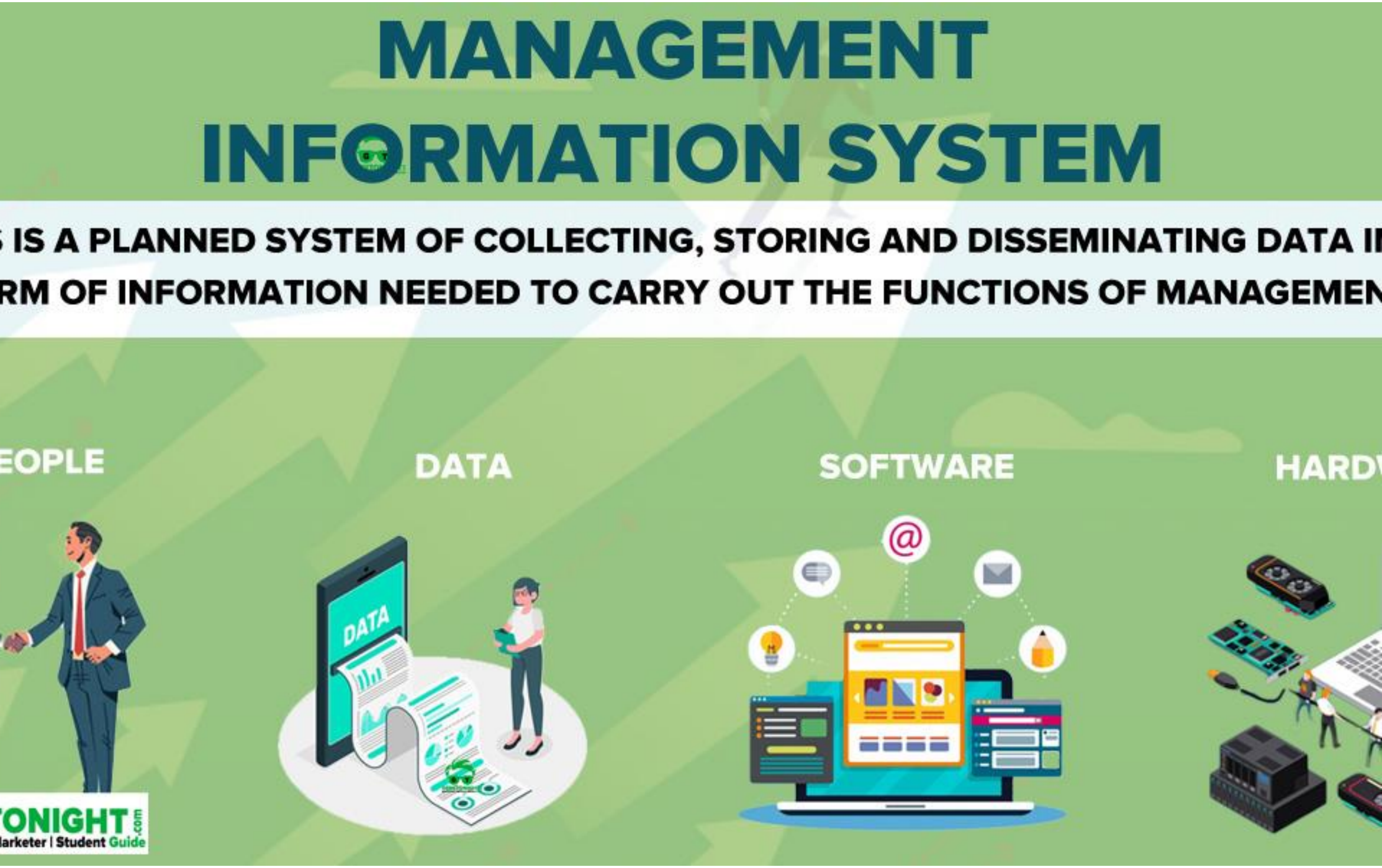
Individual Vs Group

- Individual Decision Making

- Group Decision Making

Advantages :

1. Compared to an individual, the groups generally have a greater knowledge, expertise, & skill base to make better decisions.
2. Larger number of members provide more perspectives of the problem.
3. With larger number of group members, the participation also increases that helps reach quality decision.


MANAGEMENT
INFORMATION SYSTEM
S IS A PLANNED SYSTEM OF COLLECTING, STORING AND DISSEMINATING DATA I
RM OF INFORMATION NEEDED TO CARRY OUT THE FUNCTIONS OF MANAGEMEN
EOPLE
DATA
SOFTWARE
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DATA
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Need and importance for MIS

MIS offers vital information to managers, so that they can carry out operational control, management control and strategic planning.

Operational Control : MIS offers highly accurate and detailed information, on a daily or weekly basis on the operations.

Middle Management :

- Middle level managers need information on matters affecting their units such as *sudden sales decline*, increased demand for a particular product line, problems with suppliers etc.

Top management :

- MIS provides information on overall financial performance of the organization, and also information relating to external sources to enable the top management to facilitate **strategic planning and management control.**

Designing MIS- Steps involved

1.Problem definition - The team starts by making a thorough assessment of the organisation's capabilities and strategic goals, as well as an assessment of any external factor relevant to organisations functions.

2.Conceptual design - A thorough analysis of current information systems would reveal alternative MIS designs with specific performance requirements. These alternatives could be evaluated against organisational objectives, capabilities and requirements.

3. Detailed design - Once a conceptual plan is decided upon, performance specifications of the new MIS can be established. Components, programming, flow chatting, database can be designed. A model of the system is created, tested, refined and reviewed until it meets the specific levels of performance.

4. Final implementation - The logistics are worked out and enacted.

- Design and testing of software for MIS will be completed and the organisations databases are entered into the system.
- After a series of final checks, the MIS is ready for implementation.
- Training program starts now.

Guidelines for effective design of MIS

- User participation is a must
- Cost-benefit analysis gives us the feasibility
- Relevant information needs to be made available promptly
- Implementation strategy to see what is more practicable : Pilot installation, Phased installation, or Parallel installation
- Training and user help documentation for acquipping the operators

Case Study

- Management Information System [MIS] and its importance in Aviation Industry