DIPLOMA IN MANAGEMENT

DIM-2

Management Principles
and
Applications

Block

2

Unit–1
Managerial Planning

Unit–2
Management by Objectives

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Decision Making Process

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Printers by : Sri Mandir Publication, Sahid Nagar, Bhubaneswar

Unit-1
Managerial Planning

Learning Objectives

After completion of the unit, you should be able to:

- Explain the definition of planning in clear terms.
- Understand the nature and characteristics of planning.
- Appreciate, why planning is eminently essential for all organizations.
- Understand the benefits and limitations of planning

Structure

1.1 Introduction
1.2 Definitions
1.3 Nature and characteristics of planning
1.4 Need and significance of planning
1.5 The Six P's of Planning
1.6 Step in Planning Process
1.7 Types / classifications of planning
1.8 Let's Sum-Up
1.9 Key Terms
1.10 Self –Assessment Questions
1.11 Further readings
1.12 Model Questions

1.1 Introduction

Planning is deciding in advance what to do, how to do, when to do and who is to do. Planning bridges the gap from where we are to where we want to go. It involves the selection of objectives, policies and programmes from among alternatives.A plan should be a realistic view of the expectations. Depending upon the activities, a plan can be long range, intermediate range or short range. It is the framework within which it must operate. For management seeking external support, the plan is the most important document and key to growth. Preparation of a comprehensive plan will not guarantee success, but lack of a sound plan will almost certainly ensure failure.

Planning can be done for the entire organization (Corporate Planning) or a business unit (Business Planning), or a division (Divisional Planning) or a department (Departmental Planning) or at the level of an individual manager (Personal Planning).

1.2 Definitions

"Planning is an intellectually demanding process; it requires the conscious determination of courses of action".

-Harold Koontz

"Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done".

-Kenneth H. Killen

1.3 Nature and characteristics of planning

Nature of Planning

The essential nature of planning can be highlighted in terms of the following four major aspects.

- **Contribution to Purpose and objectives:**

  The purpose of every plan and all derivative plans is to facilitate the accomplishment of enterprise purpose and objectives .This principle derives from the nature of organized enterprise, which exists for the accomplishment of group purpose through deliberate cooperation.

- **Primacy of Planning:**

  Managerial operation in organizing, staffing, leading and controlling are designed to support the accomplishment of enterprise objectives. Hence, planning logically precedes the execution of all other managerial functions.

- **Pervasiveness of planning:**

  Planning is a function of all managers, although the character and breadth of planning will vary with their authority and with the nature of policies and plans outlined by their superiors.

- **Efficiency of plans:**

  The efficiency of a plan is by the amount it contributes to purpose and objectives as off-set by costs and other consequences required to formulate and operate it.

Characteristics of planning

- Planning is closely associated with the goals of the organization. These goals might be implicit or explicit. However, well–defined goals lead to efficiency in planning.
- Planning is primarily concerned with the forecasting of future situation in which an organization has to function.Accurate forecasting leads to correct decision about future course of action.
- Planning involves the selection of the best among several alternatives for achieving the organizational objectives, as all of them are not equally applicable and suitable to the organization.
- Planning is comprehensive and is required in every course of action in the organization.
- Planning is flexible as it is based on future conditions which are always dynamic .As such, an adjustment is needed between the various factors and planning.

1.4 Need and Significance of Planning

While planning does not guarantee success in organizational objectives, there is evidence that companies that engaged in formal planning consistently performed better than those with none or limited formal planning and improved their own performance over a period of time. It is very rare for an organization to succeed solely by luck or circumstances. Some of the reasons as to why planning is considered a vital managerial function are given below :

1. **Planning is essential in modern business:** The growing complexity of the modern business with rapid technological changes, dynamic changes in the consumer preferences and growing tough competition necessities orderly operations, not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

2. **Planning affects performance:** A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such factors as return on investment, sales volume, growth in earnings per share and so on. An investigation of firms in various industrial products as machinery, steel, oil, chemicals and drugs revealed that companies that engaged in formal planning consistently performed better than those with no formal planning.

3. **Planning puts focus on objectives:** The effectiveness of formal planning is primarily based upon clarity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these

objectives. Plans continuously reinforce the importance of these objectives byfocusing on them. This ensures maximum utility of managerial time and efforts.

4. **Planning anticipates problems and uncertainties:** A significant aspect of any formal planning process in collection of relevant information for the purpose of forecasting the future as accurately as possible. This would minimize the chances of haphazard decisions. Since the future needs of the organization are anticipated in advance, the proper acquisition and allocation of resources can be planned, thus minimizing wastage and ensuring optimal utility of these resources.

5. **Planning is necessary to facilitate control:** Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to by achieved. Periodic reviews of operations can determine whether the plans are being implemented correctly. Well-developed plans can aid the process of control in two ways. First, the planning process establishes a system of advance warning of possible deviations from the expected performance.

Second contribution of planning to the control process is that it provides quantitative data which would make it easier to compare the actual performance in quantitative terms, not only with the expectations of the organization but also with the industry statistics or market forecasts.

6. **Planning helps in the process of decision making:** Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules and so on are clearly laid down.

1.5 The Six P's of Planning

They are as follows:

1. Purpose

An effective planning system requires a clear understanding of the organization's purpose. What are the reasons for the organization's existence? Is it to increase profit or increase market share or generate more employment or introduce more products, and so on? This purpose must be clear and elaborate.

2. Philosophy

Philosophy incorporates the fundamental beliefs as to how the organization's purpose is to be achieved. For long-term survival and growth, a philosophy of ethical conduct must be adopted.

3. Premise

This involves the strengths and weaknesses of the organization and its knowledge and assumptions about its environment. By forecasting and other methods, the management can make some conclusions about the trends of the environment and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.

4. Policies

Are general guidelines or constraints that aid managerial thinking and action. In a typical organization, there are production policies, financial policies, accounting policies, marketing policies, personnel policies; and these form the basis for planning and necessary operational actions.

5. Plans

Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as to how to reach the objectives and also at what stage the progress is at a given time.

6. Priorities

A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, etc., must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources. Prioritising goals will determine what is relatively more important. A goal that is given higher priority will receive more attention and more resources. For example, a research-oriented organisation will get different priorities and resources than a profit-oriented organisation. Setting priorities for goals will be established on the

1.6 Steps in Planning Process

Planning is a process which embraces a number of steps to be taken. It is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires a serious thought on numerous factors necessary to be considered in making plans. Facts are collected and analyzed and the best out of all is chosen and adopted. The planning process, valid for one organization and for one plan, may not be valid for all other organizations or all types of plans, because various factors that go into planning process may differ from organization to organization or plan to plan. For example, planning process for a large organization may not be the same as for a small organization. The steps generally involved in planning are as follows:

1. Establishing Verifiable Goals or Set of Goals to be Achieved :

The first step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers, usually after a number of possible objectives have been carefully considered. There are many types of objectives managers may select: a desired sales volume or growth rate, the development of a new product or service, or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on number of factors: the basic mission of the organization, the values its managers hold, and the actual and potential ability of the organization.

2. Establishing Planning Premises :

The second step in planning is to establish planning premises, i.e. certain assumptions about the future on the basis of which the plan will be intimately formulated. Planning premises are vital to the success of planning as they supply economic conditions, production costs and prices, probable competitive behaviour, capital and material availability, governmental control and so on.

3 Deciding the planning period :

Once upper-level managers have selected the basic long-term goals and the planning premises, the next task is to decide the period of the plan. Business varies considerably in their planning periods. In some instances plans are made
for a year only while in others they span decades. In each case, however, there is always some logic in selecting a particular time range for planning. Companies generally base their period on a future that can reasonably be anticipated. Other actors which influence the choice of a period are as follows: : (a) lead time in development and commercialization of a new product; (b) time required to recover capital investments or the payback period; and (c) length of commitments already made.

4. Findings Alternative Courses of Action :

The fourth step is planning is to search for and examining alternative courses of action. For instance, technical know-how may be secured by engaging a foreign technician or by training staff abroad. Similarly, products may be sold directly to the consumer by the company's salesmen or through exclusive agencies. There is seldom a plan for which reasonable alternatives do not exit, and quite often an alternative that is not obvious proves to be the best.

5. Evaluating and Selecting a Course of Action :

Having sought alternative courses, the fifth step is to evaluate them in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research.

6. Developing Derivative plans :

Once the plan has been formulated, its broad goals must be translated into day-to-day operations of the organization. Middle and lower-level managers must draw up the appropriate plans, programmes and budgets for their sub-units. These are described as derivative plans. In developing these derivative plans, lower-level managers take steps similar to those taken by upper-level managers – selecting realistic goals, assessing their sub-units particular strength and weaknesses and analyzing those parts of the environment that can affect them.

7. Measuring and Controlling the Progress :

Obviously, it is foolish to let a plan run its course without monitoring its progress. Hence theprocess of controlling is a critical part of any plan. Managers need to check the progress of their plans so that they can (a) take whatever remedial action is necessary to make the plan work, or (b) change the original plan if it is unrealistic.

1.7 Types / Classifications of Planning

1. Objectives

The first step in planning is setting objectives it is said to be the desired future position that the management would like to reach. They are basic to the organization and they are defined as ends which the management seeks to achieve by its operations. They define the future states of affairs which the organization strives to realize. They serve as a guide for overall business planning objectives need to be expressive in specific terms. They are the end points of planning.

2. Policy

A policy is a general guide to thinking and action rather than a specific course of action. It defines the area or limits within decisions can be made to achieve organizational objectives can be attained. A policy is a continuing decision as it provides answers to problems of recurring nature.

3. Procedure

They are routine steps to carry out activities. They detailed the exact manner in which any work is to be performed. They are specified in a chronological order. It lays down the specific manner in which a particular activity is to be performed.
It is a planned sequence of operations for performing repetitive activities uniformly and consistently. They play an important role in the daily operations of an organization.

4. Rules

They are rigid and definite plans that specify what is to be done or not to be done in given situations. A rule provides no scope for discretion and judgment. It is a prescribed guide to conduct or action. They are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken. They help to regulate behavior and to facilitate communication.

5. Budget

It is a statement of expected results expressed in numerical terms. It is plan which quantities future, facts and figures. They serve as a means of co- ordination and control. They provide clarity, direction and purpose in the activities of an organization by laying down verifiable and measurable goals for a specified period of time. It is expressed in terms of money or physical units. It is a blue print of future course of action and activities. It is prepared in advance, and related to future period.

6. Project

A project is a distinct cluster of functions and facilities for a defined purpose and definite time period. It is designed and executed as a distinct plan. It is integrated into a unit and is designed to achieve stated objectives. It id defined in term of specific objective, interdependence of tasks etc. they help to facilitate co-ordination and control by identifying an integrated work package within a heterogeneous mass of activities and resources.

7. Strategy

The concept of strategy in business has been borrowed from military science and sports where it implies outmaneuvering the opponent. The term strategy began to be used in business with increase in competition and complexity of operations. It may be defined as gamesmanship or as administrative course of action designed to achieve success in the face of difficulties. It is an overall plan prepared for meeting the challenge posed by the activities of competitors and other environment forces (it is a long term plan as it is designated to achieve the mission of the organization. It is forward looking and is mainly the job of top management).

Limitations of Planning

Planning is not a substitute for executive judgment but merely an aid to it. It suffers from the following limitations:

1. Inaccuracy: Planning is based on forecasts which are never cent per cent accurate. The accuracy and reliability of forecasting diminishes as the forecasting period increases. If reliable forecast and data are not available, planning becomes unrealistic.
2. Time consuming: Planning is a time-consuming and expensive process. Time, effort and money are required in the collection and analysis of data and in the formulation and revision of plants. Planning is useful only when the expected gains from it exceed its costs. By the time plans are prepared, conditions might change rendering the entire efforts irrelevant.
3. Rigidity: Planning may result in internal inflexibilities and procedural rigidities which curb initiative and individual freedom. Sometimes, planning may cause delay in decision-making. A manager may be bogged down by rules and procedures when there is need for quick decision.
4. Resistance: Planning often requires some change in the existing set-up. Unless the required change is forthcoming, planning may be ineffective. Resistance to change is an important obstacle in planning. Planning also requires a forward - looking attitude. But very often, people have a greater regard for the present as future is uncertain.
5. False Security: Planning may create a false sense of security in the organisation. A manager may feel that all problems will be solved once the plans are put into

operation. In reality, management has to continuously revise the plans and regularly check on their execution.

6. Pressure-tactics: Powerful people and other vested interests may exert pressure to ensure that the plans serve their own interests. Moreover, the planners may be unduly influenced by the 'pet projects' of the 'big boss' and may not make an objective analysis of the available alternatives. It is very difficult to measure accurately the effectiveness of planning.
7. External Constraints: The effectiveness of planning may be affected by external forces which are beyond the control of those responsible for preparing plans. Government control, natural calamities and other unforeseen events may create hurdles in the implementation of plans. It is very difficult to predict and provide for such external constraints.

1.8 Let's Sum-up

Planning has a primacy over other management functions and is a pervasive element in organizations. It involves the major activities such as setting objectives, determining policies and making decisions. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment. By planning managers minimize uncertainty and help focus the sight of their organization on its goals.

1.9 Key Terms

Planning: Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done.

Planning Premises: It refers to the assumptions made by the planner regarding the environmental changes to plan for the future.

Planning Process: It involves various steps included in undertaking the entire planning activity in an organization.

1.10 Self- Assessment Questions

1 "Managerial planning seeks to achieve a coordinated structure of operations". Comment.

2 "Planning involves a choice between alternative courses of action". Comment briefly.

3 Describe in detail the steps involved in the planning process.

1.11 Further Readings

1. Kootnz& O'Donnell, Principles of Management.
2. J.S. Chandan, Management Concepts and Strategies.
3. Arun Kumar and R. Sharma, Principles of Business Management.
4. Sherlerkar and Sherlerkar, Principles of Management
5. B.P. Singh, Business Management and Organizations

1.12 Model Questions

1. Discuss why planning is an important function of management. Who does planning contribute towards the betterment of the organizations?

2. Explain the nature, characteristics and importance of planning in management.

3. Identify the benefits and limitations of planning.

Unit-2

Management by Objectives

Management
By
Objectives

Learning Objectives

After completion of the unit, you should be able to:

- Explain the nature and importance of objectives.
- Outline the evolving concepts in management by objectives (MBO).
- Understand the model/process of MBO.
- Describe the benefits of MBO.
- Recognize the limitations of MBO and suggest ways to overcome them.

Structure

2.1 Introduction
2.2 Definitions
2.3 Characteristics of MBO
2.4 Need and importance of MBO
2.5 Steps in MBO Process
2.6 Benefits of MBO
2.7 Limitations of MBO
2.8 How To Make MBO Effective
2.9 Let's Sum-Up
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2.13 Model Questions

2.1 Introduction

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. The core concept of MBO is **planning**, which means that an organization and its members are not merely reacting to events and problems but are instead being proactive. MBO requires that employees set measurable personal goals based upon the organizational goals. Managers always have been challenged to produce results, but the modern manager must produce them in a time of rapid technological and social change. Managers must be able to use this rapid change to produce their results; they must use the change and not be used or swallowed up by it. Both they and the organizations they manage need to anticipate change and set aggressive, forward-looking goals in order that they may ultimately begin to make change occur when and where they want it to and, in that way, gain greater control of their environments and their own destinies. The most important tool the manager has in setting and achieving forward-looking goals is people, and to achieve results with this tool the manager must: first, be able to instil in the workers a sense of vital commitment and desire to contribute to organizational goals; second, control and coordinate the efforts of the workers toward goal accomplishment; and, last, help the subordinates to grow in ability so that they can make greater contributions.

Management by objectives is an approach in which a balance is sought between the objectives of employees and the objectives of an organization. The essence of Drucker's basic principle: Management by Objectives is to determine joint objectives and to provide feedback on the results. Setting challenging but attainable objectives promotes motivation and empowerment of employees. By increasing commitment, managers are given the opportunity to focus on new ideas and innovation that contribute to the development and objectives of organizations.

However, Peter Drucker sets a number of conditions that must be met:

- Objectives are determined with the employees;
- Objectives are formulated at both quantitative and qualitative levels;
- Objectives must be challenging and motivating;
- Daily feedback on the state of affairs at the level of coaching and development instead of static management reports;
- Rewards (recognition, appreciation and/or performance-related pay) for achieving the intended objectives is a requirement;
- The basic principle is growth and development, not punishments.

2.2 Definition

MBO is an approach (to planning) that helps to overcome these barriers. MBO involves the establishment of goals by managers and their subordinates acting together, specifying responsibilities and assigning authority for achieving the goals and finally constant monitoring of performance. The genesis of MBO is attributed to Peter Drucker who has explained it in his book 'The Practice of Management'.

According to **George Odiome**, MBO is "a process whereby superior and subordinate managers of an Organisation 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."

According to **John Humble**, 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."

2.3 Characteristics of MBO

Superior-subordinate participation: MBO requires the superior and the subordinate to recognize that the development of objectives is a joint project/activity. They must be jointly agree and write out their duties and areas of responsibility in their respective jobs.

Joint goal-setting: MBO emphasizes joint goal-setting that are tangible, verifiable and measurable. The subordinate in consultation with his superior sets his own short-term goals. However, it is examined both by the superior and the subordinate that goals are realistic and attainable. In brief, the goals are to be decided jointly through the participation of all.

Joint decision on methodology: MBO focuses special attention on what must be accomplished (goals) rather than how it is to be accomplished (methods). The superior and the subordinate mutually devise methodology to be followed in the attainment of objectives. They also mutually set standards and establish norms for evaluating performance.

Makes way to attain maximum result: MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focussing on attainable goals. It permits lot of freedom to subordinate to make creative decisions on his own. This motivates subordinates and ensures good performance from them.

Support from superior: When the subordinate makes efforts to achieve his goals, superior's helping hand is always available. The superior acts as a coach and provides his valuable advice and guidance to the subordinate. This is how MBO facilitates effective communication between superior and subordinates for achieving the objectives/targets set.

2.4 Need and Importance of MBO

Management by Objectives (MBO) is a process in which a manager and an employee agree upon a set of specific performance goals, or objectives, and jointly develop a plan for reaching them. The objectives must be clear and achievable, and the plan must include a time frame and evaluation criteria. MBO is primarily used as a tool for strategic planning, employee motivation, and performance enhancement. It is intended to improve communication between employees and management, increase employee understanding of company goals, focus employee efforts upon organizational objectives, and provide a concrete link between pay and performance. An important factor in an MBO system is its emphasis on the results achieved by employees rather than the activities performed in their jobs.

Management By Objectives

The Management by Objectives process helps the employees to understand their duties and responsibilities in a much more focused manner at the workplace.

Key Result Areas (KRAs) are designed for each employee as per their interest, specialization and educational qualification.

The employees are clear as to what is expected out of them.

Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.

Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.

Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.

Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He would first meet his reporting boss who would then pass on the message to his senior and so on. Everyone is clear about his position in the organization.

The MBO Process leads to highly motivated and committed employees.

The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members. Each employee is given a list of specific tasks.

2.5 Steps in MBO Process

Goal setting: The first phase in the MBO process is to define the organizational objectives. These are determined by the top management and usually in consultation with other managers. Once these goals are established, they should be made known to all the members. In setting objectives, it is necessary to identify "Key-Result Areas' (KRA).

Manager-Subordinate involvement: After the organizational goals are defined, the subordinates work with the managers to determine their individual goals. In this way, everyone gets involved in the goal setting.

Matching goals and resources: Management must ensure that the subordinates are provided with necessary tools and materials to achieve these goals. Allocation of resources should also be done in consultation with the subordinates.

Implementation of plan: After objectives are established and resources are allocated, the subordinates can implement the plan. If any guidance or clarification is required, they can contact their superiors.

Review and appraisal of performance: This step involves periodic review of progress between manager and the subordinates. Such reviews would determine if the progress is satisfactory or the subordinate is facing some problems. Performance appraisal at these reviews should be conducted, based on fair and measurable standards.

2.6 Benefits of MBO

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.

Management
By
Objectives

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.

2.7 Limitations of MBO

1. Time-consuming

MBO is time-consuming process. Objectives, at all levels of the Organisation, are set carefully after considering pros and cons which consumes lot of time. The superiors are required to hold frequent meetings in order to acquaint subordinates with the new system. The formal, periodic progress and final review sessions also consume time.

2. Reward-punishment approach

MBO is pressure-oriented programme. It is based on reward-punishment psychology. It tries to indiscriminately force improvement on all employees. At times, it may penalize the people whose performance remains below the goal. This puts mental pressure on staff. Reward is provided only for superior performance.

3. Increases paper-work

MBO programmes introduce ocean of paper-work such as training manuals, newsletters, instruction booklets, questionnaires, performance data and report into the Organisation. Managers need information feedback, in order to know what is exactly going on in the Organisation. The employees are expected to fill in a number of forms thus increasing paper-work. In the words of Howell, "MBO effectiveness is inversely related to the number of MBO forms.

4. Problem of co-ordination

Considerable difficulties may be encountered while coordinating objectives of the Organisation with those of the individual and the department. Managers may face problems of measuring objectives when the objectives are not clear and realistic.

5. Problems related to goal-setting

MBO can function successfully provided measurable objectives are jointly set and it is agreed upon by all. Problems arise when: (a) verifiable goals are difficult to set (b) goals are inflexible and rigid (c) goals tend to take precedence over the people who use it (d) greater emphasis on quantifiable and easily measurable results instead of important results and (e) over-emphasis on short-term goals at the cost of long-term goals.

6. Lack of appreciation

Lack of appreciation of MBO is observed at different levels of the Organisation. This may be due to the failure of the top management to communicate the philosophy of MBO to entire staff and all departments. Similarly, managers may not delegate adequately to their subordinates or managers may not motivate their subordinates properly. This creates new difficulties in the execution of MBO programme.

2.8 How To Make MBO Effective?

Support from all: In order that MBO succeeds, it should get support and co-operation from the management. MBO must be tailored to the executive's style of managing. No MBO programme can succeed unless it is fully accepted by the managers. The subordinates should also clearly understand that MBO is the policy of the Organisation and they have to offer cooperation to make it successful. It should be a programme of all and not a programme imposed on them.

Acceptance of MBO programme by managers: In order to make MBO programme successful, it is fundamentally important that the managers themselves must mentally accept it as a good or promising programme. Such acceptances will bring about deep involvement of managers. If manages are forced to accept NIBO programme, their involvement will remain superfluous at every stage. The employees will be at the receiving-end. They would mostly accept the lines of action initiated by the managers.

Training of managers: Before the introduction of MBO programme, the managers should be given adequate training in MBO philosophy. They must be in a position to integrate the technique with the basic philosophy of the company. It is but important to arrange practice sessions where performance objectives are evaluated and deviations are checked. The managers and subordinates are taught to set realistic goals, because they are going to be held responsible for the results.

Organizational commitment: MBO should not be used as a decorative piece. It should be based on active support, involvement and commitment of managers. MBO presents a challenging task to managers. They must shift their capabilities from planning for work to planning for accomplishment of specific goals. Koontz rightly observes, "An effective programme of managing by objective must be woven into an entire pattern and style of managing. It cannot work as a separate technique standing alone."

Allocation of adequate time and resources: A well-conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions. Proper time and resources should be allocated and persons are properly trained in the philosophy of MBO.

Provision of uninterrupted information feedback: Superiors and subordinates should have regular information available to them as to how well subordinate's goal performance is progressing. Over and above, regular performance appraisal sessions, counselling and encouragement to subordinates should be given. Superiors who compliment and encourage subordinates with pay rise and promotions provide enough motivation for peak performance.

2.9 Let's Sum-Up

Management by objectives (MBO) has been widely used for managerial planning performance appraisal and employee motivation, but it is really a system of managing. Among its benefits, MBO results in better managing, often forces managers to clarify the structure of their organizations, encourages people to commit themselves to their goals, and helps develop effective controls.

Some of its limitations are that managers sometimes fail to explain the philosophy of MBO (which emphasizes self-control and self-direction) to subordinates or give them guidelines for their goal setting. In addition, goals themselves are difficult to set, tend to be short-term, and may become inflexible despite changes in the environment. People, in their search for verifiability, may overemphasize quantifiable goals.MBO is the policy of the Organisation and they have to offer cooperation to make it successful. It should be a programme of all and not a programme imposed on them.

2.10 Key Terms

Objectives
Goal-setting
Joint Decision-making
Key Result Areas
MBO Process

2.11 Self-Assessment Questions

1. What do you mean by 'Management by Objectives'? Who has coined or popularized this term?

2. Discuss the important characteristics of MBO.

2.12 Further Readings

1 Kootnz& O'Donnell, Principles of Management.
2 J.S. Chandan, Management Concepts and Strategies.
3 Arun Kumar and R. Sharma, Principles of Business Management.
4 Sherlerkar and Sherlerkar, Principles of Management
5 B.P. Singh, Business Management and Organizations

2.13 Model Questions

1. Explain the benefits and limitations of MBO.

2. What are the essential steps involved in the MBO process?

Unit-3
Decision Making Process

Decision-Making Process

Learning Objectives

After completion of the unit, you should be able to:

- Know the meaning, nature and characteristics of decision-making.
- Thoroughly understand the decision-making process.
- Explain the various types of decision-making and style of decision-making.
- Understand the limitations of decision-making.

Structure

3.1Introduction

3.2Definitions and characteristics

3.3Need and Importance of Decision-making

3.4Types of Decision-making

3.5Steps in Decision-making Process

3.6Decision-making Conditions

3.7Decision-making Style

3.8Limitation of Decision-making

3.9Lets Sum-Up

3.10Self-Assessment Questions

3.11Further Readings

3.12Model Questions

3.1 Introduction

Decision-making is an indispensable part of life. Innumerable decisions are taken by human beings in day-to-day life. In business undertakings, decisions are taken at every step. All managerial functions viz., planning, organizing, staffing, directing, co-ordinating and controlling are carried through decisions. Decision-making is thus the core of managerial activities in an organization. Every action of a manager is generally an outcome of a decision. Owing to this fact, Peter F. Drucker in his book "Practice of Management," observes "Whatever a manager does, he does through making decision." True, the job of management involves the making of innumerable decisions. That is why many persons think that management is mostly all about decision-making. The word 'decides' means to come to a conclusion or resolution as to what one is expected to do at some later time. According to Manely H. Jones, "It is a solution selected after examining several alternatives chosen because the decider foresees that the course of action he selects will do more than the others to further his goals and will be accompanied by the fewest possible objectionable consequences"'.

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.

3.2 Definitions and Characteristics

Definitions

Some of the important definitions of decision-making are given as under.

"Decision-making is the selection based on some criteria from two or more possible alternatives".

-George R. Terry

"A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of desired result".

- J.L. Massie

"A decision is an act of choice, wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives".

- Dalton E. McFarland

From these definitions, it is clear that decision-making is concerned with selecting a course of action from among alternatives to achieve a predetermined objective.

Following elements can be derived from the above mentioned definitions:

- Decision–making is a selection process and is concerned with selecting the best type of alternative.

- The decision taken is aimed at achieving the organisational goals.
- It is concerned with the detailed study of the available alternatives for finding the best possible alternative.
- Decision making is a mental process. It is the outline of constant thoughtful consideration.
- It leads to commitment. The commitment depends upon the nature of the decision whether short term or long term.

Characteristics

1. Decision making is a process of selection, which aim to result a best alternative.
2. It aims to achieve the objectives of the organization.
3. It involves the evolution of alternative, only through evaluation one can come to know the best alternative.
4. Decision making is a mental process, because the final selection is made after a thorough consideration.
5. It involves certain kind commitments on the part of the organizational members.

3.3 Need and Importance of Decision-making

As an entrepreneur or leader, you will make decisions involving not only yourself, but the morale and welfare of others. Some decisions, such as when to take a break or where to hold a meeting, are simple decisions which have little effect on others. Other decisions are often more complex and may have a significant impact on many people. Therefore, having a decision-making, problem-solving process can be a helpful tool. Such a process can help you to solve these different types of situations. Within business and the military today, leaders at all levels use some form of a decision-making, problem-solving process.

It is beyond doubt that the decision making is an essential part of every function of management. According to Peter F. Drucker, “Whatever a manager does, he does through decision making”. Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly.

Right from the day when the size of the organization used to be very small to the present day huge or mega size of the organization, the importance of decision making has been there. The significant difference is that in today's complex organization structure, the decision making is getting more and more complex. Whatever a manager does, he does through making decisions. Some of the decisions are of routine and repetitive in nature and it might be that the manager does not realize that he is taking decisions whereas, other decisions which are of strategic nature may require a lot of systematic and scientific analysis. The fact remains that management is always a decision making process. The most outstanding quality of successful manager is his/her ability to make sound and effective decisions. A manager has to make up his mind quickly on certain matters. It is not correct to say that he has to make spur of the moment decisions all the time. For taking many decisions, he gets enough time for careful fact finding, analysis of alternatives and choice of the best alternative. Decision making is a human process. When onedecides, he chooses a course alternative which he thinks is the best. Decision making is a proper blend of thinking, deciding and action. An important executive decision is only one event in the process which requires a succession of activities and routine decisions all along the way. Decisions also have a time dimension and a time lag. A manager takes

time to collect facts and to weigh various alternatives. Moreover, after decides, it takes still more time to carry out a decision and, often, it takes longer before he can judge whether the decision was good or bad. It is also very difficult to isolate the effects of any single decision.

3.4 Types of Decision-making

Decisions have been classified by various authorities in various ways. The main types of decisions are as follows :

1. Programmed and non-programmed decisions:
Professor Herbert Simon has classified all managerial decisions as programmed and non-programmed decisions. He has utilized computer terminology in classifying decisions. The programmed decisions are the routine and repetitive decisions for which the organization has developed specific processes. Thus, they involve no extraordinary judgment, analysis and authority. They are basically devised so that the problem may not be treated as a unique case each time it arises. On the other hand, the non-programmed decisions are the one-shot, ill structured, novel policy decisions that are handled by general problem-solving processes. Thus, they are of extraordinary nature and require a thorough study of the problem, its in-depth analysis and the solving the problem. They are basically non-repetitive in nature and may be called as strategic decisions.

2. **Basic and routine decisions:** Professor George Katona has made a distinction between basic decision and routine decisions. Routine decisions are of repetitive nature and they involve the application of familiar principles to a situation. Basic or genuine decisions are those which require a good deal of deliberation on new principles through conscious thought process, plant location, distribution are some examples of basic decisions.

3.Policy and operative decisions: Policy decisions are important decisions and they involve a change in the procedure, planning or strategy of the organization. Thus, they are of a fundamental character affecting the whole business. Such decisions are taken by the top management. On the contrary, operating decisions are those which are taken by lower levels ofmanagement for the purpose of executing policy decisions. They are generally concerned with the routine type of work, hence unimportant for the top management. They mostly relate to the decision-makers own work and behaviour while policy decision influences the work and behaviour of subordinates.

4. Individual and group decisions : Individual decisions are those decisions which are made by one individual – whether owner of the business or by a top executive. On the other hand, group-decisions are the decisions taken by a group of managers – board, team, committee or a sub-committee. In India, individual decision-making is still very common because a large number of businesses are small and owned by a single individual. But in joint stock Company's group decisions are common. There are both merits and demerits of each type of decision.

3.5 Steps in Decision-making Process

1. Identifying and diagnosing the real problem

Understanding the situation that sets the stage for decision making by a manager is an important element in decision making. Pre-determined objectives past acts and decision and environment consideration provide the structure for current decisions. Once this structure is laid, the manager can proceed to identify and determine the real problem.

2. Search and Development of alternatives

The next step is to search for available alternatives and assess their probable consequences. But the number of forces reacting upon a given situation is so large and varied that management would be wise to follow the principle of the limiting factor. That is management should limit itself to the discovery of those key factors which are critical or strategic to the decision involved.

3. Analysis and evaluation of available alternatives

Once the alternatives are discovered, the next stage is to analyze and compare their relative importance. This calls for the listing of the pros and cons and different alternatives in relation to each other. Management should consider the element of risk involved in each of them and also the resources available for the implementation.

4. Selection of alternatives to be followed

Defining the problem, identifying the alternatives and their analysis and evaluation set the stage for the manager to determine the best solution. In this matter, a manager is frequently guided by his past experience. If the present problem is similar to one faced in the past, the manager has a tendency to decide on the basis past experience is a useful guide for the decision in the present. But it should not be followed blindly. Changes in the circumstances and underlying assumption of decisions in the past should be carefully examined before deciding a problem on the basis of experience.

5. Communicate of the decision and its acceptance by the organization

Once decision is made, it needs to be implemented. This calls for laying down derivative plans and they communicate to all those responsible for initiating action on them. It will be better if the manager takes into account beliefs, attitude and prejudices of people in the organization and is also aware of his own contribution to implantation of the decision. It is further required that subordinates are encouraged to participate in decision making process so that they feel committed and morally bound to support the decisions.

Managers can make decisions on the basis of rationality, bounded rationality, or intuition.

1. Rational decision making. Managerial decision making is assumed to be rational—that is, making choices that are consistent and value-maximizing within specified constraints. A rational manager would be *completely* logical and objective. Rational decision making assumes that the manager is making decisions in the best interests of the *organization*, not in his/her own interests.

The assumptions of rationality can be met if the manager is faced with a simple problem in which (1) goals are clear and alternatives limited, (2) time pressures are minimal and the cost of finding and evaluating alternatives is low, (3) the organizational culture supports innovation and risk taking, and (4) outcomes are concrete and measurable.

2. Bounded rationality. As the *perfectly* rational model of decision making isn't realistic, managers tend to operate under assumptions of bounded rationality, which is decision-making behavior that is rational, but limited (bounded) by an individual's ability to process information.

Under bounded rationality, managers make **satisficing** decisions, in which they accept solutions that are "good enough." Managers' decision making may be strongly influenced by the organization's culture, internal politics, power considerations, and by a phenomenon called **escalation of commitment**— an increased commitment to a previous decision despite evidence that it may have been wrong.

3. Intuitive decision making. Managers also regularly use their intuition. Intuitive decision making is a subconscious process of making decisions on the basis of experience and accumulated judgment. Although intuitive decision making will not replace the rational decision-making process, it does play an important role in managerial decision making.

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Decision-Making Process

3.6. Decision-making Conditions

Decision can be made under conditions of certainty, uncertainty and risk.

Certainty is a situation in which a manager can make accurate decisions because all outcomes are known. Few managerial decisions are made under the condition of certainty.

More common is the situation of **risk,** in which the decision maker is able to estimate the likelihood of certain outcomes.

Uncertainty is a situation in which the decision maker is not certain and cannot even make reasonable probability estimates concerning outcomes of alternatives. In such a situation, the choice of alternative is influenced by the limited amount of information available to the decision maker. It's also influenced by the psychological orientation of the decision maker.

1. An optimistic manager will follow a ***maximax*** choice, maximizing the maximum possible payoff.

2. A pessimistic manager will pursue a ***maximin*** choice, maximizing the minimum possible payoff.

3. The manager who desires to minimize the maximum regret will opt for a ***minimax*** choice.

3.7 Decision-making Styles

Managers have different styles in making decisions and solving problems. One perspective proposes that people differ along two dimensions in the way they approach decision making. One dimension is an individual's *way of thinking*—rational or intuitive. The other is the individual's *tolerance for ambiguity*—low or high. Diagramming these two dimensions leadto a matrix showing four different decision-making styles.

a. The **directive style** is characterized by low tolerance for ambiguity and a rational way of thinking.

b. The **analytic style** is one characterized by a high tolerance for ambiguity and a rational way of thinking.

c. The **conceptual style** is characterized by a high tolerance for ambiguity and an intuitive way of thinking.

d. The **behavioural style** is characterized by a low tolerance for ambiguity and an intuitive way of thinking.

In reality, most managers have both a dominant style and alternate styles, with some managers relying almost exclusively on their dominant style and others being more flexible, depending on the particular situation.

3.8 Limitations of Decision-making

1. Time Consuming

A lot of precious time is consumed for decision making. Individual decisions take a lot of time because the manager has to study the merits and demerits of all the alternatives. He also has to take advice from many people before making a decision. All this consumes a lot of time. Group decisions are also time consuming. This is because it involves many meetings and each member has to give his opinion. This results in delayed decisions or no decisions

2. Compromised Decisions

In group decisions, there is a difference of opinion. This results in a compromised decision. A compromised decision is made to please all the members. It may not be a correct and bold decision. The quality of this decision is inferior. So it will not give good results on implementation.

3. Subjective Decisions

Individual decisions are not objective. They are subjective. This is because the decisions depend on the knowledge, education, experience, perception, beliefs, moral, attitude, etc., of the manager. Subjective decisions are not good decisions.

4. Biased Decisions

Sometimes decisions are biased. That is, the manager makes decisions, which only benefit himself and his group. These decisions have a bad effect on the workers, consumer or the society.

5. Limited Analysis

Before making a decision the manager must analyse all the alternatives. He must study the merit and demerits of each alternative. Then only he must select the best alternative. However, most managers do not do this because they do not get an accurate date, and they have limited time. Inexperienced researchers and wrong sampling also result in a limited analysis. This limited analysis results in bad decisions.

6. Uncontrollable Environmental Factors

Environmental factors include political, social, technological and other factors. These factors are dynamic in nature and keeps on changing every day. The anager has no control over environmental factors. If these factors change in the wrong direction, his decisions will also divert and go wrong.

7. Uncertain Future

Decisions are made for the future. However, the future is very uncertain.Therefore, it is very difficult to take decisions for the future.

8. Responsibility is Diluted

In an individual decision, only one manager is responsible for the decision. However, in a group decision, all managers are responsible for the decision. That is, everybody's responsibility is nobody's responsibility. So, the responsibility is diluted.

3.9 Let’s Sum-Up

As we understand decision making is an essential part of every function of management. Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly.

Decision making is a process of selection, which aim to result a best alternative. It aims to achieve the objectives of the organization. Decision making is a mental process, because the final selection is made after a thorough consideration. It involves certain kind commitments on the part of the organizational members.

3.10 Self-Assessment Questions

1. What is decision-making? What are its basic characteristics?

2. "Decision-making is the primary task of the manager". Discuss and explainthe scientific process of decision-making.

3.11 Further Readings

3. Kootnz& O'Donnell, Principles of Management.
4. J.S. Chandan, Management Concepts and Strategies.
5. Arun Kumar and R. Sharma, Principles of Business Management.
6. Sherlerkar and Sherlerkar, Principles of Management
7. B.P. Singh, Business Management and Organizations

3.12 Model Questions

1. Define decision-making. What are its characteristics?

2. “Almost every position in any business is a decisional centre.” Do you agree? Give reasons with examples.

3. Discuss the various types of business decisions. Identify only type that you consider to be most important.

Answers to Self-Assessment Questions

Unit - 1

4 "Managerial planning seeks to achieve a coordinated structure of operations". Comment.

Planning is the most fundamental and the most pervasive of all management functions. If people working in groups have to perform effectively, they should know in advance what is to be done, what activities they have to perform in order to do what is to be done, and when it is to be done. Planning is concerned with 'what', 'how, and 'when' of performance. It is deciding in the present about the future objectives and the courses of action for their achievement. It thus involves:

(a) determination of long and short-range objectives;

(b) development of strategies and courses of actions to be followed for the achievement of these objectives; and

(c) formulation of policies, procedures, and rules, etc., for the implementation of strategies, and plans.

5 "Planning involves a choice between alternative courses of action". Comment briefly.

Whatever a manager does, he does through making decisions. Some of the decisions are of routine and repetitive in nature and it might be that the manager does not realize that he is taking decisions whereas, other decisions which are of strategic nature may require a lot of systematic and scientific analysis. The fact remains that management is always a decision making process. The most outstanding quality of successful manager is his/her ability to make sound and effective decisions. A manager has to make up his mind quickly on certain matters. It is not correct to say that he has to make spur of the moment decisions all the time. For taking many decisions, he gets enough time for careful fact finding, analysis of alternatives and choice of the best alternative.

6 Describe in detail the steps involved in the planning process.

Planning is a process which embraces a number of steps to be taken. It is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires a serious thought on numerous factors necessary to be considered in making plans. The steps generally involved in planning are as follows:

- Establishing verifiable goals or set of goals to be achieved

- Establishing planning premises
- Deciding the planning period
- Findings alternative courses of action
- Evaluating and selecting a course of action

Unit – 2

1. Explain the benefits and limitations of MBO.

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.

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.

3) Motivation and Commitment:

Participation of subordinates in goal setting and performance reviews tend to improve their commitment to performance. 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.

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.

6. Organizational change and Development:

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.

Limitations of MBO

1. Time-consuming
MBO is time-consuming process. Objectives, at all levels of the Organisation, are set carefully after considering pros and cons which consumes lot of time.
2. Reward-punishment approach
MBO is pressure-oriented programme. It is based on reward-punishment psychology. It tries to indiscriminately force improvement on all employees. At times, it may penalize the people whose performance remains below the goal. This puts mental pressure on staff. Reward is provided only for superior performance.
3. Increases paper-work
MBO programmes introduce ocean of paper-work such as training manuals, newsletters, instruction booklets, questionnaires, performance data and report into the Organisation.
4.Problem of co-ordination
Considerable difficulties may be encountered while coordinating objectives of the Organisation with those of the individual and the department. Managers may face problems of measuring objectives when the objectives are not clear and realistic.
5. Problems related to goal-setting
MBO can function successfully provided measurable objectives are jointly set and it is agreed upon by all.
6. Lack of appreciation
Lack of appreciation of MBO is observed at different levels of the Organisation. This may be due to the failure of the top management to communicate the philosophy of MBO to entire staff and all departments.

2. What are the essential steps involved in the MBO process?

- Goal setting
- Manager-Subordinate involvement
- Matching goals and resources
- Implementation of plan
- Review and appraisal of performance

Unit - 3

1. What is decision-making? What are its basic characteristics?

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.

The followings are the characteristics of decision-making:

- Decision making is a process of selection, which aim to result a best alternative.
- It aims to achieve the objectives of the organization.
- It involves the evolution of alternative, only through evaluation one can come to know the best alternative.
- Decision making is a mental process, because the final selection is made after a thorough consideration.
- It involves certain kind commitments on the part of the organizational members.

Decision-Making Process

2. "Decision-making is the primary task of the manager". Discuss and explain the scientific process of decision-making.

It is beyond doubt that the decision making is an essential part of every function of management. According to Peter F. Drucker, "Whatever a manager does, he does through decision making". Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly through the process of decision-making process.