

## UNIT-I CHAPTER 3

# MANAGEMENT BY OBJECTIVES (MBO) MANAGEMENT BY EXCEPTION (MBE)

## INTRODUCTION

Management By Objectives (MBO) is popularized in USA. It can be defined as a process whereby the performance goals and objectives are set by each subordinate in collaboration with his superior at the start of the appraisal period. Management By Objectives harmonizes the goal of an individual with the organizations goal. It creates self-control and motivates the manager into action before somebody tells him/her to do something.

### I. Choose the Correct Answers

- \_\_\_\_\_ system gives full scope to the individual Strength and Responsibility.  
a) MBO                      b) MBE  
c) MBM                      d) MBA
- Which is the First step in Process of MBO?  
a) Fixing Key Result Area  
b) Appraisal of Activities  
c) Matching Resources with Activities  
d) Defining Organisational Objectives
- \_\_\_\_\_ keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.  
a) MBA                      b) MBE  
c) MBM                      d) MBO
- Delegation of Authority is Easily Done with the Help of \_\_\_\_\_.  
a) MBM                      b) MBE  
c) MBO                      d) MBA

#### ANSWERS

1	a)	2	d)	3	b)	4	c)
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### II. Very Short Answer Questions

#### 1. Define – MBO

Prof. Reddin defines MBO as, "the establishment of effective standards for managerial positions and the

periodic objectives linked vertically and horizontally and with future planning".

#### 2. What are the objectives of MBO?

Management by objectives is intended primarily:

- ❖ To measure and judge performance
- ❖ To relate individual performance to organisation- al goals
- ❖ To clarify both the job to be done and the expectations of accomplishment
- ❖ To foster the increasing competence and growth of the subordinates
- ❖ To enhance communications between superiors and subordinates
- ❖ To serve as a basis for judgements about salary and promotion
- ❖ To stimulate the subordinates' motivation
- ❖ To serve as a device for organizational control and integration.

#### 3. Bring out the meaning of MBE.

Management by Exception is an important principle of managerial control suggested by the classical writers on management. It is a style of business management that focuses on identifying and handling cases that deviate from the norm.

#### 4. Mention any two advantages of MBO?

- ❖ MBO process helps the managers to understand their role in the total organization.
- ❖ MBO provides a foundation for participative management. Sub-ordinates are also involved in the goal setting.

**5. Write any two importance of MBE.**

- ❖ It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
- ❖ It focuses managerial attention on major problems. As a result, there is better utilization of managerial talents and energy.

**6. What is known as KRA?**

- ❖ KRA stands for Key Responsibility Areas.
- ❖ It is followed from job description.
- ❖ It represents the areas in which the employee is expected to perform.
- ❖ The examples of KRA are profitability, market standing, innovation etc.

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**III. Short Answer Questions**


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**1. Write the features of MBO.**

The following are considered the features of MBO:

- ❖ An attempt is made by the management to integrate the goals of an organisation and individuals. This will lead to effective management.
- ❖ MBO tries to combine the long run goals of organisation with short run goals.
- ❖ Management tries to relate the organisation goals with society goals.
- ❖ MBO's emphasis is not only on goals but also on effective performance.
- ❖ It pays constant attention to refining, modifying and improving the goals and changing the approaches to achieve the goals on the basis of experience.
- ❖ It increases the organizational capability of achieving goals at all levels.
- ❖ A high degree of motivation and satisfaction is available to employees through MBO.
- ❖ Recognises the participation of employees in goal setting process.
- ❖ Aims at replacing the exercise of authority with consultations.
- ❖ Encourages a climate of trust, goodwill and a will to perform

**2. What are the process involved in MBO?**

- ❖ Defining Organizational Objectives
- ❖ Goals of each section

- ❖ Fixing Key Result Areas
- ❖ Setting Subordinate Objectives or Targets
- ❖ Matching Resources with Objective
- ❖ Periodical Review Meetings
- ❖ Appraisal of Activities
- ❖ Reappraisal of Objectives

**3. What are the process of MBE?**

- ❖ It is necessary to set objectives or norms with predictable or estimated results.
- ❖ These performances are assessed and get equated to the actual performance.
- ❖ The deviation get analysed.
- ❖ With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters.
- ❖ If actual performances deviates significantly, the issue needs to be passed to the senior managers, as an "exception has occurred"
- ❖ Finally the aim is to solve this "exception" immediately.

**4. List out any Four process of MBO.**

- ❖ Defining Organizational Objectives
- ❖ Goals of each section
- ❖ Fixing Key Result Areas
- ❖ Setting Subordinate Objectives or Targets

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**IV. Long Answer Questions:**


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**1. What are the major advantages of MBO?**

The advantages of MBO are explained below:

- ❖ Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
- ❖ MBO process helps the managers to understand their role in the total organisation.
- ❖ Manager recognises the need for planning and appreciates the planning.
- ❖ MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
- ❖ A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the objectives of the whole organisation.
- ❖ Systematic evaluation of performance is made with the help of MBO.

- ❖ MBO gives the criteria of performance. It helps to take corrective action.
- ❖ Delegation of authority is easily done with the help of MBO.
- ❖ MBO motivates the workers by job enrichment and makes the jobs meaningful.
- ❖ The responsibility of a worker is fixed through MBO.
- ❖ Decision is taken by the management very quickly. The reason is that each worker knows the purpose of taking a decision and does not oppose the decision.

## 2. What are the advantages of MBE?

Management by exception provides the following benefits:

- ❖ It saves the time of managers because they deal only with exceptional matters.
- ❖ It focuses managerial attention on major problems. As a result, there is better utilization of managerial talents and energy.
- ❖ It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels.
- ❖ It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations
- ❖ MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.
- ❖ Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

## 3. Explain the various disadvantages of MBO.

The disadvantages of MBO arise due to the application of the MBO which are discussed below:

- ❖ MBO fails to explain the philosophy; most of the executives do not know how MBO works? what is MBO? and why is MBO necessary? and how participants can benefit by MBO?
- ❖ MBO is a time consuming process.
- ❖ It leads to heavy expenditure and also requires heavy paper work.
- ❖ MBO emphasises only on short-term objectives and does not consider the long-term objectives.
- ❖ The status of subordinates is necessary for

proper objectives setting. But, this is not possible in the process of MBO.

- ❖ MBO is rigid one. Objectives should be changed according to the changed circumstances, external or internal. If it is not done, the planned results cannot be obtained

## 4. Discuss the disadvantages of MBE.

- ❖ The main disadvantage of MBE is, only managers have the power over really important decisions, which can be demotivating for employees at a lower level. it takes time to pass the issues to managers.
- ❖ Managing employees who deviate from the normal procedures.
- ❖ Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

## Additional Questions:

### I. CHOOSE THE CORRECT ANSWERS:

#### 1. Which one of the following is not true for MBO?

- a) It acts an effective performance appraisal tool
- b) The superior evaluate the individual concerned
- c) It forces the management to plan the activities in a systematic way
- d) Better management and improved communication.

#### 2. Objectives are the \_\_\_\_\_ of the management action.

- a) Design
- b) End points
- c) Starting points
- d) Planning

#### 3. MBO is also known as \_\_\_\_\_.

- a) Management by results
- b) Management by goals
- c) Management by planning
- d) Management by evaluation

#### 4. MBO was developed by \_\_\_\_\_

- a) Peter.F.Drucker
- b) Chester Bernard
- c) Fayol
- d) None

#### 5. MBO offers the basis for assessing the \_\_\_\_\_.

- a) Operations                      b) Performance  
c) Equality                         d) None

**6. Assertion (A):** Strategies necessarily need to be changed over time to suit environmental changes.

**Reason (R):** To remain competitive, organisations develop those strategies that create value for customers.

**Codes:**

- (A) (A) is correct, but (R) is incorrect.  
(B) Both (A) and (R) are correct.  
(C) (A) is incorrect, but (R) is correct.  
(D) Both (A) and (R) are incorrect

**7. Assertion (A):** Communication in organization may be downward, upward and lateral. The most frequently used dimension of communication is the downward direction.

**Reason (R):** This is direction of communication.

**Code:**

- (A) Assertion 'A' is true  
(B) Assertion 'B' is not true  
(C) Assertion 'A' is true and reason 'R' is also true  
(D) Assertion 'A' and reason 'R' are not true

**8. Assertion(A):** Organisational Objectives play an important role in the success of a firm

**Reason(R) :** The first step in the process of MBO is defining Organisational Objectives

- (A) Both A and R are true and R is the correct explanation of A  
(B) Both A and R are true but R is not the correct explanation of A  
(C) A is true, but R is false  
(D) A is false, but R is true

**9. Assertion(A):** Sub-ordinates are also involved in goal setting in MBO

**Reason (R):** MBO provides a foundation for participative management.

- (A) Both A and R are true and R is the correct explanation of A  
(B) Both A and R are true but R is not the correct explanation of A

- (C) A is true, but R is false  
(D) A is false, but R is true

**10. Assertion(A):** Only managers have the power over important decisions, which can be demotivating employees at lower level.  
**Reason(R) :** In the process of MBO the status of subordinates in objectives setting is not possible.

- (A) Both A and R are true and R is the correct explanation of A  
(B) Both A and R are true but R is not the correct explanation of A  
(C) A is true, but R is false  
(D) A is false, but R is true

### ANSWERS

1	b)	2	b)	3	a)	4	a)	5	b)
6	b)	7	c)	8	a)	9	a)	10	a)

## II. Very Short Answer Questions:

**1. How do you match the resources with objectives in MBO?**

- ❖ The objectives are framed on the basis of availability of resources.
- ❖ If the sources are not adequately available, the objectives of an organization are changing accordingly.
- ❖ The available resources should be properly allocated and utilized.

## III. Short Answer Questions:

**1. What is meant by Reappraisal of Objectives?**

- ❖ There are lot of changes within short period in an organization
- ❖ The survival and growth of a modern business organization largely depends upon putting up with the changing conditions.
- ❖ The top management executive should review the organisations's objectives to frame the objectives according to the changing situation.
- ❖ This is known as reappraisal of objectives.

### Qwn Thinking

#### 1. Imagine Yourself To Be The Manager And Chart Down The Functions To Be Performed.

- ❖ As a manager I would first create a detailed action plan aimed at some organizational goal. This process is known as planning
- ❖ Secondly I will distribute the resources and organize the employees according to the plan. This process is known as organizing.
- ❖ Thirdly I would take steps to spend time connecting with my employees on an interpersonal level. This is known as Leading.
- ❖ Lastly I would take necessary steps on reducing the loss and increasing the profit. This is known as Controlling.

#### 2. Formulate A New Policy Relating To The Timing Of Employees.

- ❖ Basically we should have free reign to choose additional rules to help to manage our employees.
- ❖ We can keep track of individual employee timings.
- ❖ We can have a time sheet for the employees.
- ❖ The employees who are all inside the concern within the time should be awarded monetarily and non-monetarily.
- ❖ Awards can be given to the employees for their time consciousness.

#### 3. How to conduct a three days tour program from your place to nearest state?

#### 4. Collect the information about the functions of management concepts given by various authors.

Sl.no	Name of Authors	Management Concept
Management is the art of getting things done:		
1.	M a r y Parker Follett	Management is the art of getting things done through others
2.	H a r o l d Koontz	Management is the art of getting things done through and with people in formally organized groups

3.	J . D . Mooney and A.C. Railey	Management is the art of directing and inspiring people
<b>Management as a Process</b>		
4.	H e n r y Fayol:	"To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control.
5.	James L. Lundy:	Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective
6.	L o u i s Allen:	"Management is what a manager does

#### 5. Check for the criteria's that add cost in the absence of planning:

The following are the reasons add cost in the absence of planning.

- ❖ Omissions
- ❖ Merging
- ❖ Errors
- ❖ Re work
- ❖ Failure to understand the complexity of the project
- ❖ Improper allocation of resources
- ❖ Multitasking
- ❖ Reduce in the level of effort of the employees.

#### 6. Design a communication network that speeds up the work.

