Management Principles for Engineers
18PDH102T – Unit 2

UNIT II

Importance of Technology in the Workplace

- Make Your Business More Efficient
- Ensure Computational Accuracy
- Be Competitive In the Marketplace
- Be Industry Relevant
- Communicate More Effectively

“Planning involves selecting mission and objectives and the actions to achieve them; it requires decision-making that is, choosing from alternative courses of action.”

-Heinz and Koontz

Difference between planning and decision-making

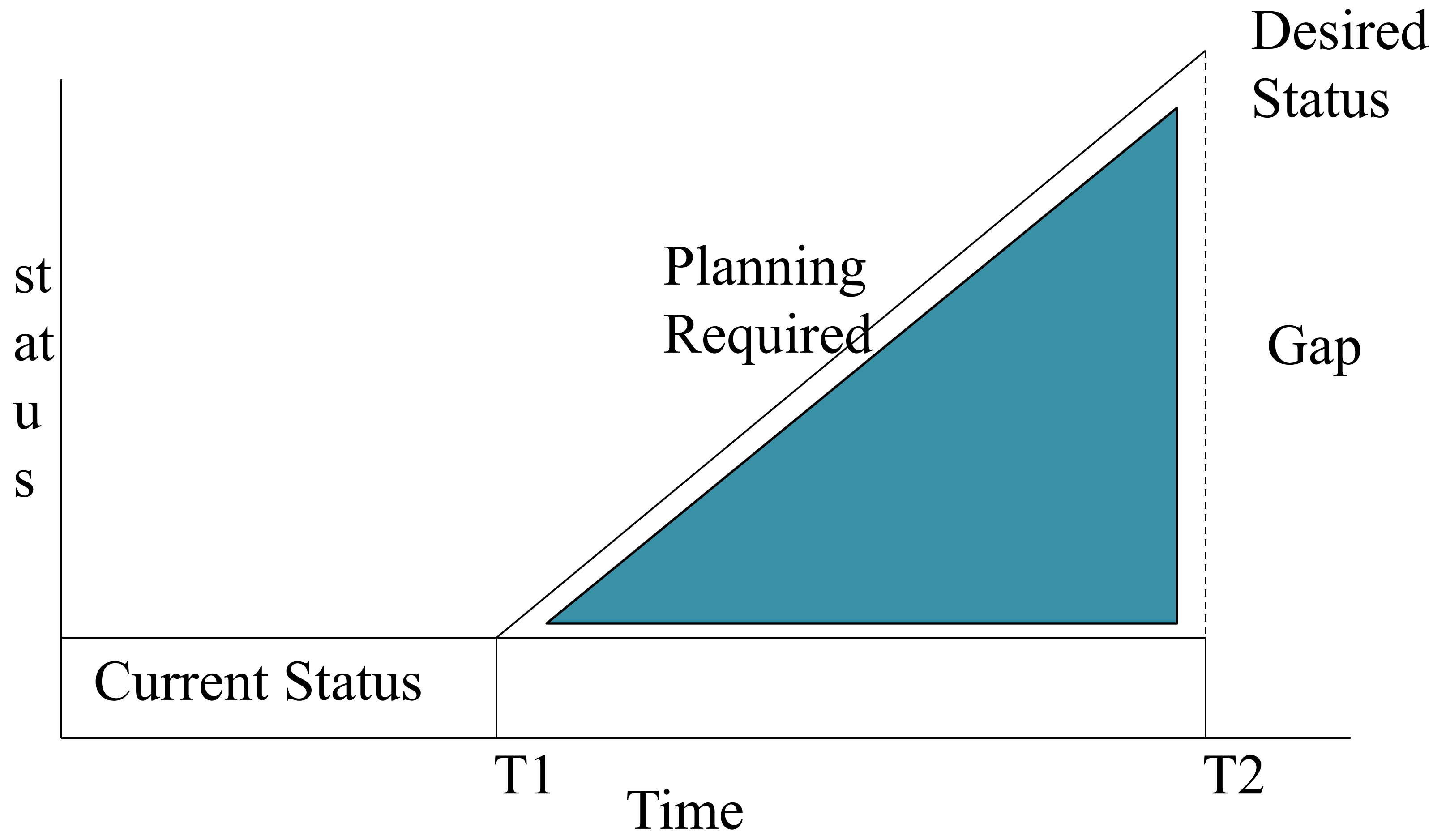
- Decision-making is the part of the planning process
- Decision-making involves choosing among the various alternatives.
- It is the process of identifying problems and opportunities and then resolving them.

- Planning is basic or primary function of management.
- Planning is the process of setting goal and selecting best course of action to reach the goal. It is looking ahead.
- Planning is deciding in advance, what to do, who is to do, how to do and when to do.

- Planning provide target, they allocate resources in a coordinate manner.

- Planning also solve as standard for control.

- Planning is the process of bridging the gap between where we are and where we want to be in the future.
- Thinking before doing is planning.
- Planning also solve as standard for control.
- Planning provide target, they allocate resources in a coordinate manner.


Desired
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T1
Time
T2

Features of Planning:

1. Planning is Goal Oriented:

- All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.

2. Planning is a Primary Function:

- Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities. According to Koontz, "Planning provides the basic foundation from which all future management functions arise".

3. Planning is All Pervasive:

- Planning is a function of all managers. It is needed and practiced at all managerial levels. Planning is inherent in everything a manager does.

Features of Planning:

4. Planning is a Mental Exercise:

- Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking. It makes them think in a logical and systematic manner.

5. Planning is a Continuous Process:

- Planning is continuous. It is a never-ending activity. It is an ongoing process of adjustment to change. There is always need for a new plan to be drawn on the basis of new demands and changes in the circumstances.

6. Planning Involves Choice:

- Planning essentially involves choice among various alternative courses of action. If there is one way of doing something, there is no need for planning. The need for planning arises only when alternatives are available.

Features of Planning:

7. Planning is Forward Looking:

- Planning means looking ahead and preparing for the future. It means peeping into the future, analyzing it and preparing for it. Managers plan today with a view to flourish tomorrow. Without planning, business becomes random in nature and decisions would become meaningless, adhoc choices.

8. Planning is Flexible:

- Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible. When market conditions change, planners have to make necessary changes in the existing plans.

9. Planning is an Integrated Process:

- Plans are structured in a logical way wherein every lower-level plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.

10. Planning Includes Efficiency and Effectiveness Dimensions:

- Plans aim at deploying resources economically and efficiently. They also try to ac complish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

Importance Of Planning

Increases efficiency: Planning makes optimum utilization of all available resources. It helps to reduce the wastage of valuable resources and avoids their duplication. It aims to give the highest returns at the lowest possible cost. It thus increases the overall efficiency.

- ***Reduces business-related risks:*** There are many risks involved in any modern business. Planning helps to forecast these business-related risks. It also helps to take the necessary precautions to avoid these risks and prepare for future uncertainties in advance. Thus, it reduces business risks.

- ***Facilitates proper coordination:*** Often, the plans of all departments of an organization are well coordinated with each other. Similarly, the short-term, medium-term and long-term plans of an organization are

Importance Of Planning

- ***Aids in Organizing:*** Organizing means to bring together all available resources, i.e. 6 Ms. Organizing is not possible without planning. It is so, since, planning tells us the number of resources required and when are they needed. It means that planning aids in organizing in an efficient way.

- ***Gives right direction:*** Direction means to give proper information, accurate instructions and useful guidance to the subordinates. It is impossible without planning. It is because planning tells us what to do, how to do it and when to do it. Therefore, planning helps to give the right direction.

- ***Keeps good control:*** With control, the actual performance of an employee is compared with the plans, and deviations (if any) are found out and corrected. It is impossible to achieve such control without the right planning. Therefore, planning becomes necessary to keep good control.
- ***Helps to achieve objectives:*** Every organization has certain objectives or targets. It keeps working hard to fulfill these goals. Planning helps an

Importance Of Planning

- Planning helps an organization to achieve these aims, but with some ease and promptness. Planning also helps an organization to avoid doing some random (done by chance) activities.
- ***Motivates personnel:*** A good plan provides various financial and non-financial incentives to both managers and employees. These incentives motivate them to work hard and achieve the objectives of the organization. Thus, planning through various incentives helps to motivate the personnel of an organization.

- ***Encourages creativity and innovation:*** Planning helps managers to express their creativity and innovation. It brings satisfaction to the managers and eventually a success to the organization.

- ***Helps in decision-making:*** A manager makes many different plans. Then the manager selects or chooses the best of all available strategies. Making a selection or choosing something means to take a decision. So, decision-making is facilitated by planning.

Decisions and Decision Making

- Decision = choice made from available alternatives

- Decision Making = process of identifying problems and opportunities and resolving them

Types of problems decision makers face

- Managerial decision making typically centers on three types of problems:

✔ Crisis

A crisis problem is a serious difficulty requiring immediate action.

✔ Non-Crisis

A non-crisis problem is an issue that requires resolution but does not simultaneously have the importance and immediacy characteristics of a crisis.

✔ Opportunity Problems.

An opportunity problem is a situation that offers strong potential for significant organizational gain if appropriate actions are

Types of Decision Making

- *Programmed Decisions:* routine, almost automatic process.
  - Managers have made decision many times before.
  - There are rules or guidelines to follow.
  - *Example: Deciding to reorder office supplies.*
- *Non-programmed Decisions:* unusual situations that have not been often addressed.
  - No rules to follow since the decision is new.
  - These decisions are made based on information, and a manger's intuition, and judgment.
  - *Example: Should the firm invest in a new technology?*

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Nonprogrammed Decisions. ..

- Most of the decisions made by top managers involving strategy and organization design are nonprogrammed.
  - Decisions about mergers, acquisitions and takeovers, new facilities, new products, laborcontracts and legal issues are nonprogrammed decisions.
- Managers faced with nonprogrammed decisions must treat each one as unique, investing great amounts of time, energy and resources into exploring the situation from all views.
- Intuition and experience are major factors in these decisions.

The Classical Model

- *Classical model of decision making:* a prescriptive model that tells how the decision should be made.
  - Assumes managers have access to all the information needed to reach a decision.
  - Managers can then make the optimum decision by easily ranking their own preferences among alternatives.
- Unfortunately, mangers often do not have all (or even most) required information.

The Classical Model

List alternatives & consequences

Rank each alternative from low to high

Select best alternative

Assumes all information is available to manager

Assumes manager can process information

Assumes manager knows the best future course of the organization

The Administrative Model

- *Administrative Model of decision making:*

  Challenges the classical assumptions that managers have and process all the information.
  - As a result, decision making is risky.

- *Bounded rationality:* There is a large number of alternatives and information is vast so that managers cannot consider it all.
  - Decisions are limited by people's cognitive abilities.
  - **Satisficing** is picking a course of action that is satisfactory or good enough under the circumstances
- *Incomplete information:* most managers do not see all alternatives and decide based on incomplete information.

Development of Alternatives and the Limiting Factor

- A **limiting factor** is something that stands in the way of accomplishing a desired objective

- The **principle of the limiting factor:** By recognizing and overcoming those factors that stand critically in the way of a goal, the best alternative course of action can be selected

Decisions and Decision Making

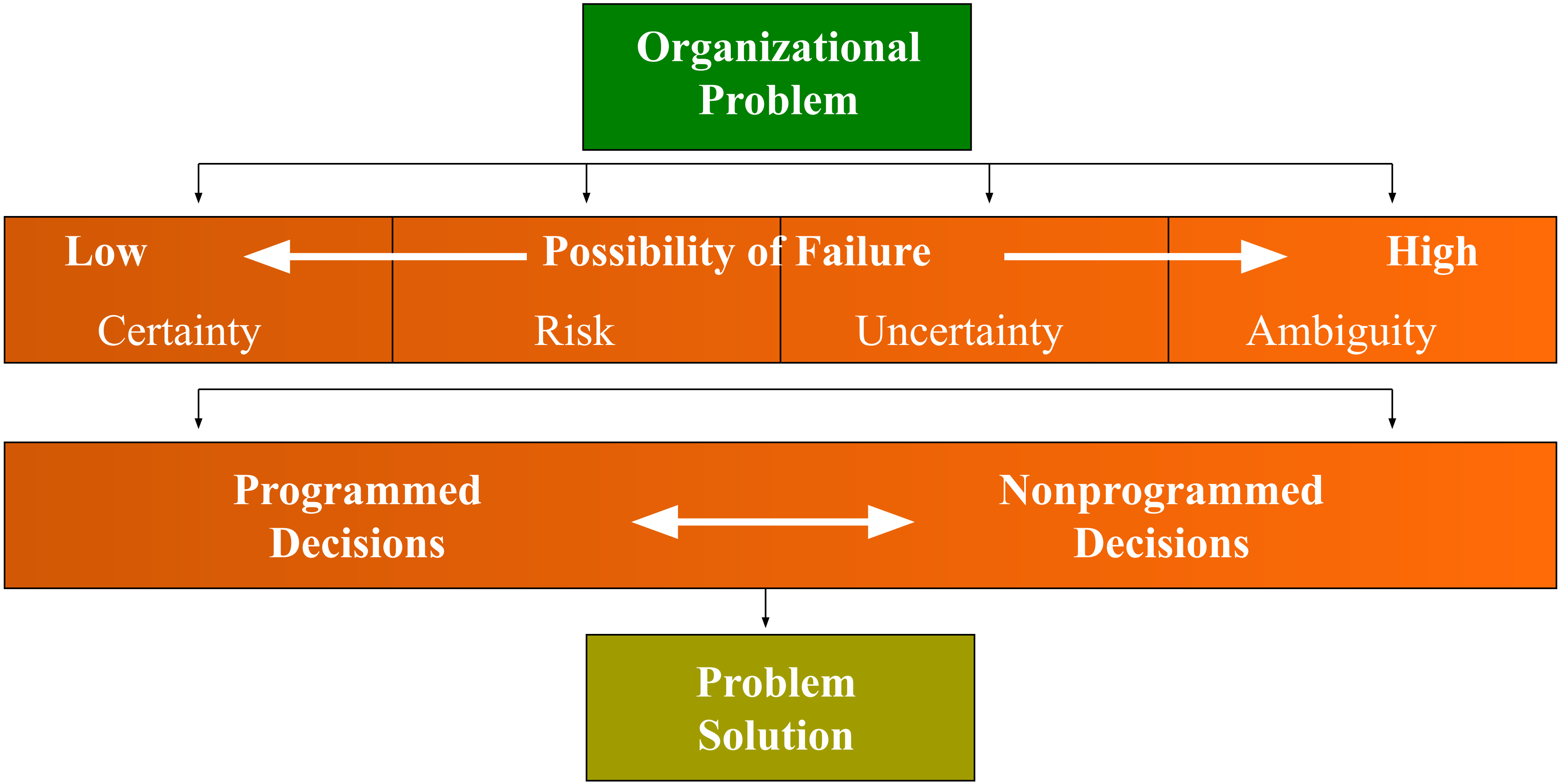
Many decisions that managers deal with every day involve at least some degree of uncertainty and require nonprogrammed decision making

- May be difficult to make
- Made amid changing factors
- Information may be unclear
- May have to deal with conflicting points of view

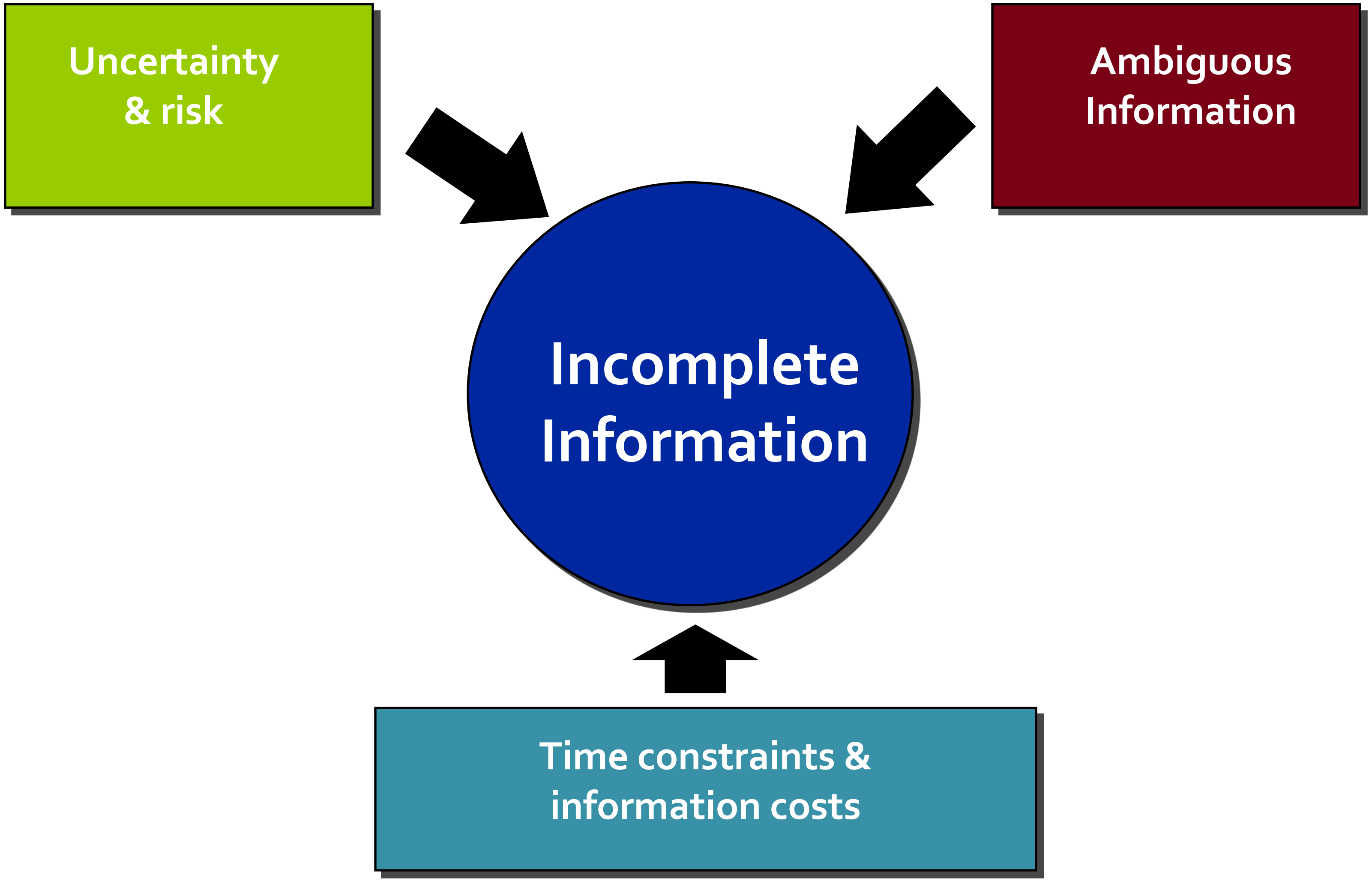
Certainty, Risk, Uncertainty, Ambiguity

- **Certainty**
  - all the information the decision maker needs is fully available
- **Risk**
  - decision has clear-cut goals
  - good information is available
  - future outcomes associated with each alternative are subject to chance
- **Uncertainty**
  - managers know which goals they wish to achieve
  - information about alternatives and future events is incomplete
  - managers may have to come up with creative approaches to alternatives
- **Ambiguity**
  - by far the most difficult decision situation
  - goals to be achieved or the problem to be solved is unclear
  - alternatives are difficult to define
  - information about outcomes is unavailable

Conditions that Affect the Possibility of Decision Failure



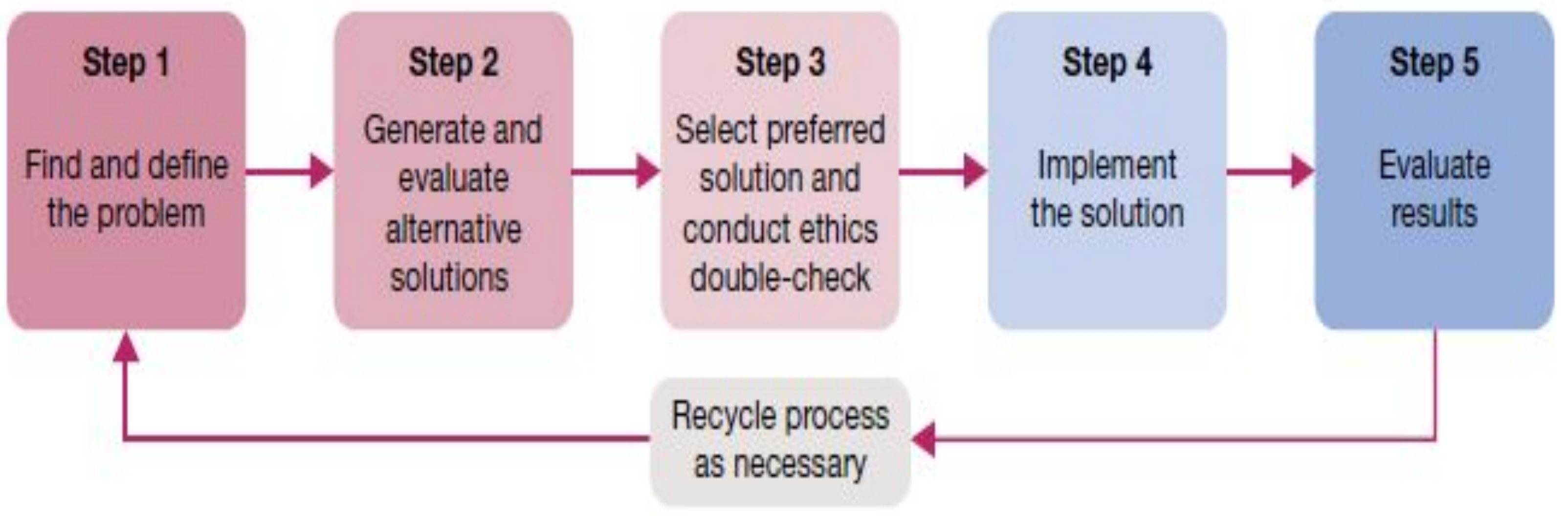
Why Information is Incomplete



Selecting a Decision Making Model

- Depends on the manager's personal preference
- Whether the decision is programmed or non-programmed
- Extent to which the decision is characterized by risk, uncertainty, or ambiguity

Decision Making Process



Decision making step 1: Identify and define the problem

- *Mistakenumber 1* is defining the problem too broadly or too narrowly. To take a classic example, the problem stated as 'build a better mousetrap' might be better defined as 'get rid of the mice'.
- *Mistake number 2* is focusing on symptoms instead of causes. Symptoms are indicators that problems may exist, but they shouldn't be mistaken for the problems themselves. Managers should be able to spot problem symptoms (e.g. a drop in performance).
- *Mistake number 3* is choosing the wrong problem to deal with. Managers should set priorities and deal with the most important problems first.

Decision making step 2: Generate and evaluate possible solutions

- *Benefits.* What are the 'benefits' of using the alternative to solve a performance deficiency or take advantage of an opportunity?
- *Costs.* What are the 'costs' of implementing the alternative, including resource investments as well as potential negative side effects?
- *Timeliness.* How fast will the benefits occur and a positive impact be achieved?
- *Acceptability.* To what extent will the alternative be accepted and supported by those who must work with it?
- *Ethical soundness.* How well does the alternative meet acceptable ethical criteria in the eyes of the various stakeholders?

Decision making step 3: Choose a solution

Classical model Views manager as acting with complete information in a certain environment	**Behavioural model** Views manager as having cognitive limitations and acting with incomplete information in risk and uncertain environments	**Judgemental heuristics approach** Heuristics are adopted to simplify managerial decision-making
• Clearly defined problem • Knowledge of all possible alternatives and their consequences • Optimising decision – choice of the 'optimum' alternative	• Problem not clearly defined • Knowledge is limited on possible alternatives and their consequences • Satisficing decision – choices of 'satisfactory' alternative	Decisions are influenced by: • Information readily available in memory – the availability heuristic • Comparisons with similar circumstances – the representativeness heuristic • Current situation – the anchoring and adjustment heuristic

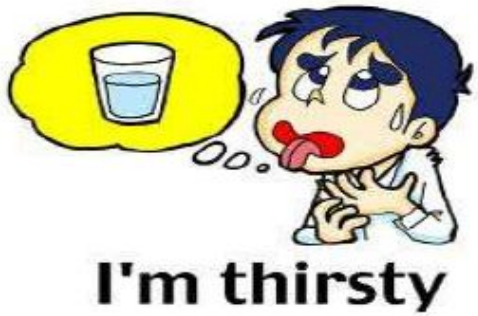
Decision making step 4: Implement the solution

- Given the choice of preferred solution, appropriate actions must be taken to fully implement it. This is the stage at which directions are finally set and problem-solving actions are initiated. Nothing new can or will happen according to plan unless action is taken. Managers not only need the determination and creativity to arrive at a decision, they also need the ability and willingness to implement it.

Decision making step 5: Evaluate results

- The decision-making process is not complete until results are evaluated. If the desired results are not achieved, the process must be renewed to allow for corrective actions. In this sense, evaluation is a form of managerial control. It involves a continuing commitment to gather information on performance results. Both the positive and negative consequences of the chosen course of action should be examined.

Step 1: Identifying the problem



Step 2: Identification of decision criteria

1) Brand
2) Taste
3) Color
4) Packaging
5) Price

Step 3: Allocation of weights to criteria

Criteria	Abhi	Bj	Amit	Too	Total
Brand	9	10	10	8	37
Taste	10	8	10	10	38
Color	6	5	7	6	24
Packaging	9	8	6	5	28
Price	8	9	9	8	34

Criteria	Weight
Taste	10
Brand	9
Price	8
Packaging	6
Color	4

Step 4: Development of alternatives

- Coca Cola
- Sprite
- Pepsi
- Fanta (orange)
- Lipton (ice tea)
- Tipco (fruit juice)
- Ichitan (green tea)

Step 5: Analyzing alternatives

Drink	Taste	Brand	Price	Packaging	Color
Coca Cola	10	10	7	6	7
Sprite	8	9	8	7	6
Pepsi	9	10	6	8	6
Fanta (Orange)	6	7	8	8	10
Lipton (Ice Tea)	10	9	8	5	5
Tipco (Fuit Juice)	10	9	7	8	8
Ichitan (Green Tea)	10	8	8	6	5

Step 6: Selecting an alternative

Drink	Criteria*Weight					
	Taste	Brand	Price	Packaging	Color	Total
Coca Cola	100	90	56	36	28	310
Sprite	80	81	64	42	24	291
Pepsi	90	90	48	48	24	300
Fanta (Orange)	60	63	64	48	40	275
Lipton (Ice Tea)	100	81	64	30	20	295
Tipco (Fuit Juice)	100	81	56	48	32	317
Ichitan (Green Tea)	100	72	64	36	20	292

Step 7: Implementing the decision

The planning process

1. ***Define your objectives.***
2. ***Determine where you currently stand in relation to objectives.***
3. ***Develop perspectives regarding future conditions.***
4. ***Analyse and choose among action alternatives.***
5. ***Implement the plan and evaluate results.***

The planning process

1. ***Define your objectives*.** Identify desired outcomes or results in very specific ways. Know where you want to go; be specific enough that you will know you have arrived when you get there or know how far off the mark you are at various points along the way.

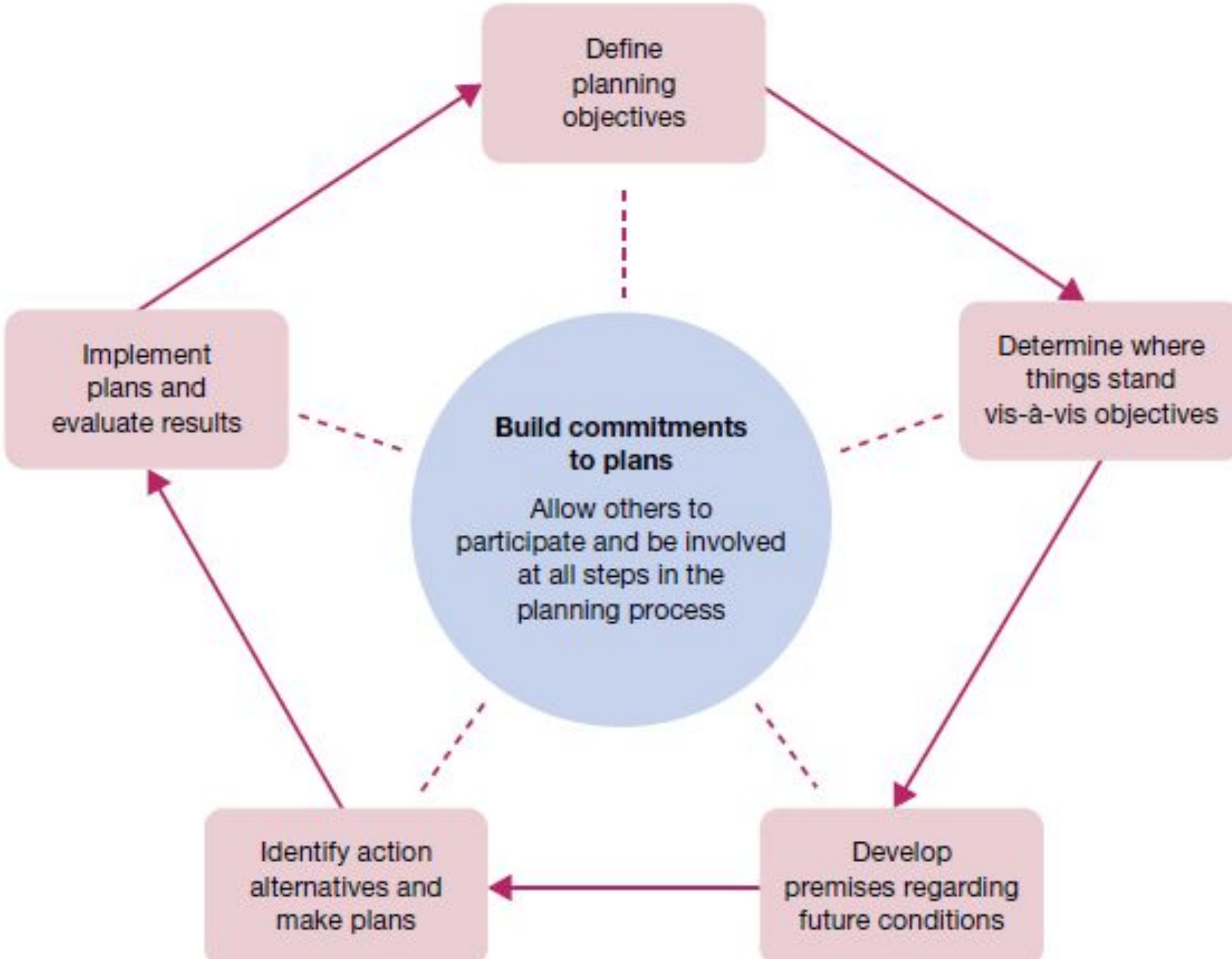
2. ***Determine where you currently stand in relation to objectives*.** Evaluate current accomplishments relative to the desired results. Know where you stand in reaching the objectives; know what strengths work in your favour and what weaknesses may hold you back.

The planning process

3. ***Develop perspectives regarding future conditions*****.** Try to forecast potential future events. Generate alternative 'scenarios' for what may happen; identify for each scenario things that may help or hinder progress towards your objectives. Systematically vary the drivers for each scenario to determine possible outcomes.

4. ***Analyse and choose among action alternatives*****.** List and carefully evaluate the possible actions that may be taken. Choose the alternative(s) most likely to accomplish your objectives; describe step by step what must be done to follow the chosen course of action.

5. Implement the plan and evaluate results. Take action and carefully measure your progress towards objectives.



Formal planning process

Types of Plans

- Purpose or Mission
- Objectives
- Policies
- Strategies
- Rules
- Procedures
- Programmes
- Budgets

Long Term plan

Short Term plan

Mission

The **mission**, or **purpose,** identifies the basic purpose or function or tasks of an enterprise or agency or any part of it

The basic questions to be answered by an organisation are:

- What business we are in?
- What will our business be?
- Who are our customers?
- What are our values and beliefs?
- What will be due utility to the society? And so on

Mission Example

- *To provide unique and high quality dairy products to local consumers.*
- **Google's** corporate **mission** is "to organize the world's information and make it universally accessible and useful."

Objectives

Goals and Objectives Should Be **SMARTER**

Specific

Measurable

Acceptable

Realistic

Timeframe

Extending

Rewarding

Objectives, or **goals,** are the ends toward which activity is aimed

- *Earn at least a 20 percent after-tax rate of return on our investment during the next fiscal year*
- *Increase market share by 10 percent over the next three years.*
- *Lower operating costs by 15 percent over the next two years through improvement in the efficiency of the manufacturing process.*
- *Reduce the call-back time of customer inquiries and questions to no more than four hours.*

- For example, the objective of the enterprise may be to earn a certain amount of profit, while selling its products.
- Enterprise objectives influence the management philosophy and practice. Objectives have greater influence on the working of an organization. All other types of plans such as policies, strategies, procedures, rules, budgets etc. assist in the attainment of stated enterprise objectives in an economical and efficient manner. Objectives are related to the future and are an essential part of the planning process.

Quantitative / Verifiable Objectives

- **Objectives** are the important ends toward which organizational and individual activities are directed

- An objective is **verifiable** when at the end of the period one can determine whether or not the objective has been achieved

POLICIES

- Policies are general statements or understandings which provide guidance in Decision Making to various managers.
- Policies define boundaries within which decisions can be made and decision are directed towards the achievements of objectives.

Policy 030303
Sending Electronic Mail (E-mail)

POLICY

"E-mail should only be used for business purposes, using terms which are consistent with other forms of business communication. The attachment of data files to an e-mail is only permitted after confirming the classification of the information being sent and then having scanned and verified the file for the possibility of a virus or other malicious code."

ADDITIONAL GUIDANCE

The use of e-mail has escalated to the point where it is obligatory for all companies to be accessible through this medium. The inherent lack of security for sending messages, information, files or instructions appears to be ignored by many, who see the benefits of near instant, and virtually free, global communications as far outweighing any possible 'downside'.

Sending e-mail using a *Digital Signature* (and optionally being encrypted), is a means of ensuring its validity and *integrity* to the recipient. The content of e-mails received without such authentication may be considered unreliable.

Information Security issues to be considered when implementing your policy include the following:

- The transmission of a virus can not only damage the recipient's system but can permanently damage your organisation's reputation.
- Sending e-mail via insecure public lines (e.g. the Internet) can compromise the Confidentiality and Integrity of the information being transmitted. It is similar to a post card because any one who picks it up is able to read it.
- Confidential files may be transmitted by e-mail as attachments thus breaching confidentiality and potentially leading to financial loss.
- Relying upon e-mail from a legal perspective, is not advised, as simple e-mail messages are not usually authenticated.
- Personal e-mail sent from one individual to another through the organisation's systems, can be misconstrued as coming from the organisation and can result in Information Security issues.
- Correspondence sent from an individual's personal mail box could possibly be regarded as personal, thus preventing the organisation from inspecting / reviewing it.
- Sending a copy of files to colleagues on your internal network, creates unnecessary duplicates and also compromises the integrity of the original document / file.

ISO 27002 Reference(s)

10.3.4	Non-repudiation services
8.7.4	Security of electronic mail
10.2.3	Message authentication

Strategies

ake to

Strategies (the how)

- The term ‘strategy’ has been derived from Greek word ‘strategos’ which means general. The word strategy means the art of the general
- When the term strategy is used in the military sense, it refers to action taken by opposite party.
- “ strategy is a course of action through which an organization tries to relate itself with its environment to develop certain advantages which help in achieving its objectives”
- Strategy relates the firm to its environment particularly the external environment.

Strategies examples

Examples of broad strategies include:

- A child health program might use social marketing to promote adult involvement with children
- An urban revitalization project might enhance the artistic life of the community by encouraging artists to perform in the area

Five types of specific strategies can help guide most interventions. They are:

- Providing information and enhancing skills (e.g., offer skills training in conflict management)
- Enhancing services and support (e.g., start a mentoring programs for high-risk youth)
- Modify access, barriers, and opportunities (such as offering scholarships to students who would be otherwise unable to attend college)
- Change the consequences of efforts (e.g., provide incentives for community members to volunteer)
- Modify policies (e.g., change business policies to allow parents and guardians and volunteers to spend more time with young children)

Vision: *A vibrant rural economy driven by new and growing businesses.*

Mission: *To create new businesses and help existing businesses expand.*

Strategy: *Use local leaders with business development skills.*

Goal: *Recruit local leaders interested and experienced in business creation.*

Objective: *Create a list of twenty individuals by February 1.*

Action Plan: *Form a committee to recruit local leaders. Identify forty leaders in the area. List their qualifications. Contact them individually with the expectation that half of them will participate.*

Policy

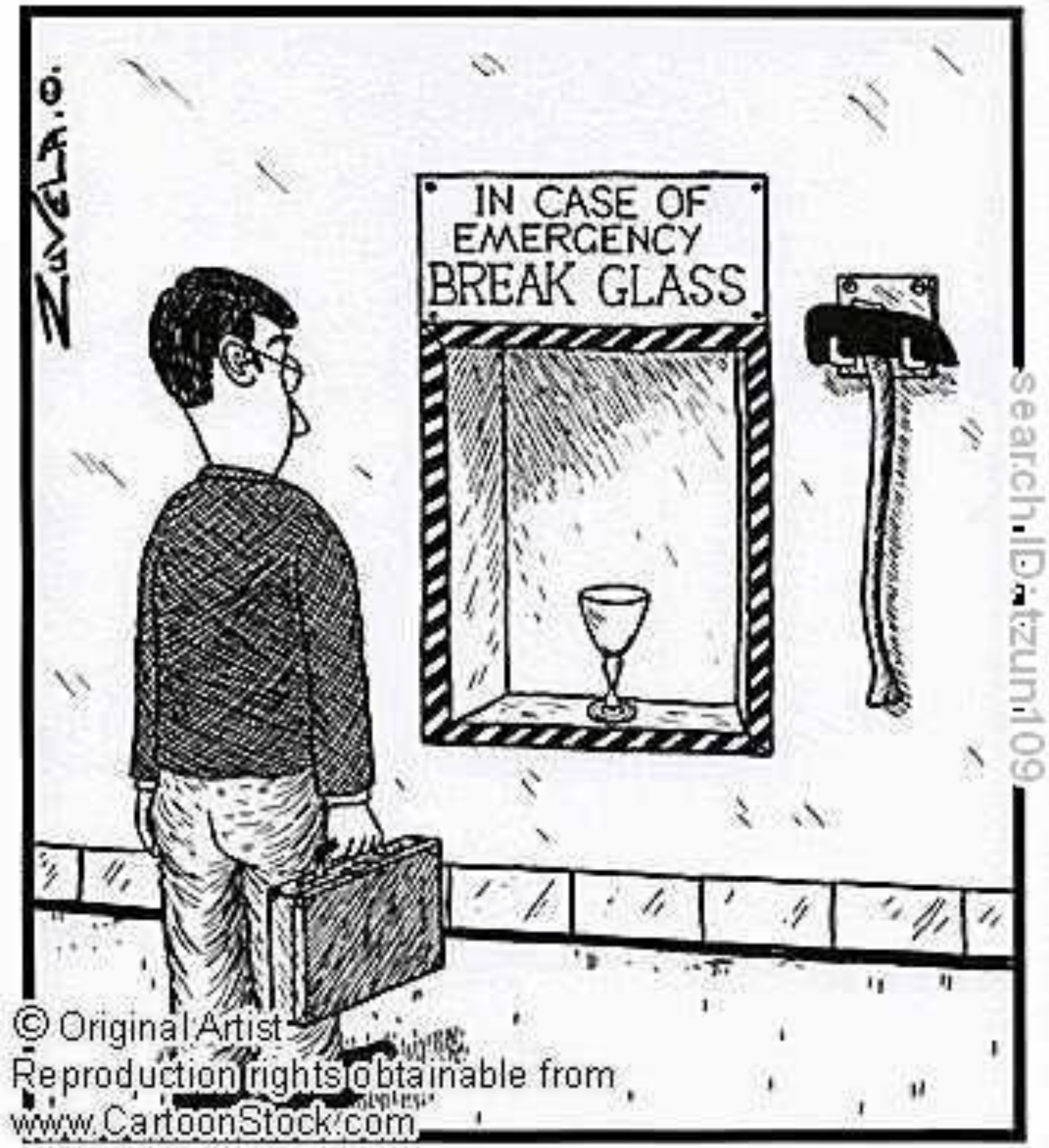
- Policies are generic statements, which are basically a guide to channelize energies towards a particular strategy. It is an organization's general way of understanding, interpreting and implementing strategies. Like for example, most companies have a return policy or recruitment policy or pricing policy etc.
- Policies are made across all levels of management, from major policies at the top-most level to minor policies. The managers need to form policies to help the employees navigate a situation with predetermined decisions. They also help employees to make decisions in unexpected situations.

Purchase Policy example

- Who has purchasing authority?
- What items can that person (or people) purchase?
- Who has the authority to award contracts?
- If you have multiple departments, consider putting one person in charge of spending for that department, to streamline the process.
- What, if any, spending limitations are there?
- Are the limits different for each department?
- What are the requirements for adequate supplier competition?
- What evaluation criteria should be used to choose potential suppliers?
- What types of contracts can the business enter with vendors and successful bids?

Procedure

- Procedures are details of action or the guidelines for the achievement of business objectives.
- Procedures give detail of how things are to be done
- Policies also determine the policy of responsibility and accountability
- A **procedure** is a set of step-by-step directions that explains how activities or tasks are to be carried out.


IN CASE OF
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BREAK GLASS
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Procedure Example

Rules

- A Rule is definite and rigid and allows no deviation or discretion to the Subordinates.
- Rules channel the behavior of workers in a desired direction
- A **rule** is an explicit statement that tells an employee what he or she can and cannot do. Rules are “do” and “don't” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees.

Programs

- A Program is a sequence of activities designed to implement policies and accomplish objectives.
- Program may be taken as a combination of Policies,procedures,rules,budgets,task assignment , etc developed for specific purpose of carrying out a particulars course of action.

- **The following are the characteristics of programmes:**
- 1. A programme is a single use comprehensive plan. It is formed to achieve a particular purpose only. Once the goal is achieved the programme will not be used again.
- 2. A number of small plans are prepared to formulate a programme. The programme for increasing sales by 20 per cent may require a number of small plans to be formed.
- 3. A programme is prepared to achieve organisational goals.
- 4. It gives a time limit up to which the programme is to be implemented. A strict time table is fixed for doing a particular task.
- 5. A programme should ensure coordinated planning efforts.

Budget

- A budget is a statement of expected results the managers expect from the company. Budgets are also a quantitative statement, so they are expressed in numerical terms. A budget quantifies the forecast or future of the organization.

- A pre-determined statement(in financial terms) of management policy during period which provides a standard for comparison with the results actually achieved
- There should be an active involvement of top management while preparing a budget.

Characteristics of Budget:

- 1. A budget should be based on past figures. The possibilities in future should also be taken into account.
- 2. A budget be flexible so that it is modified according to the requirements of the situation. Rigidity in budgets sometimes creates difficulties.
- 3. The persons at various levels should be involved in preparing a budget. This will help in getting willing co operation of everybody while implementing budgets.
- 4. A budget should be a specific statement. The quantities or monetary information should be clearly mentioned in a budget.
- 5. There should be an active involvement of top management while preparing a budget.

Tools, techniques and processes

- Forecasting
- Specific contingency planning
- Benchmarking
- Participatory or team-based planning
- Staff planners
- Scenario planning and contingency planning
- MBO
- Participation and involvement

Tools, techniques and processes

Forecasting

- A forecast is a vision of the future. Forecasting is the process of making assumptions about what will happen in the future. All good plans involve forecasts, either implicit or explicit. Some forecasts are based on *qualitative forecasting*, which uses expert opinions to predict the future. In this case, a single person of special expertise or reputation or a panel of experts may be consulted. Others involve *quantitative forecasting* that uses mathematical and statistical analysis of data banks to predict future events. Time-series analysis makes predictions by using statistical routines such as regression analysis to project past trends into the future.

Contingency planning

- Activity undertaken to ensure that proper and immediate follow-up steps will be taken by a management and employees in an emergency. Its major objectives are to ensure (1) containment of damage or injury to, or loss of, personnel and property, and (2) continuity of the key operations of the organization. Contingency planning identifies alternative courses of action that can be implemented if and when an original plan proves inadequate because of changing circumstances.

Scenario planning and contingency planning

- Scenario planning is the long-term version of contingency planning. Identifying a range of different possible future scenarios helps organisations operate more flexibly and respond more rapidly in uncertain and changing environments.

Benchmarking

- Another important influence on the success or failure of planning involves the frame of reference used as a starting point. All too often planners have only a limited awareness of what is happening outside the immediate work setting. Successful planning must challenge the status quo; it cannot simply accept things the way they are. One way to do this is through benchmarking, a technique that makes use of external comparisons to better evaluate an organisation's current performance and identify possible actions for the future. The purpose of benchmarking is to find out what other people and organizations are doing very well and then to plan how to incorporate these ideas into your organisation's operations

Staff planners

- As the planning needs of organisations grow, there is a corresponding need to increase the sophistication of the overall planning system itself. In some cases, staff planners are employed to help coordinate planning for the organisation as a whole or for one of its major components. These planners should be skilled in all steps of the formal planning process, including the benchmarking and scenario-planning approaches just discussed. They should also understand the advisory nature of their roles. Given clear responsibilities and their special planning expertise, staff planners can bring focus to efforts to accomplish important planning tasks.

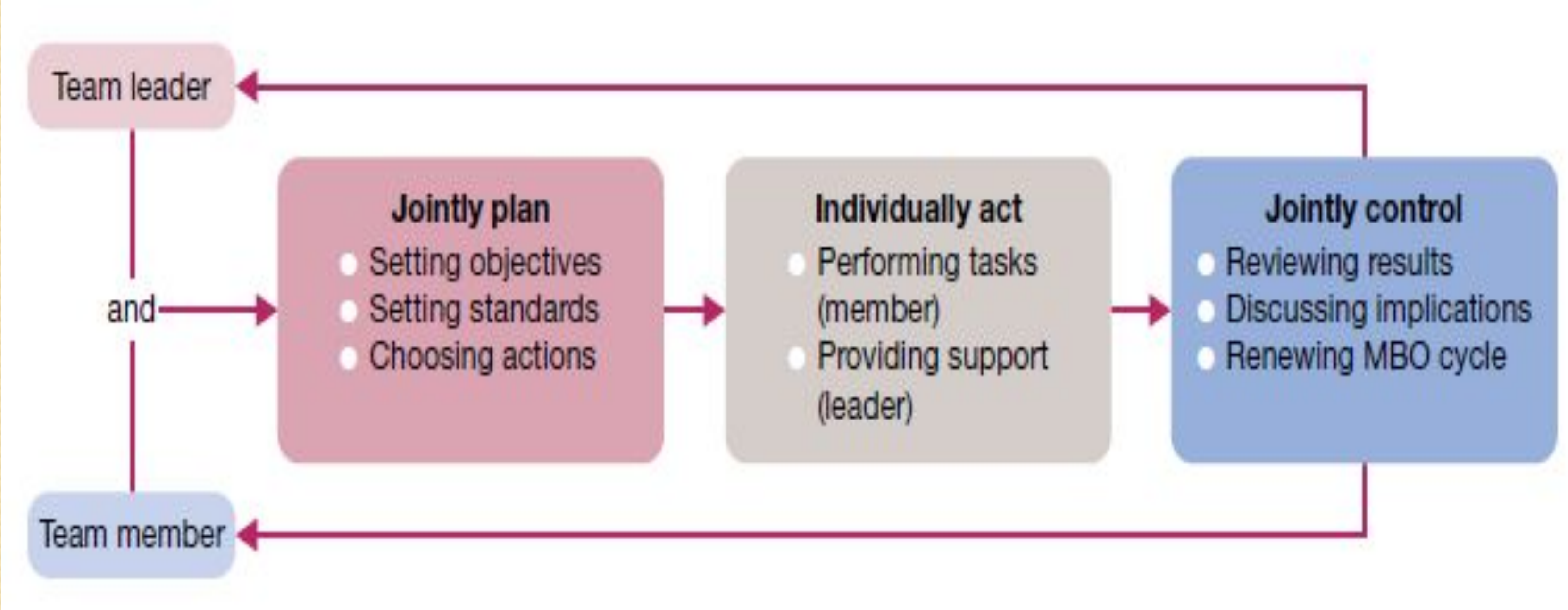
Participation and involvement

- Planning is a process, not an event, and ‘participation’ is a key component of the planning process. Participatory planning means that the process includes people who will be affected by the resulting plans and/or who will be asked to help implement them.

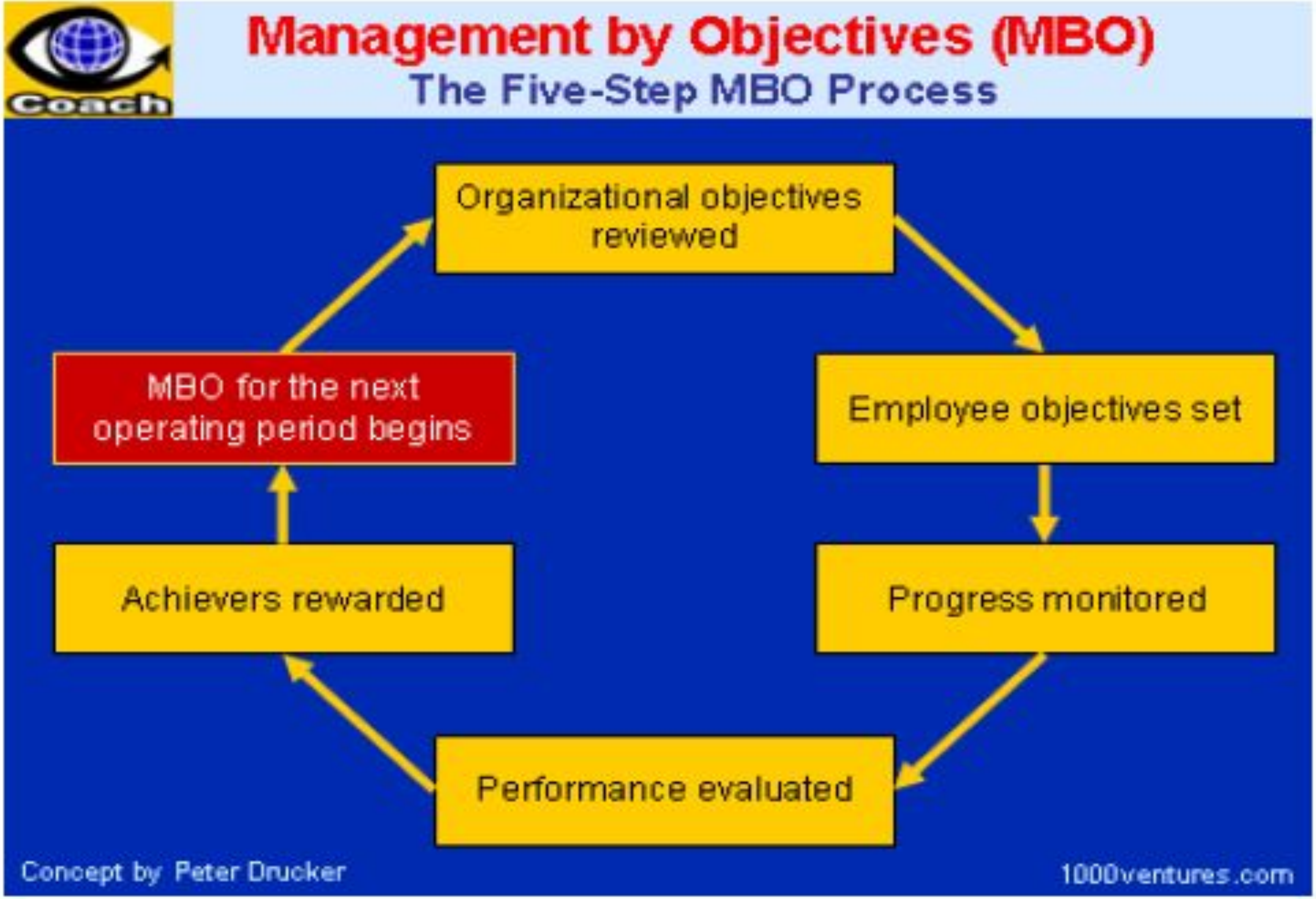
Management by objectives

- A useful planning technique that helps integrate planning and controlling is management by objectives, or just MBO. This is a structured process of regular communication in which a manager or team leader works with staff or team members to jointly set performance objectives and review results accomplished. MBO creates an agreement between the two parties regarding:

1. Performance objectives for a given time period
2. Plans through which they will be accomplished
3. Standards for measuring whether they have been accomplished
4. Procedures for reviewing performance results.


Team leader
and
Team member
Jointly plan
Setting objectives
Setting standards
Choosing actions
Individually act
Performing tasks (member)
Providing support (leader)
Jointly control
Reviewing results
Discussing implications
Renewing MBO cycle

- Management by objectives (MBO) is a systematic and organized approach that allows management to focus on achievable goals and to attain the best possible results from available resources.
- It aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization.
- Ideally, employees together with managers get strong input to identify their objectives, and time lines for completion, etc. MBO includes ongoing tracking and feedback in the process to reach objectives.


Management by Objectives (MBO)
The Five-Step MBO Process
Coach
Organizational objectives reviewed
Employee objectives set
Progress monitored
Performance evaluated
Achievers rewarded
MBO for the next operating period begins
Concept by Peter Drucker
1000ventures.com

Core Concepts OF MBO

- According to Drucker, managers should "avoid the activity trap", getting so involved in their day to day activities that they forget their main purpose or objective.
- Instead of just a few top-managers, all managers should: participate in the strategic planning process, in order to improve the implementability of the plan, and Implement a range of performance systems, designed to help the organization stay on the right track.

Steps in MBO Program

- 1. The organization's overall goals and strategies are formulated my managers of all level.
- 2. Major goals are allotted among divisional & department units.
- 3. Specific objectives are collaboratively set by managers and employees.
- 4. The action plans, defining how objectives are to be achieved and specified and
- agreed upon by managers and employees.
- 5. Implementation.
- 6. Periodical review and feedbacks are provided.
- 7. Evaluation of performance.
- 8. Rewards and Recognition.

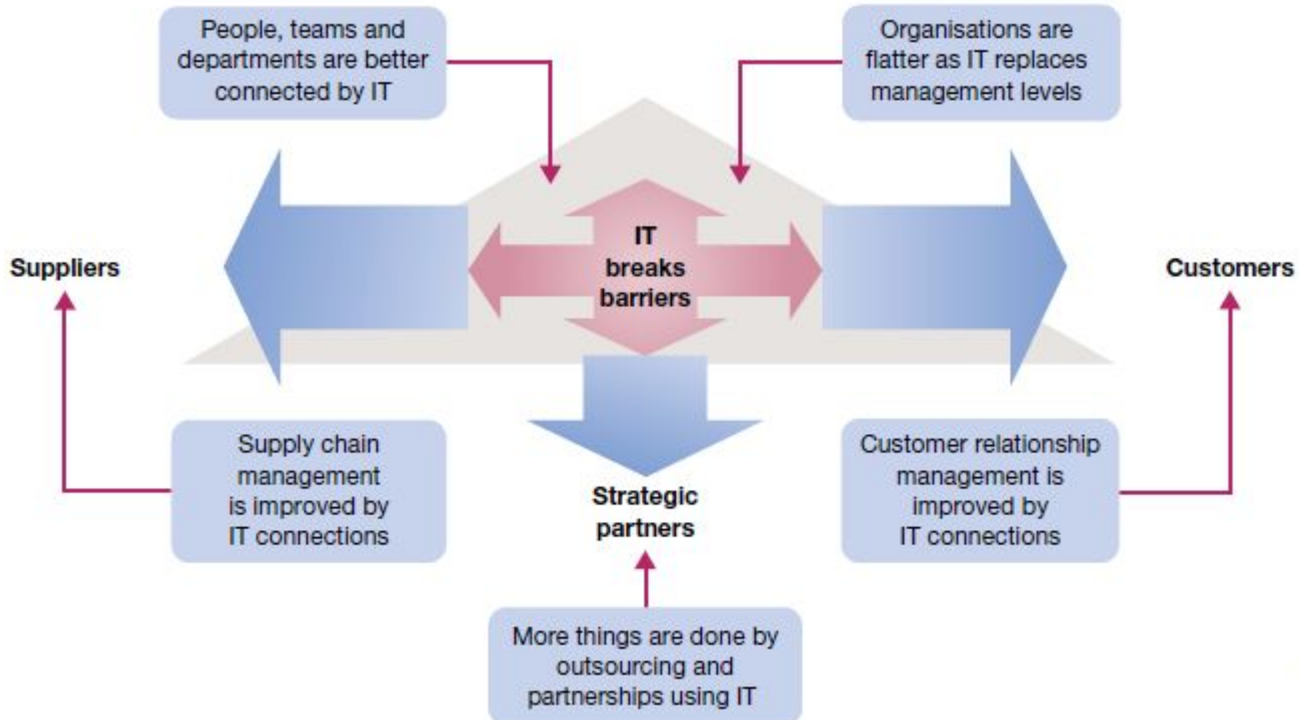
BENEFITS OF MBO

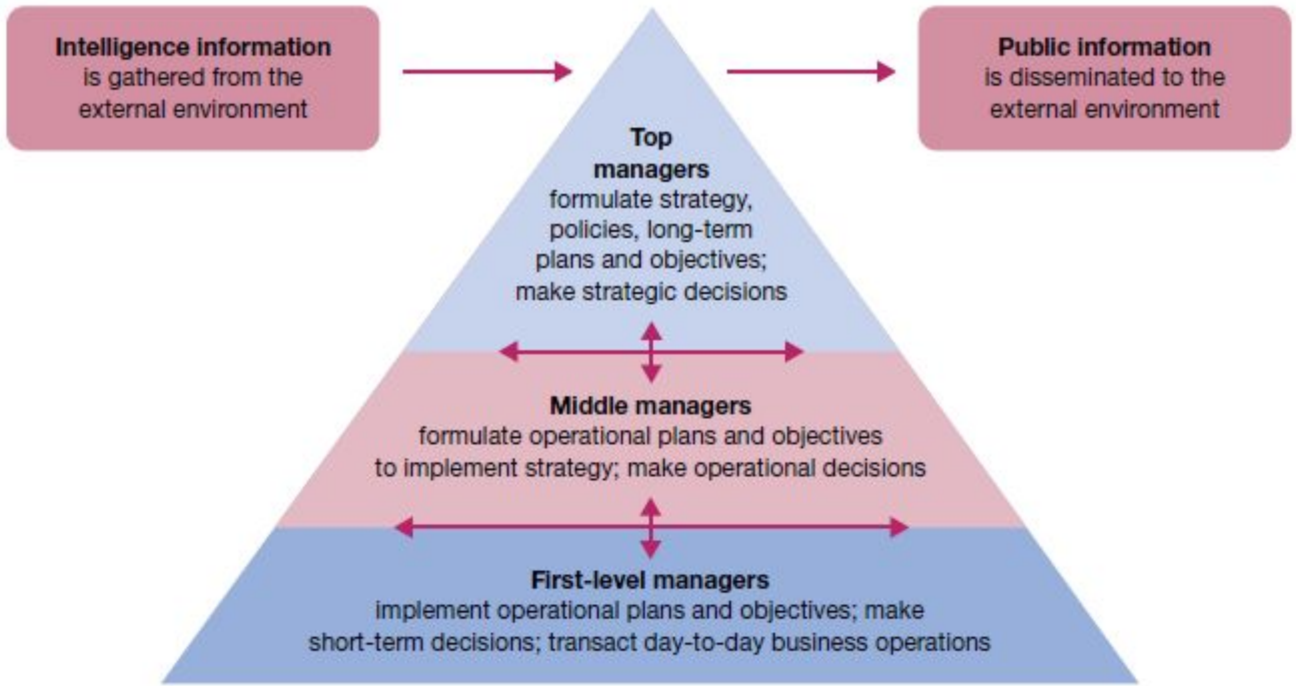
- Clear goals
- Role clarity
- Periodic feedback of performance
- Participation
- Personnel satisfaction
- Better morale
- Result-oriented philosophy
- Basis for organizational change
- Feedback and appraisals

Limitations of MBO

- Initial time and cost
- Frustration
- Problems in quantifying the objectives and setting the objectives

Information technology and the new workplace





Information flows vertically and horizontally within an organisation to facilitate problem-solving and decision-making.