

Chapter 2 – Planning and Decision making

By

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Management by Objective (MBO)

- This concept is also called as Management by Results (MBR)
- This concept was introduced by Peter Drucker in 1954 through his book, The Practice of Management.
- George S Odiorne defines MBO,
 - “MBO is a process whereby the Superior and the Subordinate jointly identify its common goals, define each individual’s major area of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

Analysis of Environment

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graph TD; A[Analysis of Environment] --> B[Collectively formulate objectives]; B --> C[Collectively frame Plans]; C --> D[Selecting the Best Plan]; D --> E[Implementation of Plans]; E --> F[Follow up of performance];
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Collectively formulate objectives

Collectively frame Plans

Selecting the Best Plan

Implementation of Plans

Follow up of performance

Advantages of MBO

- Aids planning (Helps planning – SWOT analysis)
- Facilitates Control
- Facilitates Innovation
- Corporate Image
- Team work
- Optimum use of resources
- Motivation
- Concentration in KRA (Key Result Areas)
- Succession planning
- Sound Organisational structure
- Objective Evaluation (Performance Appraisal)

Management by Exception

Definition:

Management by Exception, also known as MBE, is a management style that empowers the manager to concentrate on the exceptionally important or critical matters and taking important decisions while facilitating the front line workers to complete the day to day activities.

Steps involved in MBE

- Identification and description of Key Result Areas (KRA)
- Establishing standards and determining acceptable level of deviations.
- Making Comparison of actual result with that of expected result or standard result
- Ascertaining Variance
- Analysing the causes of such variance (deviation)
- Strategizing and taking necessary actions where required and possible.

Advantages of MBE

- Automation of routine matters
- Business Expansion
- Concentration on Core issues
- Delegation of Authority
- Efficiency of the firm
- Freedom to Employees
- Goals of the Organisation
- Corporate Image
- Optimum use of resources
- Motivation to Employees
- Succession planning

Management Information System

- Communication – Coordination
- MIS is a formal system of gathering, integrating, comparing and analyzing and dispersing information internal and external to the enterprise in a timely, effective and efficient manner.
- Features of MIS
 - A systematic process
 - A Continuous process
 - Scope