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[Develop Skills Through Education]

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12th COMMERCE [CHAPTER 3]

MANAGEMENT PROCESS

MANAGEMENT BY OBJECTIVES (MBO)

MANAGEMENT BY EXCEPTION (MBE)

Part A–Choose the Correct Answers:

- **MBO** System gives full Scope to the individual Strength and Responsibility.
- Which is the First step in Process of MBO? **Defining Organisational Objectives.**
- **MBE** keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.
- Delegation of Authority is Easily Done with the help of **MBO.**
- MBO is popularised in the USA by **George Odiorne.**

Part B – Very Short Answer Questions:

1. What are the objectives of MBO?

The Objectives of MBO are as follow:

- to measure and judge performance
- to relate individual performance to organisational 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 organisational control and integration

2. 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 based on the belief that an attempt to control everything results in controlling nothing.
- Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.

- For example, the production manager establishes quality control standards wherein five defects per 100 units produced are permissible.

3. Mention any two advantages of MBO?

- MBO process helps the managers to understand their role in the total organisation.
- Manager recognises the need for planning and appreciates the planning. 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.

4. What is known as KRA?

- Key result areas are fixed on the basis of organisational objectives premises.
- Key Result Areas (KRA) are arranged on a priority basis.
- KRA indicates the strength of an organisation.
- The examples of KRA are profitability, market standing, innovation etc.

Part C – Short Answer Question:

1. Write 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 organisational 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 of MBE?

- Primarily, it is necessary to set objectives or norms with predictable or estimated results.
- These performances are assessed and get equated to the actual performance.
- Next, the deviation gets 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.

3. List out any three process of MBO.

- Defining Organisational Objectives

- Goals of Each Section
- Fixing Key Result Areas
- Appraisal of Activities
- Reappraisal of Objective

Part D – Long Answer Questions:

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. Routine problems are left to subordinates.
- It focuses managerial attention on major problems. As a result, there is better utilisation 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. There is increase in span of control. This leads to motivation and development of subordinates.
- 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. There is better use of knowledge of trends, history and available business data.
- 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. Discuss the disadvantage of MBE.

Meaning of MBE:

- Primarily, it is necessary to set objectives or norms with predictable or estimated results.
- These performances are assessed and get equated to the actual performance.
- Next, the deviation gets 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.

Disadvantages:

- 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.
- Furthermore, 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.