

# Chapter 3

## Management By Objectives (MBO) Management By Exception (MBE)

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### I. Choose the Correct Answer

#### Question 1

\_\_\_\_\_ System gives full Scope to the Individual Strength and Responsibility.

- (a) MBO
- (b) MBE
- (c) MBM
- (d) MBA

**Answer:**

- (a) MBO

#### Question 2.

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

**Answer:**

- (d) Defining Organisational Objectives

#### Question 3.

\_\_\_\_\_ keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.

- (a) MBA
- (b) MBE
- (c) MBM
- (d) MBO

**Answer:**

- (b) MBE

#### Question 4.

Delegation of Authority is Easily Done with the Help of \_\_\_\_\_

- (a) MBM
- (b) MBE
- (c) MBO
- (d) MBA

**Answer:**

- (c) MBO

## II. Very Short Answer Questions

### Question 1.

Define-MBO

#### Answer:

MBO is popularised in the USA by George Odime. According to him, "MBO is a system wherein the superior and the sub-ordinate managers of an organisation jointly identify its common goals, define each individual's major area of responsibility in terms of the result expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members".

### Question 2.

What are the objectives of MBO?

#### Answer:

Management by objectives is intended primarily:

1. to measure and judge performance.
2. to relate individual performance to organisational goals.
3. to clarify both the job to be done and the expectations of accomplishment.
4. to foster the increasing competence and growth of the subordinates.

### Question 3.

Bring out the meaning of MBE.

#### Answer:

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.

### Question 4.

Mention any two advantages of MBO.

#### Answer:

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.

### Question 5.

Write any two importance of MBE.

#### Answer:

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

**Question 6.**

What is known as KRA?

**Answer:**

Key Result Areas (KRA) are fixed on the basis of organisational objectives premises. KRA are arranged on a priority basis. KRA indicates the strength of an organisation.

### **III. Short Answer Questions**

**Question 1.**

Write the features of MBO.

**Answer:**

1. An attempt is made by the management to integrate the goals of an organisation and individuals. This will lead to effective management.
2. MBO tries to combine the long run goals of organisation with short run goals.
3. Management tries to relate the organisation goals with society goals.

**Question 2.**

What are the process involved in MBO?

**Answer:**

1. Defining Organisational Objectives
2. Goals of Each Section
3. Fixing Key Result Areas
4. Setting subordinate objectives or targets
5. Matching Resources with objective
6. Periodical Review meetings
7. Appraisal of Activities
8. Reappraisal of objectives

**Question 3.**

What are the Process of MBE?

**Answer:**

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

3. Next, the deviation gets analysed. With an insignificant or no deviation, no action is – required and senior managers can concentrate on other matters.

**Question 4.**

List out any Four process of MBO.

**Answer:**

1. Defining Organisational Objectives
2. Goals of Each Section
3. Fixing Key Result Areas
4. Setting subordinate objectives or targets

## **IV. Long Answer Questions**

**Question 1.**

What are the major advantages of MBO?

**Answer:**

The advantages of MBO are explained below :

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.
3. Manager recognises the need for planning and appreciates the planning.
4. MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
5. 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.
6. Systematic evaluation of performance is made with the help of MBO.
7. MBO gives the criteria of performance. It helps to take corrective action.
8. Delegation of authority is easily done with the help of MBO.
9. MBO motivates the workers by job enrichment and makes the jobs meaningful.
10. The responsibility of a worker is fixed through MBO.

**Question 2.**

What are the advantages of MBE?

**Answer:**

Management by exception provides the following advantages:

1. It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.

2. It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy.
3. 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.
4. 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.
5. MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.
6. Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

**Question 3.**

Explain the various disadvantages of MBO.

**Answer:**

1. 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.
2. MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next, it leads to heavy expenditure and also requires heavy paper work.
3. MBO emphasises only on short-term objectives and does not consider the long-term objectives.
4. The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
5. 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.

**Question 4.**

Discuss the disadvantages of MBE.

**Answer:**

1. 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.
2. 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.