

MANAGEMENT BY OBJECTIVES

Definitions:

“The system, of management by objectives can be described as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual’s major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each its members.”

- **George S. Ordiorue**

“Management by objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organisational and individual objectives.”

- **Koontz and Wehrich**

“The establishment of effectiveness areas and effectiveness standards for managerial positions and the periodic conversion of all these into measurable time bound objectives linked vertically and horizontally with future planning.”

- **Prof. Reddin**

Features of MBO:

A discussion of various definitions of MBO brings out of the following features:

1. MBO is not merely a technique but a philosophy to management. A technique is applicable only in specified areas but a philosophy or approach guides and influences every aspect of management.
2. In this approach various objectives of the organization and of individuals are collectively decided by superiors and subordinates. These objectives become the targets which are to be achieved by various persons in the organization.
3. The corporate, departmental and individual objectives are used as a yardstick to measure performance. A comparison of targets and actual results will enable managers to judge the performance of subordinates and top level will similarly assess the performance of managers.

4. MBO provides for a regular review of performance. This review is normally held once in a year. The review is future oriented and provides a basis for planning and corrective actions.
5. The objectives in MBO provide guidelines for appropriate system and procedures. These objectives also become a basis of reward and punishment in the organization.

Steps in MBO process:

The following steps are necessary in management by objectives:

1. Formulating organizational objectives:

The first step in MBO programme is to determine main objectives of the business. The major objectives of the business are survival and expansion. Different departments set different objectives. The objectives from top level to individual level are aimed at achieving the main business objectives.

2. Setting up subordinate goals:

The subordinate goals are set at department level, section level, unit or individual level, etc. The subordinate objective will assign specific responsibilities to persons at various levels. Everybody in the organization should know what is expected of him? The subordinate goals, in no way should be inconsistent with the overall objectives of the business.

3. Periodic meetings:

The ultimate aim of various objectives, may be at any levels, should be to achieve overall business objectives. There should be periodic meetings to know the views of subordinate staff. If circumstances have changed and objectives need any modification, it should also be done to make the objectives realistic.

4. Performance appraisal:

Evaluation of performance at the end of a period is essential to assess the work. The superior should evaluate the work of the subordinates and find out deviations, if any. The process of appraisal will enable the management to take collective measures if there are deviations in performance.

Benefits of MBO:

MBO helps in implementing goal oriented management. It can be applied in various areas of organization such as performance appraisal, organizational development, long range planning, integration of individual and organizational objectives and so on.

1. Better managing:

MBO results in improved and better managing. Better managing requires setting goals for each and every activity and individual and ensuring that these are achieved. MBO not only helps in setting objectives but also ensures balancing of objectives and resources. Managers will devise ways and means for achieving objectives. The objectives also act as controls and performance standards. So MBO is helpful in improving management.

2. Clarifying organization:

MBO helps in clarifying organizational roles and structures. Responsibility and authority are assigned as per the requirements of the tasks assigned. There is no use of fixing objectives without delegating requisite authority. The positions should be built around the key results expected of people occupying them. **3. Encouraging personal commitment:**

The main benefit of MBO is that it encourages personnel to commit themselves for the achievement of specified objectives. They follow the instructions given by the superiors and undertake their work as a routine matter. In MBO the purpose of every person is clearly defined with his or her own consent. He will feel committed to reach the goals decided with his consent.

A feeling of commitment brings enthusiasm and helps in reaching the goals.

4. Developing controls:

MBO mechanism helps in devising effective controls. The need for setting controls is the setting of standards and then finding or deviations if any. In MBO, verifiable goals are set and the actual performance will help in finding out the deficiencies in results. Every person is clear about what is expected from him and these standards act as clear cut controls. So controls can easily be devised when MBO is followed.

Weakness of MBO:

Despite of its acceptability in recent times, MBO technique has not yet acquired a final shape. This system suffers from a number of weaknesses which are discussed as under:

1. Failure to teach MBO philosophy:

The success of MBO will depend upon its proper understanding by managers. When managers are clear about this concept only then they can explain to subordinates how it works, why it is being done, what will be the expected results, how it will benefit participants etc. This philosophy is based on self direction and self control and aims to make managers professionals.

2. Failure to give guidelines to goal setters:

If the goal setters are not given proper guidelines for deciding their objectives then MBO will not be a success. The managers who will guide in goal setting should themselves understand the major policies of the company and the role to be played by their activity.

3. Difficulty in setting goals:

The main emphasis in MBO technique is on setting objectives. The setting of objectives is not a simple thing. It requires lot of information for arriving at the conclusions. Some objectives may not be verifiable, precaution should be taken in defining such objectives. The objectives should not set casually otherwise MBO may prove liability for the business.

4. Emphasis on short term objectives:

In most of the MBO programs there is a tendency to set short-term objectives. Managers are inclined to set goals for a year or less and their thrust is to give undue importance to short term goals at the cost of long term goals. There may be a possibility that short term and long term objectives may be incompatible because of specific problems.

5. Danger on inflexibility:

There is a tendency to strict to the objectives even if there is need for modification. Normally objectives will cease to be meaningful if they are oftenly changed, it will also be foolish to strive for goals which have become obsolete due to revised corporate objectives or modified policies.

Difficulties in setting objectives:

Though objectives act as guidelines for devising various plans and policies but setting objectives is a different exercise. Following difficulties are oftenly faced for setting objectives:

1. Difficult to define:

Objectives are to be set up for every area of the business. It is easy to setup quantifiable objectives like sales target to be achieved, goods to be produced in a particular period, amount of raw materials to be produced etc. The objectives like consumer satisfaction, industrial relations, employee morale, etc. are difficult to be defined.

2. Difficult to devise means:

Another problem in objectives is to devise suitable means for achieving them. Generally, ambitious objectives are set. They are not related to the availability of resources. Instead of improving efficiency they may become a source of frustration.

3. Difficult to reconcile objectives:

The objectives of different fields are sometimes contradictory. It becomes a problem to reconcile various objectives. The object of increasing productivity may be achieved by improving efficiency of workers. The workers, on the other hand, may not like the disciplinary sanctions imposed on them for not improving their work.

Making MBO effective:

1. Support from all:

In order that MBO succeeds, it should get support and co-operation from the management. MBO must be tailored to the executive's style of managing. The subordinates should also clearly understand that MBO is the policy of the organization and they have to offer cooperation to make it successful.

2. Acceptance of MBO programme by managers:

In order to make MBO programme successful, it is fundamentally important that the managers themselves must mentally accept it as a good or promising programme. If managers are forced to accept MBO programme, their involvement will remain superfluous at every stage.

They would mostly accept the lines of action initiated by the managers.

3. Training of managers:

Before the introduction of MBO programme, the managers should be given adequate training in MBO philosophy. It is important to arrange practice sessions where performance objectives are evaluated and deviation are checked. The managers and subordinates are taught to set realistic goals, because they are going to be held responsible for the results.

4. Organizational commitment:

MBO should not be used as a decorative piece. It should be based on active support, involvement and commitment of managers. MBO presents a challenging task to managers. They must shift their capabilities from planning for work to planning for accomplishment of specific goals.

5. Allocation of adequate time and resources:

A well-conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions. Proper time and resources should be allocated and persons are properly trained in the philosophy of MBO.

6. Provision of uninterrupted information feedback:

Superiors and subordinates should have regular information available to them as to how well subordinate's goal performance is progressing. Superiors who compliment and encourage subordinates with pay rise and promotions provide enough motivation for peak performance.