Management by Objectives - MBO
Management by Objectives (MBO)

Can be defined as a process whereby the performance goals and objectives are set by each subordinate in collaboration with his superior at the start of the appraisal period.
MBO is a Process

- A process consisting of a series of interdependence and interrelated steps:
  - The formation of clear, concise statements of objectives
  - The development of realistic action plans for their attainment,
  - The systematic monitoring and measuring of performance and achievement, and
  - The taking of corrective actions necessary to achieve the planned results
Define Organisational goals

Defining Employee Objectives and Organisational Objectives

Continuous Monitoring of performance and progress

Performance Evaluation & Review

Providing Feedback

Reporting & Reviewing

THE MBO PROCESS
MBO is a Philosophy

- Reflects a Proactive way of managing that is
  - Result Oriented
  - Emphasizes accomplishments rather than inputs
  - Encourages participation at all levels of and organisation
Objectives setting and participative management are integrally linked by:

- Allowing employees to participate in the setting of objectives
- Encouraging everyone to work towards accomplishment of general organisational objectives
MBO Framework

- MBO provides the basis for making functional budget estimates
- Evaluation of MBOs provides a way to communicate purpose & accomplishments to the public.
- MBO provides a way to involve and motivate staff.
Four Basic Principles

- Unity of management action is more likely to occur when there is pursuit of a *common objective*.
- Greater the focus on results on a time scale, greater the likelihood of achieving them.
- Greater the participation in setting meaningful work with accountable results, greater the motivation for completing it.
- Progress can only be measured in terms of what one is trying to make progress towards.
Three Constituent Processes

- Participative Decision Process
- Goal Setting
- Objective Feedback
GOAL ACHIEVEMENT MANAGEMENT

- Goals
- Objectives
- Management mechanism
  - Policies
  - Programs
  - Actions
  - Criteria
The test of SMART Objectives

- Every objective must meet these criteria
  - Is it **Specific**?
  - Is it **Measurable**?
  - Is it **Appropriate**?
  - Is it **Realistic**?
  - Is it **Time Bound**?
MBO Includes Evaluation

- Preliminary evaluation may call for adjusting objectives
- Performance evaluation focuses on how well employees accomplish their specific unit objectives
Advantages of MBO

- Effective Planning & Control
- Reveals organisational deficiencies
- Elicits people’s commitment
- Demonstrates objectivity and reduces element of judgment
Limitations of MBO

- Presupposes fixing of individual responsibilities
- It is difficult to make comparative ratings of individuals because each individual goals are different from others
- Time consuming
- Presumes a certain level of trust throughout the hierarchy
- Less applicable in routine jobs.
Reasons for failure of MBO

- Absence of a fully committed and involved top management.
- Dictatorial rather than participatory development of management objectives.