



Management by Objectives- MBO

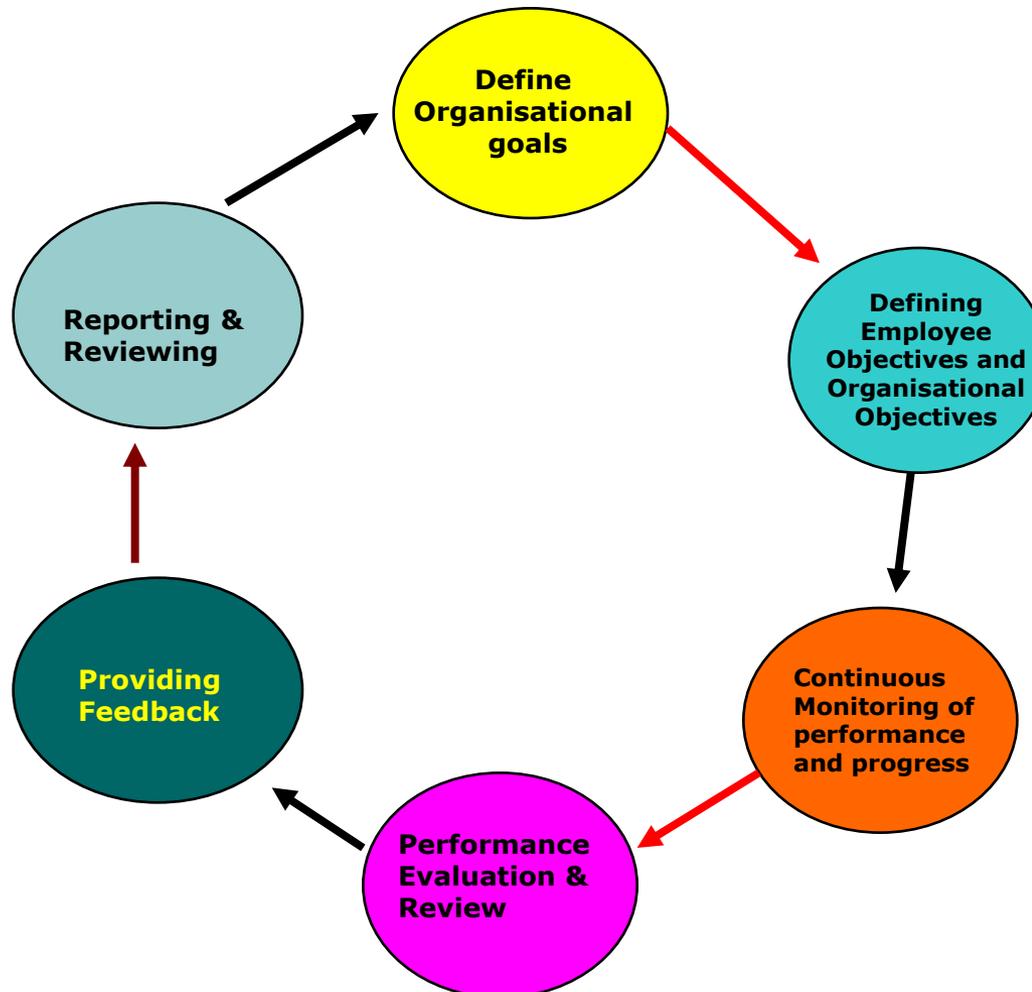
Management by Objectives (MBO)

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**

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

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- 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 focus on how well employees accomplish their specific unit objectives
- Evaluation includes assessment of how to improve. Evaluation catalogues yearly accomplishment.



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.**