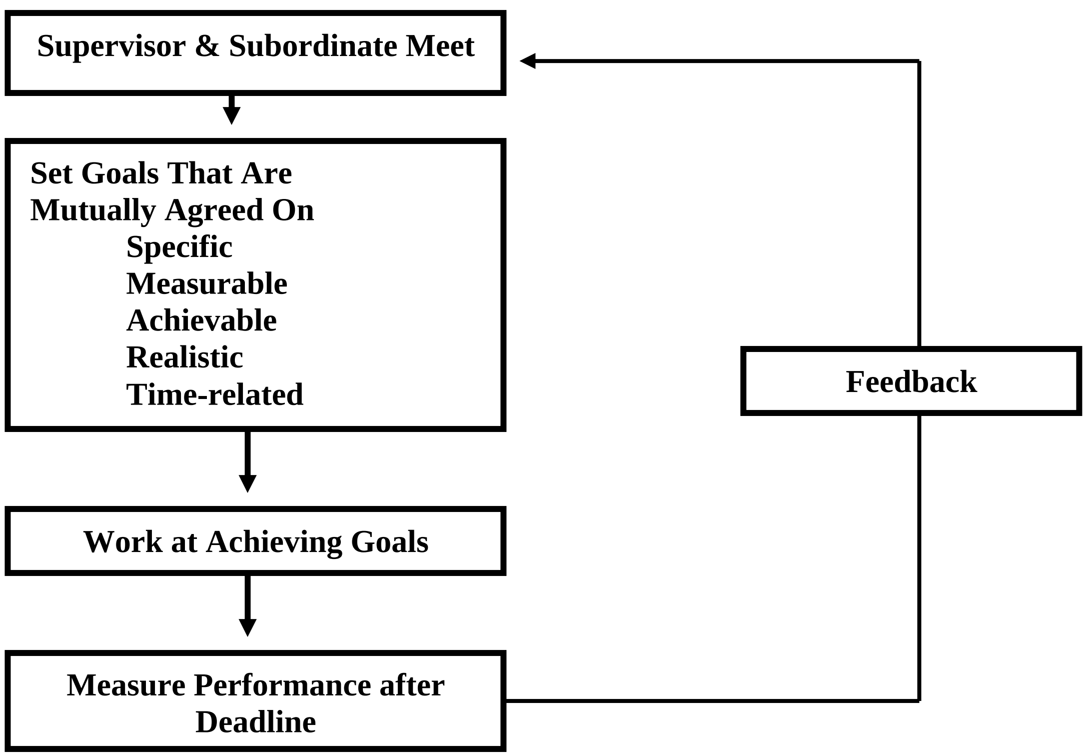
MANAGEMENT BY OBJECTIVES

(MBO) is a practical application of the reasoning behind the notion of goal-setting theory. **MBO** is a process in which employees participate with management in the setting of goals or objectives. An essential feature of an MBO program is that it involves a one-on-one negotiation session between a supervisor and subordinate in order to set concrete, objective goals for the employee’s performance. During the session a deadline is set for the measurement of accomplishment, and the paths to the desired goals. and the removal of possible obstacles are discussed. After an established period of time has elapsed (typically six months or year), the supervisor and subordinate meet again to review the subordinate’s performance using the agreed-upon goals as a measuring stick.
The figure below summarizes the essential steps the MBO process.



A positive feature of an MBO system lies in its emphasis on establishing specific measurable goals. In fact, a goal is un-acceptable or inadmissible in an MBO system unless in is measurable You may think that this is impossible for all goals, especially those for those of top-level executives. Although it is difficult to set measurable goals at the higher levels of an organization, it is nonetheless possible. For example, one such quantifiable goal might be that an institutional will be ranked in the top ten by an annual polling of executives in the same industry. 0r the head coach of a college football team may set a goal of making the top 20 in the Associated Press’s coaches’ poll within the next five years. Some more typical goals would be to increase market share from *45* to 55 percent by the end of the next fiscal year, to increase annual production by 10 percent, or to increase profits after taxes by 3 percent. Some goals can be measured in simple yes or no fashion. For example, the goal of establishing a training program for sales personnel or completing a feasibility study by a certain date can he judged in a simple success or failure fashion when the deadline arises. Either such a project has been completed or it has not.

Advocates of MBO believe that everyone in an organization could and should be involved in goal setting This includes all personnel, from the chief executive officer (who may set goals in consultation with the board of directors) to the newest member of the clean-up crew. In practice, however, middle level managers and first line supervisors are more commonly involved in such goal-setting systems.

Proponents of MBO systems also believe that supervisors must play a special role in the goal-setting process. Supervisors should view themselves as coaches or counselors whose role is to aid their subordinates in goal attainment. This role of coach/counselor extends beyond merely helping to identify and remove obstacles to goal attainment (for example, using personal influence to expedite shipments from another department). It also implies that supervisor will serve as a mentor-someone to whom subordinates can go with their work—related problems and assume that they will be treated with respect and support.

Do MBO SYSTEMS WORK?

Research at such organizations as Black and Decker, Wells Fargo, and General Electric has shown that, on the whole, MBO programs can succeed. Because MBO relies on the established principles of goal setting, it has great potential for improving performance. Real-world constrain however, can sometimes reduce the positive impact of a goal-setting system.

One major obstacle to the success of an MBO program can be lack of support from top-level executives. If key people in the organization, - especially the president and vice presidents – do not fully endorse MBO, their lack of support will likely he felt and responded to at lower levels. The net effect will be a decided lack of enthusiasm for the program.

Problems may also arise if managers are not interested in having subordinate a participate in the goal-setting process. Some managers prefer to retain an evaluative and superior posture and are uncomfortable with the notion of being a coach or counselor to their subordinates. Personality conflicts between superiors and subordinates are another potential problem for goal-setting systems, as is competitiveness. A superior who feels threatened by talented subordinates may do little to help them be more successful and, consequently, more visible, In addition, subordinates may hesitate to set challenging goals for fear of failure and its consequences.

MBO systems also tend to emphasize the quantifiable aspects of performance while ignoring the more qualitative aspects. This is an understandable tendency, since participants in MBO systems are encouraged to focus on such dimensions of performance.

Qualitative aspects of performance, which are often more difficult to identify and measure, are likely to be overlooked or de-emphasized. For example, how can the quality of service that an organization provides or an organization's image in the local community be defined and measured?

Because the success of an MBO system rests heavily on the quality of the relationship between supervisor and subordinates, the degree of trust and supportiveness that exists in a work unit is a central concern.

For an MBO system to be highly successful, these elements are critical prerequisites, The absence of trust and supportiveness severely restricts the system’s effectiveness. Despite these many potential obstacles, the track record of MB0 has been fairly good, In a recent review of the research literature devoted to MBO, Robert Rodgers and John E. Hunter examined 70 reports that included quantitative evaluations of MBO programs. Their findings showed productive gains in 65 of 70 evaluation studies. The average productivity increase was 47 percent, while cost data showed an average savings of 26 percent. Employee attendance was also shown to improve by 24 percent. Follow-up surveys of the level of top-management support for the programs revealed that productivity increased by 57 percent when top-management commitment was high, 33 percent when commitment was average, and only 6 percent when commitment was low.

MBO has passed through several phases since its introduction in the l95Os. Initially, MBO was greeted with much enthusiasm by managers and management scholars, During the late 1960s and early 1970s, MBO appeared so be “sweeping the nation.” Presently, MBO is viewed more objectively by scholars and practitioners as a tool that (like any tool) can be most effective under specific favorable conditions. It is now becoming passé even to invoke the initials MBO. In fact, the principles and philosophies of MBO have become so emotion-laden in the minds of managers than an organization will often introduce an MBO system under a different label. For example, an organization may establish a program called START (an acronym for Set Targets and Review Them) or GAP (Goal Acceptance Program). The mechanics of such programs are likely to borrow heavily, if not totally, from the MBO approach. In short, the trend is toward putting old wine into new bottles, with a recognition that mutual goal setting is not a panacea for all organizational problems under all possible circumstances.