The term Management by Objectives was coined by Peter Drucker in 1954.

**What is Management by Objective?**

**The process of setting objectives in the organization to give a sense of direction to the employees is called as Management by Objectives**.

It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace.

Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

Management by objectives guides the employees to deliver their level best and achieve the targets within the stipulated time frame.

## Features of Management by Objectives

In the light of the above definitions of MBO, the following features of it can be identified;

1. It is a technique and philosophy of management.
2. Objective setting and performance review are made by the participation of the concerned managers.
3. Objectives are established for all levels of the organization.
4. It is directed towards the effective and efficient accomplishment of organizational objectives.
5. It is concerned with converting an organizational objective into a personal objective on the presumption that establishing personal objectives makes an employee committed which leads to better performance.
6. The basic emphasis of MBO is on objectives. Management by Objectives tries to match objectives with resources.
7. Objectives in MBO provide guidelines for appropriate systems and procedures.
8. Periodic review of performance is an important feature of MBO.
9. MBO provides the means for integrating the organization with its environment, its subsystems, and people.
10. Employees are provided with feedback on actual performance as compared to planned performance

## **Management by Objectives Process**

The process of MBO involves six key steps that incorporate managerial activities in such a systematic way, which is directly influenced towards efficient and effective achievement individuals and organizational objectives. In case someone wants to analyze the practical importance of [**Management by Objectives**](http://www.businessstudynotes.com/hrm/management-by-objectives-and-its-key-concepts/), then it is good to summarize all the objectives of the organization together with individual goals. The six steps involved in the process of MBO are determining organizational goals, determining employees’ objectives, constantly monitoring progress and performance, performance evaluation, providing feedback and performance appraisal. Moreover, all these steps are briefly defined as follows.

1. **Determining Organizational Goals**

The entire development of an organization depends on the set goals. A goal is the most critical and necessary factor behind the effectiveness and efficiency of an organization, so it is important to effectively manage set goals either single or many of different kinds. Prior to start working on the set goals, the managers should determine organizational goals with the aim to create a potential management that must be capable of handling different kinds of goals easily. Determining goals don’t mean creating goals, as the preliminary goals are set by the top level supervisors on the basis of in-depth analysis and judgment about what should be accomplished and how to do so in a certain period.

2. **Determining Employees’ Objectives**

After determining the organizational goals, the next thing to do is to know the individual’s goals or more clearly employees’ goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources will they use to achieve the goal. Also, if needed, then managers and employees can classify the goals from the most important to the least one in order to make the goal achieving process more easily and in favor of the organization.

3. **Constant Monitoring Progress and Performance**

The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and performance of the employees. There are certain things stated below that can help managers to monitor performance and progress.

* Checking less-effective or ineffective programs by performing a comparison of performance with already prepared objectives.
* Using ZBB (Zero Based Budgeting)
* For measuring plans and individuals, implementing MBO concepts
* Defining short and long term plans and objectives
* Installing efficient and effective controls
* Eventually, composing completely sound structure of the organization with all things at appropriate places such as responsibilities, decision making and so on.

4. **Performance Evaluation**

As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Keep in the mind, performance evaluation is one the most important factors of the organization that can help operating certain objectives smoothly.

5. **Providing Feedback**

The psychologically influential factor of MBO is constantly providing feedback to employees regarding their performance and individual goals, so that they can monitor, correct and extra improve their skills and mistakes. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals. At one point, feedback helps individuals know their weakness. While on the other hand, it also motivates already potential individuals to enhance and develop their performance additionally.

6. **The Performance Appraisal**

Performance appraisals are the final step of the process of Management by Objectives. By definition, a day by day review of the employee’s performance across the organization can be called as performance appraisal. [Performance appraisal](http://www.businessstudynotes.com/hrm/performance-appraisal-process-of-performance-appraisal/) is associated with the term performance evaluation, but in some cases, both differ from each other