

MBO

In the changing economic environment old techniques of management do not give better results. The expansion of business in size and changes in technology has necessitated a new thinking in managerial approach. A number of new techniques of management have been developed in the recent past and Management by Objectives (MBO) is one of them. Though MBO is now practiced around the world yet there is no unanimity about its meaning. Some think of it as an appraisal tool, others see it as a motivational technique; still others consider it as a control device.

The term Management by Objectives was coined by Peter Drucker in 1954. He proposed MBO as means of using goals to motivate people rather than to control them. It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace.

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

Accordingly to **Odiorne** “MBO is a process whereby the superior and subordinate managers of an organization jointly identify common goals, define each individual’s major areas of responsibilities in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members”.

According to **Koontz and Weihrich**, “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 organizational and individual objectives.”

Features of MBO are:

- 1) Management by Objectives defines roles and responsibilities for the employees and helps them chalk out their future course of action in the organization.
- 2) Management by objectives guides the employees to deliver their level best and achieve the targets within the stipulated time frame.
- 3) MBO is an approach which includes various techniques of better management.
- 4) MBO provides the stimulus for the introduction of new techniques of management and enhances the relevance and utility of the existing ones.
- 5) In MBO, various objectives of the organization and of individuals are collectively decided by superiors and subordinates. The review of objectives is also done collectively.

- 6) Periodic review of performance is an important feature of MBO. The performance review is held regularly, normally once a year.
- 7) Objectives in MBO provide guidelines for appropriate system and procedures. Fixation of responsibility, delegation of authority, allocation of resources etc. are determined on the basis of objectives. These objectives also become a basis of reward and punishment in the organization.

Advantages of MBO:

- 1) MBO helps in better management of the organizational resources and activities. Resources and activities are put in such a way that they result into better performance.
- 2) The Management by Objectives process helps the employees to understand their duties at the workplace.
- 3) MBO tends to provide the key result areas (KRA). KRAs are designed for each employee as per their interest, specialization and educational qualification.
- 4) The employees are clear as to what is expected out of them.
- 5) Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.
- 6) Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.
- 7) The MBO Process leads to highly motivated and committed employees.
- 8) The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members. Each employee is given a list of specific tasks.
- 9) Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels.
- 10) MBO stimulates organizational change and provides a framework and guidelines for planned change, enabling the top management to initiate plan, direct and control the direction and speed of change.

Limitations of MBO:

- 1) MBO is a timely and costly process as it requires large amount of the most scarce resource in the organization-time of the senior managers.

- 2) It sometimes ignores the prevailing culture and working conditions of the organization.
- 3) The MBO process increases comparisons between individuals at the workplace.
- 4) More emphasis is being laid on targets and objectives. It just expects the employees to achieve their targets and meet the objectives of the organization without bothering much about the existing circumstances at the workplace.
- 5) In MBO, the authority is vested in top management and there is lack of support of top management and this system cannot succeed without the full support of top management.
- 6) In MBO, there is a tendency to emphasize on short-term objectives usually for a year or even less. There is always a danger in emphasizing short-term objectives at the cost of long-term objectives.