



Management by Objectives: Its Implication for Business

Maxwell Nwinye

*Department on Management,
Faculty of Management Sciences, University of Port Harcourt.*

ABSTRACT

Organization that adopts a strategy as management by objectives may have a significant business growth or organizational performance. The practice of management by objectives in organizations through participation promotes team work and business sustainability. Employees that are conscious of management by objectives and time horizon are capable of minimizing conflict to aid improved work environment. When organizations have participative management, it creates high customers patronage. The study investigated management by objectives and the implication for business. The researcher, concluded, that implementation of management by objectives contributes to increase in the performance of business.

Keywords:

Management by Objectives, Participation, Review Of Performance, Goal Setting.

How to cite: Nwinye, M. (2022). Management by Objectives: Its Implication for Business. *GPH-International Journal of Business Management*, 5(08), 53-59. <https://doi.org/10.5281/zenodo.14892233>

Introduction

Subsisting competitions in business have generated a lot of tasks for organizations. Most organizations reviewed their strategies and applied management by objectives (MBO) to compare performances that drive beneficial objectives. Management by objectives is the unifying force that coordinates compensation, corporate planning, promotion, hierarchy of authority and contributes towards the organizational goals (Maheswari, 1980). Management by objectives (MBO) is philosophy of management which managers use to improve their performance and increase effectiveness. Ordinarily, the term Management by objectives was invented by Peter Drucker through his book, the practice of management in 1955, to improve both employees and organizational performance. Indeed, management by objectives signifies



This work is licensed under Creative Commons Attribution 4.0 License.

a comprehensive mechanism which determines the process by which objectives are achieved. Individuals set different objectives to achieve organizational goals. For example, the objective of production manager may be different from marketing manager; objective of managing director may also be different from a branch manager.

Tahir (2008) described MBO as involving the formation and communication of organizational goals, the setting of individual goals in accordance with the organizational goals. Reddin (1972) disclosed that organizations that embrace management by objectives engages in the periodic and final review of performance to sustain business in relation to the organizational goals. Similarly, Drucker(1975) noted that management by objectives accrue benefits to superiors by motivating subordinates, strengthens, superior-subordinate relationship, and provides an objective appraisal method. MBO encompasses participation which leads to greater motivation. Setting objectives point toward the superior and the subordinate sitting together to have discussions over work, obstacles, competencies, and respective roles. Several organizations and managers do not understand the rudiments of management by objectives. Thus, this paper is structured to examine management by objectives and its implication to business.

Literature Review

Management by objectives refers to an organized procedure that commences with setting of goals which managers and subordinates work together in identifying their objectives and the responsibilities of each employee are clearly defined through performance review in order to achieve the overall goals (Allen, 1958). Similarly, management by objective (MBO) denotes a formal set of procedures that reviews activities of managers or subordinates to achieve both individual and organizational objectives (Bennis, (1969). Apparently, management by objectives guides employees in planning their work and managers use it for performance appraisals and monitoring the progress of the organization (Argyris, 1959). Management by objectives is management system that integrates human resources, appraisal, reward, motivation, planning, control techniques, training and development. The concept of management by objectives requires cooperation, monitoring of progress among the workforce. The system of management by objectives assists organizations in assessing or measuring the contribution of each employee expected for the achievement of organizational goals. Simon(1960) acknowledges that management by objectives (MBO) focuses on three basic features such as specific goal setting, feedback on performance, and participation of the employees which improve the communication and the relationship between the managers and the subordinates.

Characteristics of Management by Objectives (MBO)

1. Goal settings: The primary tasks of management by objectives (MBO) is to set goals that integrate clarification of organizational objectives at various units or departments. These

goals are set by the top management who determines organizational policies, objectives, and strategy. Management by objectives programs are designed to give both the managers and lower level employees a clearer picture of what the management plans to accomplish. It encompasses corporate planning, minimizing stress, and individual motivation. The main emphasis is of effective.

management by objectives is to set objectives that enable employees to understand their jobs and perform their duties effectively to achieve organizational goals. The concept of MBO creates an optimal performance environment for the employees. The goals must be directed to the individual needs and skills, since individuals have different concept of goals. Indeed, these objectives ought to be specific and realistic.

2. Participation: There should be synergy between management and employees in the setting of goals to ensure achievement of the expected outcomes. The hallmark of effective management requires joint participation in decision making and setting of goals. Thus, after the organization goals have been established and made known to all the members of the organization, the subordinates work with the managers in setting their individual or departmental objectives. Joint consultation is significant because people are motivated in accomplishing objectives that were set by them. However, every employee in different circumstances are involved in setting objectives and the achievement of goals in the organization requires collective efforts of the workforce. Carzo and Yanouzas (1967) affirmed that participation of employees in decision making sustains business and promote teamwork in the organization.

3. Availability of resources: Setting of objectives or goals may be insufficient when organizations do not have resources and means to achieve those objectives. It is the responsibility of management to make sure that the employees are provided with necessary tools and materials to successfully achieve these goals. Allocation of these resources must be according to the pressing needs of the departments because organizational interest supersedes individual interest. In organizations, employees irrespective of their ranks enjoy wide discretion in selecting the strategies and resources needed in sustaining business or achieving the objectives.

4. Independence in implementation of plans: The managers and subordinates have adequate freedom to use the resources such as machines, computer, air condition, tables, chair, and documents that were assigned to them for the purpose of doing their jobs effectively. Employees have the liberty to choose the means of achieving the objectives through invoking initiatives and innovation that are within the larger framework of organizational policies. Workers have the opportunities to ask questions relating to their tasks and the volition to learn from their colleagues or superior without interference by the manager. Furthermore, Salary earners decide on when to go for leave, what to use their money for, and when to collect loan from either the bank or company.

5. Review of performance: Managers and employees are expected to meet periodically to review performance toward the achievement of objectives. During this exercise the employees identify existing problems and provide solutions to the problems. Although, the essence of this performance review is to determine if there are deviations among the employees or if the employees have achieved satisfactory progress. Review of performance helps employees to understand the process of management by objectives (MBO) and improve the morale of subordinates (Nwinye, 2022). These periodic reviews are necessary since managers supervises the work of subordinates in addition with the priorities and conditions that are repetitively changing.

Conditions for Successful Implementation of Management by Objectives

The management by objectives (MBO) process looks as if it is simple but to practice it requires great analytical skill and clarity of purpose on the part of the management. Management by objectives comprises individuals who deploy initiatives, personal ideas, attitudes, values and perception for successful implementation of the MBO. The conditions for a successful MBO are evaluation, preparation, time horizon, and top management support (Dale, 1968).

Evaluation

The first step is to estimate what employees expect from practicing management by objectives. The common criticism associated with management by objectives is that people perceive MBO to be narrow in appraisal system or providing durable solutions to a problem. This actually leads to unrealistic expectation from the users of MBO. To avoid doubt, it is pertinent for managers to evaluate the current organizational culture, performance, controlling process, management style, planning, and take decisions on certain needs which may be realized by management by objectives. Although, MBO is a commanding device used for improving the entire organizational performance.

Preparation

Employees must be willing to accept and implement the concept of MBO. Ordinarily, numerous persons like to resist change but it is through the principles of MBO and the knowledge that educate people about the benefits attached for the use of management by objectives. The awareness of management by objectives may be high when managers are given formal training on MBO. The preparation of managers to integrate MBO as part of organizational strategies may be realistic when the workers are ready to accept and utilize the concept.

Top Management Support

It is the management of a firm that has the power to decide if the concept of MBO could be successful or not. If management fails to give support for the implementation, the employees may not practice MBO. Indeed, managers are expected to embrace MBO which is essential in setting objectives and providing solutions to problems. Implementation of management by

objectives could also lead to workplace conflicts and resistance. Top management intervention is the remedy to preserve or guarantee successful practice of MBO.

Time Horizon

Management by objectives(MBO)requires enough time and patience on the part of the managersfor the full implementation. MBO is not an easy concept that could be put into action without setbacks. There are some elements of confusion among the employees during the implementation process of MBO. The disorder may come from those who do not want to accept or adapt to change. Individuals have different perceptions and attitude towards change. Organizations decide when to introduce and implement MBO. Apparently, sufficient time should be allowed to give MBO a fair opportunity to be assimilated by the workforce.

Advantages of Management by Objectives

1. Management by objectives is goal oriented which encourages managers to develop a good plan for the improvement of management system and objectives.
2. It provides the avenue for consultation with subordinates where the managers set measurable targets and standards of performance to fulfill work targets. MBO enhances optimum usefulness of human resources in the organization.
3. The responsibilities of both the managers and the subordinates are clearly defined which did not give room for role ambiguity.
4. It provides the enabling environment for employees to be aware of company goals and participate in the achievement of the goals. MBO also stimulates the commitment of employees by providing a conducive work environment.
5. MBO identifies the areas in which the employees need career development and training necessary for development of skills.
6. The system of periodic review and appraisal of performance help the subordinates to know their level of commitment in the organization. It focuses on quantifiable objectives which eventually drives self-discipline, teamwork, and loyalty.
7. It brings employees closer to management through improved communication system which attracts adequate feedback clarifying the uncertainties that need modification to achieve the organizational goals.

Disadvantages of Management by Objectives (MBO)

1. It takes a lot of time like three to five years for the implementation of management by objectives program. The excess time required in MBO could be devastating and inconsistent as a motivating force.
2. The practice of MBO programs appear to be impotent because of the necessity of top management consulting the subordinates to achieve objectives. This signifies that top

management feels humiliated for allowing subordinates to take equal part in deciding the means to achieve objectives.

3. Most subordinates express dissatisfaction on the process of MBO where the principles that authority flows from top to bottom creates rigidity and discipline against erring subordinates who did not complete work target.

4. It makes the subordinates to work under pressure which leads to stress and anger emanating from the demand to make the subordinates work extra time or overtime in order to achieve objectives.

5. MBO system is burdensome on the part of managers because of additional responsibilities, using extensive time, several meetings, increased paperwork, and lack of rest.

6. Achieving organizational goals may be delayed or difficult as objectives of one department depend upon the objectives of another department therefore cohesion becomes more difficult to

obtain. For example, the production department cannot produce a product without receiving money form the finance department to buy the materials needed for production.

7. Most managers may not have the conceptual skill to identify the problems of the organizations and human kill in establishing interpersonal relationship and cooperation which are derived from motivation, coaching, and counseling.

References

Allen, L. A. (1958). *Management and organization*. McGraw Hill.

Argyris, C. (1959). *Personality and organization*. Harper and Row.

Bennis, W. G. (1969). *Organization development: Its nature, origin, and prospects*. Addison Wesley.

Carzo, R. & Yanouzas, J. N. (1967). *Formal organizations: A system approach*. Richard D. Irwin.

Dale, E. (1968). *Management : Theory and practice*. McGraw-Hill.

Davis, R. C. (1971). *The fundamentals of top management*. Harper Brothers.

Drucker, P. F. (1955). *Practice of management*. Heinemann.

Drucker, P. F. (1954). *The practice of management*. Harper & Brothers.

Drucker, P. F. (1975). *Management tasks, responsibilities, Practices*. Allied Publishers.

Maheswari, B.L. (1980). *Management by objectives*. Tata McGraw-Hill Publishing Company.

Nwinye, M. (2022). *Synopsis of management*. Davidstones Global Resources Ltd.

Reddin, W.J. (1972). *Effective management by objectives. The 3-D Method of MBO*. Tata McGraw-Hill Publishing Company.

Simon, H. A. (1960). *The new science of management decision*. Harper & Row, New York.

Tahir, Q. M., & Mohamnacd, K. (2008, July 24). *Management by objectives, An effective tool for organizational performance; A case study of Pakistan industries*. Proceedings of ASBBS (IS), [http://sasbbs.org/files](http://sasbbs.org/files/2008/PDR/Q/QureshiPdf.) (2008/PDR/Q/QureshiPdf.)