

The essence of mbo business essay



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The use of management objectives was first widely advocated in the 1950s by the noted management theorist Peter Drucker. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set

Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

THE PROCESS OF MBO:

Management by objectives (MBO) involves setting specific measurable goals with each employee and then periodically discussing his/her progress toward these goals. The term MBO almost always refers to a comprehensive organization-wide goal setting and appraisal program that consist of six main steps:

Set the organizations goals.

Establish organization-wide plan for next year and set goals.

Set departmental goals. Here department heads and their superiors jointly set goals for their departments

Discuss and allocate department goals. Department heads discuss the department's goals with all subordinates in the department (often at a department-wide meeting) and ask them to develop their own individual goals; in other words, how can each employee contribute to the department's attaining its goals.

Define expected results (set individual goals). Here, department heads and their subordinates set short-term performance targets.

Performance review and measure the results. Department heads compare actual performance for each employee with expected results.

Provide feedback. Department heads hold periodic performance review meetings with subordinates to discuss and evaluate progress in achieving expected results.

MBO appraisals are suitable for measuring quantitative and qualitative output of high-level employees. High-level employees such as managers generally report to directors, according to hierarchy and the chain of authority present in many organizations. Therefore, managers and the directors or executives they report to often work together to establish MBO goals for this type of appraisal.

Performance Appraisal : A Look

Employers use performance appraisals to measure both the quantity and quality of production. Performance appraisals typically are conducted annually, and employers often base decisions about salary raises, wage increases and year-end bonuses on employee performance.

An MBO appraisal is just one method among several types of performance measurement tools. Others include:

Graphic Ratings Scales,

Narrative Evaluations,

360-Degree Appraisals,

Peer Evaluations, &

Forced Ranking Or Differentiation Appraisals.

One well-regarded and widely used approach to performance appraisal is called MANAGEMENT BY OBJECTIVES (MBO). By definition, under this method, you evaluate your employees on the basis of results. MBO is more than performance appraisal – it's a construct for managing the entire organization. Its breadth includes the organization's vision, values, strategies, goals, and performance measurement.

MBO (management by objectives) methods of performance appraisal are results-oriented. That is, they seek to measure employee performance by examining the extent to which predetermined work objectives have been met.

MBO begins with managers at the top of the company setting goals. Then managers and employees at each successively lower level develop their own goals. Employees' goals are designed to support the goals of their own managers. In this way, the entire organization is linked together in the pursuit of objectives. The focus is on outcomes that are clear, specific,

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measurable, and supported by action plans, benchmark dates, and deadlines. All aspects of the goal-setting process also apply to the employees' personal and developmental goals, such as building their skills or knowledge base.

Once an objective is agreed, the employee is usually expected to self-audit; that is, to identify the skills needed to achieve the objective. Typically they do not rely on others to locate and specify their strengths and weaknesses. They are expected to monitor their own development and progress.

After employees meet with their managers to establish their goals and action plans, the employees return to work newly energized and focused on specific short-term and longer-term targets. Simultaneously, their managers monitor the employees' performance, provide coaching and support, remove barriers or help employees overcome them, and make adjustments and course corrections as necessary. The employees' performance and progress are clear, measured, documented, and transparent every step of the way.

Employees are highly motivated through MBO because they've been able to actively participate in the process of setting goals, instead of simply having the goals dumped on them. Their involvement in this type of decision-making helps meet many of their higher-level needs for accomplishment, achievement, recognition, and self-worth.

MBO brings a wide range of advantages to the appraisal process:

It helps build relationships between managers and employees. MBO includes a great deal of contact and communication between managers and their

employees, which builds camaraderie, communication, and trust – all key elements in strengthening teamwork.

It fosters a comfortable climate in the workplace. MBO helps build an atmosphere of respect and trust within a given department and beyond.

Because managers work directly with employees to identify and solve problems, MBO improves the quality of decision-making and problem solving.

It's fair. Employees are evaluated on the basis of their performance and attainment of goals, which is regarded as fair and energizing.

It's quick and easy. Performance evaluation forms associated with MBO are a breeze to complete. Typically, they spell out each objective as established at the beginning of the cycle, and then provide a space for the manager to summarize the results.

Some MBO forms also include a scale that asks for a numerical assessment of the employees' success in meeting their goals. These scales guide the managers in the rating process by including specific descriptions of excellent, good, fair, and poor levels of goal attainment.

Management by Objectives and performance appraisal:

The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured.

Instead of assuming traits, the MBO method concentrates on actual outcomes.

If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance. Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities.

The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred.

The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance.

MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts - as one might take apart an engine to study it. But put all the parts together and the performance may be directly observed and measured.

CONCLUSION:

Although OD emphasizes the macro aspects of the organization, the individual is not ignored. In fact, individual developmental aspirations are identified and integrated with management development; managerial needs are translated into personal development objectives and action plans.

Management by Objectives, the widely acclaimed and applied approach to management, has undergone considerable change over the years. In its early development, MBO was primarily an appraisal tool. Next, it integrated individual needs with organizational objectives. MBO was then expanded to

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include long range, strategic planning. But to remain a viable and effective managerial system, MBO must continue to evolve. New knowledge, where appropriate, must be merged with MBO.

The inputs to the organization are transformed through the MBO process to produce the outputs. To be sure, this new MBO model is complex, but so is management. MBO must continue its evolutionary path and continue to aid, not add to, the work of the manager.