

Management by Objectives (MBO) as an Instrument for Organizational Performance of Deposit Money Banks in Nigeria

Felix Francis

Department of Business Management Education, Adamawa State Polytechnic, P M B 2146 Yola

Abstract

This study investigated Management by Objectives (MBO) as an instrument for organizational performance of deposit money banks in Nigeria, Yola metropolis in particular. Data for the study was sourced through the use of structured questionnaires distributed to the selected deposit money banks (Diamond, Fidelity and Access banks). The study employed descriptive statistics, multiple regression technique in estimating the relationship between MBO and organizational performance of deposit money banks in Yola metropolis, correlation coefficient was also used to test the extent to which MBO relate to organizational performance of deposit money banks. The study revealed that involvement of employees in Goal Settings (GS), Delegation of Authority to the employees (DA) and Motivation to the employees (M) were positively affecting organizational performance of the deposit money banks in Yola metropolis and their coefficients were rightly signed, implying that increase in the involvement of employees in Goal Settings (GS), Delegation of Authority to the employees (DA) and Motivation to the employees (M) will improve the performance of deposit money banks in Nigeria.

Keywords: Management, Organizational Performance, Deposit Money, Nigeria

1. Introduction

The imperative of attaining organizational performance objectives constitute a fundamental phenomenon for the management of modern organization. Therefore strategic measures are constantly formulated and implemented bottom-line to achieve key results. Management by objective is one type of management philosophy adopted to ensure that organizational programme objective or results are attainable.

Peter Drucker (1954) defines management by objective as a dynamic system which seeks to integrate the company need to clarify and achieve its profit and growth goals with the manager's need to contribute and develop him. Drucker first publicized these ideas in the practice of management in 1954. Subsequently, MBO has been canvassed by other writers notably, McGregor and Humble. MBO was firmly established as a strategic planning tool ensuring appropriate allocation of all kinds of resources (Nashwan, 1992). In fact, it became an important tool enabling managers to set and achieve forward-looking goals. In order to use this tool effectively, managers had to: first, instill a strong sense of commitment in their employees, and a desire to contribute to organisational goals; secondly, control and co-ordinate their efforts to accomplishing goals; and, thirdly, help employees to fulfil their potential to enable their greater contributions (Kanan, 1995) McGreor in the Human side of enterprise supported MBO on the grounds that it gave subordinate the opportunity to participate in good setting and performance appraisal and based on a theory Y philosophy. Humble in *Improving Management Performance* suggests that MBO focus on the key results areas where improved performance is likely to have a dramatic impact on organization performance. However, all writes are careful to emphasize two points. First that MBO is not a management technique but a philosophy which if accepted requires a shift of managerial attitudes and perspective. Second that MBO needs to be integrated with other organizational procedure and notably the budgeting process, performance appraisal, management development and management reward.

According to George S. Odiorne, the system of management by objectives can be described as a process where the superior and subordinate jointly identify its common goals, define each individuals major areas of responsibility 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.

Objectives can be set in all domain of activities (production, marketing, services, sales, human resources, finance, information system etc.). Some objectives are collected for a whole department in the whole company, others can be individualized. Managers must determine the mission and the strategy goals of the enterprise.

The complete MBO system aims to get managers and empower employees acting to implement and achieve that plans which automatically achieves the organizational goals. In view of the result oriented nature of MBO as a management philosophy, it spurs the researcher to conduct a study of this nature to determine management by objective as an instrument for organizational performance of selected Deposit Money Banks in Yola Metropolis.

There has been an increasing challenge in many organizations to achieve corporate organizational objective due to mobility to maximally utilize its human resources. Many firms have focused on central management with total neglect and lack of integration of low level employees in the corporate plans and objectives. The resultants effect has been that of lack of understanding, interpretation and implementation of such plans and objective loading to poor organizational performance. The problem facing most of organization are lack of proper using of management techniques and lack of including low level employees in goal setting.

The research therefore is confronted with the problem of determining Management By Objective (MBO) as an instrument for organizational performance of selected Deposit Money Banks in Yola Metropolis.

The main objective of this study is to examine MBO as an instrument for organizational performance of Deposit Money Banks in Yola Metropolis and to examine the level at which employee's participation in goals settings enhance achieving corporate objective of Deposit Money Banks.

The research work on completion will be able to provide critical knowledge on the need for management by objectives to be practiced in Nigeria Banking Industry as a motivational tool towards attainment of corporate goal efficiently and effectively. This work will be of immense significance to the staff and management of the selected Bank in Yola metropolis, Access Bank Plc, Diamond Bank Plc, Fidelity Bank Plc, and other organizations.

2. Literature Review

MBO is a collaborative process whereby the manager and each subordinate jointly determine objectives for that subordinate. To be successful, MBO programs should include commitment and participation in the MBO process at all levels, from top management to the lowest position in the organization. MBO begins when the supervisor explains the goals for the department in a meeting.

The subordinate takes the goals and proposes objectives for his or her particular job. The supervisor meets with the subordinate to approve and, if necessary, modify the individual objectives. Modification of the individual's objectives is accomplished through negotiation since the supervisor has resources to help the subordinate commit to the achievement of the objective. Thus, a set of verifiable objectives for each individual are jointly determined, prioritized, and formalized.

According to Drucker 1954, managers should avoid the activity trap of getting so involved in their day to day activities that they forget their main purpose or objective. Instead of just a few top-managers, all managers should: participate in the strategic planning process, in order to improve the implement ability of the plan, and implement a range of performance systems, designed to help the organization stay on the right track.

Management By Objective goes beyond setting annual objectives for organizational units to setting performance goals for individual employees (Stoner, 2000). It has become a great deal of discussion, evaluation and research and inspired many programs. It also refers to a formal set of procedures that begins with goal setting and continues through performance review. Managers and those they supervise act together to set common goals. Each person's major areas of responsibility are clearly defined in terms of measurable expected result or objectives, used by staff members in planning their work and by both staff members and their managers conducted jointly on a continuing basis, with provisions for regular periodic reviews.

Communication is the key factor in determining MBO's success or failure. The supervisor gives feedback and may authorize modifications to the objectives or their timetables as circumstances dictate. Finally, the employee's performance is measured against his or her objectives, and the employees are rewarded accordingly. It includes: emphasis on results rather than activities, objectives for specific managerial positions, participatory or joint objective setting, identification of key result areas, and establishment of periodic review system.

MBO is a supervised and managed activity so that all of the individual goals can be coordinated to work towards the overall organizational goal. You can think of an individual personal goal as one piece of a puzzle that must fit together with all of the other pieces to form the complete puzzle: the organizational goal. Goals are set down in writing annually and are continually monitored by managers to check progress. Rewards are based upon goal achievement.

Management by Objectives (MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time. Organizational goals and planning flow top-down through the organization and are translated into personal goals for organizational members.

3. Methodology

For the purpose of this study, the researcher adopts the survey research design. Survey research design is one in which relative elements of the population with a common attributes are chosen with a view to representing the entire population. Survey method normally paves way for a researcher to make use of interview, questionnaire and observation or any combination of them.

The population for this study consists of all permanent and contract staff of Diamond Bank Plc, Fidelity Bank Plc and Access Bank Plc in Yola Metropolis as indicated thus: Diamond 75, Fidelity 60, Access 70 making the total of 205 as at 2016.

The sample size of this study will be determine using Yamane, since Yamane is to determine finite population. Yamane (1967) states the formula for determining the sample of the study as follow:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n= Sample size

N= Total population

e= Margin of error disturbance

Therefore; given that N = 205 (as stated above), and e is assumed to be 5% Then sample size,

$$n = \frac{205}{1+205(0.05)^2}$$

n Sample Size = 135

The study adopts stratified random sampling technique which gave all the respondents equal chance of representation, taking into cognizance the characteristics of the respondents. A proportionate stratified sampling method was adopted so as to give a proper representation to the designated banks in the ration of 3:2:1

Therefore: $Q = A/N \times n/1$

Where: Q = the number of questionnaire to be collected to each bank.

A = the population of each bank

N = the total population of all banks.

n = the estimated sample size used in the study.

$$\text{Diamond Bank Plc} = \frac{75}{205} \times \frac{135}{1} = 49$$

$$\text{Fidelity Bank plc} = \frac{60}{205} \times \frac{135}{1} = 40$$

$$\text{Access Bank plc} = \frac{70}{205} \times \frac{135}{1} = 46$$

The method of data collection was questionnaire. The researcher administered structured and closed ended questionnaire to the respondents. The study used self-administered questionnaire. Mugenda (2009) observed that, questionnaires are frequently used in quantitative social research.

The data gathered was analyzed by both descriptive and inferential statistics. The data for this study was organized using statistical package for social sciences (SPSS).

From the literature reviewed the following model was developed

$$OP = f(GS, DA, M) \text{-----(1)}$$

$$OP = \beta_0 + \beta_1GS + \beta_2DA + \beta_3M + \mu \text{-----(2)}$$

Where OP is organizational performance, GS is goal setting, DA is delegation of authority and M is motivations.

A priori expectation

Given the model above couple with the relationship between the variables of the model, it is expected that $\beta_0, \beta_1, \beta_2, \beta_3 > 0$.

4. Data Presentation and Analysis

	OP	GS	DA	M
Mean	3.922609	3.946957	3.890435	4.503478
Median	4.000000	4.000000	3.800000	4.600000
Maximum	5.500000	5.500000	4.500000	5.000000
Minimum	2.000000	2.000000	3.000000	3.600000
Std. Dev.	0.615025	0.706774	0.329533	0.359564
Skewness	-0.630184	-0.991191	0.036029	-0.264916
Kurtosis	3.818976	3.602473	2.958306	1.975819
Jarque-Bera	10.82557	20.56974	0.033210	6.371332
Probability	0.004459	0.000034	0.983532	0.041351
Sum	451.1000	453.9000	447.4000	517.9000
Sum Sq. Dev.	43.12122	56.94643	12.37948	14.73861
Observations	115	115	115	115

Source: Computer Output from E-views 9

4.1 Descriptive Statistics Results

Table one above is the descriptive statistic of the management by objectives (MBO) as an instrument for organizational performance of deposit money banks in Nigeria. The mean value of organizational performance (OP) is 3.922609 percent, while the minimum and the maximum values are 2.00000 and 5.50000 respectively. The standard deviation of 0.615025 indicates that the data deviates from the mean value from both sides by 0.615025 per cent, which implies data there is no wide dispersion of the data from the mean value because the standard deviation is less than the mean value. The skewness value of -0.630184 and jarque-bera probability value of 0.004459 shows that the data of OP is negatively skewed but not normally distributed. The mean value of goal setting (GS) is 3.946957, this implies that on average 1 percent increase in goal setting (GS) enhances the

organizational performance (OP) by 3.946957 per cent. The minimum and the maximum values of GS are 2.000000 and 5.500000 the standard deviation of 0.706774 percent shows the extent to which the data deviate from the mean value. The skewness value of -0.991191 and the probability value of 0.000034 indicate that the data for GS is negatively skewed but not normally distributed. The mean value of delegation of authority (DA) is 3.890435 percent; this indicates that on average 1 percent change in delegation of authority (DA) by 3.890435 percent. The minimum and the maximum values are 3.000000 and 4.500000 respectively. The standard deviation of 0.329533 shows a little deviation of the data from the mean value. The skewness value of 0.036029 and the Jarque-Bera probability value of 0.983532 shows that the data of DA is positively skewed and normally distributed. The mean value of motivation (M) is 4.503478 this indicates that on average 1 percent change in motivation (M) by 4.503478 percent. The minimum and the maximum values are 3.600000 and 5.000000, the standard deviation of 0.359564 shows that the data deviates from the mean value from both sides by 0.359564 which implies that there is no wide dispersion of the data from the mean value. The value of skewness of -0.264916 and the probability value of Jarque-Bera statistic 0.041351 indicate that the data is negatively skewed but not normally distributed.

4.2 Discussion of Questionnaire

Table 1. Data on the level of employees participation in goal settings in enhancing the achievement of corporate objectives of deposit money banks in Yola metropolis.

	Strongly Agreed	Agreed	Strongly Disagreed	Undecided	Disagreed	Total
Employees participation in the setting of goals in the organization.	69	20	10	10	6	115
Management by objectives helps to obtain total commitment of all employees to work together to achieve a common goal.	70	22	8	8	7	115
Participation is used to create common perception for organization as a whole.	68	23	9	5	10	115
Recognition of achievement improve performance of the employees and organizational performance.	89	10	6	7	3	115
Total	296	75	33	30	26	460
Percentage response	64.35	16.31	7.18	6.5	5.66	100

Source: Field Survey, 2017.

Table one shows the response of the people on the employees participation in goal setting to enhance achievement of corporate objectives of deposit money banks in Yola metropolis. Its revealed that 64.35 per cent of the respondents strongly agreed that employees participation in goal setting will enhance the achievement of the corporate objectives of deposit money banks in Yola metropolis, 16.31 per cent agreed, 7.18 per cent strongly disagreed, 5.66 per cent disagreed while 6.5 per cent remain undecided. This implies that majority of the respondents strongly agreed that employees participation in goal setting can enhance the achievement of corporate objectives of deposit money banks in Nigeria and Yola metropolis in particular.

Table 2. Data on to what extent does employees delegation of authority to employees ensure the attainment of corporate objectives of deposit money banks in Yola metropolis.

	Strongly Agreed	Agreed	Strongly Disagreed	Undecided	Disagreed	Total
Employees are given appropriate authority and responsibility for effective management by objectives.	58	32	15	4	6	115
Employees are actively involved in the objectives setting process.	80	20	2	6	7	115
Employees understand how management by objectives can be applied.	49	21	37	5	3	115
Management by objectives provides a way to integrate and focus the efforts of all organizational members.	38	33	19	15	10	115
Deposit money banks achieved its objectives because it adopted management by objectives	68	23	9	5	10	115
Both the management and employees understand how management by objectives can be applied	69	20	10	10	6	115
Total	362	149	92	45	42	690
Percentage response	52.46	21.59	13.33	6.53	6.09	100

Source: Field Survey, 2017.

Table Two shows the response of the people on the extent of employees delegation of authority to ensure the attainment of corporate objectives of deposit money banks in Yola metropolis. The table revealed that 52.46 per cent of the respondents strongly agreed to the assertion, 21.59 per cent agreed, 13.33 per cent strongly disagreed, 6.09 per cent disagreed while 6.53 per cent remain undecided. This implies that majority of the respondents strongly agreed that delegation of authority to the employees will ensure the achievement of corporate objectives of deposit money banks in Nigeria and Yola metropolis in particular.

Table 3. Data on to what extent does deposit money banks in Yola metropolis motivate its employees for attainment of it objectives.

	Strongly Agreed	Agreed	Strongly Disagreed	Undecided	Disagreed	Total
Motivation determines employees output of work or performance.	48	42	17	4	4	115
Promotion when due improve performance of the employees and organizational performance.	70	18	12	6	9	115
Good relationship with management improve performance of the employees and organizational performance.	49	21	37	5	3	115
Encouragement from management motivate employees to have passion for work	38	33	19	15	10	115
Motivation improve performance of the employees and organizational performance in terms of achieving a common goal	48	43	9	5	10	115
Total	263	157	84	35	36	575
Percentage response	45.74	27.30	14.61	6.09	6.26	100

Source: Field Survey, 2017.

Table three shows the response of the people on the extent to which deposit money banks in Yola metropolis motivate its employees for attainment of it objectives. The table revealed that 45.74 per cent of the respondents

strongly agreed to the assertion, 27.30 per cent agreed, 14.61 per cent strongly disagreed, 6.26 per cent disagreed while 6.09 per cent remain undecided. This implies that majority of the respondents agreed that employees motivation will lead to the attainment of corporate objectives of the deposit money banks in Yola metropolis.

Table 4. Data on to what constitute organizational performance in deposit money banks in Yola metropolis.

	Strongly Agreed	Agreed	Strongly Disagreed	Undecided	Disagreed	Total
Promotion when due improve performance of the employees and organizational performance	78	22	7	4	4	115
Recognition of achievement improve performance of the employees and organizational performance	80	18	2	8	7	115
There is a relationship between you and your supervisor/Boss	49	21	37	5	3	115
Good relationship with management improve performance of the employees and organizational performance	88	13	11	0	3	115
Total	295	74	57	17	17	460
Percentage response	64.13	16.09	12.38	3.70	3.70	100

Source: Field Survey, 2017.

Table four shows the response of the people on what constitute organizational performance in deposit money banks in Yola metropolis. The table revealed that 64.13 per cent of the respondents strongly agreed to the assertion, 16.09 per cent agreed, 12.38 per cent strongly disagreed, 3.70 per cent disagreed while 3.70 per cent remain undecided. This implies that majority of the respondents agreed that promotion when due, recognition of achievement, existence of relationship between the employees and the management as well as good relationship between the employees and the management will improve performance of the employees and organizational performance of the deposit money banks in Yola metropolis.

Table 5: Regression Results for the MBO as an Instrument for Organizational Performance

Dependent Variable: OP

Method: Least Squares

Date: 06/07/17 Time: 11:33

Sample: 1 115

Included observations: 115

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.948634	1.046497	2.817624	0.0057
GS	0.048401	0.083817	0.577454	0.5448
DA	0.222027	0.177547	1.250528	0.0137
M	0.466888	0.164409	2.839796	0.0049
R-squared	0.615914	Mean dependent var		3.922609
Adjusted R-squared	0.510683	S.D. dependent var		0.615025
S.E. of regression	0.618302	Akaike info criterion		1.910483
Sum squared resid	42.43497	Schwarz criterion		2.005959
Log likelihood	-105.8528	Hannan-Quinn criter.		1.949236
F-statistic	12.598352	Durbin-Watson stat		2.017607
Prob(F-statistic)	0.007402			

Source: Computer Output From E-views 9

4.3 Regression Results

Table five contains multiple regression results for the effects of goal setting, delegation of authority and motivation which were used as proxy for management objectives (MBO) on organizational performance in deposit money banks in Nigeria. The coefficient of goal setting (GS) was found statistically insignificant at 5 per cent significance level as indicated by its high probability values of 0.5448. The constant and coefficients of delegation of authority

(DA) and motivation (M) were found statistically significant at 1 per cent, 5 per cent and 1 per cent significance levels respectively as indicated by their probability values of 0.0057, 0.0137 and 0.0049 respectively. The coefficients of Goal Setting (GS), delegation of authority (DA) and Motivation (M) were all found to be positive implying that one unit increase in Goal Setting (GS), Delegation of Authority (DA) and Motivation (M) will lead to an increase of 0.048401, 0.222027 and 0.466888 unit in organizational performance in th deposit money banks in Nigeria respectively. This is consistent with the theoretical apriori expectation of this study. The F-statistics 12.598352, which measured the joint significance of the parameter estimates of the variables of the model, was also found statistically significant at 1 per cent level as indicated by the corresponding probability value of 0.007402. This implies that goal setting, delegation of authority and motivation were statistically and significant affected organizational performance in deposit money banks in Nigeria.

The R^2 value of 0.615914 (61.59%) implied that 61.59 per cent total variation in organizational performance in deposit money banks in Nigeria was explained by Goal Setting (GS), Delegation of Authority (DA) and Motivation (M) while the remaining 38.41 per cent was explained by those variables that affect the performance of deposit money banks in Nigeria but were not captured in this study. This further indicated that the performance of deposit money banks in Nigeria was significantly explained by Goal Setting (GS), Delegation of Authority (DA) and Motivation (M). Coincidentally, the goodness of fit of the regression remained high after adjusting for the degree of freedom as indicated by the adjusted R^2 ($R^2 = 0.510683$ or 51.07%). The Durbin-Watson statistic 2.017607 in table 6 was observed to be higher than R^2 0.615914 indicating that the model is non-spurious (meaningful). The Durbin-Watson statistics 2.017607 shows that there was no serial correlation among the successive error terms thus making it possible to use the result of this study for policy purpose.

Table 7: Correlation Results

	OP	GS	DA	M
OP	1.0000			
GS	0.53657	1.0000		
DA	0.610146	0.102506	1.0000	
M	0.719871	0.175391	0.07967	1.0000

Source: Computer Output From E-views 9

4.4 Discussion of Correlation Results

Table Seven contains the correlation coefficients which show the extent to which organizational performance of deposit money banks in Nigeria relate to goal settings (GS), Delegation of Authority (DA) and Motivation (M). The simple correlation between organizational performance (OP) and Goal Settings (GS), Delegation of Authority (DA) and Motivation (M) was found to be positive as indicated by their correlation coefficients of 0.53657, 0.61015 and 0.719871 respectively. This implies that as Goal Settings (GS), Delegation of Authority (DA) and Motivation (M), performance of deposit money banks in Nigeria (OP) increases. This also confirmed the regression results in table six and corroborated theoretical expectation.

Table 8: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.932	.913	19

Source: SPSS Version 20

4.5 Cronbach Alpha Reliability Test Discussions

Table Eight presents the estimate of the reliability test of the relationship between management by objectives (MBO) and organizational performance in deposit money banks in Yola metropolis in Nigeria. From the Summary of the results of the scale, Cronbach's Alpha is 0.932, which is excellent. This suggests that collectively, all the items (questionnaire) that constitute the test are a random sample from a large universe of items and also adequate in addressing the research problem. The coefficient of the Alpha Cronbach revealed a very good relationship because is above 70 percent, which is the bench mark for reliability of an instrument.

5. Conclusion

This study investigated Management by Objectives (MBO) as an instrument for organizational performance of deposit money banks in Nigeria and Yola metropolis in particular. The study revealed that the coefficients of Goal Settings (GS), Delegation of Authority (DA) and Motivation (M) were positively affecting the performance of deposit money banks in Yola metropolis of Nigeria and they were rightly signed, implying that they were consistent with the theoretical priority expectation of this study. The coefficients of goal settings, delegation of authority and motivation were obtained as 0.048401, 0.222027 and 0.466888 respectively. This result implied that as involvement of employees in Goal Settings (GS), Delegation of Authority (DA) and Motivation (M) increase

by one unit Organizational Performance (OP) increase by 0.048401, 0.222027 and 0.466888 units respectively. The coefficients of DA and M were found to be statistically significant at five per cent and one per cent respectively as indicated by their probability values of 0.0137 and 0.0049 respectively, while the coefficient of GS was found statistically insignificant at five per cent significance level as indicated by its probability value of 0.5448. The F-statistics 12.598352, which measured the joint significance of the parameter estimates, was also found statistically significant at one per cent level as indicated by the corresponding probability value of 0.007402. This implies that all the variables of the model were jointly and statistically significant in affecting organizational performance in the deposit money banks in Yola metropolis.

Finally, this result revealed that Management by Objectives (MBO) was positively and significantly affecting the performance of deposit money banks in Yola metropolis.

Based on the findings of this study it is concluded that involvement of employees in goal settings will lead to attainment of corporate objectives of deposit money banks in Yola metropolis. The study recommends that in order to achieve the corporate objectives of deposit money banks in Yola metropolis, effort such as involvement of employees in the goal settings of the deposit money banks should be enhance. This if done will lead to the achievement of more corporate objectives of deposit money banks in Yola and that more authorities should be delegated to the employees in order that their performance will improve hereby improving the performance of deposit money banks in Nigeria and Yola metropolis in particular.

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