

Managing by Objectives (MBO) and Government Agencies: A Critical Review

Muhammad Ashfaq

Department of Business Administration, Dongbei University of Finance and Economics, Dalian, China

Abstract

The objective of this study is to examine the impact of Management by Objectives (MBO) on employee's performance, encouragement and motivation, self-confidence and contentment in public sector organizations, when they introduced MBO approach within an organization. We achieved our objective after review numerous and extensive literature and found that MBO improved the performance, efficiency, effectiveness and employees' confidence in the public sector organizations. The employees who participate in management by objectives program (MBO) know what exactly management is expecting from them. They better know about the organizational goals, their morale, performance, and job satisfaction are high. They are also more confident than those employees who don't participate in MBO program. Management by Objectives was recommended as a method to enhance administration efficiency for over sixty- years. Drucker (1954) was first introduced this term to setting organizational objective with the systematic way that would support to boost the organization satisfaction and employee's performance within the organization. The quantitative study is not possible because of limited time. A large number of private sector organizations have already introduced MBO to improve the management and employee's performance. This study gives support to introduce MBO in the public sector agencies. In summary, the impact of MBO system depends strongly on the design and implementation of its features. If it based on the standard, good practice and principle, then MBO can increase the performance effectively and efficiently in public sector firms.

Keywords: Public sector agencies, Management by Objectives (MOB), Management by Results (MBR), employee's effectiveness and efficiency, organizational objectives, employee morale and confidence, and management.

1. INTRODUCTION

The approach of Management by Objectives (MOB) or Management by Results (MBR) has been eminent among the Business organizations from last few decades. Peter Drucker in 1954 was introduced this term in his book "The Practice of Management." It recommends that goals and objectives of organization could not be applied to subordinates directly, but it should be planed mutually with the involvement of the top management. By this, the achievement of goals becomes easy, effective and efficient (P. Drucker, 1954). MBO approach requires all managers to set concise and specific goals that to be accomplished in the future by him and subordinates, and motivate them by frequently asking what additional need to be completed (Thomson, 1998). MBO is established by assumption, that employees will perform greater when they understand that what the main responsibility and expectation from them by the organization, and how can connect the organizational objectives to personal goals. A large number of public and private sector organizations have already introduced MBO to improve the management and employee's performance and in the last sixty- years since the approach MBO was popularized plentiful studies, models, tools and theories materialized.

In MBO, employees are appraised by the performance and how good they are in achieving their responsibility, project, and goals that are very crucial and important to accomplish their job successfully. MBO is a distinct approach and process, which transfer firm's goals into individual goals. It supports in setting the organizational goals, planning, self-analysis, and achievement view. In organizational goals setting, personal goals are recognized between managers- subordinates and organizational goals are being used as an instruction which assumes the benchmark for employee's evaluation. In the planning process, MBO is also used. Another important step of the MBO is self- control, where individual's performance is being evaluated systematically for getting a clear picture of their achievements (Qureshi & Hassan, 2013). However, In MBO, objectives should be SMART, i.e., specific, measurable, achievable, realistic, and time-bound (Peter Ferdinand Drucker, 1954).

MBO is an approach that established on goal setting philosophy and is used in profitless and public sector organization sometimes. MBO start with establishing the organizational objectives and then stimulate these objectives at all level of the organization, by the division to achieving the set objectives (Fisher, 2009). Attentive planning is needed with stakeholders while applying MBO in an organization for the sake of certifying buy-in (Lewis, Packard, & Lewis, 2011). MBO is modern demanding and accepting technique of organization nowadays. It gives more and more attention and concentration on achievements of the set goals through the contribution of all connected employees of the organization by team spirit. In MBO the outcomes and performance requisite to be calculable in both short term and long term (Nankervis, 2002). MBO by Drucker (1954), Balanced Scorecard approach of Kaplan and Norton (1992), and Theory Y' of Mc- Gregor (1960) is

based on “goal accordance and compliance” and “strategic measurements” as a purpose to enhance the firm performance (Anand, Sahay, & Saha, 2005). Therefore, the objective of this study is to investigate the impact of Management by Objectives on employee’s performance, encouragement and motivation, self-confidence and contentment with task and leadership between the workforces in public sector organizations, when they introduced MBO approach within an organization. To what extent Management by Objectives enhance employee’s performance, morale, and self-confidence after introducing MBO approach in public sector organization.

1. LITERATURE REVIEW

According to Peter F Drucker (1954) MBO is a management model which purpose to increase the performance of an organization by openly elaborating the objectives on which management and employees both are agreed. Individual struggle and efforts must be combined to achieve a common goal. The direction of all efforts must be same, and their participation and contributions must put together to produce a whole -

- Without interruption and gaps
- Without resistance
- Without worthless duplications of struggles and efforts

Management-by-objectives (MBO) is most traditional and the principal method of performance management (Poister, 2003). Management -by- objectives (MBO) start with the organizational objectives and it’s developed according to the specific, measurable, achievable, time limit (SMART) concept, decision making participative and feedback of the objective (Morrissey, 1976; Poister, 2003; Rodgers & Hunter, 1992). According to Odiorne (1976) MBO is a process whereby the common goals are defined by superior and subordinate jointly of an Organization, and for getting better expected results from each individual’s assign the major area of responsibility and use these measures as a guideline for running the system and analysing the participation of each member (Odiorne, 1976).

MBO techniques are also being used to public administration in Sweden on a large scale (Edvardsson, 2004). According to studies in the USA and Norway declared that management- by- objective (MBO) is most probably well-known management system in the regular sector administration (Busch, 1998). MBO is a result-oriented philosophy and produces a lot of benefits such as employee’s motivation, effective and efficient leadership and clear objectives before going to all concern people connected. MBO is a mechanism that translates organizational goals into subordinate goals. MBO has four elementary phases setting the goals, planning for action, personal control and annual evaluations (Ingham, 1995).

Additionally, MBO Creates a way to get a high-level result provides a lot of freedom and flexibility to subordinate to appraise and make innovative decisions on his own, once goals are jointly set by top management and subordinates. The important feature of MBO is Continuous monitoring, and it will help to achieve the results better. An achieving the organizational goals successfully by works have a positive impact on the incentive for all employees within the firm (Kraleov, 2011). MBO approach raises paper-work and consuming time. Objectives are being to set with too much concentration after seeing pros and cons at all levels of the Organization, which consume a lot of time and paperwork. In MBO performance assessment, employees have to deal with overwhelm new challenges. Employees will not be competent, smart and intelligent to focus on single tasks at any given time in most non-clinical scenarios (Huang, Chen, Huang, & Yien, 2011).

Furthermore, MBO/MBR often results in the internal clash, race, competition, a lack of cooperation and selfishness within the organization (Castellano & Roehm, 2001). MBO has been described the unsuccessful approach and much criticize sometimes (Dinesh & Palmer, 1998). While MBO encourages focus employees in planning and development and helps to reach specific goals, it ignores long-term objectives and often focuses too much on short-term accomplishment (Uduji, 2013). Nevertheless, Rodgers found strong, convincing and valid evidence that MBO works well just not in public sector organizations but also in private sector (Rodgers & Hunter, 1992). In addition, According to Humble (1970), MBO is an aggressive, dynamic, and organized system which investigates and clarifies company objectives and integrates the organization needs with the manager's need to contribute and develop him for achieving its profits and growth goals. It is a modern demanding and rewarding approach to managing an organizational business (Humble, 1970). As per mentioned by Schaeffer (1978), there are six main features of MBO.

- Manager and his supervisor are jointly set organizational and departmental objectives
- Long-term goals are divided into short-term specific and interrelated goals
- Adequate authority is given to the manager to act
- Supervisor gives continual guidelines to the subordinate
- Subordinate and the supervisor review the achievement continual
- Rewards are given to those subordinates who contribute towards goals accomplishment

The MBO objectives can be achieved successfully when all the six features of MBO are applied in an organization. According to Uduji (2013), to improve the efficiency and effectiveness through optimal

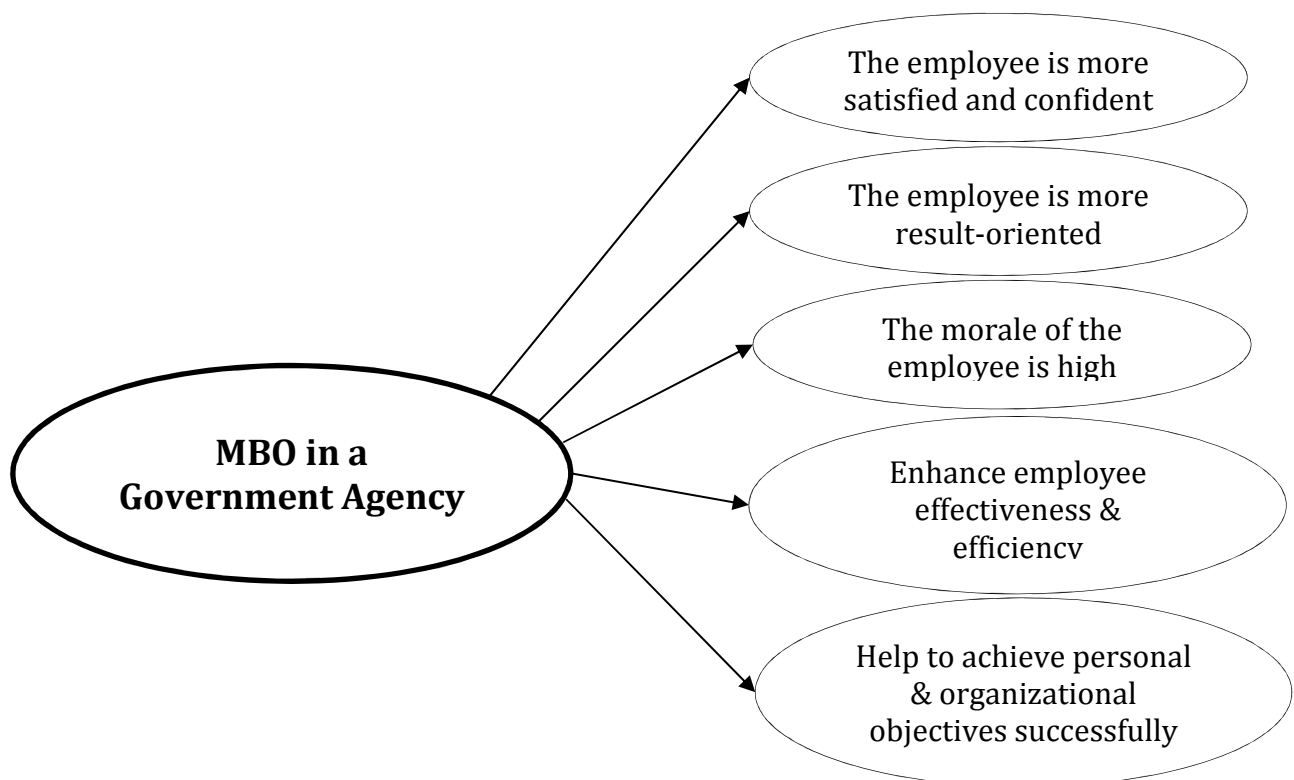
performance of its subordinates in an organization is the ultimate objectives of the MBO. One of the major premises and the most important reason why some organizations do not recognize their goals are that subordinates are not serious, loyal, committed and dedicated towards their achievement. Uduji (2013), proposed four basic and main reasons for employees' low comments towards achieving the organizational goals.

- Organizational objectives are not shared with employees
- Objectives are not implemented and practical
- Inadequate supervision provides to subordinates
- Subordinates contribution are not auxiliary to getting rewards

Hence, MBO is a method of assessing subordinates' ability systematically toward achieving organizational specific goals and performance criteria. Therefore, the employees who participate in management by objectives program (MBO) know what exactly management is expecting from them. They better know about the goals that are given by management is attainable and equitable, their morale, performance or job satisfaction is high, and they also more confident than those employees who don't participate in MBO program (Uduji, 2013).

2.1 Public Sector Organization and MBO:

Management by objectives (MBO) is a participative and democratic style of management. MBO involves the top manager and their subordinates acting together for the establishment of objectives, specifying responsibilities and assigning duties to achieve objectives. Thus, it should be introduced in the public sector agencies. MBO engages the employees in objectives set. The objectives become a form of awareness and knowledge of results. MBO has been proposed as a method to enhance management performance for over sixty years, and it improved the performance of public sector agencies (Thompson, Luthans, & Terpening, 1981). The firms must establish a team by uniting distinct individuals behind the common organizational goal. Individuals may use different ways to contribute to the attainment of the goals, but the direction of their efforts must be same and to produce a whole their participation must be fit together.



Picture 1: Benefits of MBO in a Government Agency

One of the major challenges was to avoid resistance and pause that need to be solved to achieving successful MBO implementation into complex public sector organization (Peter F Drucker, 1954). Applied MBO into public sector organization, means a firm was assumed to determine precise and certain goals, formulate among them and identify the dimension to which they were attained (Lindberg & Wilson, 2011). A compulsory situation to be introducing an encouraging MBO- approach in public sector organization is the impressive contraction in rules and regulations, number, and laws and administrative methods. MBO is a result-oriented approach. Specific individual and group objectives, a proper and applicable action plans, appropriate allocation

of resources and create control standards are expected to be developed by managers. MBO provides motivation, impulsion and an opportunity to employees to create and make positive participation in achieving the organizational goals. MBO has been already embodied in the private business fields; the idea of MBO is emerged in many public sector organizations now, such as environmental policy, health, and education (Edvardsson & Hansson, 2005).

3. Discussion and Conclusion

The conclusion and outcome of this study commonly suggest that in the public sector organizations, management by objectives (MBO) improved performance and result. The prediction is that when any public sector agency introduced Management by objectives (MBO) within the organization the quantity and quality of performance from top-level management to subordinates would improve. In the public sector, management by objectives (MBO) has a strong impact and position. It needs to concentrate on the performance of the comprehensive activities, be reluctant to simplify, and implement a system that motivates uninterrupted improvement and results, not only conformity with certain objectives (Aven & Krohn, 2014). Mostly in public sector organizations, especially in developing countries, there is no mechanism to evaluate performance and reward achievements, and if the employee has a strong or good relationship with their manager| top management, the chances of promotion is very high. Therefore, the performance of the employee's in the public sector organization is mostly below the belt. So, management by objectives (MBO) will not just enhance, improves and polishes the employee's progress but also provides the mechanism to monitor the performance.

When the objectives are given by systemically to each employee, it will help to enhance employee performance, and better control through strong follow up in the public sector organization. In public sector organization, when the employee knows his performance is being evaluated and monitored now, and reward/punishment will be given by performance, not on the strong| good relation with top management, then the performance of employee will be improved automatically. Hence, managing by objectives (MBO) could be introduced in government sector agencies. There is no doubt MBO has some drawbacks or disadvantages such as time-consuming and paperwork. Nevertheless, management by objectives (MBO) has a lot of benefits, features, and advantage, i.e., result-oriented approach, improve the performance of subordinates, employee encouragement or motivation, employee freedom, relaxation or flexibility, and enhance the organizational performance and better control. So, management by objectives must be introduced in public sector agencies.

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