

# The Effect of Management by Objectives on Performance Appraisal and Employee Satisfaction in Commercial Banks

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## Abstract

Management by Objectives (MBO) is one of the most effective performance appraisal method widely used in the organization. This study deals with the effect of Management by Objectives on performance appraisal and employee satisfaction. A self-administered questionnaire was used to judge the perception of the employees regarding MBO and its effect on their performance appraisal and employee satisfaction. The number of participants included in the survey was 60 employees from 33 commercial banks at Rajshahi Division in Bangladesh. This study aims to identify the respondent's demographic profile such as age, education, salary, and banking experience and reveals the importance of MBO on their performance appraisal and employee satisfaction. IBM SPSS v23.0 program has been used to analyze the questionnaire. Descriptive analysis, Pearson correlation analysis, and Regression analysis used to test the hypotheses. Econometric results suggest that MBO should be used as a method of performance appraisal and most of the commercial banks use Management by Objectives as an effective tool. In our correlation analysis we found performance appraisal and employee satisfaction have a significant positive relationship ( $r=0.715$ ). Performance appraisal increase employee satisfaction. Employee satisfaction increase productivity and effectiveness in the organization. Proper reward mechanism increase satisfaction level of the employees.

**Keywords:** Commercial Banks, Employee Satisfaction, Management by Objectives, Organizational Effectiveness and Performance Appraisal.

**DOI:** 10.7176/EJBM/12-20-02

**Publication date:** July 31<sup>st</sup> 2020

## 1. Introduction

According to Thomas M. Thomson, the most important tool the manager has in setting and achieving forward-looking goals. He must instill the workers, control coordinate & cooperate them toward goal achievement, continually encourage and enable the subordinates to dedicate the best contribution to the organization. Every organization exist for this purpose where top level management has specified and passed down the plans and objectives from one managerial level to another, and subordinates are responsible to implement the objectives. Therefore, to properly implement the objectives, organization's top-level management departments regularly review and evaluate every employee's job performance and overall contribution to the organization. "Employee appraisal," or "Performance appraisal" evaluates an employee's effectiveness & efficiency, achievements & growth, or lack thereof, beside to give employees as a big-picture feedback on their work performance. In this sense, management by objectives and employee's performance appraisal are positively link with employee's satisfaction. Employee satisfaction is the effective orientation that an employee has towards his or her work (Price, 2001). When employees are satisfied though there is absence of some factors for full satisfaction then they become more loyal to the organization and effect on the organizational effectiveness and efficiency. Drucker (1954) first advocated management by objectives (MBO) as a systematic approach to setting objectives that would lead to improved organizational performance and employee satisfaction. A multitude of private and public sector commercial banks of Rajshahi Division have implemented some form of management by objectives (MBO). Most of the management by objectives (MBO) literature has reviewed on describing the steps, suggesting the methods for implementation, and listing the pros and cons of adopting an MBO program.

## 2. Research Objectives

- A. To investigate respondents demographic.
- B. To investigate the uses of Management by Objectives in commercial banks.
- C. To investigate the relationship between management by objectives and performance appraisal.
- D. To investigate the relationship between management by objectives and employee satisfaction.
- E. To investigate the relationship between management by objectives and consequences of employee satisfaction.
- F. To investigate the relationship between performance appraisal and employee satisfaction.
- G. To investigate the relationship between employee satisfaction and employees effectiveness.
- H. To investigate the relationship between employee satisfaction and employees productivity.
- I. To investigate the relationship between employee satisfaction and reward system.

### 3. Literature Review and Theoretical Framework

**Management by Objectives:** Management By Objectives (MBO) is a **performance management** approach in which a balance is sought between the objectives of employees and the objectives of an organization. The essence of Peter Drucker's basic principle: Management by Objectives is to determine joint objectives and to provide feedback on the results. Setting challenging but attainable objectives promotes motivation and empowerment of employees. By increasing commitment, managers are given the opportunity to focus on new ideas and innovation that contribute to the development and objectives of organizations. Management by objectives as mentioned by Drucker is a simple approach to help motivate managers through the goal setting (Antoni, 2005). Koontz and O'Donnell (1968: 485) defined Management by Objectives as a technique of system or method of management whereby the superior and subordinate managers of an organization agreed on its broad goal, translate these goal into a chain of specific short term goals, defined each individuals major areas of responsibility in terms of result expected continually reviewed the accomplishment as the sole basis of assessing and rewarding them. The positive relationship between setting objective and task satisfaction is one of the most replicable findings in management and organization literature Locke et. al(1981). According to Steers and Porter (1974), the use of goal-setting techniques in a natural work environment should have significant impact on employee performance and satisfaction. According to Stewart (1993) general results of MBO is that the purposes of enterprise as an organizing form is reached from common people and through this method, effects often are realized on pre-arranged standards. Management by Objective as all other performance appraisal methods has an advantage range or bright side that offers organizations that apply this method to create competing advantages in trade, but this method is not perfect, it has also a range of disadvantages that make its application in practice difficult.

#### *Why Management by Objectives is important?*

<b>Bright Sides</b>	<b>References</b>
Easy to implement and measure.	<b>Aggarwal &amp; Thakur (2013), Shaout &amp; Yousif (2014)</b>
It facilities communication between managers and subordinates regarding goals, action plans and in making decisions.	<b>Koontz &amp; O'donnell (1976), Drucker (1954).</b>
Job satisfaction is increased.	<b>Koontz &amp; O'donnell (1976), Drucker (1954), Daft, Murphy, &amp; Willmott, (2010); Kreitner, (2009).</b>
In an MBO system, employees are more self-directed than boss-directed.	<b>Drucker (1954), Daft, Murphy, &amp; Willmott, (2010); Kreitner, (2009).</b>
It focuses employees on desired results.	<b>Koontz &amp; O'donnell (1976). Daft, Murphy, &amp; Willmott, (2010); Kreitner, (2009).</b>
It is more useful for managerial positions	<b>Dagar (2014); Kutillovci (2014).</b>
MBO combines planning and controlling in the rational management system. Departments' and individual goals are in line with organizational ones.	<b>Daft, Murphy, &amp; Willmott, (2010); Kreitner, (2009).</b>

In addition to the above advantages, many authors give their option about advantages of Management by objectives. According to Aggarwal & Thakur (2013), MBO is a performance oriented diagnostic system; Drucker (1954); MBO can be applied in any organization; Koontz & O'Donnell (1976) opined that Management by objectives provides a vertical linkage between top and lower level goals. Besides the above advantages, there are many disadvantages or limitations of Management by Objectives (MBO) method.

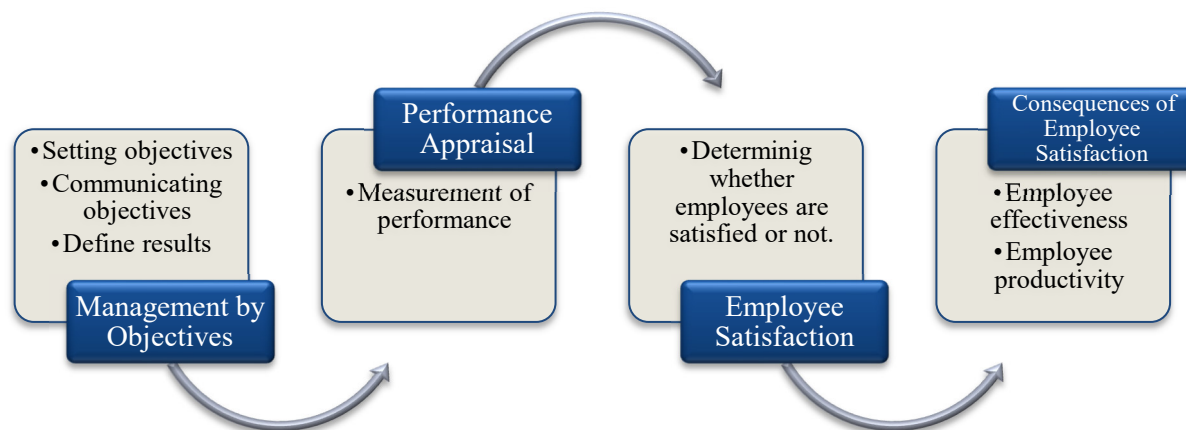
**Limitations of Management by Objectives:**

Limitations	References
Possibility of missing integrity, quality, etc.	Shaout & Yousif (2014), Aggarwal & Thakur (2013).
Interpretation of goals may vary from manager to manager, and employee to employee.	Aggarwal & Thakur (2013), Shaout & Yousif (2014).
Time consuming, complicated, lengthy and expensive	Aggarwal & Thakur (2013), Drucker (1954), Daft, Murphy, & Willmott, (2010); Kreitner, (2009).
Not applicable to all jobs, allocation of merit pay may result in setting short term goals rather than important and long-term goals etc.	Dagar (2014), Kutllovci (2014), Shaout & Yousif (2014).
Pressure on objective measurement of goals can be a threat in hands of overzealous managers and setting Arbitrary Goals	Daft, Murphy, & Willmott, (2010); Kreitner, (2009).
Environment, in which relations between a superior and subordinate are poor, influences negatively the MBO effectiveness.	Daft, Murphy, & Willmott, (2010); Kreitner, (2009). Certo and Trevis (2006).
Difficult to employees agree on goals.	Aggarwal & Thakur (2013), Shaout & Yousif (2014).

**Management by Objectives Process:** Management by objectives at its core is the process of employers/supervisors attempting to manage their subordinates by introducing a set of specific goals that both the employee and the company strive to achieve in the near future, and working to meet those goals accordingly. Five steps process given by Peter Drucker (1954) are 1. Review organizational goal 2. Set worker objective 3. Monitor progress 4. Evaluation 5. Give reward. Another Management by objectives process developed by Rodgers & Hunter (1991) goal setting, participation in decision-making and objective feedback have each been shown to increase productivity. On the other hand, Robert Kreitner (2008) discussed about a four-step process of MBO cycle. These 4 steps are 1. Setting objectives 2. Developing action plans 3. Periodic review 4. Performance appraisal.

**Conceptual Framework:**

**Figure 1: Conceptual Framework**



First step of the conceptual framework is focused on three core factors of Management by objectives which start with setting objectives. Communicating objectives- After objectives are being set, the managers and employees should implement a clear and precise agreement for objectives and goals that need to be fulfilled. Although goals and plans may be initiated at high levels in the organization, they must also be communicated to others in the organization (Griffin, 2005). Defining results- MBO starts with the selection of an appropriate person to fulfill a certain job. Then, the manager and selected person make plans and agree for the time required and the objectives that must be fulfilled for the next period. In this step, discussion, sharing information are required in between the manager and dependent. Second step is Performance appraisal, Management by objectives is a method that appraising employee's performance. If the goal is successfully achieved than based on performance high authority give appraisal to the employee. Third step is Employee satisfaction, based on performance appraisal high authority determine that whether employees are satisfied or not. The last step in the conceptual framework is

employee satisfaction. Determining the consequences of employee satisfaction to see whether employee effectiveness and productivity increase or decrease. Productivity- is raised through using MBO method; this can be seen from various studies. Research indicates that this is the most popular of scheme types, with one review of British practice reporting that 89% of their respondents measured employee performance against objectives or goals (IRS, 2005). Latham and Locke (1979) concluded a 14-year research program into goal setting as a motivational technique. Arising there from they asserted that the level of production in the companies they surveyed had increased by an average of 19%.

**Satisfaction:** The MBO method is in itself a method of motivating employees by managerial practices that are perceived positively (commonly negotiated goals, an autonomy in searching and using means to achieve goals, self-controlling and periodical common controlling work done by team members) (Hoffmann-Burdzińska & Flak, 2016). Management by objectives improves employees' motivation to work and to achieve organizational goals (Bieniok, 2004). Whereas, Mulolli, Islami and Skenderi (2015) claimed that if the employee realize bonus like raising the incomes or personal satisfaction they will be more motivated for work and will improve their individual performance as the results of these firms that have the employees clever and motivated for work, the performance will be better.

**Performance Appraisal:** Performance appraisal is a formal and systematic assessment of the performance of employees by managers and directors to understand the labor force regarding abilities to enable development of talent and improvement of company's growth. The appraisals take a systematic approach where supervisors measure employee's remuneration against set targets and plans. Walker, Damanpour, & Devece, 2011. (To understand the definition of performance appraisal would enable us lay a solid foundation to capture what the concept of performance appraisal is all about. Alo (1999) defines performance appraisal as a process involving deliberate stock taking of the success, which an individual or organization has achieved in performing assigned tasks or meeting set goals over a period. It therefore shows that performance appraisal practices should be deliberate and not by accident. It calls for serious approach to knowing how the individual is doing in performing his or her tasks.

According to Bagul (2012), appraising the performance of individuals, groups and organizations is a common practice of all societies. While in some instances these appraisals processes are structured and formally sanctioned, in other instances they are an informal and integral part of daily activities. Thus, teachers evaluate the performances of students, bankers evaluate the performance of creditors, parents evaluate the behavior of their children, and all of us, consciously or unconsciously evaluate our own actions from time to time. A more widely used classification of appraisal methods into two categories, viz., traditional methods and modern methods, is given by Strauss and Sayles (1971). While traditional methods lay emphasis on the rating of the individual's personality traits, such as initiative, dependability, drive creativity, integrity, intelligence, leadership potential, etc.; the modern methods, on the other hand, place more emphasis on the evaluation of work results, i.e., job achievements than the personal traits. Modern methods tend to be more objective and worthwhile. **Traditional Methods** are various types. These affect the organizations in different ways such as ranking method, paired comparison method, grading method, forced distribution method, forced choice method, Check- List method, Critical Incidents Method, Graphic Rating Scale method, essay method, field review method, confidential report. **Modern Methods:** Management By Objectives (MBO) Most of the traditional methods of performance appraisal are subject to the antagonistic judgments of the raters. It was to overcome this problem; Peter F. Drucker propounded a new concept, namely, management by objectives (MBO) way back in 1954 in his book "The Practice of management". The concept of MBO as was conceived by Drucker, can be described as a "process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each its members". Behaviorally Anchored Rating Scales (BARS)-The problem of judgmental performance evaluation inherent in the traditional methods of performance evaluation led to some organizations to go for objective evaluation by developing a technique known as "Behaviorally Anchored Rating Scales (BARS)" around 1960s. BARS are descriptions of various degrees of behavior with regard to a specific performance dimension. Assessment Centers- as a method of performance method is traced back in 1930s in the Germany used to appraise its army officers. The concept gradually spread to the US and the UK in 1940s and to the Britain in 1960s. 360 – Degree Appraisal: another method used to appraise the employee's performance is 360 – degree appraisal. This method was first developed and formally used by General Electric Company of USA in 1992. Then, it travelled to other countries including India. In India, companies like Reliance Industries, Wipro Corporation, Infosys Technologies, Thermax, Thomas Cook etc., have been using this method for appraising the performance of their employees. This feedback-based method is generally used for ascertaining training and development requirements, rather than for pay increases. Cost Accounting method: evaluates an employee's performance from the monetary benefits the employee yields to his/her organization. This is ascertained by establishing a relationship between the costs involved in retaining the employee, and the benefits an organization derives from Him/her. Now-a-days Modern methods are highly used in the organization. In modern methods, Management by Objective (MBO) is

the most acceptable method for any sector. In other words, stripped to its essentials, MBO requires the manager to goals with each employee and then periodically discuss his or her progress toward these goals. In fact, MBO is not only a method of performance evaluation. The Practicing managers and pedagogues view it as a philosophy of managerial practice because a method by which managers and subordinates plan, organize, communicate, control and debate.

**Performance appraisal based on Management by Objectives:** Atiomo (2000) agrees with Fajana (1997) that performance appraisal is a system which provides organizations with a means of identifying not only what people's performance levels are but which areas those levels need to be improved if maximum use is to be made of human resource. According to Atiomo, every organization should ensure that the individual is clearly aware of what his functions and responsibilities are to make performance appraisal effective. Rao (1984) writes that performance appraisal is the process through which organization takes stock of its work force in terms of its present performance, the aptitude and interest of each person, his strengths and weaknesses and his potential for growth. The data emerging from such an exercise constitutes the primary database for individual development and should be communicated to the subordinate. During the past centuries, the organization can survive without their performance appraisal (Wiese & Buckley, 1998). Nevertheless, as the times, the current performance appraisal is an integral element of organizational life (Cintron & Flaniken, 2011). Performance appraisal system that exists today has evolved over time since it was first used in the early 1800s (Wiese & Buckley, 1998). One performance appraisal method currently used is Management by Objectives (MBO). The common performance appraisal techniques are Rating scale, Checklists, Critical Incident Techniques, Force Distribution Techniques, Behaviorally Anchored Rating Scales (BARS), Management by Objectives, 360- Degree Appraisal etc (Iqbal & Sarkar, 2018).

**Employee Satisfaction:** According to Nancy C. Morse (1997) "Satisfaction refers to the level of fulfillment of one's needs, wants and desire. Satisfaction depends basically upon what an individual wants from the world, and what he gets. Employee satisfaction is, quite simply, how content or satisfied employees are with their jobs. Employee satisfaction is typically measured using an employee satisfaction survey. Factors that influence employee satisfaction addressed in these surveys might include compensation, workload, perceptions of management, flexibility, teamwork, resources, etc. An appropriate system of reward helps employees increase their individual productivity, help employees know and trust their company, and help the organization reward employees both through economic rewards (compensation, benefits, vacation time, and so on) and social rewards (praise, respect, appreciation, friendship, and so on, which don't cost the company anything) (Miles, 2012). Armstrong and Taylor (2014) points out that a successful performance enhances employees' motivation and productivity. Success obviously creates satisfaction, especially if it enables individuals to prove to themselves that they are using their abilities to the full. Armstrong and Taylor (2014) stated that it is a commonly held and not unreasonable belief that an increase in job satisfaction results in improved performance of employees. The whole human relations movement led by Mayo (1933) and supported by the Roethlisberger and Dickson (1939) research was based on the belief that productivity could be increased by making workers more satisfied, primarily through pleasant and supportive supervision and by meeting their social needs. People are motivated to achieve certain goals and will be satisfied if they achieve these goals through improved performance (Armstrong & Taylor, 2014). With the purpose of detailed analysis and further knowledge are represented the advantages and disadvantages of MBO method, as an performance evaluation method. Employee satisfaction is a measure of how happy workers are with their job and working environment. It is sure that there may be many factors affecting the organizational effectiveness and one of them is the employee satisfaction. Effective organizations should have a culture that encourages the employee satisfaction, (Bhatti & Qureshi, 2007).

### ***Variables on which Employee Satisfaction Depends***

#### **1. Organizational Variables:**

**Organization Development:** Organizational development is an ongoing, systematic process to implement effective change in an organization. Its objective is to enable the organization in adopting-better to the fast-changing external environment that helps to employee satisfaction.

**Policies of Compensation and Benefit:** Monetary rewards play a very predominant role. As indicated by Arnold and Feldman (1996), pay can have a powerful effect in determining job satisfaction. Employees should be satisfied by comparing their pay packets with those of the outsiders who are working in the same industry.

**Promotion and Career Development:** It promises and delivers more pay, responsibility, authority, independence and status. So, the opportunity for promotion determines employee satisfaction. According to Arnold and Feldman (1996) the level of promotion has a stronger impact on job satisfaction.

**Job Satisfaction:** Job satisfaction as any combination of psychological, physiological, and environmental circumstances that causes a person truthfully to say, 'I am satisfied with my job'. Job satisfaction contributes to employee's satisfaction.

**Job Security:** Employees with a high level of job security have a low probability of losing the job results in employee satisfaction. Yousef (2001) found that there is a positive correlation between job performance &

organizational commitment to that of employee's satisfaction.

**Working Environment & Condition:** According to Luthans (1998) Employees are highly motivated and satisfied with good working conditions, if employees work in a clean, friendly environment, they will be more productive. A healthy work environment is bound to nurture satisfaction among employee. (Moser 1997).

**Relationship with Supervisor:** Good relationship between supervisor and subordinate has a significant positive influence on the employee's overall satisfaction. According to Baron and Greenberg (2003), if workers view their superiors as fair and competent and sincere, the level of job satisfaction will be high.

**Work Group:** Group member's relation, group dynamism, group cohesiveness make use of a remarkable influence on the employee's satisfaction.

**Participation in Management/Decision Making:** Participation of employees in the decision making of any organization acts as a morale booster for employee's satisfaction, as it not just gives them a feeling but they start considering themselves as part of the system.

**Modern Office Equipment:** Use of internet, highly sophisticated computer systems, modern technology and so on that affect the level of employee's satisfaction.

**2. Personal Variables:** Employee satisfaction can be related to psychological factors and so numbers of personal variables determine the employee satisfaction of the employees. Following these variables comes in this category:

**Personality:** Competencies, Personality, Perception, Attitudes and Learning of employee's are suitable to the job which is also affected by employee's satisfaction level.

**Expectation:** Employee's expectation affects their satisfaction level. If one gets more outcome than expectation he will be highly satisfied and vice-versa.

**Age:** Researchers all across the globe have found that young employees possessing high energy level so feeling more satisfied whereas old employees showing a gradual decline in their satisfaction level.

**Education & Qualification:** Clark & Oswald (1994) Employees having better educational & practical experience show better levels of job satisfaction than those poor educational experience.

**Gender Differences:** The gender and race of the employees plays important determinants of employee satisfaction Women, the fairer sex, are more likely to be satisfied than their counterpart even if they are employed in same job.

**Gender Differences:** The fairer sex are more likely to be satisfied both men and women employee.

### ***Employee Satisfaction Based on Management by Objectives***

Management by objectives (MBO) can advocate improving management effectiveness to the organizational performance and employee satisfaction. Some of the Bangladeshi private as well as public sector organizations has implemented some form of MBO program. Most of the MBO literature has focused on describing the technique, suggesting the steps for implementation, and listing the advantages and disadvantages of adopting an MBO program. For example, McConkie (1979) has a comprehensive summary of thirty-nine experts' descriptions of the nature of MBO. The MBO literature shows that there are basically three types of research in the area which helps to motivate and satisfy employee. The first type examines the impact of MBO on employee satisfaction. The second focuses on the influence of MBO on performance as measured by subjects' perceptions. The third relates the MBO intervention to objective measures of performance. Additionally we have many anecdotal accounts of the effects of MBO satisfaction. Several studies have tested the effects of MBO upon satisfaction without examining performance. In a quasi-experimental study of Ivancevich et.al (1970) found that need satisfaction improved in one company but not in another. Extending this study, Ivancevich (1972) found that the improvement in need satisfaction was short lived and disappeared 18-20 months after the initial intervention. Similarly, Tosi et.al (1976) found conflicting results when they surveyed two organizations in general, there seems to be support for the premise that MBO programs lead to at least short-run satisfaction improvements. That means MBO can satisfied employee as a long range. Management by objectives is a widely used management system in both private (O'Donnell & O'Donnell, 1983; Ruth & Brooks, 1982) and public-sector (Greiner et.al 1981; Poister & Streib, 1989) objective settings. MBO also a process where employee can take part in goal setting, managerial decision making, involves in coordinating team work in order to achieve concrete objective. MBO was developed as a synthesis of three component processes: goal setting, participation in decision making, and objective feedback (Barnard, 1938; Drucker, 1954,1976; Odiorme, 1976,1986).

### **Survey Hypotheses**

- H<sub>1</sub>: Management by Objectives are applicable for the commercial banks in Bangladesh.
- H<sub>2</sub>: Management by Objectives have a positive effect on Performance appraisal.
- H<sub>3</sub>: Management by Objectives have a positive effect on Employee satisfaction.
- H<sub>4</sub>: Management by Objectives have a positive impact on Consequences of Employee satisfaction.
- H<sub>5</sub>: Performance Appraisal have a positive effect on Employee satisfaction.
- H<sub>6</sub>: Employee Satisfaction increase effectiveness of the employees.
- H<sub>7</sub>: Employee Satisfaction have a positive effect on employee's productivity.

H<sub>8</sub>: Rewarding system based on results has positive relationship with employee's satisfaction.

#### 4. Materials and Methods

To realize this study, a methodology consisting from combination of primary and secondary data has been used. The article has been prepared using the analysis of secondary resources (scientific publications and articles from specialized databases) and primary resources in the form of results of the quantitative survey conducted in a sample group of employers that work in the Bank of Rajshahi Division in Bangladesh. For the empirical analysis of the study, the data were gathered from a self-administered questionnaire. The participants were randomly chosen. To measure the impact in between variables in this study SPSS v. 23 programs has been used. Descriptive statistical techniques such as mean and standard deviation were used to measure the mean scores and their variability. Pearson Correlation is used to indicate correlations among the variables, Linear Regression analysis is used to test the hypotheses.

**Sample Used:** 60 employees were selected in the 33 commercial banks in Rajshahi Division by randomly sampling method. Questionnaire was distributed to all employees including top-level manager to non-managerial employees. So, it was required to take in consideration the experience and their opinions related with employees' success through applying MBO technique as a method of performance appraisal and employee satisfaction. The scale used in questionnaires is based on 5 Likert scale. Likert scale (1-Strongly Disagree, 2- Disagree, 3- Neither Disagree Nor Agree, 4- Agree, 5-Strongly Agree).

#### 5. Analysis and Findings

##### a) Respondents demographic

Table 1 shows the details of the demographic data analysis 86.7% of the respondents were male and 13.3% of the respondents were female. Highest number of employee educational qualification mostly belong to Masters. Most of the employee's gross salary is Tk. 40000-70000, which is belong to 39.3%. The age of respondent is mostly belong to 30-45 years old and that is 71.7%. The highest respondent of banking experience belong to below 10 years and that is 56.7%. Mid-level employee are highest respondent, which is 43.3%.

**Table 1: Respondent's Demographic**

Demographic Information	Particulars	Frequency	Percentage
<b>Gender</b>	<b>Male</b>	50	86.7%
	<b>Female</b>	10	13.3%
<b>Education Level</b>	<b>SSC</b>	1	1.7%
	<b>Bachelor</b>	5	8.3%
	<b>Masters</b>	52	86.7%
	<b>Above Masters</b>	2	3.3%
<b>Gross Salary (in Tk.)</b>	<b>Below 40000</b>	16	26.2%
	<b>40000-70000</b>	24	39.3%
	<b>Above 70000</b>	20	32.8%
<b>Age</b>	<b>Below 30</b>	11	18.3%
	<b>30-45</b>	43	71.7%
	<b>Above 45</b>	6	10.0%
<b>Banking Experience</b>	<b>Below 10</b>	34	56.7%
	<b>10-20</b>	24	40.0%
	<b>Above 20</b>	2	3.3%
<b>Current Job Level</b>	<b>Non managerial</b>	19	31.7%
	<b>Lower level</b>	13	21.7%
	<b>Mid-level</b>	26	43.3%
	<b>Top level</b>	2	3.3%

##### b) Descriptive Statistics

Descriptive statistics such as mean is used to measure the average value of the variables and standard deviation is used to test variability of the mean value. Five point scale is used to collect perception regarding the variables. Therefore, mean value of variables ranges 1 to 5. A mean value below 2.5 is below average, 2.5 to 2.9 above average, 3 to 3.9 is moderate average and 4 to 5 is high.

**Table 2: Descriptive Statistics**

Quality Factors	N	Mean	Std. Deviation
Objectives alignment	60	4.4500	.50169
Employees agree to continue their job	60	4.4500	.53441
Work distribution	60	4.4500	.50169
Working environment	60	4.4333	.49972
Team member assistance	60	4.3667	.66298
Management by objectives applicable	60	4.2667	.89947
Male, female distinction	60	4.0667	.97192
Employee satisfaction	60	3.9167	1.36905
Management by objectives done by systematically	60	3.8833	1.02662
Management by objectives timely, complicated, expensive process	60	3.7000	1.12446

Table 2 shows that The mean value of the variables ranges 4.45 to 3.70. Mean value of Employee satisfaction on the job ranges 3.92 is (moderate average), and objectives alignment ranges 4.45 (High average). Standard deviation ranges 0.50169 to 0.56648 respectively. Therefore, higher variability in perception regarding variables has been observed. Above the table Management by objectives, applicability ranges 4.27 which determine high average mean value. This is clearly exposes most of the respondents think that Management by objectives (MBO) is applicable in their organization. Therefore, the hypothesis H<sub>1</sub> is highly accepted for the high average mean value.

c) *Regression Analysis*

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 <sup>a</sup>	.494	.467	.25509

a. Predictors: (Constant), Consequences of employee satisfaction, Performance appraisal, Employee Satisfaction  
 Analysis of Variance Test Statistics (ANOVA) in table 4 indicates that the model is significant at  $\alpha = .000$ . This table provides the information on the significance of the model indicating a significant p-value of .000 and  $F=18.254$ . This indicates that the overall model was reasonably fit and there was a statistically significant association between Management by objectives and performance appraisal and employee satisfaction. The ANOVA findings are shown in Table 4 below.

**Table 4 : ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.563	3	1.188	18.254	.000 <sup>b</sup>
	Residual	3.644	56	.065		
	Total	7.207	59			

a. Dependent Variable: Management by Objectives

b. Predictors: (Constant), Consequences of employee satisfaction, Performance appraisal, Employee Satisfaction  
 A linear regression test is conducted to assess the relationship between the management by objectives and performance appraisal, employee satisfaction, consequences of employee satisfaction. There is a significant positive relation between Management by Objectives and Performance appraisal, Consequences of employee satisfaction: Adjusted  $R^2 = 0.467$ ,  $\beta$  value of performance appraisal was 0.493 and value of consequences of employee satisfaction was 0.263. t value of performance appraisal is 3.419 and value of consequences of employee satisfaction. P value of performance appraisal was 0.001 and p value of consequences of employee satisfaction is 0.035.

In addition, there is a negative relationship between Management by objectives and employee satisfaction:  $\beta = 0.067$ ,  $t = 0.453$ ,  $p = 0.652$ . Therefore, the hypotheses H<sub>2</sub> and H<sub>4</sub> are accepted, H<sub>3</sub> is rejected at the 5% level of significance. (P value of H<sub>2</sub> and H<sub>4</sub> are less than 0.05 and p value of H<sub>3</sub> is greater than 0.05) which is shown in the Table 5.

**Table 5 : Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	1.775	.328		5.419	.000	1.119	2.432
Performance appraisal	.366	.101	.493	3.615	.001	.163	.569
Employee Satisfaction	.041	.090	.067	.453	.652	-.139	.221
Consequences of employee satisfaction	.170	.079	.253	2.160	.035	.012	.328

a. Dependent Variable: MBO

d) *Correlations among Variables*



A correlation is a single number that describe the strength of linear relationship between two or more interrelated quantitative variables. A mathematical measure between two set of variables is called the Correlation Coefficient. It is most commonly symbolized by the letter r. the value of correlation coefficient (r) lies between - 1 to +1. In universal,  $r > 0$  indicates positive relationship,  $r < 0$  indicates negative relationship while  $r = 0$  indicates no relationship. Here  $r = +1.0$  describes a perfect positive linear relationship and  $r = - 1.0$  describes a perfect negative linear relationship. Closer the coefficients of +1.0 and -1.0, greater are the strength of positive/negative the relationship between the variables. The following general guidelines indicate a quick way of interpreting the value of correlation coefficient: -0.9 to -1.0 or 1.0 to 0.9 very strong; -0.9 to - 0.7 or 0.7 to 0.9 strong high; -0.7 to -0.4 or 0.4 to 0.7 moderate; -0.4 to -0.2 or 0.2 to 0.4 weak, low correlation and -0.2 to 0.0 or 0.0 to 0.2 very weak to negligible negative/positive correlation.

**Table 6: Correlations among Variables**

Variables		Employee Satisfaction
Performance appraisal	Pearson Correlation	.715**
	Sig. (2-tailed)	.000
	N	60
Employee Effectiveness	Pearson Correlation	.472**
	Sig. (2-tailed)	.000
	N	60
Employee Productivity	Pearson Correlation	.419**
	Sig. (2-tailed)	.000
	N	60
Reward System	Pearson Correlation	.255**
	Sig. (2-tailed)	.000
	N	60

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 6 shows that, A Pearson product-moment correlation coefficient was computed to assess the relationship between the performance appraisal and employee satisfaction. There was a positive correlation between the two variables,  $r=0.715$ ,  $n=60$ ,  $p= 0.000$ . “There was a strong positive correlation between performance appraisal and employee satisfaction. Performance appraisal have a positive effect on employee satisfaction. Therefore, hypothesis  $H_5$  is accepted. In addition, Correlation analysis was conducted among Employee Satisfaction and Employee Effectiveness, Employee Productivity, and Reward system. The r value of Employee satisfaction and Employee Effectiveness is 0.472 and  $p= 0.000$ . The r value of Employee satisfaction and Employee productivity is 0.419 and  $p= 0.000$ . Employee effectiveness and employee productivity have moderate correlation with Employee satisfaction. The r value of the Employee satisfaction and Reward system is 0.255 and  $p= 0.000$ . Reward system and Employee satisfaction have weak correlation. So that hypotheses  $H_6$ ,  $H_7$ , and  $H_8$  are rejected.

## VI. CONCLUSIONS AND RECOMMENDATIONS

Management by objectives is the modern performance appraisal tool. If employees are appraising for their performance, they are happy to do work in the organization and their effectiveness increase. In our analysis, we see that management by objectives is applicable for the commercial banks at Rajshahi Division. The regression analysis that shows Management by objectives have a positive relation with performance appraisal and consequences of employee satisfaction. But, when we analyzed the Management by objectives and employee satisfaction we found a weak relation between them. Most of the commercial banks applied MBO but their desired goal some time troublesome to achieve. If management or higher authorities properly use the method of Management by objectives they must be benefited. Because it is necessary that setting objectives communicating with employee is a positive attitude toward achieving goals. Performance appraisal has a highly positive effect on employee satisfaction. If the employees are appraising for their good work they are satisfied in the company and they want to continue their job in the same organization. But, employee satisfactions with employee productivity and effectiveness have weak correlation. Therefore, employees are normally satisfied with their job even though their satisfaction level is low and so this satisfaction may not be increased employee’s productivity and effectiveness. Well reward mechanism helps to increase employee’s satisfaction level but in case of commercial banks at Rajshahi Division, it is not properly practiced. Therefore, these factors find out very low correlation between employee satisfaction and reward mechanism.

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