

### 3 CHAPTER

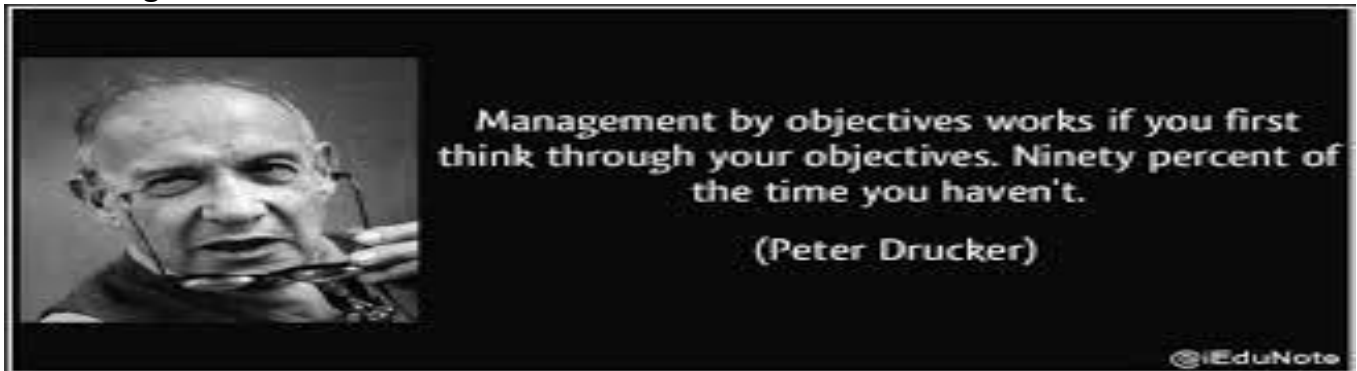
## MANAGEMENT BY OBJECTIVES (MBO)

### Meaning -

Management By Objectives (MBO) is a management system in which each member of the organisation effectively participates and involves himself. This system gives full scope to the individual strength and responsibility.

### DEFINITIONS

MBO harmonises the goal of an individual with the organisation's goal. It creates self-control and motivates the manager into action before somebody tells him to do something.







**Terry and Franklin** A managerial objective is the intended goal that prescribes definite scope and suggests direction to the planning effort of a manager

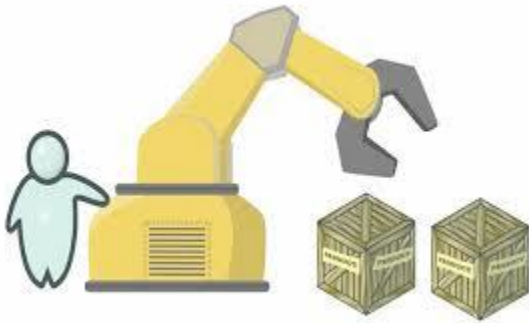
**George Odiorne.** According to him, "MBO is a system wherein the superior and the subordinate managers of an organisation jointly identify its common goals, define each individual's major area of responsibility in terms of the result expected of him and use these measures guides for operating the unit and assessing the contribution of each of its members".

**Prof. Reddin** defines MBO as, "the establishment of effective standards for managerial positions and the periodic objectives linked vertically and horizontally and with future planning". conversion of those into measurable time bound

## Objectives emphasizes on main aspects

1 Goal,	2 Definiteness,	3 Scope.	4 Direction
			

## Objectives of MBO



- i. To **measure** and judge **performance**
- ii. to relate individual performance to **organisational goals**
- iii. to clarify both the **job** to be done and the **expectations of accomplishment**
- iv. to foster the **increasing** competence and **growth of the subordinates**
- v. to enhance **communications** between **superiors and subordinates**
- vi. to serve as a basis for judgements **about salary and promotion**
- vii. to stimulate the **subordinates' motivation**
- viii. to serve as a device for **organisational control and integration.**

## Features of MBO

- 1 The management to integrate the goals of an organisation and individuals. This will lead to **effective management.**
2. MBO tries to combine the **long run goals** of organisation with **short run goals.**
3. Management tries to relate the **organisation goals** with society goals.
4. MBO's emphasis is not only on goals but also on **effective performance.**

5. It pays constant attention to refining, modifying and improving the goals and changing the **approaches** to achieve the goals on the basis of **experience**.
6. It **increases the organisational capability** of achieving goals at all levels.
7. A high degree of **motivation and satisfaction** is available to employees through MBO.
8. Recognises the participation of employees in **goal setting process**.
9. Aims at replacing the exercise of **authority with consultations**.
10. **Encourages** a climate of trust, **goodwill** and a will to perform.

## Process of MBO



MBO process is characterised by the balance of objectives of the organisation and individual. The process:

### 1. Defining Organisational Objectives

Initially, organisational objectives are framed by the top level employees of an organisation. Then, it moves downwards. First, long-term objectives are framed..

### 2. Goals of Each Section

Objectives for each section, department or division are framed on the basis of overall objectives of the organisation.

### 3. Fixing Key Result Areas

Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis. KRA indicates the strength of an organisation

### 4. Setting Subordinate Objectives or Targets

The objectives of each subordinate or individual are fixed. It is preferable to fix the objectives at lower level in quantitative units. There should be a free and frank discussion between the superior and his subordinates.

## 5. Matching Resources with Objective

The objectives are framed on the basis of availability of resources. If certain resources (technical personnel or scarce raw material) are not adequately available, the objectives of an organisation are changes accordingly.

## 6. Periodical Review Meetings

The superior and subordinates should hold meetings periodically in which they discuss the progress in the accomplishment of objectives.

## 7. Appraisal of Activities

At the end of the fixed period for achieving the objectives, there should be a discussion between the superior and subordinates. The discussion is related with subordinates' performance against the specified standards. The superior should take corrective action.

## 8. Reappraisal of Objectives

An organisation is a part of the dynamic world. There are a lot of changes within short period. The survival and growth of a modern business organisation largely depends upon putting up with the changing conditions.

## Advantages of MBO



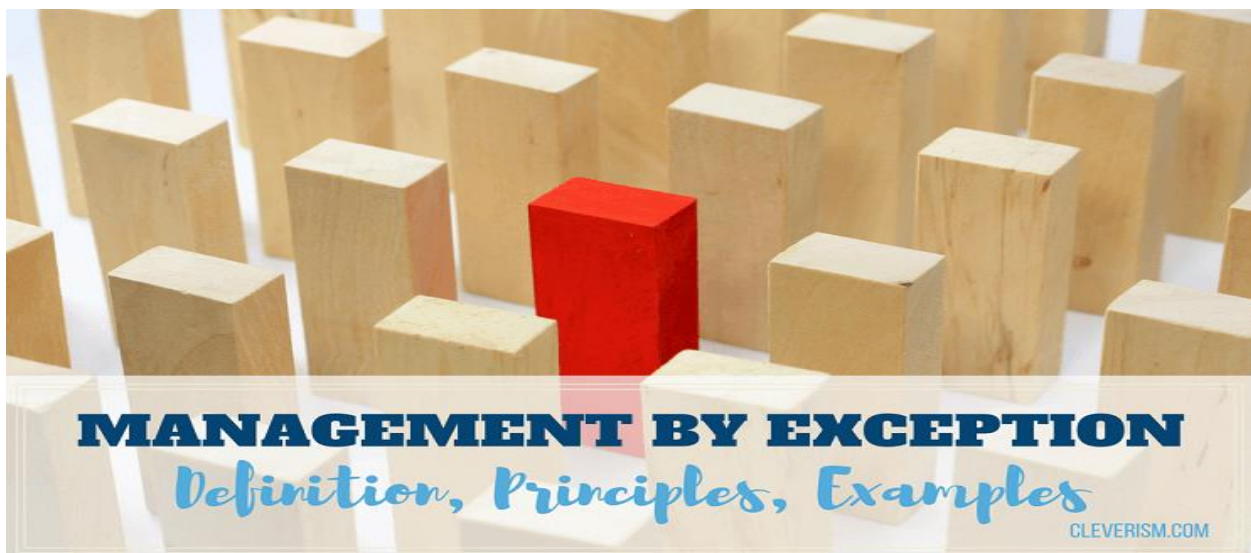
1. Managers are involved in objectives setting at various levels of management under MBO and this **commitment ensures hard work** to achieve them.
2. MBO process helps the managers to **understand** their role in the total organisation.
3. Manager recognises the **need for planning** and appreciates the planning.
4. MBO provides a foundation for **participative management**. Sub-ordinates are also **involved in goal setting**.

5. A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the **objectives of the whole organisation.**
6. **Systematic evaluation** of performance is made with the help of MBO.
7. MBO gives the criteria of performance. It helps **to take corrective action.**
8. **Delegation of authority** is easily done with the help of MBO.
9. MBO motivates the workers by **job enrichment** and makes the jobs meaningful.
10. The **responsibility of a worker** is fixed through MBO.
11. **Decision is taken by the management** very quickly..

### **Disadvantages of MBO**

- 1 Drawbacks inherent in the approach
- 2 Improper use
- 3 Lack of knowledge to set goals
- 4 Ignorance of long run perspective

### **MANAGEMENT BY EXCEPTION (MBE)**



### **Meaning of MBE**

Management by exception is an important principle of managerial control suggested by the classical writers on management. Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norms.

## Process of MBE

To set objectives or norms with predictable or estimated results. These performances are assessed and get equated to the actual performance. Next, the deviation gets analysed.

## Advantages of MBE

- 1 It saves the **time**
- 2 It focuses **managerial attention**
- 3 Better utilisation of managerial **talents and energy**.
- 3 It facilitates **delegation of authority**.
- 5 Top management concentrates on **strategic decisions**
- 6 Management **alert to opportunities** and threats by identifying critical problems.
- 7 It provides **better yardsticks** for judging results. It is helpful
- 8 objective **performance appraisal**.

## Disadvantages of MBE

- 1 Demotivating for employees at a lower level.
2. Furthermore, it takes time to pass the issues to managers

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