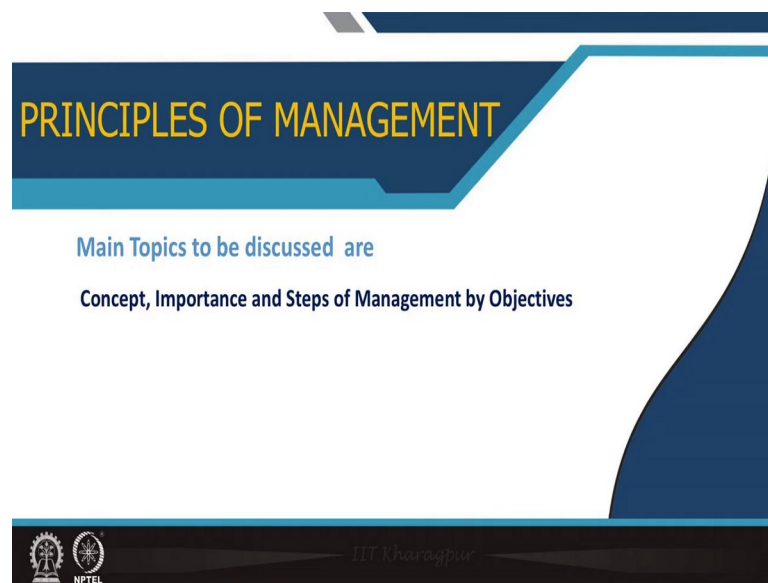


Principles of Management
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Module - 04
Lecture – 16
Concept, Importance and Steps of Management by Objectives

Welcome to module 4, lecture 1. In the previous modules we discussed about a planning function of management and decision making. This module we are going to discuss about management by objective management by exceptions and styles of management. On the lecture 1, we are going to discuss about Concept, Importance and Steps of Management by Objective.

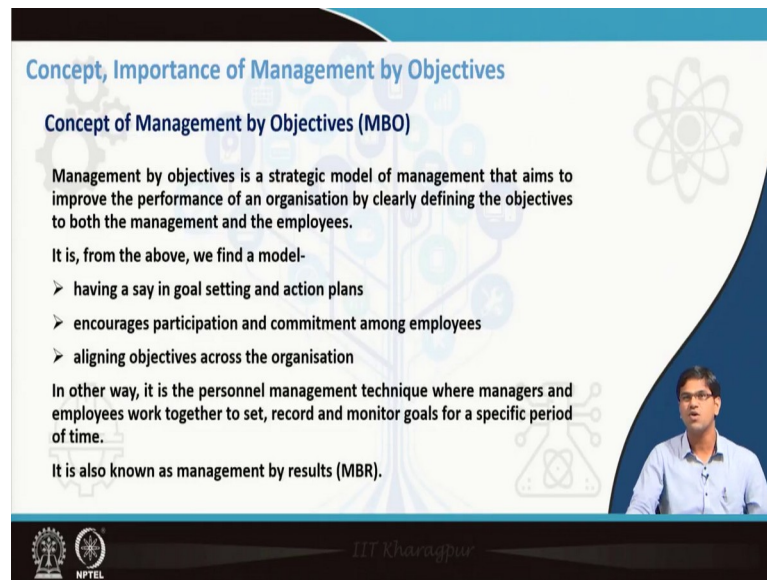
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Let us, go and understand; what is this concept of management by objectives. Even we heard about its management way objectives in the planning sessions. You know in the one of the lectures in the planning by planning. We discussed about management by objectives one of the traditional objective setting measures and it is also having a strategy implication.

Let us try to understand in detail about the management by objectives and what are the advantages and disadvantages of management by objectives. Let us get into the lecture ok.

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Concept, Importance of Management by Objectives

Concept of Management by Objectives (MBO)

Management by objectives is a strategic model of management that aims to improve the performance of an organisation by clearly defining the objectives to both the management and the employees.

It is, from the above, we find a model-

- having a say in goal setting and action plans
- encourages participation and commitment among employees
- aligning objectives across the organisation

In other way, it is the personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time.

It is also known as management by results (MBR).

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The management by objective is a strategic model of management that actually aims to improve the performance of an organization just by clearly defining the objectives both for the management and employees.

Actually, this is one of the important strategic models where we have seen the you know collective participation from the management and the employees. Where you know most of the strategic; you know decision making or strategic model often driven by the management or at least people who are sitting at the top level of the management.

Wherein this you know management by objective which is one of the important ways of looking at the management wherein they are deciding the objective of the organizations by bringing both the management employees together in deciding on how to go about achieving the organization goals.

So, since you know this is a strategic model. We can see you know this is having a say in goal setting and action plans you know this management by objective is actually talking about goal setting and also; what are the action plans. So, that now we will be able to achieve the goals. And it also encourages participation and the commitment among the employees. You know most often you know employees always seen that you know; decisions or objectives or the goals always set by the; you know management people or at least people sitting at the top.

Whereas in this particular situation or the management by objective model, it actually you know needs lot of participation from the employees and the commitment from the employees also.

Then when the moment we are talking about now commitment and participation of employees at each level of the organisation, you need to ensure that now those objectives of each level has to align across the organisation to achieve the larger goal of the organisation. That is the you know important crux of this you know management by objective.

So, it is actually goal, you know objective setting, at the same time now what are the actions can be turn to achieve the goals and also it expects the participations. You know other way it can also be you know called as you know personal management technique.

Because you know; we are requiring you know employees and managers to collectively work together to set the goals and you know see what are the formalities and modalities we can prepare to measure track their progress and have a specific you know time bound actions.

So, it can also be you know known as a management by results because, you know the objectives are set or the goals are set that the targets are set and you are driven to achieve the targets.

So, you know you are always seeing the output. What are the results you know outcome of the activities you are doing; you know what kind of the actions you do that? So, that the particular target are the goals been made. So, it can also be you know called as a management by results ye.

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The objectives of the management by objectives

Drucker, P. has termed the objectives of management by objectives, as SMART objectives which include the followings-

- **Specific:** It sets a specific area of target for a special thrust of improvement.
- **Measurable:** It suggest or quantifies the indicators for measuring the progress of actions taken to achieve the target.
- **Assignable:** It specifies the allotment of duties, responsibilities and resources to the employees who will do for it.
- **Realistic:** It states about the results that can realistically be achieved as per available resources and feasibilities.
- **Time-bound:** Specifies the stipulated timeframe when the results can be achieved from each plan of action being undertaken by the employees.

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Now, so, when we are talking about this management by objectives. This objective is also you know Peter Drucker. Professor Peter Drucker is the one who has proposed the concept of you know management by objective.

He also says this management by objective has a SMART objective maybe you know some people would have heard about the concept of SMART. SMART is nothing, but you know specific measurable assignable or attainable and realistic in nature and time bound.

Let us see why this you know management by objective is called as you know SMART objectives. This is because, you know what he says Peter Drucker says that you know any objectives set through this management by objective it should be following a concept of SMART is nothing, but the objective should be specific.

It is just a specific area of target for a special thirst of improvement. You know, the you know the target or the object you are setting should be very specific it cannot be you know vague or you know it is crossing over multiple disciplines or a functional area.

When the moment you are you know, there is a you know no clarity on the you know target or the goals or objectives being set then it will dilute the motivation of anybody who is involved in. For example, now you are you know participating in one of the events and somebody says you know you have to do this and you have to do that and

then all of a sudden there are some changes. Then you know you are unclear and you do not know you would not see the road to travel to reach the end.

And so, that is why you know it is be having a specific target and it should be you know specific area of target then measurable. The moment you know we are talking about setting a goal, it should also be measurable you know it suggests that you know indicators you mentioned you know what are the indicators.

So, that we can see that yes, we are actually achieving, we are on a process, we are on a mission; that we are actually making progress towards achieving our goal. So, it should be measurable you know it the what you should always make a parameters or indicators through which you will be able to measure; yes, this person is going.

For example, let us say you know we wanted to climb the Mount Everest right. So, the moment you are talking about you know it is a it is a you know huge task, but when you are talking about climbing the Mount Everest there are different stages right.

You know if you know somebody who have read about this you know climbing on the Mount Everest you know that there are different points that you need to show that you know yes you are able to move to this point there is a smit collision the large top, but you know there are different stages you know different levels, where you go and you know rest yourself there are indicators ok.

You are able to go up to this stage, then you are going up to the next stage, then you are able to and then I am able to measure yes what is the progress where you are going right. So, it should be a measurable one ok. There are some indicators. Let us say talk about you know how many talks about an example from a marketing division you know where we always talk about selling products or closing a deal, let us you know selling an insurance policy to somebody.

You know, selling an insurance policy is a n result. But you know, but there are in the process what will happen you will have to know make cold calls or you know keep you know track the numbers or who are the potential customers who are the potential buyers for this you know insurance policies then what will happen?

You will eventually call them then some calls may have positive response some calls will just you know end up with the negative response saying you know they are not interested then there are some positive notes you need to take it up the next level you know follow up calls then show interest go present the what are the benefits of this insurance policies, then you end up right. Now there is an indicator ok. How many calls you made, that becomes an indicator ok. That is, you can measure on day how many calls you made.

Now, then how many follow up calls you made? That becomes the second indicator that you are able to measure the progress that you are able to achieve the goal of selling the insurance policies.

Now, next is assignable you know it specifies the allotment of duties responsibilities and resources to employees who will do for it you know it should be an assignable in terms of you know you are able to you know assign the you know duties and responsibility to one particular person and also you are also able to allocate necessary resources required to perform the particular set of tasks; that should be an assignable task, then tasks are the target or the goal should be realistic in nature.

You cannot set an unrealistic target or objective in position and you are asking your team to work on it then it is never going to happen. So, any goal that should be realistic and it will be achievable by the participant, you know by the employees, by the management, by the group of people who are working towards a particular task right. It should be achievable it should be realistic in nature.

Then it is a time bound you know it specifies you know stipulated time frame when the results can be achieved. You cannot say you know you take whatever the time you require to do it, no. You need to have a time frame right you know.

In any company you work you always see that you know there is a target now weekly target, there is a monthly target, there is a quarterly target, there is a yearly target. So, now, how this you know you know weekly, quarterly you know yearly, you know weekly, monthly, quarterly and yearly right.

So, but actually from management objective it is the other way around I know when you set the yearly target that has to be broken down to quarterly target then it has to be

broken down to a monthly targets then the moment you have a monthly target that has to be broken down to weekly targets.

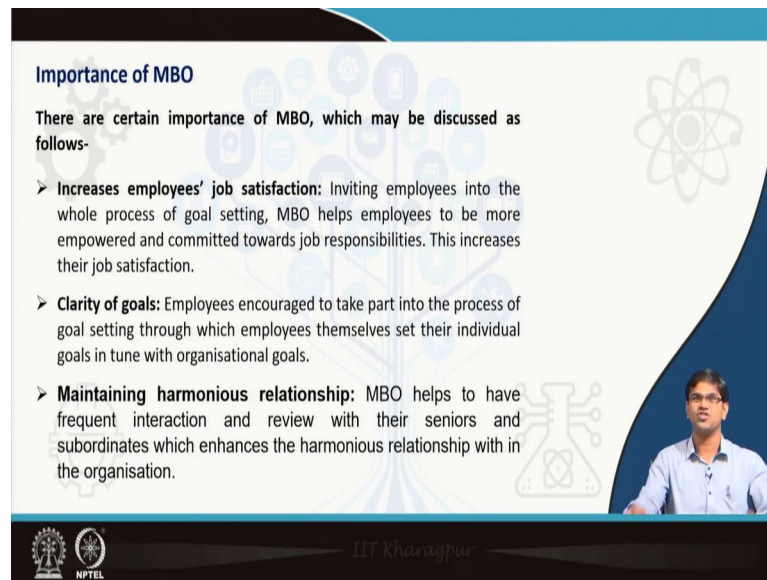
Then, but eventually to achieve the you know yearly target it will go from here right you know weekly, monthly, pass on to quarterly and then to you know yearly target right. It is the same way it happens you know each service specific time frame should be given to achieve the specific target. It cannot be you know endlessly you cannot give a target then you never expect a result to come, you never expect people to work together collectively and achieve a particular objective.

So, it should be a time frame. So, the smart goal is should be the objective of a management by objective. It should be specific, measurable, assignable, realistic achievable and time bound right, this is called SMART goal. You know you can always apply this particular concept in anything you work.

You know for example, even to preparing for your examination preparing for your next you know managers meeting, next you know appraisal you know reporting or whatever or you are going to you know discuss with your client it can be anything you can always apply the concept of SMART goals.

You know you need to see that you know what is specifically you are setting the goal it should be measurable in nature and it should be assignable, then it should be realistic in nature not you know unrealistic you know targets are the goals it cannot be never be realized or met then in time bound ye.

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Importance of MBO

There are certain importance of MBO, which may be discussed as follows-

- **Increases employees' job satisfaction:** Inviting employees into the whole process of goal setting, MBO helps employees to be more empowered and committed towards job responsibilities. This increases their job satisfaction.
- **Clarity of goals:** Employees encouraged to take part into the process of goal setting through which employees themselves set their individual goals in tune with organisational goals.
- **Maintaining harmonious relationship:** MBO helps to have frequent interaction and review with their seniors and subordinates which enhances the harmonious relationship with in the organisation.

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Then, we will also see the importance of management by objectives. Though we said you know management object is one of the strategic models where it actually engages you know both employees and managers in setting the goals. So, it is actually increasing employee job satisfaction.

How does it improve the employees of satisfaction? Because, by the process it actually invites employees into the whole process of goal setting though the organization sets the larger goal for example, relate with the analogy I given you know yearly target. Yearly target is set by the management now ok.

Let us say now I am working on a pharmaceutical company. So, as a as a company I decided then I wanted to have a gross sale of 100 crores for this particular year. You can call you know company x is a pharmaceutical company they have a set a yearly target of 100 crore gross sale fine.

Now, the target is set. Now how this you know increases the job satisfaction where in this process of management by objectives of course, the goals that the you know overall organisational goal is set as the 100 crore now it has broken organization to multiple divisions, multiple units, multiple you know you know segments or the customer segments or the product segments you know then there are multiple things right. Then it comes down wherein the managers collectively invite the employees to said ok.

Now, how do we set our targets? Now you know monthly targets; how do we set the monthly target? Then you are actually getting taking the input from the employees in setting the goal then they also participate in setting the goal let us say you know they are saying ok.

Now for a one particular divisions, now the larger goal is 100 crores. Now that has broken down to multiple divisions or multiple you know product areas for a one particular product area the yearly target is let us say 1 crore.

Now, the manager discussing with the employees that is where the management objective happens where they are discussing with their employees and then saying now, we need to check the quarterly. So, how do we set the quarterly it is very simply let us say there are four quarter; let us say 25 lakhs should be our target because for the particular product our target is 1 crore for the year. Now we can shall we set the objective now the employees also participate let us fix 25 lakhs as the quarterly target.

Now, now bring it down to monthly target let us say you know January, February, March, then let us bring it not equally divide rather we say you know January; let us fix it as 10 crore, 10 lakh and then 15 lakh and 10 lakh another 5 lakh for the month of march.

Then you know then now employees are actually participating that in the process of you know participations; it increases their job service because they are also involved in setting the goal. There is an ownership is actually transferred to the employees also then the employees will have motivated because you know I have been respected in setting my own goals.

So, that is actually giving a lot of you know job satisfaction because you know I decided what should I do I decided my target rather than you know somebody else tell me this is such the quantity of the job I should do is, this is the quantity of my target rather I participated that is why you know it is increasing the job satisfaction.

Then, clarity of goals: So, employees are encouraged to take part in the process of goal setting. So, there is a very good clarity on what I should do what is my goal how we are going to achieve the goal what should be the process of achieving the goal and what kind of an actions I can make to achieve the goals.

Because, I know the clarity I have the better clarity because I participated, I discussed we engaged in a lot of discussions debates are we also know brainstorm the ideas to achieve the goal. So, the clarity of goal is very clear for all my employees ok.

So, you know both then they also know that you know how by you know making my achievement how I am going to contribute towards my organisation goals right the clarity is very clear. How you know, how I am my goal is going to help my organisation to achieve the goals; that is why the clarity of goal and then maintaining a harmonious relationship.

So, management by objective it is a process where you know it helps the you know employees to have a very frequent interaction with the managers to review with the seniors and subordinates.

So, which enhance you know harmonious relationship because the you know frequency of the interactions are the numbers of interaction sessions you have with your managers with respect to your goals, with respect to the kind of activities you do the you know actions you do, then it is actually increases the harmonious relationship.

Because, the there is a transaction there is a transaction of conversation is happening between you and your manager or your superiors or the seniors then there is a harmonious relation. Because, there is a sharing of information happens that increases the harmonious relationship.

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Importance of MBO

- **Ensuring the objectives setting of subordinates:** Managers help subordinates to set their objectives having closely linked with the objectives of the organisation
- **Increase higher commitment among employees:** MBO encourages subordinates tend to have higher commitment to objectives as they set for themselves than those imposed on them by another person/manager.
- **Unifies the principle of management:** It encourages to work on the common goals for the organisation which unifies the directive principle of management.

The slide features a blue and white color scheme with various icons related to management and technology. A small video inset in the bottom right corner shows a man in a light blue shirt speaking. The bottom of the slide includes the IIT Kharagpur logo and the NPTEL logo.

And another important thing comes you know ensuring the objective setting of the subordinates. So, actually you know managers also help their subordinates to set their objectives. So, though we said know it does not participate it is not only you know one way that know my employee is set.

Sometimes imagine you are new to a system or let us say you know there is a new project wherein you are unclear about how to set your goals, how to start let us say your manager will help you let us you know this is a new project where in the first month you do not need to know equally distribute rather you keep a lesser target for the first month then the moment you are accustomed to the way of the product or the way you have to handle with the clients or customers then you will be able to actually you know increase your targets in the subsequent manner.

So, manager will actually able to help the subordinate to set the goals ok. Let us say I wanted to have only 4 deals; this month maybe probably this is a new product we are launching then the subsequent months I can go to 5 then the following one I can make it as an 8 as my target because, actually manager helping a subordinate to understand and then set the goals also ok. Then it increases higher commitment among employees.

See if you look at you know I this will relate to the job satisfaction because, you know the moment I decide my goal because I fixed this is my target then my commitment will be really high it is very simple right. So, when you decide you know how much you

wanted to score in your exam, then the commitment is really rather than you know if your parent says you know you I want you to score you know 90 out of 100, then the commitment from you is not you know self driven right it is you know driven by the outside you know driven by somebody not within you.

But you know if we compare that you know you decided what you want to do then the moment you decide the commitment is really high. For example, you know we plan some outings. So, when we plan you know we make a lot of commitment you know. We put in lot of effort to go, see you know what are the places to see, how to start, how to start planning, how to decide on which mode of transport we can make.

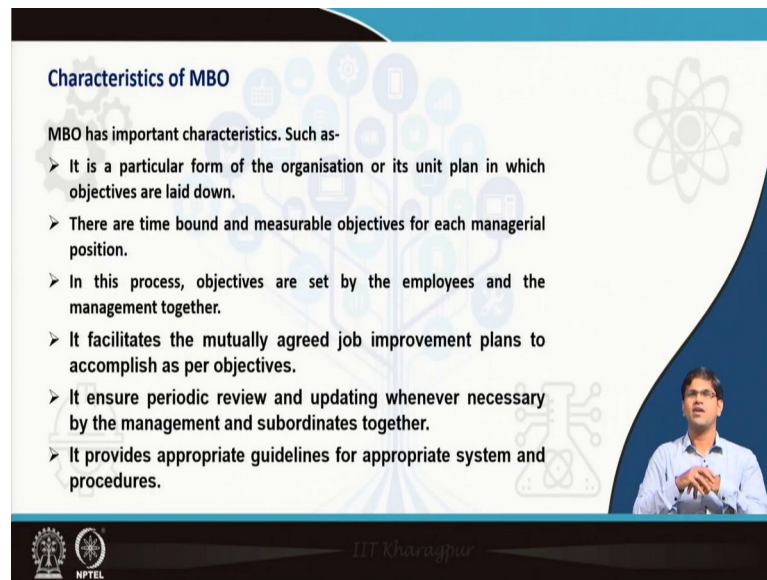
So, that there is a higher amount of commitment because when we decide on the goals right. So, the management objective also in a similar way it helps an organization, but how it is also you know helps the employees to set their goals then their commitment is really high on the decided goal then.

It unifies the principles of management. It encourages to work on a common goal for the organization because though you know the targets are set at the you know employee level, but though the target is specific to employee goals, but the employee goal is actually you know collectively going to realize the overall organisation goal.

As I said the one crore for a particular product segment will be achievable only when this small section of employees works together collectively when they achieve their let us say the contribution of you know 25 lakhs 25 lakhs 25 lakhs then that is actually going to make 1 crore you know gross sale.

So, it is actually unifying the you know goal you know individual goals towards the organization goal right ok.

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Characteristics of MBO

MBO has important characteristics. Such as-

- It is a particular form of the organisation or its unit plan in which objectives are laid down.
- There are time bound and measurable objectives for each managerial position.
- In this process, objectives are set by the employees and the management together.
- It facilitates the mutually agreed job improvement plans to accomplish as per objectives.
- It ensure periodic review and updating whenever necessary by the management and subordinates together.
- It provides appropriate guidelines for appropriate system and procedures.

The slide features a blue and white color scheme with a background of faint icons related to technology and management. A small video inset in the bottom right corner shows a man in a light blue shirt speaking. The NPTEL logo is visible in the bottom left corner, and the text 'IIT Kharagpur' is centered at the bottom.

Now, we have seen you know importance of management by objectives you know multiple forms. You know you would have been able to already started to appreciate you know management by objective as a concept is very useful. Even now if you look at you know larger companies; they have you know readily participate this practice of management objectives.

You go to any of the companies where you ask how the goals been set in a large you know IT firms where they actually allow their employees in interacting with their team leads or the managers.

So, to set you know their monthly targets and quarterly targets, so how much I have to be set. Then they know then that they are based on that they will be evaluated on their performance ok. So, let us talk about some of the characteristics of the management by objectives. It is an actually a particular form of organization plan or a unit plan you know in which objectives are laid down.

You know as we said you know it is actually a goal setting you know where when you if you look at you know planning phase, we also discussed about the traditional objective setting method.

In one lecture we discussed about the traditional object resetting method. I even discussed about two approaches; one is you know conventional objectives and then the management by objective.

So, it is also traditional objective setting. It is actually deciding what is to be achieved for a particular organization or particular unit or particular business unit or it can be a functional area also. And there are you know it is also a time bound and measurable objective for each managerial position. It is very important.

Now, the management objective says it there should be time frame within which the target or the object has to be set and then it should be measurable. You know as we said you know it follows the concept of smart goals. Then in the process you know objectives are set by the employees and management together it is actually a collective participation both from the management and the employees in setting the goals.

It facilitates the mutually agreed job involved improvement plans to accomplish as per the objective. You know, as I said there are two parties involved, they are actually mutually agreed on the improvement plan. So, that know they are able to achieve the organisation goals.

And you know as I said it is also engaged in a periodic review. Because, we said you know it should be time frame you know we need to review it you know time to time. So, that you know you are able to you know achieve the target you may be able to make progress. So, it should be a periodic repeat updating whenever necessary by the management and subordinates together. Because, you know now the changes are permanent.

So, every now and then there are changes there are technological advancements. There are sometimes, even the client requirement changes, sometimes customer requirement changes that there are multiple changes happening.

Even as an organization your policy might be changing the way you operate your you know day to day activities might be changing. So, you need to revisit this and then you know periodic review has to be done because you know you need to evaluate the continuously.

And it also provides appropriate guidelines for the you know appropriate system and procedures. You know it meaning that know evaluating system. You know it provides the guidelines here through which you know you will be able to evaluate. Because, you know it gives you know what kind of activities you can do to measure your progress.

So, it is an it provides an appropriate guideline to see whether the progress is happening in a periodic way or in a cyclic way fine.

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The slide is titled "Basic principle of MBO". It contains the following text:

The principles which are kept in mind for stepping down the management by objectives may be noted below-

- Principle of purposeful participation of employees in setting meaningful work and accountable results.
- Principle of time bound exercise focuses largely on the expected results and greater likelihood of achieving them
- Principle of unity of management action is more likely to happen as there is common objective to pursue.

The slide features a background with various icons (gears, a tree, a person, a brain) and a small video inset of a man in a blue shirt. At the bottom, there are logos for IIT Kharagpur and NPTEL.

. So, now, we will let us see the principles of management objectives. There are you know three basic principles that is actually driving the concept of management by objectives. One is principles of purposeful participation of employees in setting meaningful work and accountable results.

So, the principles of you know purposeful participation why we say you know purposeful participation because the purpose is very clear the because I as a management we have already decided about my organisation goal.

Now, I wanted to engage you know purposeful participation from the employees to set a goal or target for themselves. So, that they will be able to achieve my organisational goal. Though they are setting their goals, but eventually if they achieve the goal, it has to benefit an organization. You know it will actually support organisations to achieve their goal.

So, it is a collective participation that is why the purposeful participation of employees. Then, principles of time bound exercise. You know it is actually focused largely on expected results and greater likelihood of achieving them ye. As I said you know it is always a time bound exercise you know it actually decides within this time frame, we need to take fix up target.

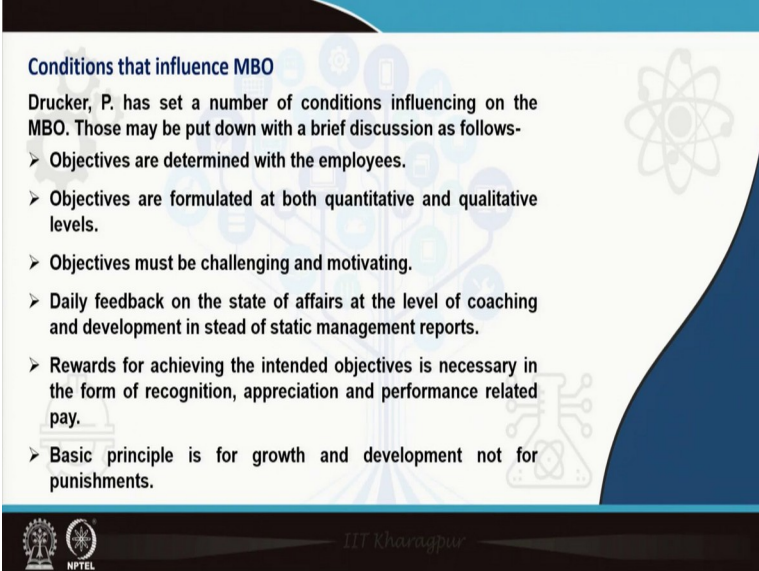
For example, you know let us say you know as a yearly goal is defined by the company. Now I need to decide the quarterly goals and the monthly goals of each team. Let us imagine you are working in a company where you are working in a team. Now it should be a you know time bound access and you cannot be kept you know discussing about what should be my weekly target what should be my monthly target by the time you take your own time.

Then by the time the week is over the month is also maybe over, then how do you contribute towards your quarterly goal achievement. And how do you contribute to the yearly goal achievement it should be time bound exercise you need to quickly decide on how to fix up the goals.

So, if you discuss about the modalities formalities and decide on or freezing the objective then principles of unity of management action. So, as you know the previous you know say PPT also or the previous slide even I was discussing about you know unity of action. You know, this actually unifies individual goals along with the management goals.

You know it is actually on the whole we are largely working on a common objective right. Because you know we are collectively trying to achieve organizational common objectives ok. So, these three are the major principle which is actually driving the concept of management by objective ok.

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Conditions that influence MBO

Drucker, P. has set a number of conditions influencing on the MBO. Those may be put down with a brief discussion as follows-

- Objectives are determined with the employees.
- Objectives are formulated at both quantitative and qualitative levels.
- Objectives must be challenging and motivating.
- Daily feedback on the state of affairs at the level of coaching and development in stead of static management reports.
- Rewards for achieving the intended objectives is necessary in the form of recognition, appreciation and performance related pay.
- Basic principle is for growth and development not for punishments.

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Now, though we know now we discussed about you know concept of management by objective, we discussed about the importance, we discussed about the characteristics and the principles. Now we are going to see what are the conditions that influence management by objectives.

So, Peter Drucker has said a number of conditions influencing the management by objectives. Let us see you know some of them ok. Objectives are determined with the employees; objectives are not determined without the participation of the employees.

So, it is not an independent activity; it is a dependent activity with the participation of employees that we are fixing the objectives. So, meaning that you know the participation of employees is required. In case employees refine are not participating actively, then whatever the goal set will be impacted it will not actually able to make an organisation progress or grow fine.

So, that is why you know this is going to become a condition that informs employee participation then objectives are formulated both at the quantitative and the qualitative level. So, you know it will say you know numbers also it also says the process also. The way you achieve is a qualitative and the number is the quantitative in nature.

So, objective will be both in terms of a quantitative and the qualitative levels. So, objective must be challenging and motivating. Now see you need to set a go goal or a

target which is realistic, but at the same time it should be you know challenging and motivating.

Because, you know let us say you know you know that know you will be let us say in a month you will be able to definitely make two sale insurance policy sales. Then you know it is not actually creating any challenge the moment I say you know you go beyond and stretch a bit.

So, that that it creates a challenge and you know it will motivate because the moment I increase my sales you know there is actually an incentive associated with that there is a motivation because I that is a revenue for me and at the same time there is a challenge also because you know I am actually stretching myself to you know take the challenge with me. So, that I can increase more sales right. Then daily feedback on the state of efforts at the level of coaching and development instead of static management reports.

You know there is a daily feedback required on the affairs at the levels of coaching and development. So, actually now this is also a little challenging. You know, if you have to provide you know daily update sometime you know it may be a time-consuming process ok.

Now, the third is you know you should always have some reward association with respect to the whatever the goals they are able to watch if in terms of you know the rewards can be in terms of recognition, in terms of you know incentive pay, in terms of you know increments or the promotions or the job rotations or let us say you know on site opportunities it can be in any form, but you know this management by objective is also associates certain you know association of the rewards ok.

And you know the basic principle for is for growth and development not for the punishments. So, the basic principle of you know management objective is only for growth and development. It is not for the punishment it is not going to say that you know if you do not achieve you are going to be punished no.

It is actually helping you to see are you actually you know growing or are you actually you know doing your activities that you are actually aligning with your organisation goals and your own goals. But it is not for the sake of you know punishment, but actually you know eventually it will also help you to evaluate your progresses right.

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Steps of MBO

For better practice of management by objectives, Drucker has developed its five steps which are being put down as follows-

- **Step-1, Determining the organisational objective:** Organisational objectives are the entry point of management by objectives.
- **Step-2, Translating the organisational objectives to employees:** In order to make the organisational objectives as organisation wide, it is important to translate these to employee level.
- **Step-3, Stimulating for employees' participation:** It is considered when the objectives of the organisation are discussed and shared throughout all levels of the organisation and everyone understand why certain things are expected from them.

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Now, let us also try to understand how to conduct this management by objective now you have learnt some concept of management objectives. Now let us you know how I can implement it? How as an individual let us say you know I am a manager I learnt a concept you know I how can I implement it.

So, let us start. There are five steps involved in you know starting this management by objectives. Let us go and see each of these steps. First determining the organisation objective, it is the first and prior most thing to do in the management by objectives ok.

This is an entry point for this MBO activity unless I do not know my organisation goal then it is impossible to set your functional level or the you know your department or a division level goals ok. So, now, once you know your organisation goal the analogy I have made as an organisation I said one-year target of 100 crore revenue or 100 crore sales gross sales on my company that is my organisation goal.

Now, you know translating the organisational objective to employ. Now, the second step as I know that this is my organisation now, I need to translate the organisation goals to the employee ok.

So, in order to you know translate the organisational objective as a wide it is important to translate to the employee level. You know Let us say as I set if the 100 crore has to be

you know brought down or ripple down to the employee levels. Let us say 100 crores can be you know you have 5 10 products.

Now spread it out 10 crores each that is now product level now each product you have to bring it down to you know region wise or the you know state wise where is your sales how you are going to distribute based on the professional of the populations or based on the you know earlier performances you need to allocate the different resources.

Let's say you know I take one product let us say that particular product can make 10 crores in a year then I should say divide that into bring it to my employee level. Now, stimulating employees first. Step 3 is stimulating employees for participation. Now the organisation goal is done now I am translating to employee level participation now I need to simulate employees to participate in the decision making at their level ok.

So, where you know I need to encourage my employees to participate stimulate them this is what our organisation goal is. Now, let us come and participate and discuss how do we fix our level you know functional level or the divisional level or the department level or regional level or the you know specific area level goals.

So, that you know we will be able to translate and achieve our organisation goal.

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Steps of MBO

- **Step-4, Monitoring of progress:** As there is SMART goals, it is then measurable otherwise, a system will have to be developed through which monitoring function is activated to keep the process in track.
- **Step-5, Evaluation and rewards for achievement:** MBO is designed to improve performance at all levels of the organisation. An evaluation system is necessary in order to understand the progress as well as to reward for the achievement.

In addition to above, the process of MBO is included some more steps which are related to- goal setting of each section, fixing key results areas or action points, matching resources with objectives, appraisals of activities, etc.

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Now, step 4 is monitoring of the progress. So, once you are able to stimulate their participation and then you are able to set you need to keep in mind that the smart goals, you need to set the small goals.

So, that you know it is measurable once the goals are set where you know you encourage employees to participate and set the goals then the goals are set you need to ensure that you know that goals are whatever the target set by the employees. Now we need to measure it are they actually achieving it or not.

Because they were already fixed weekly targets, monthly target than the quarterly targets; now you will be able to measure right. Every week you do a review whether or they achieved or not if they are not achieved why, what is happening, is need is there a support needed from the management or not or, is it something you know personal level or is there a timing requirement for my employee. So, that they are able to achieve their you know target set by them ok. Then step five becomes evaluation and rewards for the achievement.

Now, once the you know monitoring of the progress is done now, I need to evaluate are they able to achieve in case if they are able to achieve that they are able to you know continuously able to achieve their weekly targets monthly targets and quarterly targets. Now I need to provide them certain rewards.

So, that they get motivated ok. Now I need to provide them every quarterly achievement of the targets I am going to give associate certain in percentage of incentive. Let us say you know 100 percent achievement for the quarterly targets I might give 10 percent as an incentive.

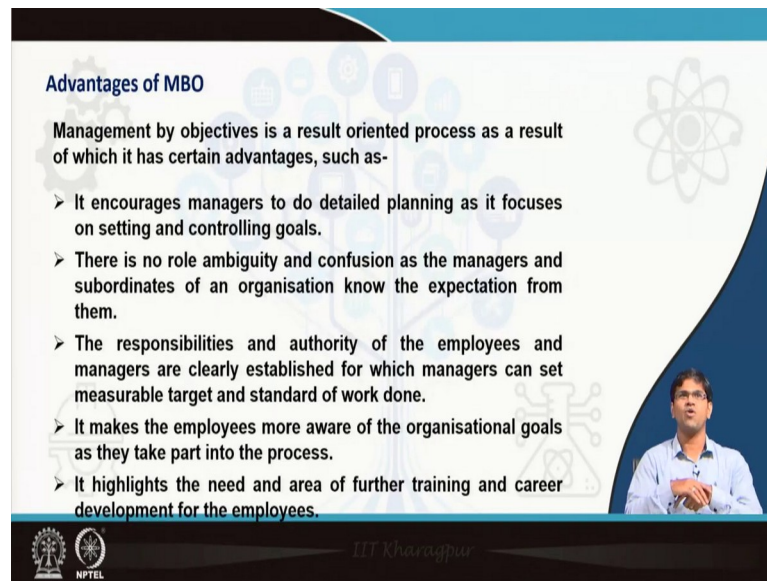
Then say if it is only 80 percent then I might say you know it is 5 percent of the 5 percent is the incentive. In case it is below 60 percent then, there is no incentive at all ok. So, this is how management by objectives set because the reward and the evaluation and reward are one of the important functions of management by objectives.

In addition to the above process, you know MBO is also include some more steps which are related to goal setting of each sections you know under the functional areas there are divisions or sections fixing the key research area. You know KPI KRAV we call it you know k results area and we need to and matching the resources with objectives and you

need to also you know do uprisings you know evaluate and provide them increment or necessary feedback required.

So, that they are able to achieve it. These are the steps to you know management by objective.

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Advantages of MBO

Management by objectives is a result oriented process as a result of which it has certain advantages, such as-

- It encourages managers to do detailed planning as it focuses on setting and controlling goals.
- There is no role ambiguity and confusion as the managers and subordinates of an organisation know the expectation from them.
- The responsibilities and authority of the employees and managers are clearly established for which managers can set measurable target and standard of work done.
- It makes the employees more aware of the organisational goals as they take part into the process.
- It highlights the need and area of further training and career development for the employees.

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Now, we will see the advantages of the management by objective. So, actually it encourages managers to do detailed planning as it focuses on setting and controls the goals. So, it actually encourages my managers because you know they are engaging with the employees or their subordinates in setting their goals.

There is no role ambiguity; you know there is no confusion as a managers and subordinates of the organisation know the expectation from each of them. Because, they both of them participating in setting the goals. So, they know clearly what is required from me and what is the role of my manager.

So, there is a clarity on the roles and what is required and what is the activity I should do. There is no ambiguity there is a very clear and clarity is there. The responsibility and authority of employees and manager clearly established for which you know managers can set a measurable target and standard of work being done because it is a participatory process.

So, they know the responsibilities and authority is assigned to employee, team leader and the manager it is very clearly defined. So, there is a lot of clarity in setting the each of their goals because you know employees you know team members have to have a goal and team leaders should have a goal and similarly at the same time manager should also have a goal. So, there is no you know confusion it is very clear the responsible are distributed at different levels member level team leader level and the manager level.

And it makes employees more aware of the organisation goals as they take part into the process. Because actually they are engaging in the process of watching the goals, you know they are more aware what my organisation goals are where my organisation is heading to and how I should contribute towards supporting my organisation.

It also highlights the need and area for further training as I said you know when you are able to evaluate when they are not able to make a progress, they are failing to achieve the target then it is actually indicating there is a deficiency in their performance when there is a deficiency it also indicates ok.

What should I do to address the deficiency whether I should replace a people or should I provide a training you know or I should also you know see ensure that I need to groom some leaders in my team?

So, then you know the team leader become a manager, team member become a team leader. So, there is also a scope that you are able to track the needs and deficiencies was there you will be also able to understand the training needs and the career development opportunities for my employees and these are the advantages of management by objectives.

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Advantages of MBO

- The system of periodic evaluation helps employees know how well they are performing as it puts emphasis on measurable and quantifiable objectives.
- It helps to improve better communication between management and subordinates as objectives are set together.
- It encourages better team work in order to achieve the goals of the organisation.
- It strengthens the organisational structure and operational strategies as a whole.

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Now you know apart from this you know this system also provides a periodic evaluation actually it helps employees to know well how they are performing in every quarter you know then collectively they see you know how they are performed across the year.

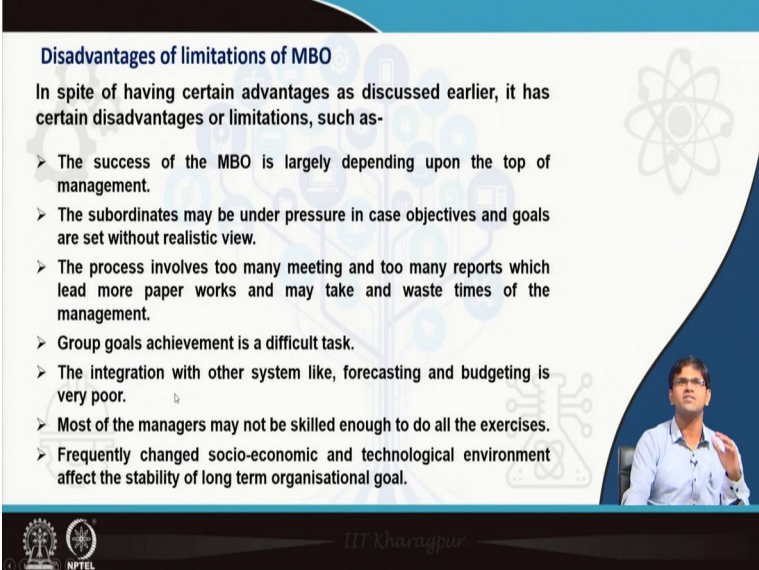
So, let us say you know first quarter they did not perform really well then, after realizing that you know say looking at the periodic reviews, I need to you know work on it. So, that then you see that the subsequent quarter; the performance of the employees actually increases then it is actually providing a lot of you know compelling motivation that is you know then the moment they say that I am actually progressed from the previous quarter then I got a lot of motivation.

Then I increase my performance even better in the subsequent quarters collectively if you take the overall year performance my performance may be much better because I have evaluated every quarterly and there is a periodic evaluation.

It also you know improves the better communication between a management and subordinate because, since there is a participation then there is a continuous process, they are interacting regularly conversing between each of them then it actually improves the communication right. It also increases the better teamwork and you know in order to achieve the goals because yes as we said you know there is always constant participation from both the levels management and the employees.

So, it encourages the teamwork and it strengthens the organisational structure and operational strategies as a whole. Since it is a collective participation; so, it is actually you know strengthens the organisation structure. Now, though we talked about the lot of advantages of MBO any you know model or any way of you know management practices there is always an associated disadvantage also let us you know understand what are the disadvantages ok.

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Disadvantages of limitations of MBO

In spite of having certain advantages as discussed earlier, it has certain disadvantages or limitations, such as-

- The success of the MBO is largely depending upon the top of management.
- The subordinates may be under pressure in case objectives and goals are set without realistic view.
- The process involves too many meeting and too many reports which lead more paper works and may take and waste times of the management.
- Group goals achievement is a difficult task.
- The integration with other system like, forecasting and budgeting is very poor.
- Most of the managers may not be skilled enough to do all the exercises.
- Frequently changed socio-economic and technological environment affect the stability of long term organisational goal.

The slide features a blue and white color scheme with a stylized atom logo in the background. A small inset video shows a man in a light blue shirt speaking. At the bottom, there are logos for IIT Kharagpur and NPTEL.

The largely the success of this you know management by reserve is dependent on the top management. Because, you know top management will decide the first goal right organisation goal and they should also provide sufficient time for their managers to participate with their employees collected to decide their goals also right.

So, it is largely dependent on the top management support and it is not only restricted to MBO in any activities any form of you know practices you talk about, management support is absolutely essential unless otherwise without the management support it is not possible to realize the you know success of any practices we talk about.

Then, subordinate may be under pressure in case you know objectives are unrealistic you know there they are setting you know some a bigger target which is not realistic in nature. So, they will be under pressure irrespective of you know let us say you know 100 crores for a year maybe you know unrealistic in case if it is unrealistic then it is rolled

down to an employee level the employee is under a pressure do not try to achieve or generate these 100-crore revenues.

So, that maybe you know they will go through a lot of pressure to you know achieve it. It this process also involves too many meetings too many reports as I said you know there is a daily reports daily meeting and you know you need to because you need to collectively participate. So, often there are so many meetings and interactions that actually consume a lot of your time rather you will not put your effort in doing your actual work right.

And group goal achievement is a difficult task sometimes you know as a group some may be independent individuals have their own different goals at the way of styles they work and maybe sometimes it will be challenging to collectively you know bring it ok.

Then integration with the work system like you know forecasting and budgeting is very poor. Because, you know though not every department might have a better information better access to the resources. So, they might not make a better estimation of the future rather end up making an unrealistic goal which we will have an impact on the achievement and the overall organisational performance also.

Then most of the managers may not be skilled enough to do all the exercise since you know it is requiring managers participations in setting the goals. It is not always believed you know all managers will be capable of doing all the exercises; maybe some managers are really good some managers are having the you know limitation of you know let us say you know communication skills.

Or let us say you know they are not you know able to manage the team or they do not have the better conceptual or technical knowledge in conducting the process or estimating the future and assessing the situations are forecasting per se that then that will actually impact right.

So, then there is a constant change in socioeconomic and technological environment. You know when we are talking about you know future is uncertain and the you know business environment is also uncertain and that will actually eventually will impact the business.

You know then the management by objective is not providing sufficient scope to consider the impact of the environment in deciding the management by object or the goals for each of the teams or the target set by the team levels or the function level, but it should also consider the scope of you know environmental scanning parallelly.

So, that you know you are subsequently reviewing it ok. So, we have seen the some of the disadvantages of the management by objective.

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CONCLUSION

This lecture session has covered basic concepts, objectives, importance, steps, advantages and characteristics of management by objectives which will be helpful to all Learners to have knowledge and capabilities on all these issues of management by objectives since they would have careful observation and attendance of the lecture session.

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These are the references; today we learnt about you know management by objective it is as one of the strategic models and we also discussed about the principles and how to conduct this management by objective set the goals and then eventually we discussed about the advantages and the disadvantages of management be objective ye.

Thank you.