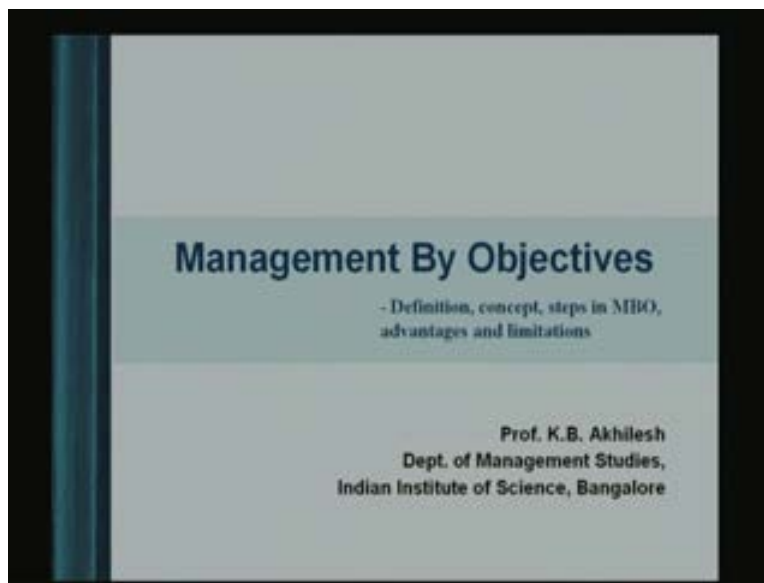


**Concept of Management and Evolution of Management Thought**  
**Prof. K. B. Akhilesh**  
**Department of Management Studies**  
**Indian Institute of Studies, Bangalore**

**Lecture - 03**

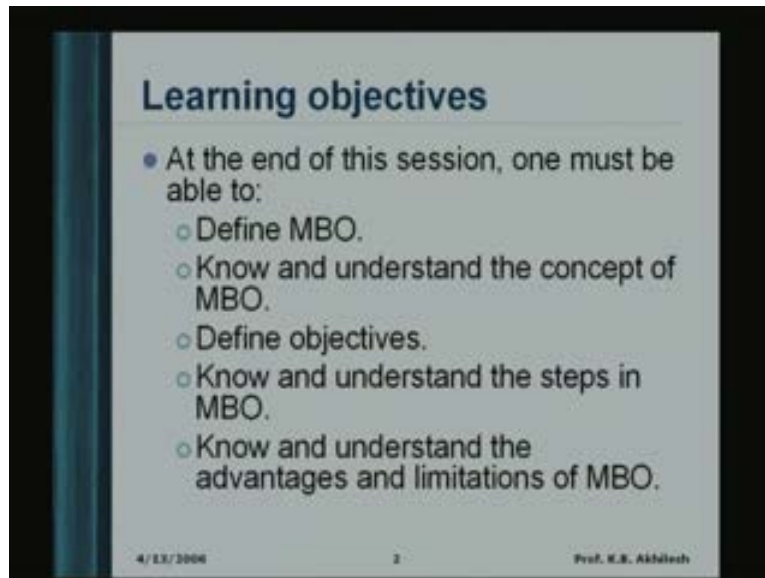
Hello, in my previous lecture we discussed about planning.

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Today we will continue our discussion about the planning and specifically we will talk about management by objectives. It is one of the established tools and a practice which will help in achievement of the set goals and suggested plans. As we are seeing in the planning process both long term and the short term plans are important plans are set based on the analysis of the data, analysis of the available information and both future is take based on the detailed assessment of the strengths weaknesses opportunities and threats and once the plans are set that is broken down to various objectives and management by objectives or in the short form, what is called as the MBO becomes an another important tool in the hands of management. Let us spend time today in understanding the definition, concept, steps and advantages and limitations of MBO process. The management guru beta drucker has been given the credit of giving this term management by objectives.

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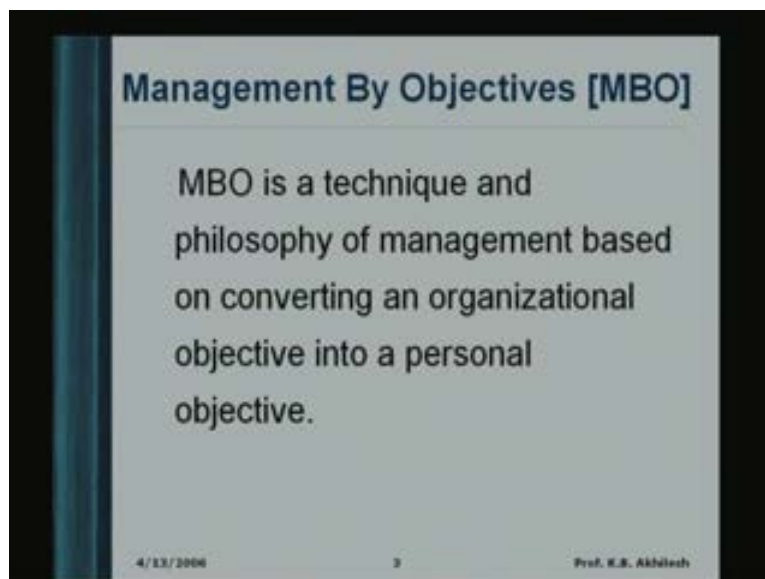


**Learning objectives**

- At the end of this session, one must be able to:
  - Define MBO.
  - Know and understand the concept of MBO.
  - Define objectives.
  - Know and understand the steps in MBO.
  - Know and understand the advantages and limitations of MBO.

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**Management By Objectives [MBO]**

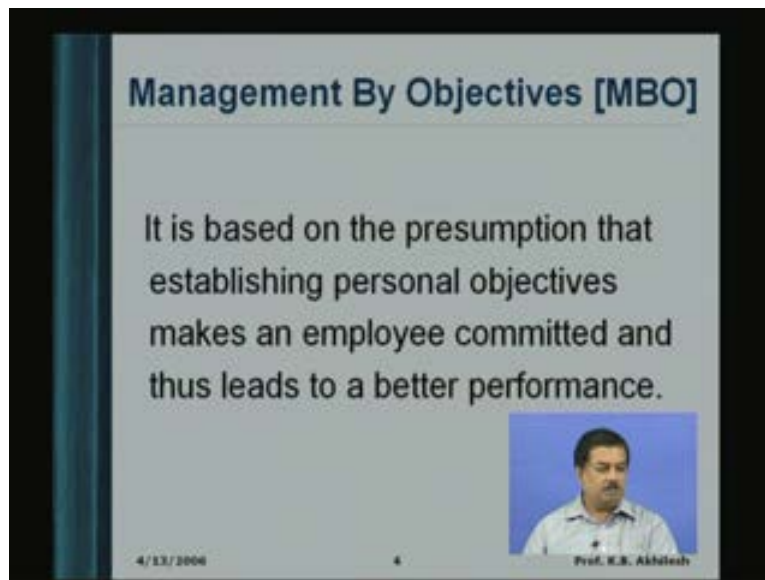
MBO is a technique and philosophy of management based on converting an organizational objective into a personal objective.

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So specifically at the end of this session you must be able to define what this MBO is all about know and understand the concept of MBO, define good objectives, describe good objectives and know and understand the steps in establishing an MBO program, know and understand the

advantages and limitations of MBO. MBO as a technique as a practice got widely accepted by the organizations world over in the mid 80's and continue to evolve in a different forms.

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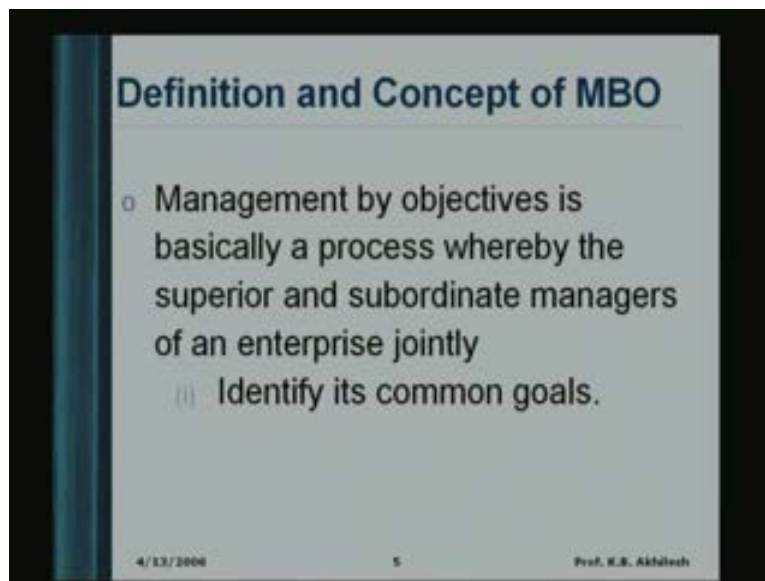


So in the simplest of the form MBO can be described as a technique and philosophy of management based on converting an organizational objective into a personnel objective not only the conversion but also it is based on the presumption that establishing personnel objectives makes an employee committed and thus leads to a better performance. I think the word philosophy is very important when we look at and understand management by objectives. The technique is denied that once people know what the objectives are once they have clarity about the resources, they will be able to go and achieve these objectives.

So this takes us to the philosophy of the McGregor's theory X and theory Y, kind of assumptions about people. Theory X believe that basically people are lazy, people have to be driven, people have to be directed, people have to be chased to achieve these set goals. So the goal striving was considered as a kind of a compulsory activity and it assume that lazy people need to be, need to be motivated only through punishments, only through reprimands where as you have the theory Y, theory Y believes that people basically like their work, basically people would like to do and

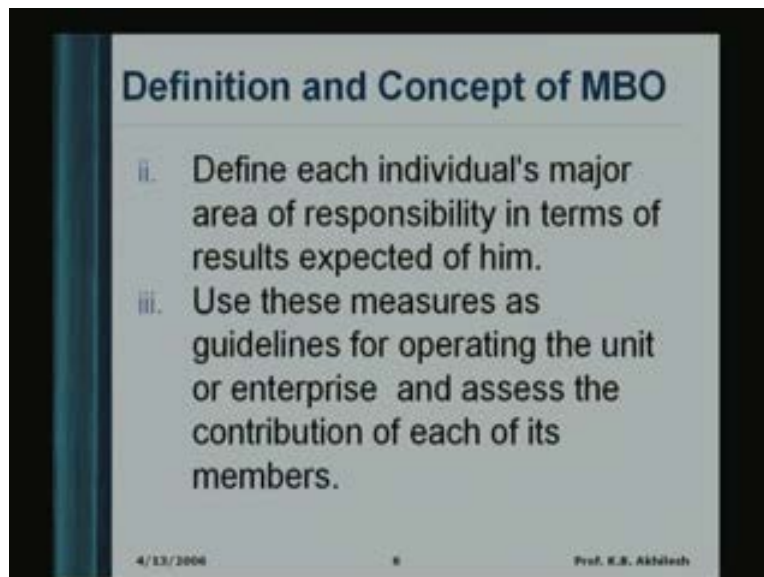
achieve the task and this task achievement need to be enabled enabling would mean providing the required information, providing the required clarity and helping them through proper assessment and reviews making move, making them move towards effective achievement of the set objectives.

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So the management by objectives it is in that sense based on theory Y assumptions of the management not really the theory X. So management by objectives is basically a process whereby the superior and subordinate managers of an enterprise jointly identify its common goals. So the no doubt the strategic goals of the organization, the mission of the organization, vision of the organization and plans to achieve those things are stated at the organizational level. Now this need to be viewed this need to be understood at different levels, what Likert talked about the linking pin, he use the word linking pin that every manager links the lower groups to the higher groups. So management by objectives becomes an important rule for the role of the manager as a linking pin in the organization.

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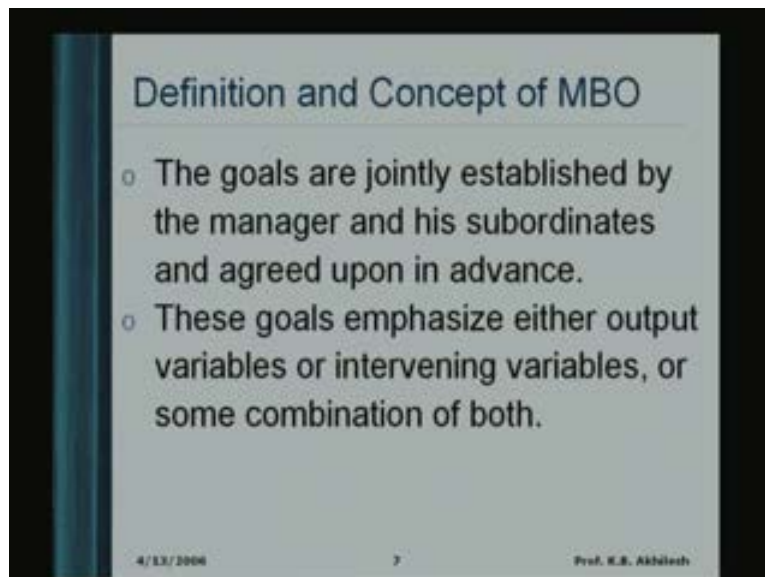


So they identify what are the common goals and it is done jointly and defines each individuals major area of responsibility in terms of results expected of him and uses these measures as guidelines for operating the unit or enterprise and asses the contribution of each of its members.

So the key word is this joint, joint goal setting, joint action planning, joint means in a together they understand the methods of assessing how they are moving towards the stated objectives and doing that joint review and coming to that kind of an appreciation of each others role and contribution towards achievement of the plans itself.

So that is where the goals are jointly established by the manager and the subordinates and agreed upon in advance. So the beginning of the planning period, the beginning of the ah period is very important with that is the time where they sit together to the joint planning and then as they go long, they do the joint review and then at the end they can make a joint assessment, how far they have contributed, what is that they have done more, what is that they could have done better. So these goals emphasis either output variables or intervening variables are some combination of both. So we will understand the nature of these objectives itself and how this objectives comes into picture.

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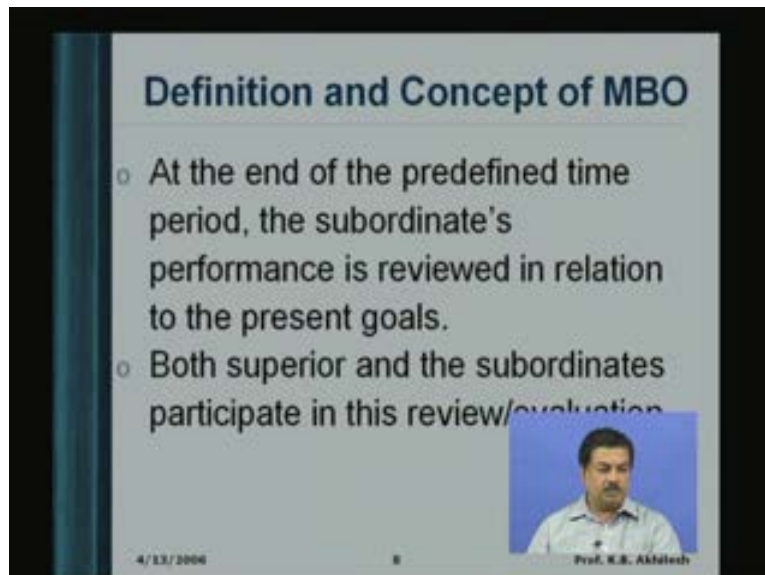


**Definition and Concept of MBO**

- The goals are jointly established by the manager and his subordinates and agreed upon in advance.
- These goals emphasize either output variables or intervening variables, or some combination of both.

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**Definition and Concept of MBO**

- At the end of the predefined time period, the subordinate's performance is reviewed in relation to the present goals.
- Both superior and the subordinates participate in this review/evaluation

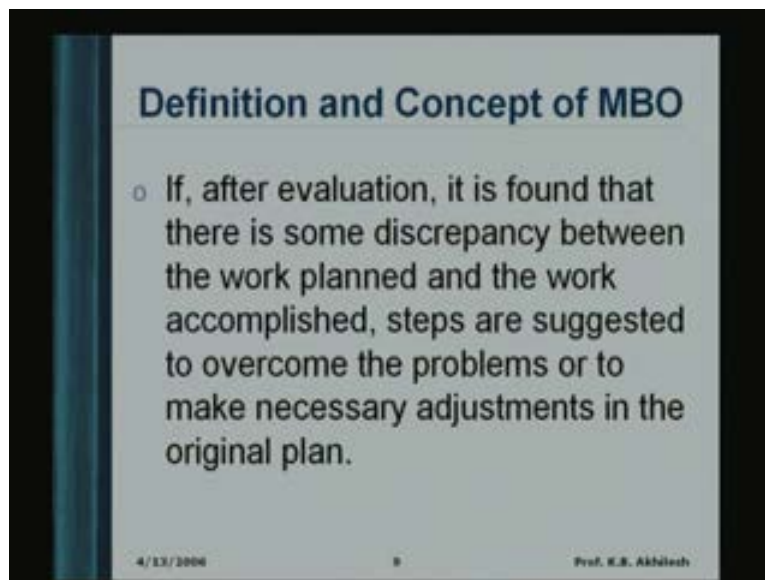
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So the time is very important the time frames are important, so the end of the predefined time is it could be half yearly or it could be yearly and the subordinate performance is broken down in terms of set of expectations. These expectations are seen as objectives, so in relation to their goals these expectations are stated as objectives and the both boss and the subordinates sits

together they discuss the things in advance how to go about it they monitor and they review adding that philosophy.

So participation is a key element both superior and the subordinates participate in this review and evaluation. So it is advanced planning, there is an element of discussion, there is an agreement, an agreement between the boss and the subordinates that is that to the immediate boss and the immediate subordinate and in the concept of theory Y philosophy not the theory X philosophy of the McGregor and the role played by the boss is of linking pin understanding the activities at the lower level, setting the objectives and then linking these objectives to overall divisional level objectives, divisional plans to the overall organizational plans.

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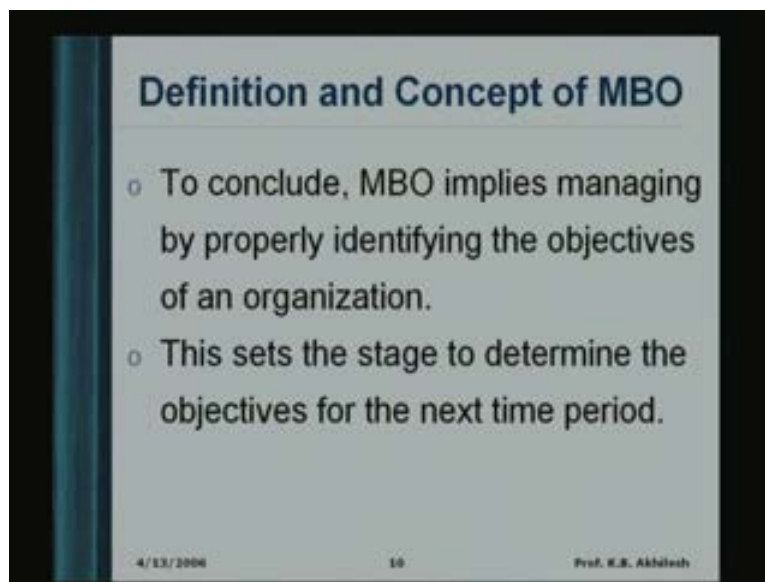


So that is how the role of every manager becomes extremely critical in MBO kind of a process. So after evaluation it is found that there are some discrepancy, so the discrepancy between the work planned and the work accomplished. So the steps are suggested to overcome the problems or to make necessary adjustments in the original plan that is how the role of the boss is no doubt clearly, a controller but he is also enabler, he also will have to play a role of a guide and a coach, informer. So there are informational roles there are decision roles as well as the controlling roles

of the manager particularly in the MBO process, MBO can also be an assessment procedure, MBO also can be a planning process.

So that is how it is seen in MBO is an effective link between planning and its effective implementation. So it is in that sense to conclude the definition and the about the concept of MBO means managing by properly identifying the objectives of an organization. At this sets, the stage to determine the objectives for the next time period or for the next level and both boss, subordinate sit together jointly negotiate agree upon and move towards the achievement of the stated purposes which is also a brutality of the organizational plan. So no objective can be seen which is not link to the overall organizational plan, so stated objectives are not to be treated as good objective. So the it could be the boss's plan but boss's plan, bosses objectives is not self-fulfilling but it is organizational fulfilling that means it is meant to reach the goals plans of the organization.

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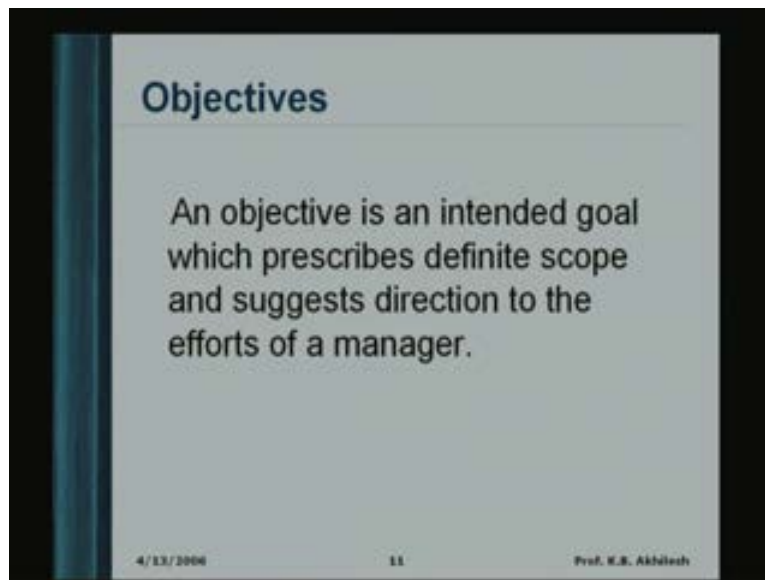


So an objective is an intended goal which prescribes definite scope and suggest direction to the efforts of a manager. So the management is known for its performance that is what I mentioned to you in the first lecture, it is production, productivity, value addition driven. So there is no role

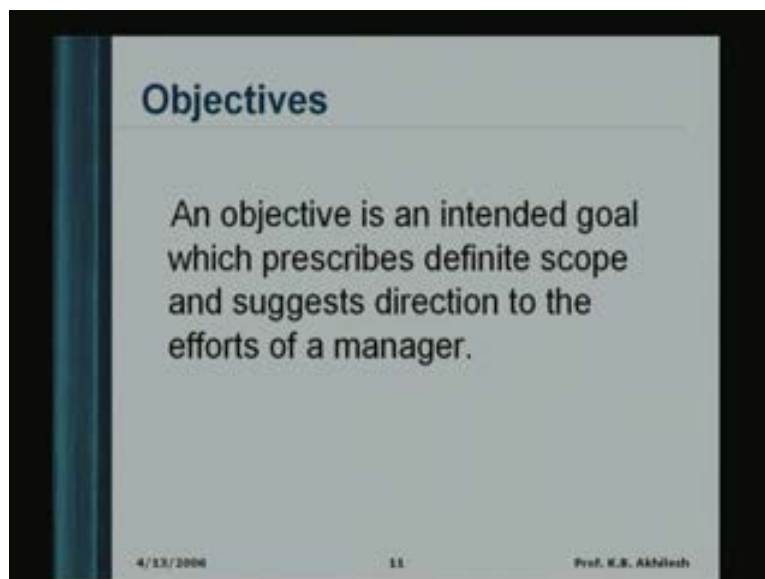


for management unless it is goal centric, it is there because it organizes the collective efforts to meet the goals of the system.

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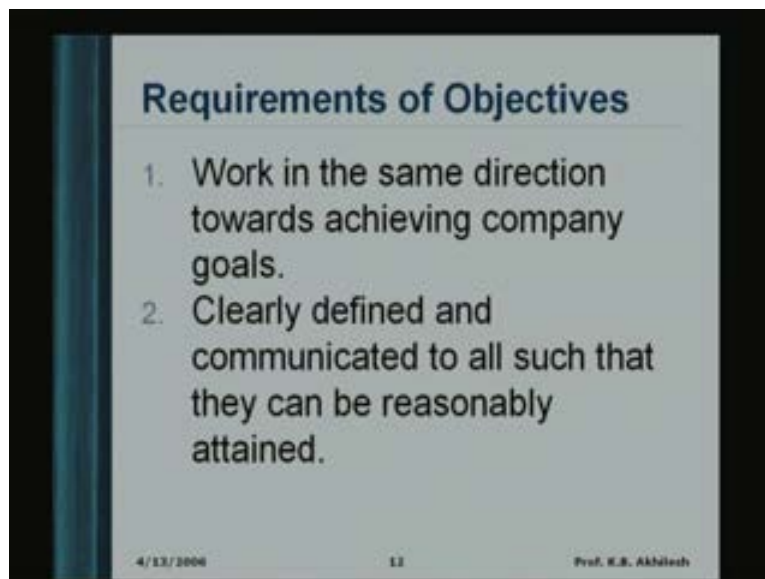


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So the when you look at the manager, so it is to see how do you convert the talent into effort and then effort should be linked to the performance, a objective is an intended goal and it should help to provide what is to be done and what is not to be done that is what we are talking about the scope of the activities. It should help to priorities what is required for the organization and also provides such as the direction, it should suggest how to go about it to meet these.

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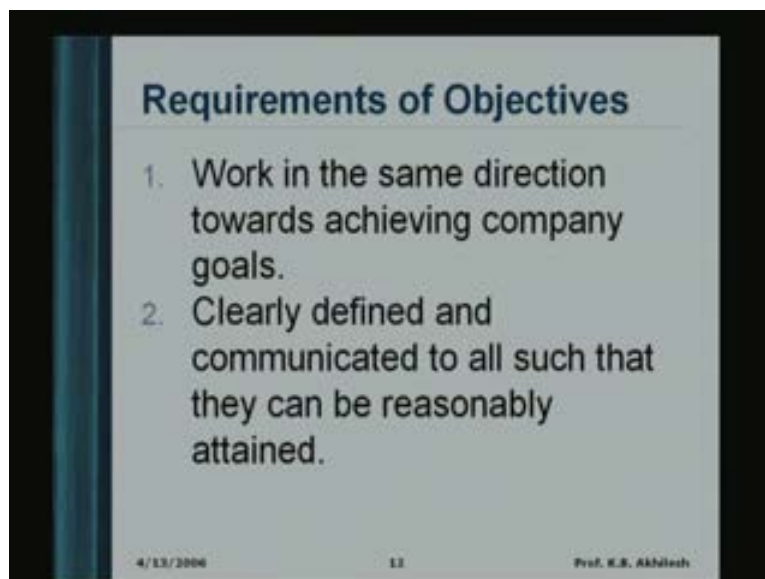
So let us look at this objectives in much more in detail. So it is the work in the same direction towards achieving company goals, people have different perceptions of the goal and the objectives. Let me give you an example in one of the company, the goal is the number of machines they make and also the delivery. So, what is delivery? It is delivery is need to be understood at all levels.

So far shop floor person if he completes the task and he may think it is delivery but certainly that is not delivery, someone may think know it as he has controlled the task but we have assembled and now we have put that in the finished goods store and that can be seen as delivery but that need not be the delivery, someone may say, no it has to be loaded to a truck and which should go out of the factory that can be seen as delivery. For someone, no that is not delivery it should be

moved to the customer space and customer showed install that machinery and start using it and that is delivery for someone that may not be the delivery, he should use it and so that he should also arrived a check and then a check should come back to the factory and that is delivery, for someone no, no that is not delivery the check should be deposited in the bank and then a cash must be shown in the company's account then it is delivery.

So the question is when you look at the objective, when you look at what these deliveries it can mean many things at many levels to many people and that is how an agreement between the objectives is very important. So what is that you are doing, why are you doing and what is that we are expecting at the end of the day. So particularly with respect to the resources, with respect to the time, with respect to the quantity, with respect to the quality, with respect to the level with which you handle the thing, all are can be viewed as the scope of the activities but the scope of the activities must be linked to the end results and that is what we are calling as setting and achieving these objectives and the process is called the management by objectives.

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So they clearly defined and communicated to all such that it can be reasonably attained. So everybody understands this what this objectives are, I mentioned to you in the previous lecture

the room occupancy rate. So the room occupancy rate in a five star hotel could be based on a detailed analysis of various things, so they may do many things, they may have a lobby set of stores, they may have a travel agency, they may have a restaurant, they have many things but finally they understand all these things are meant for what, all these things, how much give the value addition which are the units make profits. So when they do this kind of an analysis, they see many of the services what they provide in .... or the stores whatever is there or the restaurants most of those things may not make any profit but when they see if particular room is not occupied for a day then that is a net loss to the hotel. So that is where the room occupancy rate becomes very critical.

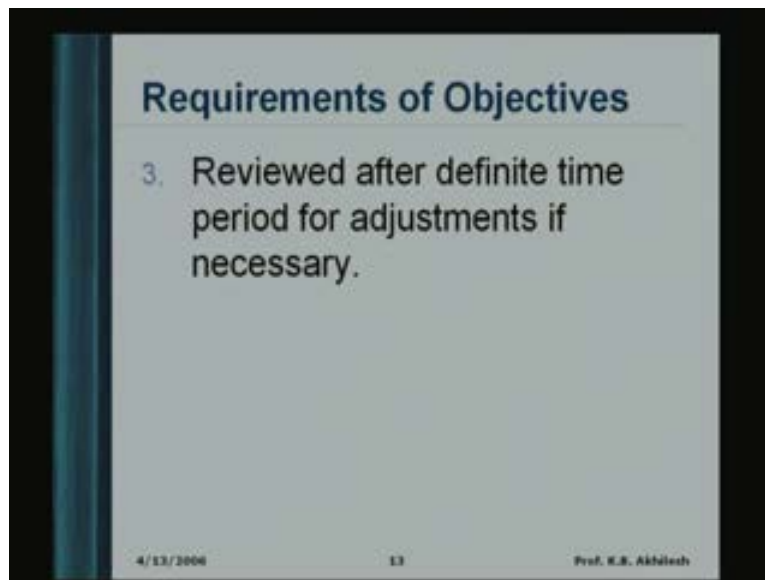
So once they understand that room occupancy rate is very critical that every one need to do to achieve that end objective of this room occupancy. So 100 percent room occupancy is the best what can happen to that particular hotel, once that is understood then they want to look at various things what they want to do. So that means the customer today, when he comes to the hotel he would like to look at the same room not only the same room but he would like to have the same room boy. So then now you will do many things you work backwards and see how do you make the customer to ask for this room and this particular room boy, so you are building that kind of a customer loyalty, through the customer loyalty we will achieve that the room occupancy as well.

So what I am trying to say is that organization tries to end understand the end result in terms of a measurable, well articulated clearly achievable goals and these goals are stated in different to different levels and each one can rate to the end objectives and they do set of activities. So that they can also relate these activities we are doing get, so that the end objectives are clearly met. So the clarity the definitions and the communications are all becomes an extremely important thing and that is how the good managers, good managers are known for their communication effectiveness.

So if they are able to clarify, if they are able to explain, if they are able to take the other fellow into confidence build that required trust and then enable them to see the objectives in different shades and making sure they do the required things, what is wanted by the organizations? Then, such managers can play a significant role in clarifying and defining objectives and also play role

and management by objectives. Another important thing when have talking about objectives it is not only the clarity it is not only the communication, it is not only the definition but the time frame is extremely important, these are the days of delivery, these are the days where people would like to have things at the right time in right place. Few days before or few minutes before not wanted and few minutes late again not wanted.

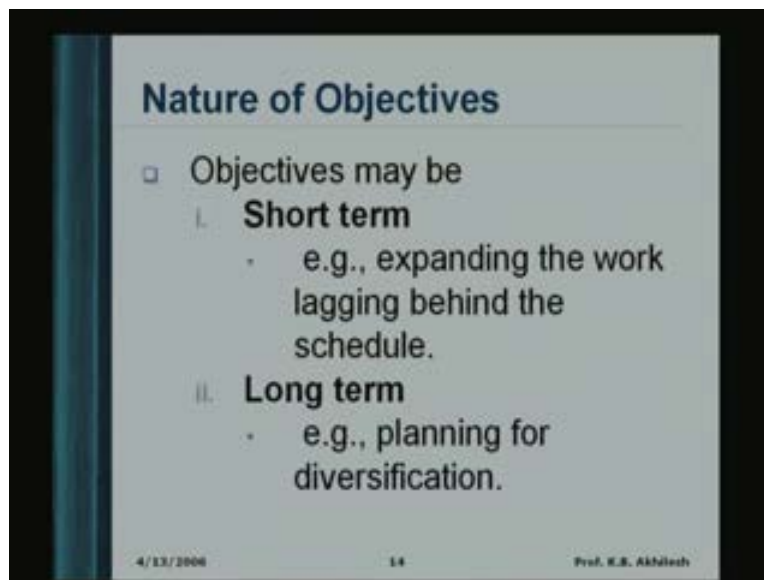
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So that is where the timeliness wherever whatever wanted at the right time I think that is another important and a significant thing. So the time period once you state one can also make that kind of an adjustments, adjustments of how to build that required capacities, how to build that required systems and practices and the procedures. So, that it is made available at that time when it is wanted.

So we will go back and see very clearly the nature of objectives itself. As we said the objectives could mean many things at many levels and to many people within the organization, certainly you have the short term and the long term thing, the expanding the work lagging behind a schedule. So you want to see that you want like to speed up set of task.

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So this speeding up of the task end come, so then this this the short term thing is that you would like to enhance the manpower. So you would like to have some additional hands or you would like to extend the time, if you are working normally for about 8 hours, you would like to do it for 10 hours if you doing it for 10 hours, you would like to do it for 12 hours.

So you would like to see what is that we can stretch, what is that we can build some additional things, where is that we can bring that required flexibility to meet those short term objectives.

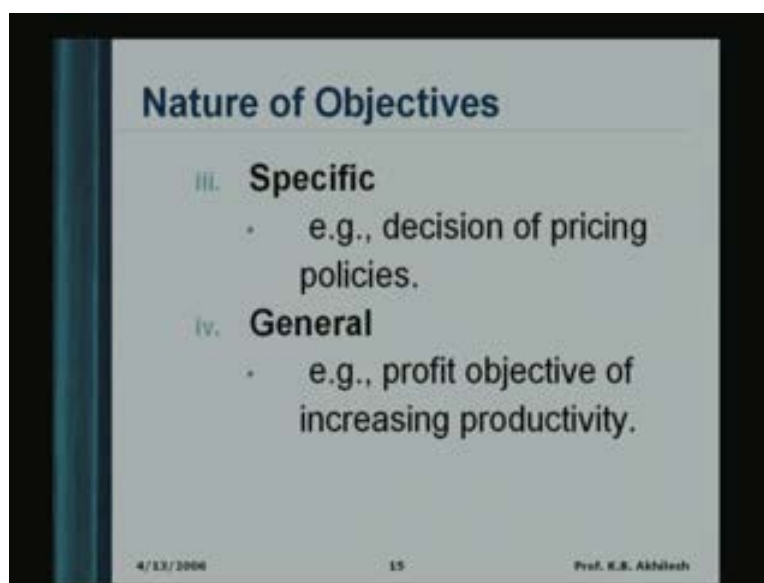
Similarly, for the long term thing so the long term things could involve diversification, long term things is building certain capacities, certain competencies in certain areas. So it is in that sense one can also see how do you achieve these long term objectives. For example, in one company they wanted to have a technical superiority in a particular area but they could see they can do that only with the time lag of at least 6 to 8 years.

So that means you have to hire that kind of a talent invest in that kind of a talent expose the talent and develop that required talent and it takes about 6 to 8 years to build that capacity. So when you are seeing the long term, so hiring so set of people maintaining them developing them these are all things will become objectives by themselves. So there is a long term view of the

organization plans of the organization but then you try and see in terms of X number of people to be hired because there will be some attrition some people will stay some will grow effectively.

So you make such contingencies, so the plans once it is stated there you work out set of objectives around that and those objectives need to be seen with respect to a set of contingencies or the set of constraints, set of opportunities and an MBO takes care of through a process of dialogue. The dialogue between the management, manager and his subordinate and his immediate subordinate. They understand, they discuss and jointly agree upon what best can be done what best can be delivered. So that is where the nature of objectives also need to be very specific if you put too many things too general kinds of a things. At the end of the day, you are not too sure you are not too sure whether you have done the required things. So that is where the specific.

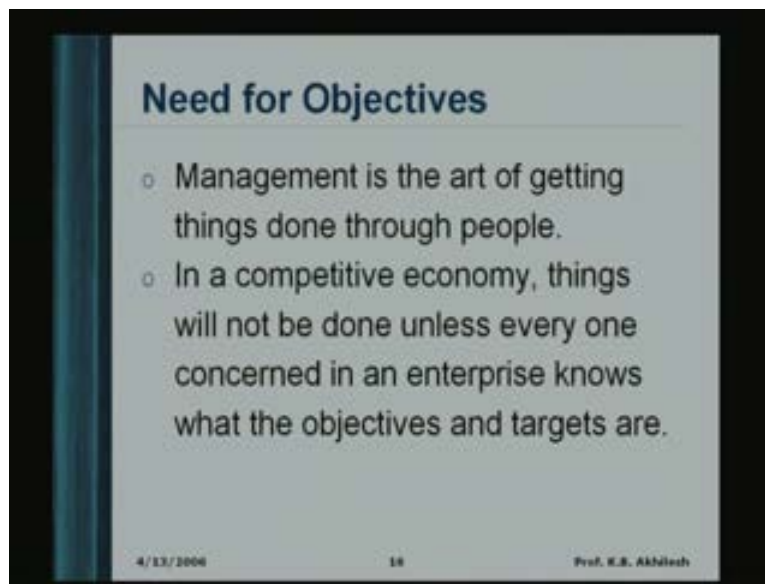
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So decision of advising policies could be that you know how much, how much of discussion I think you can go up to 2 percent, you can go up to 5 percent either increase or decrease, these are extremely a specific kind of an indication based on the kind of margins available to the organization and it can also be a general specific versus general that overall keep the profit

ability, okay sometimes far enough you make a loss but you are getting a customer. So it could be an entry strategy for you, so not necessarily every activity should generate a cash surplus. So the profit objective is extremely important, so increasing productivity is important. So then you will see the if with the overall things how do you go about it. So it could be very general or it could be very specific. Again it is important to draw how we try to define and describe the management evolution itself, we defined earlier management is the art of getting things done through people.

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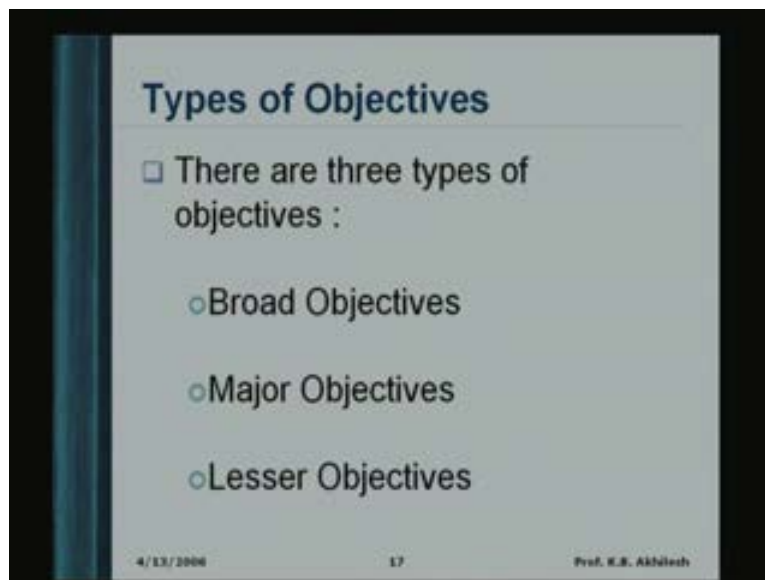
So people requires understanding, people require direction and that is where the communication is important. The communication highly dependent upon the style of the boss and the and that is how it is also seen it is in art of getting things done and in a competitive economy things will not be done unless every one concerned in an enterprise knows what the objectives are what the targets are. So the all work with that these specific requirements of the organization each of the individual need to be aligned.

So the alignment will come how alignment will come in terms of if you see on the x axis, it is basically it is the direction and the focus each member of the organization need to know what



direction is the organization is taking and to focus their activities very clearly as wanted by the organization, if you look at the y axis then you know you have, you need to have very clearly the required technologies, they need to have required attitudes, they need to have required skills and they need to have required knowledge but if you see only these 2 on the x axis the direction and the focus and on the y axis the technology, the attitudes the skills and the knowledge but there is a third dimension that is also equally important that is rewards and punishments, how can you give rewards and punishments? The rewards and punishments can come above or through the goal achievements how each one of them have put their effort, how is that they have achieved their goals and towards that what is there to be done, so the rewards and punishment are the important reinforces.

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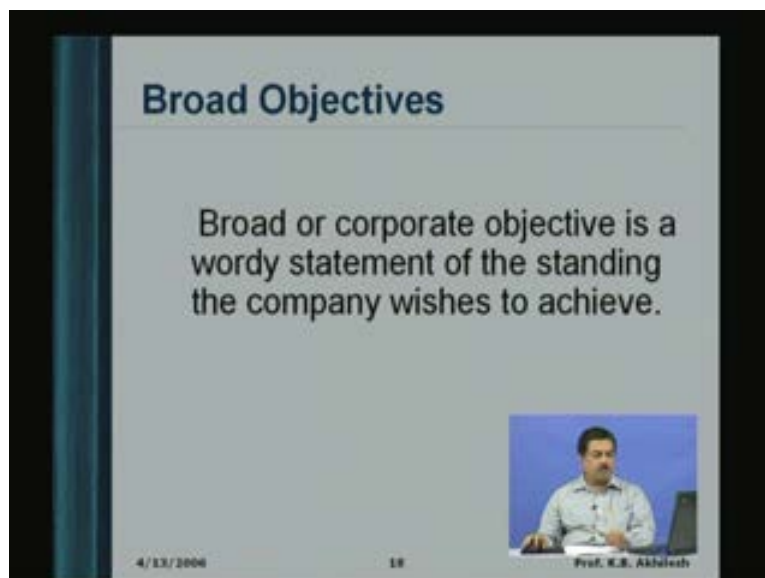


So that is where the statement of the goals at beginning is very important assessment of these goals is extremely critical and doing this jointly is much more important because it is linked to the rewards and punishment. So the organizations today they try and build this because this all the 3 systems and the x axis and the y axis and the third one build very clearly the alignment agenda, let me elaborate some of these things later on as we go along. So clearly if we need to spend little more time on the types of objectives, if you will see the 3 types of objectives, what

we are referring to sometimes when you are talking about at this strategic level or at the organization level as a whole we are talking about the broad objectives the future positions of the organization, the future views and vision of the organization, the mission of the organization, then there are major objectives within that for few years the cost becomes very important when need to focusing on the cost. In certain situation, the innovation becomes very critical, sometimes the acquiring new customers become very critical, sometimes the development of technologies become very critical, sometimes the services which you provide that becomes more critical, sometime the establishing infrastructure become more important.

So the major objectives can vary in relation to the broad objectives which can be 2 to 3 years sometimes could be less than 2 years as well, then the lesser objectives please do not be view this lesser objectives means and not so important or not important or anything but the lesser objectives to be understood with respect to when you start breaking down the major objectives at departmental level, at the individual levels.

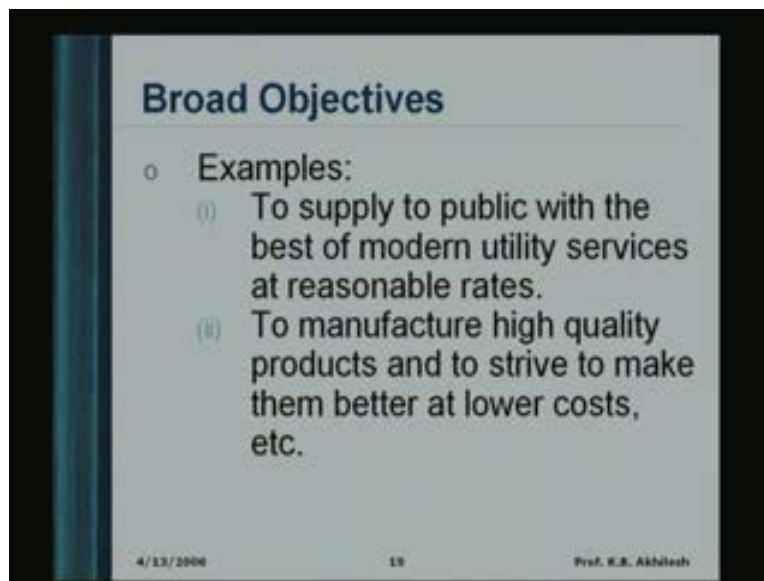
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So that is where the broad or corporate objective is a wordy statement of the standing the company wishes to achieve. When we were discussing about the planning we have said one

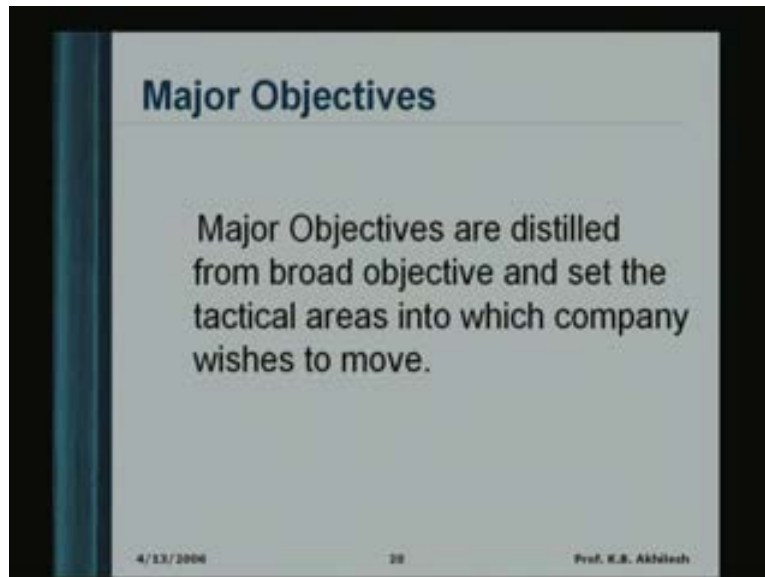
could become a most preferred employer one can be the having the highest market share or it is he who is the one who is releasing new products every time or who is creating new bench marks in terms of the service quality or it could be the cost effective propositions. So it all depends, so but these are the broad objectives of an organization.

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So the broad objectives the some of the specific examples could be to supply to public with the best of modern utility services at reasonable rates to manufacture high quality products and to strive to make them better at lower cost. So you see usual it is stated with respect to pairs at the low cost so a quality versus the kind of position. So the broad objectives can be, can be related to this major objectives, major objectives are distilled from broad objective and set the tactical areas into which company wishes to move and it could be seen the lesser objectives or targets, budgets and departmental objectives. It also includes those governing the performance standards of managers and the other members of the staff particularly some of the values of the organization like team work or values of the organization in terms of the customer first or customer focus.

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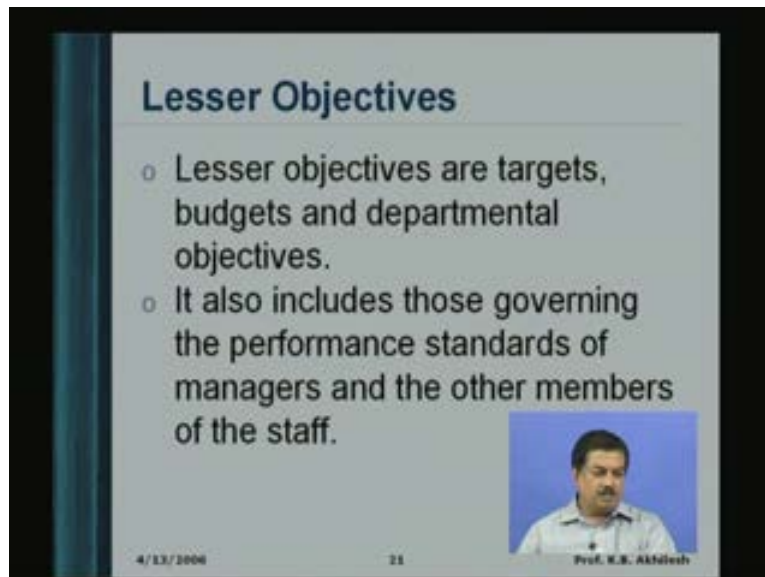


**Major Objectives**

Major Objectives are distilled from broad objective and set the tactical areas into which company wishes to move.

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**Lesser Objectives**

- o Lesser objectives are targets, budgets and departmental objectives.
- o It also includes those governing the performance standards of managers and the other members of the staff.

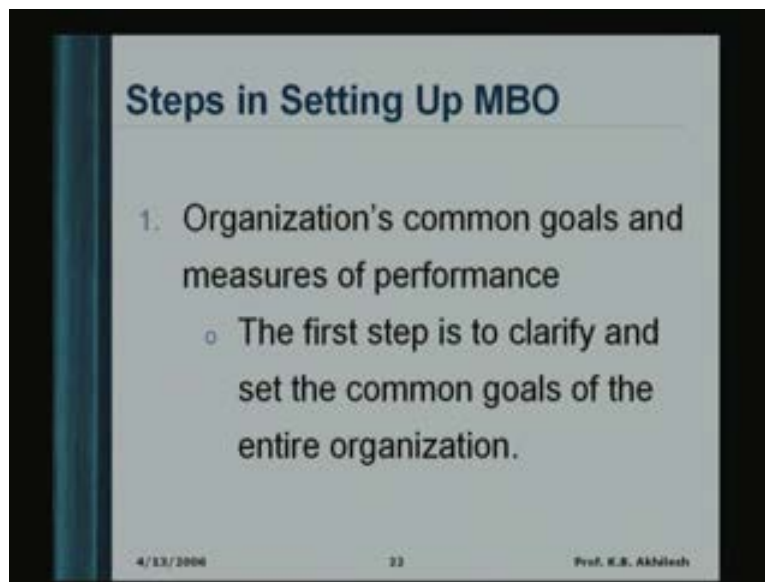
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So when you see the values of the organization and the requirements are coming in so those things you will see as the performance standards, performance standards of the managers in the members of the staff. So we will look at these things in relation to how do we go about in setting

up an MBO program or an MBO process, any MBO can also be seen as a major change initiative in the organization.

As people have used to do things according to their convenience MBO becomes a kind of a disciplined driven, transparency driven initiative, what is the what do we mean by this? MBO becomes a **top** driven and also a **strategy** driven kind of a system. So the managers have to be understanding what is expected by the management by that means their top managements and then converting this top management desires into specific achievable, measurable, specific things at lower levels and that becomes the guiding thing.

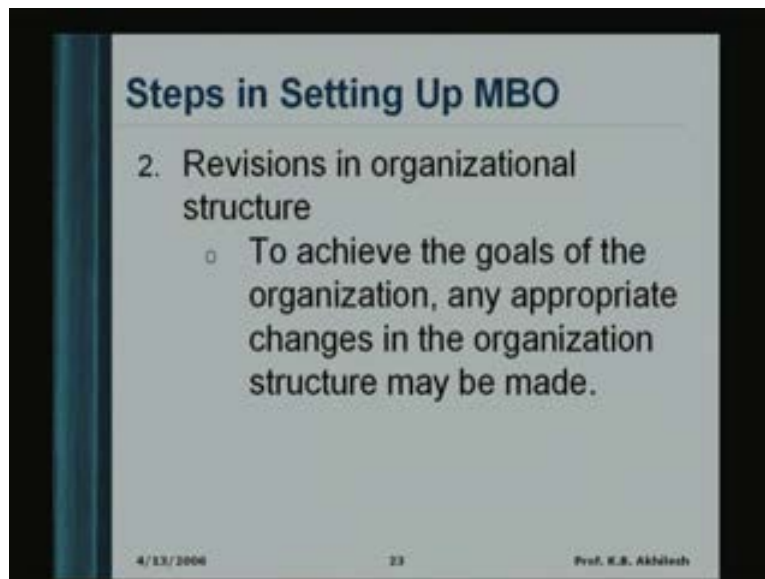
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So the common goals and measures of performance need to be seen and the first is to clarify and set the common goals of the entire organization and the next step is to see the organizational structure to achieve these goals of the organization you need to have an appropriate organizational structure with respect to different departments, with respect to different divisions, with respect to different roles different responsibilities. So that is where the organizational structure need to be, need to be appropriate in order to meet the stated goals and plans of the organization unless you create appropriate departments, appropriate specializations, the goals

cannot be broken down to the reasonable objectives and once it is done, once you also have to see sometime you need to look at the titles of the people, the duties and the relationships, authorities and the responsibilities and the span of control.

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**Steps in Setting Up MBO**

2. Revisions in organizational structure
  - To achieve the goals of the organization, any appropriate changes in the organization structure may be made.

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**Steps in Setting Up MBO**

- That is changes in titles, duties, relationships, authority, responsibility, span of control etc.



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So the organizational structure essentially is enabler to achieve the stated goals of the organization. So unless you have a very clear view of the plan vision of the organization and convert that into a set of objectives but this objective setting need to be supported by the appropriate structure. The structure in terms of the required number of departments, number of levels, number of responsibilities and the responsibilities going along with the authority. Certainly, in my next lecture we will see the required organization, we have defined the management functions in terms of planning organizing. So when we see next step is to do their develop required organization to meet and enable the stated objectives.

So the planning and organizing they go hand in hand but specifically coming to MBO, the setting goals so the superior sets and they right down the goals and measures for subordinates. The subordinate also should have an equal responsibility, equal opportunity to propose the goals and measures because sometimes he may would like to see the time with which you are measuring is very important. Let us look at for example, HRD human resource development, it is not that kind of magic one where you do one program at the end of the day the individual become something different, something superior.

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**Steps in Setting Up MBO**

3. Setting goals
  - Superior sets down goals and measures for subordinates.
  - Subordinates propose goals and measures for their job.

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So you need to see that you if good number of people 20 percent, 30 percent, 40 percent of the people in the organizations are trained and then you start seeing the effects. So the question is when do you measure whether you measure at the beginning or you measure on how much money have you spent or you will see what effect it has. So we started bringing this in terms of how do you measure so the concept like causal intervening and end results so sometimes you can budgetary kind of a thing how much money are going to spend that becomes very critical sometimes it is what kind of how many programs have you done because of this money, sometimes with the same amount of budget support, you can do more number of programs or you can do less number of programs, you can do short programs, you can do many **many many** programs with hourly basis. So how do you see this as utilization of the money but it is not only the resources you have used.

So some organizations use I gave you this much money what percentage of money have used that could be a an evaluation thing purely an input based because you are not to sure of the intervening or the end result. Sometimes you do not bother about the input but you look at the intervening thing is how many have done, how many people have participated, what is the reach out, so such measures one can ah deploy but one can also look at the end result.

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**Steps in Setting Up MBO**

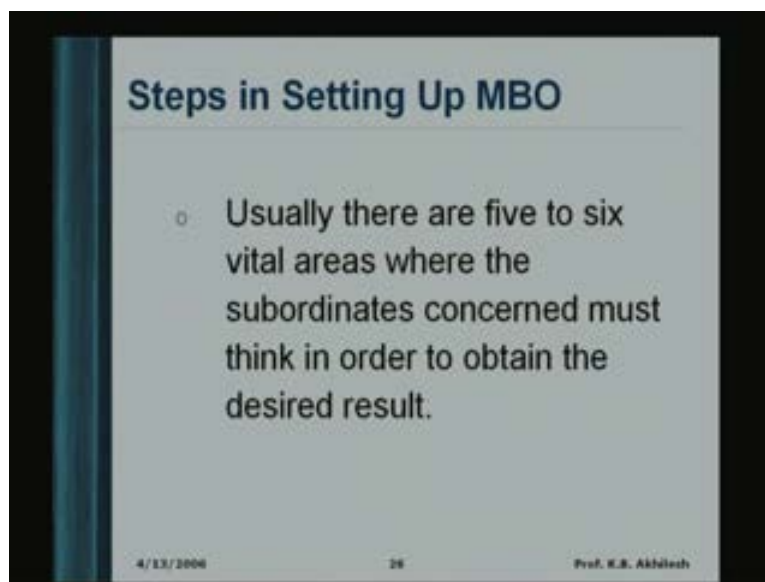
3. Setting goals
  - o Superior sets down goals and measures for subordinates.
  - o Subordinates propose goals and measures for their job.

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The end result in terms of whether it has contributed to better coordination, better profits or the better team work, so better behaviors, so many of these things which can be seen as the end result things. So when we set the objectives or you setting at the input level or the at the intervening level or at the end result level. So the subordinate can propose as the intervening but the boss may expecting at the end result and that is where the setting goals becomes very critical. So both that is the boss need to set and also the subordinate need to propose, the boss also should propose and need to have a dialogue. So a 2 directional discussions are very very important a blind acceptance a yes, men behaviour or not having enough opportunities for participation and discussions are not very useful for MBO.

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We will see later on how some of the difficulties of MBO implementation will come. So usually the question comes there are 5 to 6 vital areas where the subordinate concerned must think in order to obtain the desired result. So question comes is should you set together and discuss and set too many goals. So if you set too many goals in 10, 12, 15, 20, 30 areas then it comes too weak to difficult to evaluate, to discuss, to discuss anything in a focused way it becomes extremely complex. So it is desirable according to many managers that you set goals, set objectives between three to 7 areas.

So if you set more than seven areas it becomes highly complex highly difficult and if you are setting more than 7 upto a 11 then it is too complex and if you are setting more than 11, it is also suggested that you do not have to really set the objectives because you cannot understand, you cannot asses, you cannot measure. So it is only the kind of a so the desirability is the set the specific things between 3 to 7 areas. So as you see that once you define what are those areas what are those critical concerns of the organization and then the you need to articulate those critical concerns, I use this word delivery earlier some organization use this word called the billable hours, all the time your activities must be coming around these billable hours, what is the billable means what is the customer would pay for?

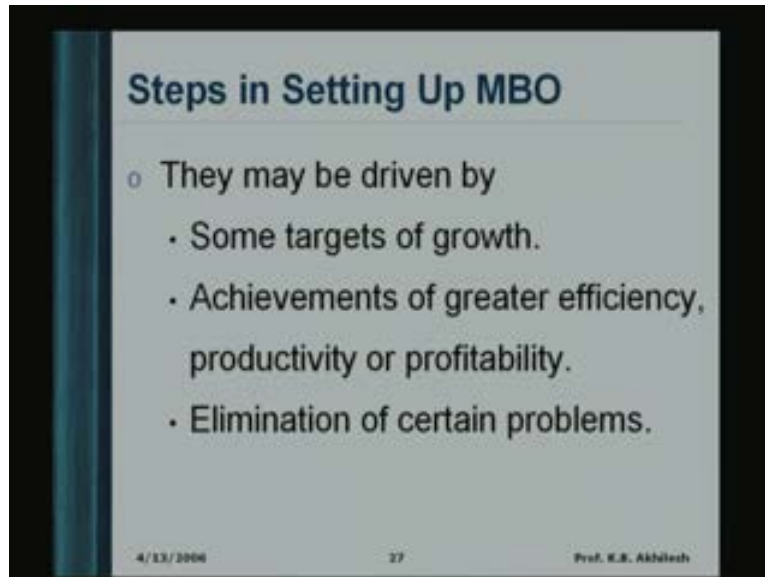
So in any activity what you do there is they have to do several, several things but not all the things are paid by the customer, customer would pay for some of this things which you do and many things which you do in terms of preparation of doing those things or not accounted, not even cared for by the customer. So that means how many you have deployed to achieve those things not interested but he is prepared a pay, so many man hours for this activity. So that means the you need to have that required number of people within the time frame and whatever the customer is agreed to pay for you need to achieve the task within that.

So if you put more number of people to that extend the kind of thing, what you are going to get will get diluted that means it affects your fund flow, it affects your profitability, it affects overall the effectiveness of the group and the organization but once you use that billable hours, it is clear one can understand also one can now relate, what is that activity which I can see as value, add what is that activity I can see it as core, what is that activity I need to do but nobody cares, nobody pays and what is that I need not do. So you will one should be able to see the activities one should be able to clarify these things and that is how the measures and the objectives help people to align their own individual agenda and their individual behavior.

So the steps in setting up MBO very clear, so they may be driven by some targets of growth or achievement of greater efficiency productivity or profitability or elimination of certain problems, elimination of certain problems is number of break downs, what is happening or number of field visits one is making to see that the machine is running at the customer sight. So it, if it is a sorry

then it is a frequent break downs then it is difficult to attend to also it is, it costs more money all **all** the rework need to be avoided.

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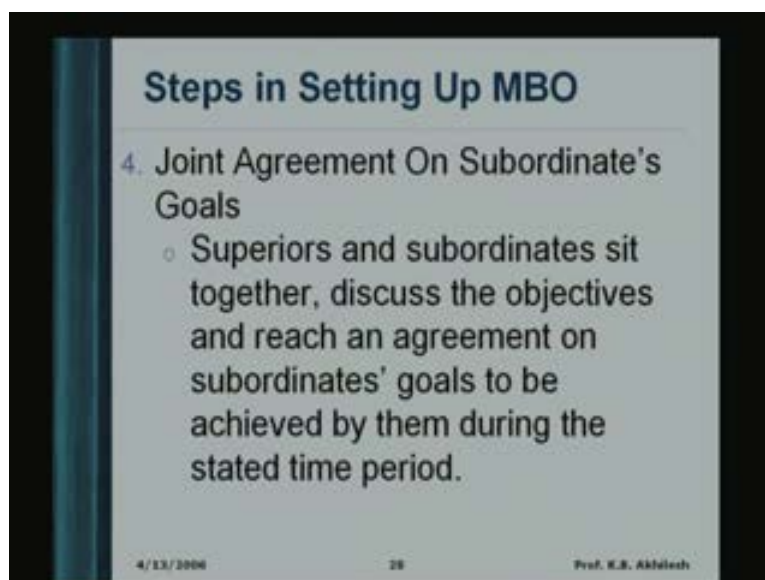


**Steps in Setting Up MBO**

- They may be driven by
  - Some targets of growth.
  - Achievements of greater efficiency, productivity or profitability.
  - Elimination of certain problems.

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**Steps in Setting Up MBO**

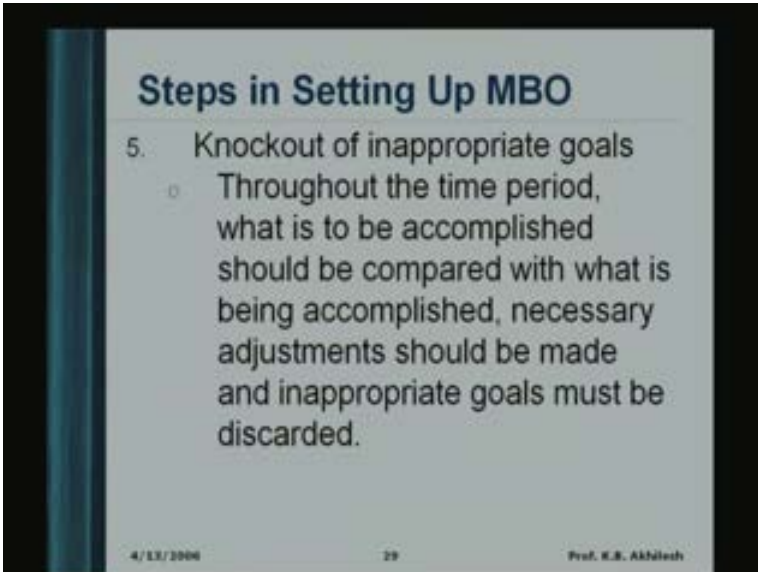
4. Joint Agreement On Subordinate's Goals
  - Superiors and subordinates sit together, discuss the objectives and reach an agreement on subordinates' goals to be achieved by them during the stated time period.

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So it is in that sense the goals can be set the objectives can be set with respect to all these things it could in terms of the percentages, it could be in terms of the numbers or it could be in terms of the absolute things what one is looking at. I did mention earlier the joint agreement on subordinate, the goals what bosses would agree upon. So it is the basically you have to have a document, a document which is written out at the beginning of the period, quarterly, half yearly or yearly. So they set together discuss these objectives and reach an agreement on subordinates goals to be achieved and during the stated time period all the things are important that means at the end of the details.

So that means you will give a title of position you will state this is a time period within which we have agreed to do these **these these** things and then clearly stated objectives but finally the boss and subordinate have to state yes, we have discussed this, we have understood and also expect these are the kind of a contingencies but all that constraints and the contingencies taking into consideration. We have reviewed the objectives and these are the things expected. So such kind of an agreement requires good amount of time and a quality type between the boss and the subordinate.

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**Steps in Setting Up MBO**

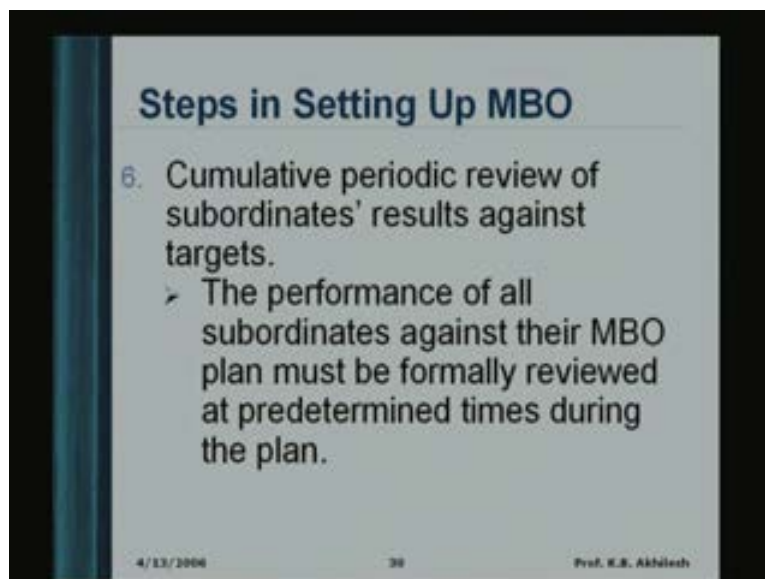
5. Knockout of inappropriate goals
  - Throughout the time period, what is to be accomplished should be compared with what is being accomplished, necessary adjustments should be made and inappropriate goals must be discarded.

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So many also called this as a kind of a paper work jungle. So that means you are creating lot of documents and lot of papers between the boss and the subordinate and now, you will also see the knockout of inappropriate goals sometimes the individual would like to go through set of training programs. Then, you may say it is not an important thing, it may not bring any value. So I do not think i would like to support, so that is the boss can relate and react to it and the individual also can be stating that these things are am focusing on and I cannot take these things because I do not see any value add.

So when they can knock out many of the inappropriate or activities which will not bring any focused measurable actions towards achievement of the overall goals of the organization. So throughout the time period what is to be accomplished should be compared with what is being accomplished and necessary adjustment should be made and the inappropriate goals must be discarded. So focusing, refocusing, reviewing and reminding, I think these are the steps of this knocking out of certain objectives of the part of this MBO process.

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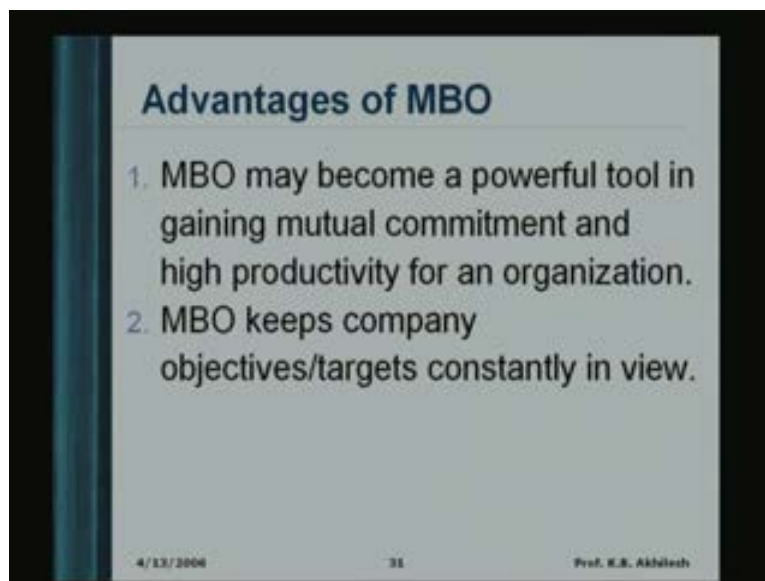


As we go along, we will also see the cumulative periodic review of sub-ordinates results against targets. The all the subordinates one need to see against their MBO plan they must be formally

reviewed at predetermined times during the plan. So not only it is advance planning, it is not only the planning of and understanding of the objectives but also there must be a different time periods and then, sitting together understanding how value we have done, how more we can do, how better we can do the things, what is that we should have done, what is that we need not do, clarifying this roles and responsibilities become extremely important.

Let me restate this particular point understanding at towards understanding communication, good trust between the boss and the subordinate because you believe that person can understand. So that is where the theory Y kind of a an approach of the manager and then putting that effort together to meet that adding unless this philosophy driven, transparency, transparent approaches driven and believing and developing the subordinates many of these things become extremely, critical extreme, extremely important and the concern for time.

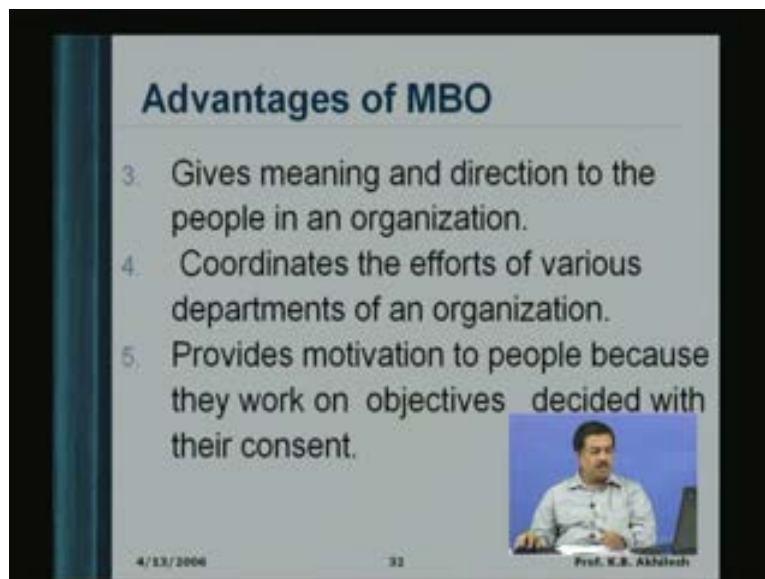
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So when you see all these the advantages could be many both theoretically you will see, it is a very very powerful tool in gaining mutual commitment and high productivity for an organization because you are able to link from the top to the bottom through the process of this linking period.

Each of the managers they do the task in relation to what is wanted by the organization, what is wanted by the top management and then clarify and create required expectations to their lower levels and similarly, it is passed down to their lower level possible. So the MBO keeps the company objectives and their targets constantly in view, every activity can be linked to the end results every action is aligned focused it is focused and aligned based on the attitudes, the capacities and the knowledge of the individuals and most of the time the achievement of the targets is also linked to the rewards and punishments and that is how you see it builds a performing organization.

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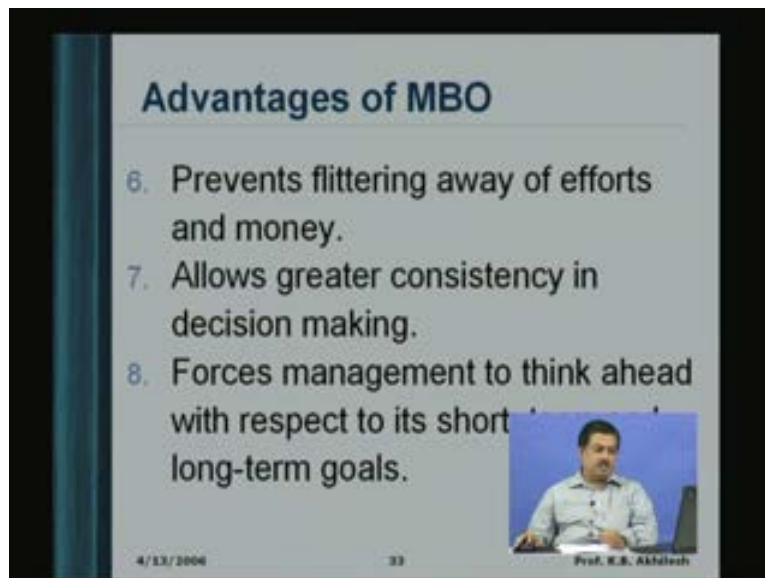


So evolving performing organization through people MBO is a kind of a method, it is a method of tool and then you also see it becomes a kind of a process, it becomes a technique and then how you see that becomes very critical. It gives meaning and direction to the people in the organization and coordinates particularly, we have seen one of the critical functions of the manager is coordination, planning, organizing and coordination and controlling.

So the functions of management you will see the efforts of various departments of an organization now can be related to the overall requirements of the organization because it is a top

down approach where you start with organizational plans then you break that into many divisionalized departmental level goals and the objectives people also get motivated because now there is clarity, it is very clear you can also if put required effort to achieve those to achieve those stated objectives and it gives the required visibility, it reinforces because achievement of goals itself is a great motivation.

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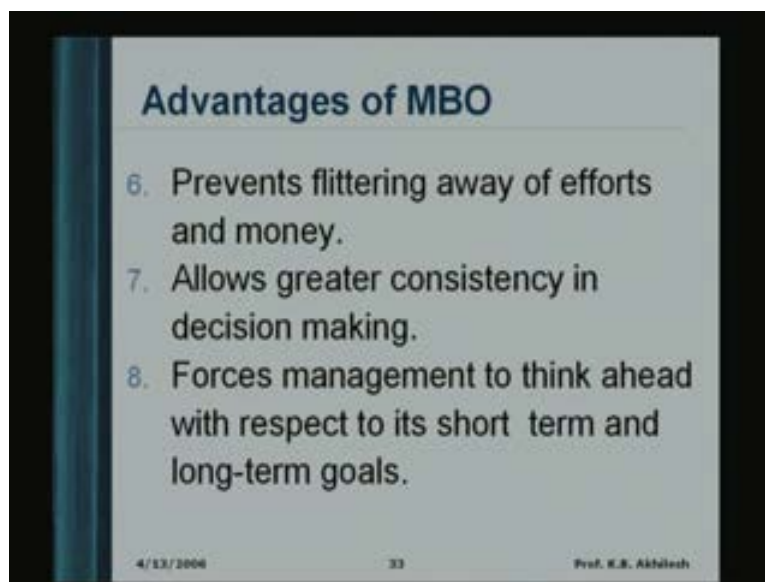
So the achievement brings that extra energy in the individuals and that is how it is also see in it motivates, it motivates at different levels and the person is very clear what is that he stated and what is that he has done towards achieving those things. It also prevents, it also prevents flittering away of efforts and money. So sometimes you know the waste of resources, you see why you have brought certain machinery, why you have brought certain gadgets, many people do not understand because it is not link to the productivity, it is not link to what is required.

So because something available you cannot buy because it, it now in a management by objectives you are very clear why are you committing resources because you commit these resources to do set of things and the set of things not just it is nice to do, it is required by the organization and that is how it becomes much more useful and relevant in terms of budgeting, in



terms of committing resources of the organization, allows greater consistency in decision making. So there is a kind of a principle things when you do make other person accountable, it is data based, it is mutual, it is based on the respect, it is based on a principle of transparency and that is how you see, there is a it is, it becomes consistent and wherever the deviations are there you also know how to respond to the individuals and correct. In a non MBO mode mostly managers find it difficult to tell the other person they are not easy to communicate particularly in a failure more because you have not agreed upon anything but when you agreed upon set of actions and you also know why some of these things to be done, it is easy to have a goal meaningful dialogue.

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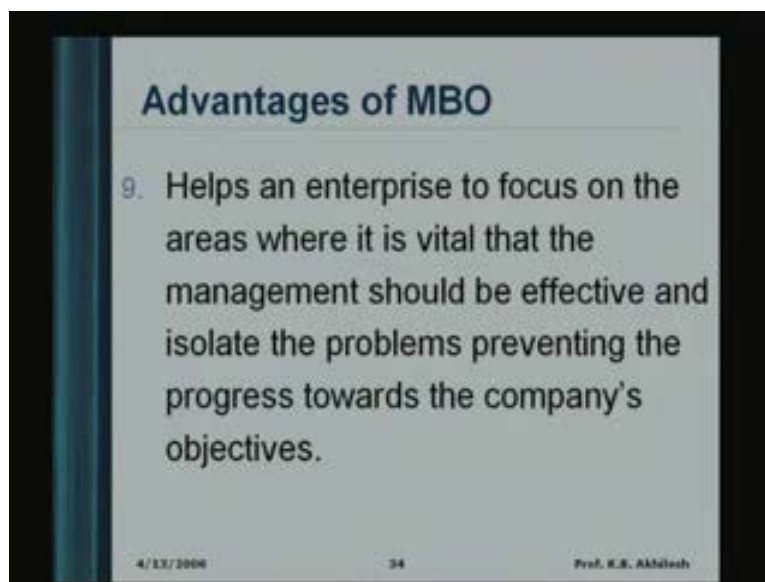


So forces management to think ahead with respect to its short term and long term goals unless there is a key thinking is tough, you remember in my last lecture I did talk about as an intellectual exercise. So the intellectual exercise is that you do have information you do have data, you also do the analysis and then link this analysis to generate different courses of action. You do good brain storming and based on that you accept the future positions of the organization and also various steps to achieve those future positions and now having agreed upon the future positions and the steps, now you come back and ask each of the managers look these are our

divisional requirements, these are departmental requirements and how do we achieve these things and so that it provides a basis for that kind of a meaningful dialogue.

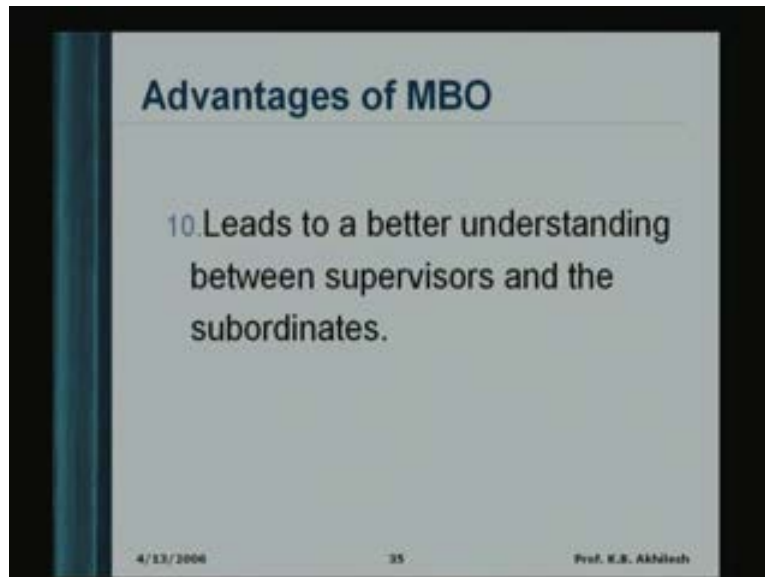
So that is where the thinking ahead of the short term and long terms, it is strengthens that whole process also helps an enterprise as I said earlier to focus on areas where it is vital that the management should be effective and also lead the problem preventing the progress towards the company's objectives. So very clearly now you know what is important and what is trivial, what is now and what can be done later, what is that you, you cannot compromise, what is that you can so these things become very clear in a management by objectives in different situation.

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So the advantages as we are seeing it contributes for better leadership, leads to a better understanding between supervisor and their subordinates. The subordinates they see their bosses as clear communicators, they look at them as linking their efforts, their contribution to the overall requirements of the organization and they also pursue the role of the leaders as enablers the role of their immediate bosses at very clearly the one who had control based on facts and figures not on the perceptions not on wimps and fancies.

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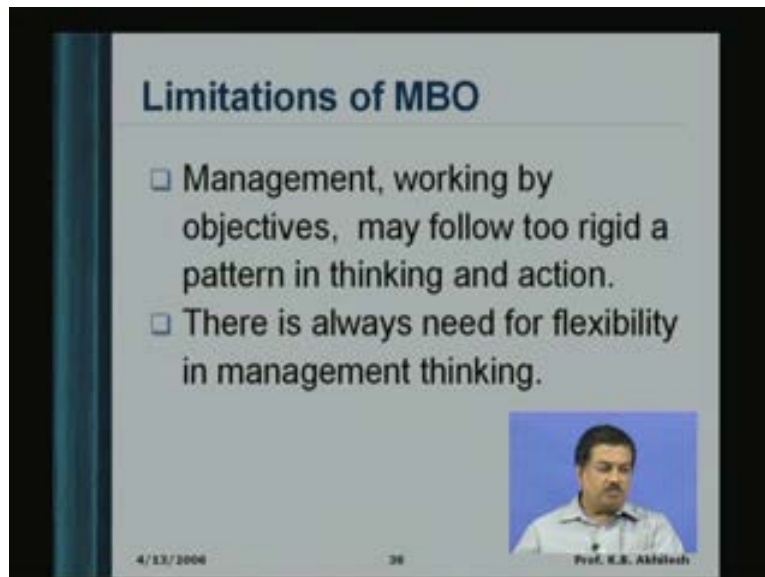


**Advantages of MBO**

10. Leads to a better understanding between supervisors and the subordinates.

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**Limitations of MBO**

- ❑ Management, working by objectives, may follow too rigid a pattern in thinking and action.
- ❑ There is always need for flexibility in management thinking.

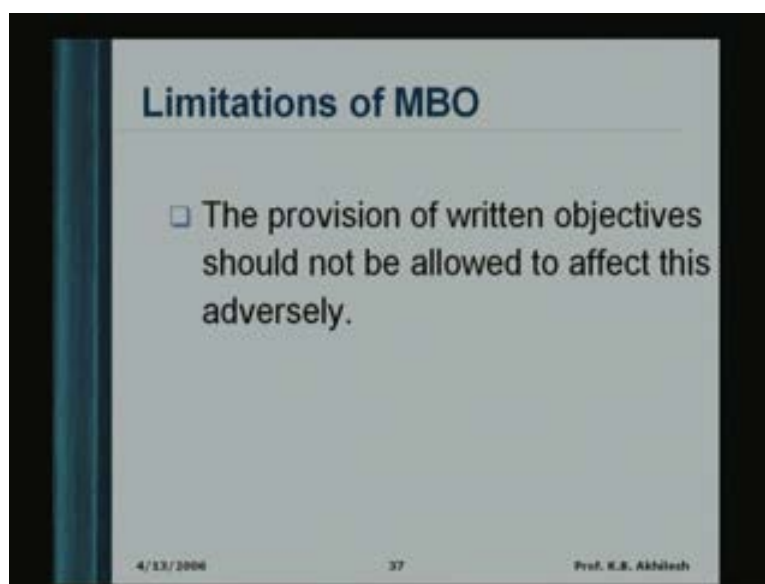
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But we should also see all is not hunky-dory, all is not great about MBO. As we have talked about this MBO and this scope of the activities many have also criticized that MBO is not a panacea, MBO is not a magic wand, MBO cannot solve all the problems of the organization, it cannot solve the problems of the organization if it is driven by pro planning, if it that driven by

true philosophy of typically theory Y kind of management, if there is no transparency, if there is no clarity at the highest level it cannot bring clarity involvement, participation, commitment at the lower level that is how MBO also has been criticized and MBO also has failed in many organizations because change is not managed properly, it is not implemented properly or it is implemented with only good things in mind and expecting that great and lots of things will happen initially but a disappointment sets in because they, they get involved in a paper work jointly and that is how you see it becomes too rigid a pattern of thinking and action, it is done it becomes very very unsuccessful that means only we have to sit, write down the objectives and then you have to at the end of the period you have to review it and then if it becomes an annual ritual of form filling activity then the MBO fails for sure.

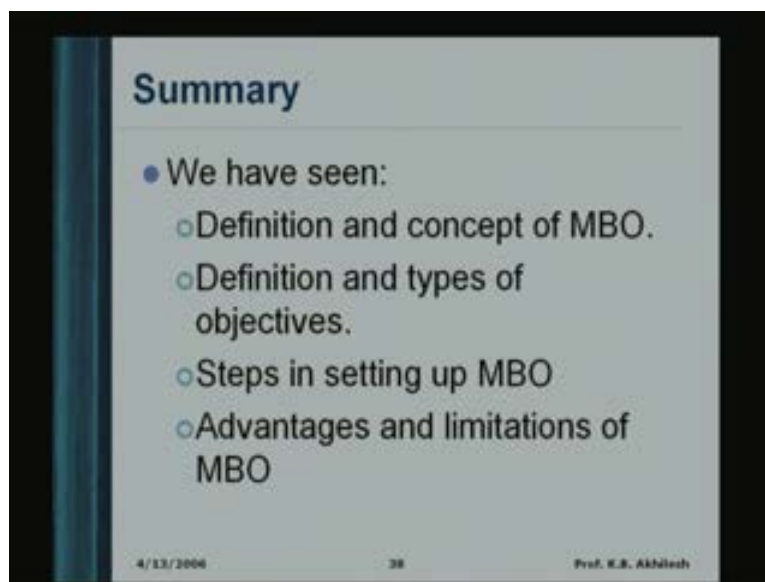
So many critics of MBO they say it ends up in paper work, it ends up in a time consuming ritualistic kind of a dialogue between the management and the subordinates that is the sure way of killing any MBO program and always there is need for flexibility in management thinking, more so if you see in a fast changing kind of an environment then normally what happens, the people change from one group to the other, they move from one function to the other from one department to the other.

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So ... the subordinate and the boss linkages are not so permanent are not so semi-permanent where people change the groups from particularly in a project mode kind of an organization also fast expanding kind of an organization suddenly, MBO fails because the documented details, the context and the scenario changes as the individuals move as the individuals take up different roles and responsibilities and you need to design systems and practices which will also go well with the required flexibility. The provision of written objectives should not be allowed to affect this adversely because sometimes even though when there is a scope of action, people work at the punishment avoidance level, adding that is where our understanding of all these things are important that is MBO is an important tool.

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We have discuss the definition and concept of MBO, you also looked at the definition and types of MBO, we have seen various steps involved in setting up of an MBO program and recognize the advantages and limitations of MBO program and certainly, a good planning process and good program of achieving the objectives will strengthen effective management process. In my next lecture, we will look at about organizing and how do we create an effective and a performing organization.