



19MEE312

PRINCIPLES

OF

MANAGEMENT



UNIT II PLANNING

What is Management by Objectives (MBO)?

According to Koontz and Wehrich, “Management by Objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and it consciously directed toward the effective and efficient achievement of organizational and individual objectives.”

According to George Odiorne “MBO is a process whereby the superior and subordinate managers of an organization jointly identify its [the organization’s] common goals, de- fine each individual’s major area of responsibility in terms of the results expected of an individual, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

Features of Management by Objectives (MBO)

1. **Goal-oriented:** MBO is goal-oriented rather than work-oriented as it focuses on what must be accomplished rather than on how it is to be accomplished.
2. **Participation of all:** It involves the participation of subordinate managers in the goal-setting process. It requires all key personnel to contribute the maximum to achieve the overall objectives.
3. **Focuses on KRAs:** MBO focuses on measurable and verifiable goals in the key result areas. It helps to balance the goals of all the key personnel.
4. **Dynamic:** MBO is a dynamic system which integrates company’s needs to achieve the objective.
5. **Managerial philosophy:** Management by Objectives is a managerial philosophy and not just a simple technique or method. Because a philosophy directs and influences every element of management, whereas a technique is only useful in certain areas. MBO is an approach involving different techniques to more finest management.



6. **Serve as a criterion:** To evaluate the complete performance of the organization, corporate, functional and personal goals under Management by Objectives serve as a criterion. Managers will be able to assess the efficiency of subordinates through the comparison of goals and actual results, and in some ways, the top level can assess the efficiency of other managers too.
7. **Continuous process:** MBO is a continuous process of goal setting, periodic appraisals and modification of goals and performance.

Advantages of Management by Objectives (MBO)

Advantages	Disadvantages
<ul style="list-style-type: none">• More Clarity towards Objectives• Better Management• Enhanced Individual Commitment• Establishing Controls• Improved Communication• Motivation and Morale	<ul style="list-style-type: none">• Goal-Setting Problem• Time-Consuming• More focus on Short-term Objectives• Incapable to provide Guidelines to Goal Setters• Inflexibility• Increased Paperwork

Reference:

1. Harold Koontz, and Weihrich, 'Essential of Management' 8th Edition, Tata Mc Graw Hill Education, Delhi, (2010).
2. John R. Schermerhorn, Jr. Management. 12th Edition, John Wiley and Sons, (2012)