Why MBO Fails So Often

Management by objectives has been used by so many with such little success. A literature review reveals that lack of participation and ineffective feedback can doom well-planned MBO programs every time.

By JOSEPH W. LEONARD

"MBO is perhaps potentially the most powerful tool of managing that has so far been put into practice."[1] Perhaps. Research shows, however that that potential has not been realized and, further, that MBO fails more often than it succeeds. Although the MBO process has been used by nearly half the *Fortune*-500 firms, some investigation shows only a 20 to 25 percent rate of success. Based on a 1978 study, "evidence is mounting to the effect that MBO has more clear failures than successes."[2] MBO has understandably attracted repeated negative criticism.

Central to all MBO programs are clear communication between superiors and subordinates and accurate measurement of results against plans. Poor communication is perhaps the primary reason that many MBO implementations fail. Specific research clearly points out the paramount importance of communication as the key factor in determining MBO's success or failure.

Integration

The prevalent managerial style found in most successful MBO systems is participative. Although the MBO process can be designed to work in a variety of management systems, it tends to work best when there is "active involvement and meaningful participation at all levels."[3]

Likert's linking pin concept supports the organizational structure and clearly defines who reports to whom. Each subunit in the organization is linked with all others. The subunits are responsible to the next higher level for their performance. The MBO system must work in an organization where duties and functions are defined clearly and areas of responsibility specifically established. Yet because many organizations are not dominated or controlled by "System 4" style managers, MBO often fails.

Active feedback

Proper feedback means each manager receives the type of information, in the right form and at the right frequency, that he or she needs to carry out job responsibilities and accountabilities. The manager should not be deluged with information but receive only that which is necessary. Unless the information is placed in the hands of decision makers who use the information to assess their decisions, feedback is useless. It must help managers take needed corrective action.

Evidence shows that feedback can improve subordinates' performance on the job. Frequently it's a key determinate of MBO success. Studies indicate that virtually all the relationships between feedback frequency and the success criteria variables were positive. ". . . It therefore seems desirable for those managers who use the MBO approach to schedule and carry out frequent performance review sessions with each subordinate. . . . Most managers in MBO programs are probably not conducting enough review sessions, and an effort should be made to determine why. . . ."[4] All too often feedback is limited and so, too, the sucess of MBO programs.

There is absolutely no reason for writing objectives unless they are translated into continuing action through step-by-step action plans. And managers must control and monitor performance to keep informed continuously as to how well their objectives and plans are being achieved.

Once objectives and plans have been established and approved, they can't be filed away and forgotten. Continuous feedback is a prerequisite to making the MBO process work. Face-to-face communication provides the most effective feedback. Feedback should be measurable and offered in relation to a goal; self- as well as superior-administered; expressed positively instead of negatively; ongoing so that performance remains high; and designed to measure all aspects of the job. MBO requires managers to recognize that their primary responsiblity is to remove obstacles.

Effective feedback should measure specifically and accurately what it is intended to measure. It should incorporate the best features of responsibility accounting, in which the right type of data is provided to the right manager responsible for decision making. Information should be simple and presented so that trouble spots are quickly identifiable. Speed is important so a manager can take corrective action before additional loss occurs, and while viable alternatives exist. Closely tailor feedback to ensure the accurate measure of critical cost and revenue factors. Feedback should serve a dual role for decision making: it's a guide when the decision is made and a later control when subordinates pursue the goal. Formulated with the complete participation of all management levels, feedback allows the full consideration of what each manager needs to direct and measure properly his or her own operations.

It should be obvious that the feedback report itself is not the sought-after end. Rather, the report should be impetus for corrective action, keeping the organization on target. Through feedback, managers may see necessary revisions in objectives, plans, or budgets—revisions that make them realistic.

The more motivated and achievement-oriented a manager is, the more he or she demands feedback on actual performance. A manager continually wants to know how

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well subordinates are achieving the objectives. MBO needs reinforcement programs of letters, group meetings, and calls that stress the importance of MBO and thank supervisors for their participation. Frequently this follow-up does not occur and MBO fails. Ideally, all phases of MBO should be objectives oriented, have a problem-solving focus, and be conducted with effective communication and feedback.

Friendliness and honesty

Successful MBO processes have discernable stages. First, the manager has to write down the performance objectives, and secondly, discuss them with the superior. The superior then periodically reviews the progress with the manager. Finally, the subordinate makes a report of accomplishments and, with the superior, discusses future objectives. In each of these areas, communication is the key to success. A communication breakdown anywhere could cause MBO to fall apart.

Management by objectives requires friendly, helpful superiors; honest and mature subordinates; a climate of high mutual trust; and effective communication. But often the manager cannot communicate well with individuals and groups whose perceptions of work may differ. MBO places a premium on data prepared under the best principles of enlightened responsibility accounting—the right data, at the right time, at the right place, for the right manager. With in-depth delegation and the proper data, decisions can be made at the lowest possible level and nearest the point of action, when it's taking place. Furthermore, communication channels must be open to ensure a free flow of information upward and downward in the organization. The role of communication as a catalyst is critical.

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