

MANAGEMENT BY OBJECTIVES CAN WORK

*the ingredients for
MBO success
and some examples*

The president was given a carefully-prepared review of a "Management by Objectives Program" which was being proposed by the training department. The proposal was developed in response to the then rapidly-growing interest in finding ways of better evaluating individual performance. The presentation was a brief, very polished preview of a more complete three-day program. Both the preview and the full program were developed around a colorful flannel board presentation. In addition, the three-day program contained case histories and role playing of the Management by Objectives "process." The president was impressed. He asked that the preview be presented at his next division presidents' meeting, for the division presidents from the U.S. and Canada. This was a big company -- one of the 75 largest manufacturers in the United States.

The same presentation was made to the division presidents and the company president. The division presidents gave little indication of their reactions to the program -- a few asked questions. The company president suggested that the full three-day program be given as soon as possible to all managers in all divisions. The training department immediately tooled up to prepare all the needed materials and to train "trainers" to cover the many plants and offices. There was furious activity for several months while this Gargantuan effort was launched and carried out. It was a good feeling. The training department had made a big "sale."

THE AWFUL TRUTH

It had also carried out a terrific flop! However, this was not readily apparent. For some months after installing the program in many locations, the trainers and others would call or write the training department for more materials, advice or ask about various technical subtleties of program administration. This continued activity deluded the training department into thinking they had done a good job. The awful truth came in later discussions with operating

managers who not only didn't really understand the program they had been "taught," but hadn't even begun to put Management by Objectives into practice. Many of them said, with embarrassment, that it was a good thing -- they'd like to try it some day -- but were too busy with their jobs to get around to it. You have probably already spotted many reasons for this failure of Management by Objectives to "work." Here are some of them:

- managers pushed into a program for which they had no need, as they saw it
- managers saw no relation between the program and their daily managerial job
- top management either really didn't understand what they had bought, or if they did, felt it could be implemented without their support
- the training department built into the program too much esoteric jargon and administrative details
- the training department failed to heed the "spaced vs. massed learning" principle by cramming an entire philosophy of management into a three-day program
- the training department failed to integrate the program with existing managerial procedures.

Thus Management by Objectives was conducted as a training program rather than as the re-structuring of existing management practices and the implementation of needed new ones that would result in an integration of company, division and department objectives with individual work planning, measurement and review.

MBO CAN WORK

Management by Objectives *can* work. Here are two different situations where it has. But before we look at them, let's stop and define what we mean by "it can work." Management by Objectives is defined here as "working" when the following conditions prevail:

- the primary organization has written,

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clearly-defined and understood measurable goals or objectives (the terminology is not important)

- these are translated into specific goals for each sub-division of the primary organization
- the goals are translated into specific plans for individuals within the organizational units with specific measures as to who is going to do what and when
- a procedure is in place whereby the plans are regularly reviewed, revised, and new ones developed with the individual who is responsible

Both of the cases presented here where Management by Objectives did work, meet these conditions. However, these cases differ in the complexity and degree of formality of the planning. As would be expected, the larger company required a more planned, formal approach.

Three totally integrated businesses within a very large company were interested in Management by Objectives. The three were about equal in size (about \$40 million sales and 250 exempt people each), similar in technology and products, and located in the same plant complex. Three kinds of activities were carried out to try and make Management by Objectives work in each business, an objectives-based performance appraisal system, feedback to each manager of the results of a survey of his man-management practices, and a Management by Objectives training program. In addition, the 750 (approximately) exempt people in all three businesses completed a questionnaire about their boss's man-management practices at the beginning of the program and one year later. This plan was designed to determine experimentally what methods would be most successful in getting management by objectives to work. Here is the design:

Here is a brief description of each of the treatment variables:

Objectives-Based Performance Appraisal System — a procedure whereby managers and exempt employees develop goals and work plans that the employee is to perform within a given time period. At normal salary review time and at agreed

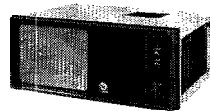
upon intervals, the boss and subordinate discuss the subordinate's progress, plans for improvement, and recycle the goals and plans. The goals reflect objectives developed for the total business and for each

section of the business.

Feedback of Man-Management Survey Results — a questionnaire was used to measure the way a subordinate views his boss's setting of objectives, delegating, coaching,

<u>Before</u>	<u>After</u>
First Man-Management Questionnaire	One-Year Experimental Period
Business "A"	Last Man-Management Questionnaire
Business "B"	<ul style="list-style-type: none"> — Objectives-Based Performance Appraisal System Installed — Feedback of Man-Management Survey Results to Each Manager — Management by Objectives Training Program
Business "C"	<ul style="list-style-type: none"> — Objectives-Based Performance Appraisal System Installed — Feedback of Man-Management Survey Results to Each Manager — Objectives-Based Performance Appraisal System Installed

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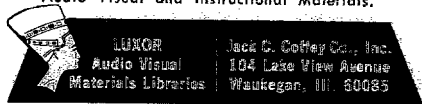




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etc. The questionnaire was used both as a "before" and "after" measure of man-management practices and, with the feedback, as one of the treatment variables. The feedback was given in a private discussion with each manager. The manager was given a written summary of what his subordinates had said about his man-management practices in the survey and was asked for his interpretation. A discussion followed that averaged about 20 minutes. The purpose was to aid the manager in gaining insight into his man-management practices in the hopes that he would improve them.

Management by Objectives Training Program — six 1½ hour meetings designed to teach managers how to apply management by objectives. The program had two interesting features. First, it was built to "force" managers to partially carry out the mechanics of the system by requiring the procedures be done in the course of the program. Second, the meetings were integrated into the Management by Objectives sequence. For example, the meetings on performance discussions were conducted just prior to the time that performance reviews were scheduled. Thus the training was a part of the management by objectives process, rather than a concentrated "dose" of education that was given in hopes that "some will rub off."

AN EXAMPLE

The results of this experiment were that those who received the most treatment variables showed the most change in man-management practices at the end of the year. The exempt employees in Business "A" reported improved practices (which were statistically significant) after the experimental period in their managers': setting of high standards; letting them know what was expected of them; appraising their performance; assisting them in performance. In examining the changes in all businesses, it was found that the extent to which managers delegated did not change in any of them. The exempt people in two or more of the businesses reported change in how their managers: set performance standards; discussed performance, assisted in performance improvement, and rewarded for performance.

Business "A", with the most efforts in making management by objectives work, produced the most improvement. They did it with a combination of a Management by Objectives training program, feedback to managers of how

their subordinates viewed their man-management practices, and the use of an objectives-based performance appraisal system.

ANOTHER EXAMPLE

The other situation where Management by Objectives "worked" was in a much smaller company and involved a much less elaborate design. This case with a company of about \$100 million in annual sales and approximately 175 exempt people. The new president had previously operated in a manner similar to what is known as Management by Objectives.

A Management by Objectives approach was proposed to the president in order for him to: (1) accelerate his understanding of who was doing what, (2) exert his influence on operations and (3) start his group functioning as a team with common objectives but separate accountabilities. A straightforward, simple system was proposed for regularly developing and reviewing company objectives, department and individual goals and plans that was tied into the existing twice yearly sales and expense forecasts and into exempt salary administration. In addition, it was proposed that a training program be conducted to educate the managers in the use of the system.

The president rejected the proposal for a training program and requested that his staff be briefed at once and the program begun. The consultant explained the program and followed it up later with individual sessions with key staff members on a "by request" basis. Management by Objectives was soon operating at the top levels in the organization. The reasons were simple. This is the way the president had operated in another company. This is what he wanted in the new company and he got it!

Management by Objectives *can* work. Like management itself, it requires hard work and experience. A Management by Objectives training program by itself is not a substitute. But with hard work and experience, Management by Objectives *can* produce.