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Management By Objectives

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I am pleased to be with you today to discuss a subject that has become a particular interest lately—Management By Objectives, Management By Results, Goal Setting, or whatever words we wish to use. It is a subject of considerable scope, and time is limited. I will cover only aspects which I believe will be meaningful to those involved in training and development. There is a theme running through my presentation. In case it isn't apparent, it is that success or failure in the instituting and maintaining of a Management By Objectives process depends on strong staff assistance to line management, particularly good education and training, using the best motivational, instructional, communications media available. Certainly, line people do the managing and therefore, can make or break this Objective process.

In my experience, however, line management will institute and carry through effectively if they (1) thoroughly understand the theory and process, (2) are given the tools, and (3) receive staff counsel on a regular basis. This is a challenge to the training and development staff. Their real responsibility is teaching a way of managing—planning, organizing, motivating, and evaluating. My observa-

tions are based primarily on four years personal experience in my company, plus some good readings and discussions with a few companies.

A discussion of Management By Objectives in May, 1967 is timely. According to one writer, "the concept appears to be the hottest thing to hit the management methods market in years." There seems to be some confusion or difference of opinion among both line management and personnel people as to what is actually meant by the expression. Are we talking about a method of performance appraisal, a system of planning, management work standards, a motivation technique, a control procedure, or what?

Much has been written on the subject, particularly recently—you will recognize the names of Drucker, McGregor, Argyris, Odiorne, Kellogg, Hughes, Mahler, Kindall, McConkey, Likert, and Schleh. Each author's approach is different in significant respects. The Objectives setting and follow-through procedures vary by authority and company, yet, certain basic steps are common to all.

It is difficult to find companies that have what I call a complete system of Management By Objectives. There is a tendency to stop at certain levels of

management—top or middle. Not every attempt to institute or maintain a program is successful. Although the theory is easy to understand and accept, its implementation is difficult. Even if the installation phase is successful, there is still the problem of maintaining the momentum. (Management By Objectives is tough to do well. It is a real challenge.) You and I may be enthusiastic, but there are others who can take it or leave it very easily.

John Hancock Experience

At the John Hancock we have had some interesting experience with the application of the concept underlying Management By Objectives. The specific steps we have taken are: (1) setting long-range company goals and objectives; (2) implementing them with departmental one-year and five-year plans; (3) translating the latter into specific one-year objectives of supervisors, managers, technical personnel, and above; and (4) establishing, primarily through group effort of all other personnel, short-range unit goals developed in what we call the PRIDE Program. We are pleased with what we have seen. There is much to do, but we are working at it, with tremendous support from the President of the company, Robert E. Slater.

Launching

I will now cover certain aspects of launching a company-wide Management By Objectives process, the follow-through, uses in development, determining training and development needs through Objectives, and specific uses.

The first question faced is how to communicate the process to different levels of personnel within the company. There are four phases.

Phase 1—At the John Hancock, Company Goals and Objectives for 1980 were set and communicated first to all

management and supervisory personnel at a management forum. Our President participated. He used a slide film to point out specific company goals. Forty-four Luncheon meetings were then held throughout the country with field management and agents, again showing the film. All other employees were then informed through a slide and voice presentation at meetings within each department.

Phase 2—Each department was asked to prepare five-year and one-year plans to carry out the company goals to 1980. Presentations were then made to the Executive Committee. After that, a series of meetings were held with all departmental personnel to describe the plans. A slide presentation was used. A detailed summary of these plans was subsequently incorporated in a document distributed to all middle and top management people.

Phase 3—Each person, from first-line supervisors up to department heads, prepared individual one-year Objectives within the framework of the department goals. In actual development, individual Objectives started three years ago, and then Company Objectives were set. It is not necessary to set company goals first to have a working Management By Objectives program, but I recommend it. Without some communication from above, people will ask, "How can I set my goals without knowing my Company and Department goals?"

To me, it is this Phase 3 that is particularly critical in the success of a Management By Objectives process. Individual Objectives constitute "linking pins" between the higher level, broad, long-range plans, and the short term specific unit goals of personnel below first-line supervisors, to be described in Phase 4. Higher level goals must be converted into specific, practical sub-goals or plans. The work of

large numbers of clerical personnel must be coordinated in order to achieve unit goals.

In my company, the key personnel to do this are directors, staff personnel, division managers, supervisors, and various technical personnel. Experience indicates that without centralizing in these individuals the responsibility for initiating action, synthesizing the goals of others into their own, and assisting others in the attainment of their goals, desired results are not achieved.

Training Design

Since the heart of a Management By Objectives system is in the individual Objectives process, educational and motivational efforts should be made with care. I'm still looking for the best way. But this is what we did:

1. Small group meetings of 10-12 people were held one hour a day for four consecutive days. This wasn't enough, as I found out later.
2. Reading material was given out well in advance—Professor Kindall's article "A Positive Program for Performance Appraisal" (later I also used an article by the late Professor McGregor). This provided the theory. Along with the article, a manual I prepared, entitled "Guide to Objectives," was distributed. This described the procedure in detail, had some visual aids, a bibliography of additional reading, a summary of Herzberg's "Motivation to Work," and questions commonly asked, with the answers.
3. At the meetings the agenda was simple. In 20 minutes I summarized the concept and process, using visual aids. The remaining time was spent in group discussion, doing an actual example, using a job description as a guide, setting up Responsibilities, Indicators, and Objectives. At the end, I tried to determine from the group what they saw as the specific benefits to be derived from the Management By Objectives process.
4. These meetings were only a beginning. Visits were made to departments to assist key management personnel. Questions were bound to arise as individuals developed their own Objectives. Initial reactions were generally favorable. There was enough evidence to indicate, however, that there was skepticism as to the real intent—was this program a technique of control, a pressure device, a way of sticking one's neck out, another merit rating? Some asked "What's new about this?" As this latter question is important, let me give the answers as I see them—
 - A. In the first place, it has been generally assumed that a person knows his responsibilities and the measures of their fulfillment. My experience indicates this is not so. There is research evidence on this point. A person will be assisted if he and his manager agree on the areas for which he is accountable and the specific yardsticks or guides that are viewed in determining whether the responsibilities have been met.
 - B. A second major difference is the writing down of the specific Objectives to be attained and the dates for their completion.
 - C. A third difference is that Objectives are expressed in terms of concrete results, not activities.
 - D. A fourth is the periodic writing down by each individual of his progress toward the Objectives, in effect a self evaluation of the extent of job accomplishment.

E. Another difference is the individual has the opportunity to express his own thoughts first, and then receive guidance from his manager.

F. And finally, the Objectives encompass all areas of one's work—personal development, methods and procedures, relationships, personnel relations, production, etc. A balanced set of Objectives results from this approach.

Phase 4—In this phase, employees, together with their immediate management, select areas of activity for which goals are to be set. These goals can be individual or group. They are normally set on a quarterly basis prorated for weeks and months as appropriate. Reporting on progress is quarterly. It is visual by charting performance in the work area, or progress reporting to the Pride Council through department chairmen. Recognition awards are given. I won't go into further details. The important consideration is that goal setting is made possible for all employees, not just management. An environment is created where the individual's most positive talents can be exercised on the job. A sense of common purpose and increased feeling of personal responsibility is created. Although it might appear that we have many different processes going on, with possible duplication, there is in actual practice, a systematic, uniform and coordinated effort, involving all levels of personnel.

Follow-Through

Only a beginning has really been made when any of the four stages or processes has been launched. Let me elaborate a bit on Phase 3, with which we have had three years experience. The real work takes place in assisting key management people in reviewing

Responsibilities, Indicators, and Objectives. Many problems will develop and unless met, will seriously weaken the Management By Objectives process. In fact, they may cause its complete failure. Some of these problems to prepare for are:

1. The tendency to set goals only in two or three responsibilities, instead of having a complete set, encompassing all Responsibilities—production, personnel, work procedures, developments, etc.
2. Establishing general and vague goals. It is necessary to have precise, specific goals.
3. Using projects instead of results. Everyone will have preparation of a training program as an Objective, whereas the results to be accomplished by the program are the real Objectives.
4. Indifference on the part of certain management personnel, who are particularly busy in getting the work out. The best Objective programs are in areas where the department head is really interested, and lets his people know it.
5. Staff jobs. There is a tendency for some staff personnel to say that Objectives can not be set in their work—it isn't clear-cut like the work of line management—they can't plan ahead. Our experience is that Objectives can be set in any Department of a company; Law, Public Relations, Accounting, Methods and Procedures, Personnel, Auditing, Contract, Investments.
6. Hesitancy to discuss thoroughly the Objectives set by an individual and suggest changes if they are not what the Manager thinks they could be.
7. Hesitancy to discuss periodically progress toward the attainment of Objectives. If an individual isn't recognized to the extent of discus-

sing his progress regularly, he loses interest in the program.

8. Program vs. informal process. The procedures should be carried out informally, as a natural part of managing or as a planning activity. There is a tendency to avoid a process that is stressed as a "program."

These are some of the minor problems. They may be avoided by stressing fundamentals in the instruction sessions and in the staff work with key management personnel. These fundamentals are; (1) clarifying Responsibilities, (2) determining measures for each, (3) setting at least one or two Objectives for each Responsibility, (4) written Accomplishment Reports, and (5) regular discussion of these reports.

By Product

An important by-product of Management by Objectives is individual development. Merit rating forms have been devised with an aim toward development. There is considerable research evidence and agreement among behavioral scientists that merit rating does not accomplish its stated purpose. The factors used are too general, too subjective for development purposes. A person doesn't develop by being told he "needs to improve, is average, or superior." He develops by specific on-the-job accomplishments under proper guidance. The process of developing and attaining individual Objectives emphasizes accountability, requires a person to stand on his own two feet, highlights his needs by specific examples, enables him to lay out a plan, use his own ingenuity, provides for regular coaching, and tailors each person's training program to his own requirements.

At the John Hancock, after the first year with individual Objectives, we discontinued the use of a supervisory

and management rating form. There was general agreement among managers that the individual Objective's process provided all the benefits attributed to performance appraisal. It was pointed out to me in the interviews I conducted that the approach was positive, objective, a continuing activity (not once a year), and emphasized the role of the individual, not his superior.

Determining Training Needs

I found through a spot analysis of the Objectives of individuals just what the thinking of departments was on training needs. It was done in this way. One of the 10-12 Responsibilities was always "individual development." Each person set specific Objectives for the year within this Responsibility. It was interesting for me to note that on-the-job training Objectives outnumbered courses and reading. What was particularly important was the opportunity for the individual to state first what he believed his development needs to be, and then discussing them with his first superior to see if he agreed. I'll admit that there was a strong tendency for some to list general courses such as supervision, management, human relations, when the immediate development need was to obtain experience in specific aspects of the job.

Specific Uses of Objectives

A study was conducted to obtain reactions of people participating in the individual Objectives process. You will recall I mentioned that I tried to obtain information as to the benefits of the Objectives process at the end of the instruction sessions. Asking the question after a person had been through the process was, of course, more meaningful.

The various uses of Objectives which we found to be particularly im-

portant were:

1. **Planning, Long and Short Range.** When the results expected for the company, departments, divisions, and individuals are put together, we have a complete planning schedule. New ideas are stimulated by the entire process. In the words of J. Forrester of M.I.T., "If one wants innovation, it means he must concentrate on clear statements of Objectives."
2. **Increasing Job Understanding.** Listing of Responsibilities clarifies the areas where results are expected. Indicators pinpoint areas within Responsibilities that are particularly important as measures of results. The Objectives tell what specific results are expected in the job. All three steps clarify the job.
3. **Getting The Work Out.** Having specific goals motivates a person to attain them. The drive toward accomplishments is powerful.
4. **Communication.** The process provides for clear understanding of one's duties. It is a two way process, up and down. It establishes regular points in time for discussion and a framework within which to exchange thoughts. Company and department Objectives are widely communicated.
5. **Equitable Compensation.** Job Evaluation is based on activities, compensation is based on what is actually accomplished. Management By Objectives emphasizes the person and the results he achieves.
6. **Transfers and Promotions.** The Accomplishment Report is a source of information on (1) whether the individual performs well on those functions that are related to the new job and (2) deserves a promotion.
7. **Promoting Teamwork - Cooperation.** The Objectives of the individ-

ual shape department Objectives. The person who reviews the Objectives of an individual makes certain that they harmonize with the department and company Objectives. Group meetings keep persons informed of progress toward unit Objectives.

8. **Job Satisfaction.** A person's age is enhanced by the opportunity to take initiative, to assume responsibilities, to participate, and to achieve.
9. **Development.** Each Objective is usually an improvement. Effecting an improvement results in development. The individual learns through the process of analyzing and discussing the causes for not attaining certain Objectives.

Summary

I have tried to describe an approach to managing and a process to follow as shown by my experiences at the John Hancock. Much needs to be done. We are not out of the woods. However, we have seen enough to be optimistic that it is the proper direction of management and that in the words of President Robert Slater "in order to have company growth, it is necessary for everyone in the organization to set up his goals." We have set up procedures by which everyone, no matter what his or her job, can participate.

We believe, as so well expressed by the late Professor Douglas McGregor, that ". . . human beings will direct their effort, exercise self-control and responsibility, use their creativity in the service of goals to which they are committed. The managerial task is to help the organization achieve and maintain high commitment, and heavy reliance is therefore placed on the intrinsic power of identification. Identification and commitment rest on linking the individual's own goals with those of the organization."