# EMERGING TRENDS IN COMMERCE WITH SPECIAL REFERENCE TO MANAGEMENT BY OBJECTIVES

**Dr. Meenaxi Shivappa Madiwalar**
**Asst Professor of Commerce**
**Govt First Grade Women's College**
**And P.G.Centre**
**Bailhongl**

## Abstract

Management has become an important "economic organ" of the present industrial society. Proper management is a pre-requisite for a successful organization. A profit-making organization can get into a loss-making concern in the absence of proper management. MBO literally means "Management by Objectives". It is a technique that is often used to formulate and implement operational goals. Traditionally, organizational goals are formulated by compliance. In contrast the MBO approach involves employees in the process of formulating and implementing these operational goals directly related to their jobs. This paper includes objectives and approaches to the concept of MBO. It also highlights the suggestions to improve the organization both quantitatively and qualitatively. This research paper's data has been collected from the sources: annual reports, articles, magazines, related books and websites. The present paper is worked out theoretically. It aims to study the MBO, its process and workings and its implications in Indian Companies.

*Keywords : Management by Objectives, Management, Companies, Managers, Objectives, Organizations*

## Introduction

The concept of MBO is closely connected with the concept of planning. The process of planning implies the existence of objectives and is used as a tool/technique for achieving the objectives. Modern managements are rightly described as 'Management by Objectives' (MBO). This MBO concept was popularized by Peter Drucker. It suggests that objectives should not be imposed on subordinates but should be decided collectively by a concerned with the management. This gives popular support to them and the achievement of such objectives becomes easy and quick. Management by Objectives (MBO) is the most widely accepted philosophy of management today. It is a demanding and rewarding style of management. It concentrates attention on the accomplishment of objectives through participation of all concerned persons, i.e., through team spirit. MBO is based on the assumption that people perform better when they know what is expected of them and can relate participation, joint goal setting and support and encouragement from superior to subordinates, which are the basic features of MBO. It is a result-oriented philosophy and offers many advantages such as employee motivation, high morale, effective and purposeful leadership and clear objectives before all concerned per-sons. MBO is a participative and democratic style of management. Here, ample of scope is given to subordinates and is given higher status and positive/participative role. In short, MBO is both a philosophy and approach to management. MBO concept is different from MBC (Management by Control) and is also

superior in many respects. According to the classical theory of management, top management is concerned with objectives setting, directing and coordinating the efforts of middle level managers and lower level staff. However, achievement of organizational objectives is possible not by giving orders and instructions but by securing cooperation and participation of all persons. For this, they should be associated with the management process. This is possible in the case of MBO and hence MBO is different from MBC and also superior to MBC.

**Objective:**

This paper intends to study the acceptance of Management by objectives and it's application the application of commercial ventures

**Definitions**

(i) According to Peter F.Drucker, "Management by objectives is regarded as a system for improving performance, both of the individual managers and the enterprise as a whole by setting of objectives at the corporate ,departmental and individual manager's level. (ii) According to S.K.Chakravarty, "Management by objectives is result-centered, non-specialist, operational managerial process for the effective utilization of material, physical and human resources of the organization by integrating the individual with the organization and organization with the environment".

**Basic Principles**

Peter Drucker set forth several principles. Objectives are laid out with the help of employees and are meant to be challenging but achievable. Employees receive daily feedback, and the focus is on rewards rather than punishment. Personal growth and development are emphasized, rather than negativity for failing to reach objectives.

Drucker believed MBO was not a cure-all but a tool to be utilized. It gives organizations a process, with many practitioners claiming that the success of MBO is dependent on the support from top management, clearly outlined objectives, and trained managers who can implement it.

Practitioners claim that the major benefits of MBO are that it improves employee motivation and commitment and allows for better communication between management and employees. However, a cited weakness of MBO is that it unduly emphasizes the setting of goals to attain objectives, rather than working on a systematic plan to do so.

**Process of MBO**

*The Five- step MBO process*
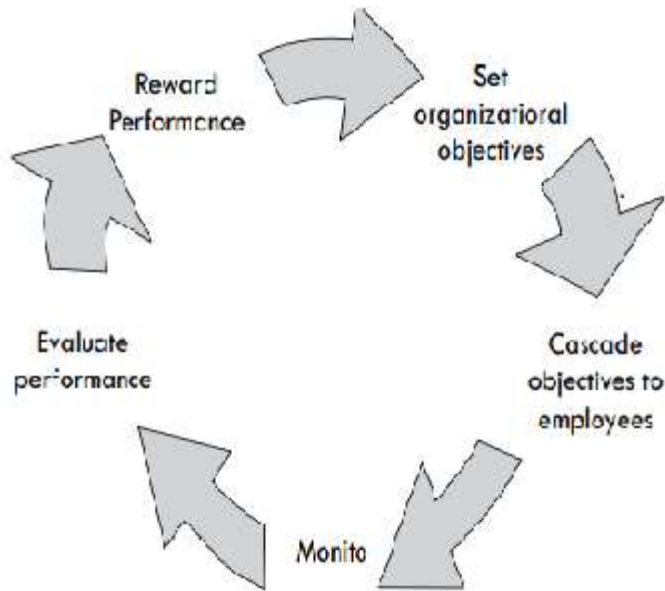


MBO : Concept, Domains and Levels

MBO is a process of defining objectives within an organization, so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them. It was first popularized by Peter Drucker in his 1954 book, "The practice of Management". Objectives can be set in all domains of activities – (production, marketing, services, sales, R&D, Human resource, Finance, information system). Management must determine the mission and strategic goals of the enterprise. The goals set by top level managers are based on an analysis of what can and should be accomplished by an organization within a specified period of time. The objectives must meet these criteria:

(i) They must be arranged in order of their importance

(ii) Expressed qualitatively, whenever possible

(iii) Realistic

(iv) Consistent with the organizational policies

(v) Compatible for one another

(vi) Focused on result , not on activity

(vii) Measurable

(viii) Related to time

**Scenario of Indian companies with reference to MBO**

In India, there is very limited expansion of MBO, infect very few organizations have applied MBO and very few of them have shared their experiences with others.MBO came to India initially through the MNC's, operating in India at the initial stage. Overseas corporate offices of multinationals provide expertise to the Indian associated companies. It was in 1969 that MBO made a systematic entry through a management institution, Administrative Staff College of India, Hyderabad, organized top-management seminar on MBO in which heads of many organizations participated. Many of them appreciated the role of MBO as the system of management and applied in their organization. The Indian Company with the longest history of practicing MBO is Madura Coats. Some of the other companies which have successfully implemented MBO are:

» BHEL (Bharat Heavy Electronics Limited)

» Grind Lays Bank

» Blue Star

» Shaw Wallace &

» Glaxo Limited

Case studies of companies which implemented MBO

1) Glaxo India Ltd.

It is a large pharmaceutical company in India having large manufacturing base as well as an all India marketing network.Glaxo India Ltd. started facing problems from government policies towards multinational inflationary pressures and internal organizational happenings. Company appointed a new md and the senior manager in 1973. The new Managing Director introduced the concept of MBO. The company adopted a group approach to setting objective at the corporate, divisional and departmental levels. The company adopted a no. of policies for objective setting which included: (i) Issue of guidelines to the divisions for expected results; (ii)Divisionsindicatetheircapabilitiesasalsotherequirementforadditionalresources; (iii) Corporate as well as departmental objectives are established; (iv) Divisional objectives are finalized; (v) Company's budget is compiled ; (vi) Result guides for managers are renewed. Their main emphases were on strengthening the planning and control system at different levels. It was noted that existing structure on functional basis had problems of coordination, conflict and accountability. Therefore company divided itself into three profit centre's/operating divisions – pharmaceuticals, foods and chemicalsbesides a number of corporate departments. This helped in implementation of MBO. Initially the

process of MBO was slow and encountered several problems, but Managing Directors personal commitment was of a very high quality and therefore, the process succeeded.

2) INTEL

A Manager's guide at Intel provides the following directions by implementing MBO: Start with a few well- chosen overriding objectives; Set your subordinates objectives that fit in with your overriding objectives; Allow your subordinates to set their own key results to enable them to meet their objectives; In MBO systems at Intel, objectives are written down for each level of management, and individuals are given specific aims and target. The principle behind this is to ensure that people know what the organization is trying to achieve, what their part of the organization must do to meet those aims, and how as individuals they are expected to help. This presupposes that organization's programs and methods have been fully considered. If not, start by constructing team objectives and ask team members to share in the process. "The one thing that MBO system should provide is focus" says Shikha Khandelwal & Shweta Gupta   Andy Grove who ardently prcticed MBO at Intel. So have your objectives precise and keep their number small;.For MBO to be effective, individual mangers must understand the specific objctives of their job and how those objectives fit in with the overall company objectives set by board of directors; The manger should be directed and controlled by the objectives of performance rather than his boss. The above case studies show the importance of the MBO in running the business organizations successfully and smooth The business results of the companies also improved after the implementation of MBO. This was attributed to MBO and re-organization of structure. This, in turn also reinforced the positive attitude towards MBO.

**MBO: Key advantages vs arguments against**

*Key Advantages*

(1) MBO programs continually emphasize what should be done in an

organization to achieve organizational goals.

(2) MBO process secures employees commitment to attaining organizational

goals.

(3) MBO provides a basis for evaluating a person's performance since goals are

jointly set by superior and subordinates.

(4) It produces goals that identify desired/expected results. Goals are made

verifiable and measurable which encourage high level of performance.

(5) It helps individual managers to develop personal leadership and skills useful

for efficient management of activities of a business unit.

*Arguments Against*

(1) The development of objectives can be time consuming leaving both managers

and employees less time in which to do their actual work.

(2) Managers may face problems of measuring objectives when the objectives

are not clear and realistic.

(3) MBO being pressure oriented programme tries to indiscriminately force

improvement on all employees. At times, it may penalize the people whose

performance remains below the goal. Thus ,it based on reward-punishment

psychology.

(4) MBO effectiveness is inversely related to the number and easily measurable results instead of important results and (e) overemphasis on short-term goals at the cost of long-term goals.


**How to make MBO effective?**

1. Support from all. It should get support and co-operation from the management.No MBO programme can succeed unless it is fully accepted by the managers mentally as a good or promising programme.

2. Training of managers. Managers must be in a position to integrate the technique with the basic philosophy of the company. It is important to conduct training and practice sessions before the implementation of MBO programme.

3. Organizational commitment.MBO programme should not be decorative but it should be based on active support, involvement and commitment of managers.It must be woven into an entire pattern and style of managing it cannot work standing alone.

4. Allocation of adequate time and resources. A well conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions.

5. Provision of Uninterrupted information Feedback. Superiors and subordinates should have regular information about how well they are performing, regular sessions should be provided for their growth. There should be some motivational factors such as pay rise and promotions for peak performance.

**Conclusion**

To sum up, it can be said that an organization is like an orchestra team.It is for the management to make a music or a noise out of it. If there is an effective and sufficient management, the result is sweet and melodious music, otherwise the result is chaotic and awful noise. In today's world, MBO has become de facto practice for management in knowledge based organizations. The employees are given sufficient responsibility and authority to ac hieve their individual objectives. Organizations not only revolves on one aspect to achieve large size of profits or increasing market share, but to visualize how best the customer can be catered with an aim of achieving highest level of satisfaction. "It may seem obvious that managers must have somewhere to go before they set out on journey". MBO demands that the organization monitor a range of performance measures, designed to help its stay on the right path towards its objectives. The plan must be modified when this monitoring suggests that is no longer leading to desired objectives. "What is not measured, cannot be managed"

**References**

1. Drucker, P., The Practice of Management, Harper, New York, 1954; Heinemann, London, 1955; revised edn, Butterworth-Heinemann, 2007

2. Mio, Chiara; Venturelli, Andrea; Leopizzi, Rossella (4 March 2015). "Management by objectives and corporate social responsibility disclosure: First results from Italy". Acc Auditing Accountability J. 28 (3): 325–364. doi:10.1108/AAAJ-09-2013-1480.

3. Thomson, Thomas M. "MANAGEMENT BY OBJECTIVES" (PDF).

4. LaFollette, William R.; Fleming, Richard J. (1977-08-01). "The Historical Antecedents of Management by Objectives". Academy of Management Proceedings. 1977 (1): 2–5. doi:10.5465/AMBPP.1977.4976584. ISSN 0065-0668.

5. "Management by objectives". The Economist. ISSN 0013-0613. Retrieved 2016-04-27.

6. Lambert, Bruce (1992-01-23). "George S. Odiorne Is Dead at 71; Developed Theory of Management". The New York Times. ISSN 0362-4331. Retrieved 2016-04-27.

7. Hindle, Tim. Guide to Management Ideas and Gurus. New York: Bloomberg Press, 2008. Print

8. "Masterclass on Mission Statement from Gordon Moore, co-founder, Intel Corporation > Gtmhub team blog".

9. "Examples of Managerial Objectives".

10. "The Concept Of Management By Objectives".

11. "Multi-objective Optimization Tool for Integrated Groundwater Management (PDF Download Available)".

12. Gagne, Nana Okura (2017-10-06). ""Correcting Capitalism": Changing Metrics and Meanings of Work among Japanese Employees". 48 (1): 67–87. doi:10.1080/00472336.2017.1381984.

13. S.M.A.R.T. Goals" November 1981 issue of American Management Association Review by Ph.D. George T. Doran

14. Deming, W. Edwards, Out of the Crisis, The MIT Press, 1994, ISBN 0-262-54116-5

15. Deming's 14 Points and Quality Project Leadership J. Alex Sherrer, March 3, 2010

16. Drucker, Peter, "Management Tasks, Responsibilities, Practices", Harper & Row, 1973

17. Raj, Ritu (12 October 2012). "The Concept of Management by Objectives". Ritu, Inc.

18. Xihuai, L. (2014). On Application of MBO in College.

19. Nouiri, Issam. "Objective optimization tool for integrated groundwater management." Water Resource Management. November 2015. vol. 29 issue 14.

20. Gotteiner, Sharon (2016). "The OPTIMAL MBO". European Accounting and Management Review Vol. 2, Issue 2, pp. 42-56.