**ABSTRACT:**

MBO is an acronym for Management by Objectives. It refers to a management system that measures employees’ performance against a series of set targets or goals to gauge their overall performance in their role. MBO is essentially a philosophy of management based on identifying purpose, objectives, strategy, desired result and evaluating performance in achieving them. It has 8 steps; Setting of objectives at the top, Identifying key result areas (KRAs), Clarifying organizational roles, Setting subordinates objectives, Holding periodical meetings, Assess strengths and weaknesses of key resources, Evaluation of results or performance appraisal and Recycling or re-evaluating the process. MBO is not only essential and useful for business managers, but is equally important to nursing administrators to improve the efficiency of nursing personnel. MBO based on Taylorist principles can be used in nursing managerial process.

**INTRODUCTION:**

Management by Objectives is a Boon for healthcare Administration. The concept of management by objectives (MBO) was introduced by **Peter Drucker** in 1954. However many elements used in MBO were actually developed earlier, George Odiorne, Dale D, McConkey, and others are credited with giving MBo a substantial boost in mid-1960s. Though these conceptshave usually been designed with business and industries in mind, but it also has important implications in nursing.

**DEFINITION:**

1. MBO is defined as ‘a process whereby the superior and subordinate managers of an organization jointly identify its (the organization’s) common goals, define each individual’s major area of responsibilities 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’.

**–Odiorne**

1. ‘MBO is a comprehensive managerial system that integrates many key managerial activites in a systematic manner, consciously directed towards the effective and efficient achievement of organizational objectives’.

**–Heinz Weihrich and Harnold koontz**

1. ‘The philosophy of MBO is a collective endeavor to create an environment in which each individual is provided with optimum opportunity to realize his full potential. It is a system in which each employee participates in determining personnel objectives as well as the means by which he or she hopes achieve these objectives. It makes each employee a manager of his or her own particular work’.

**–George Terry**

**FEATURES OF MBO:**

The features of MBO are identified as bellow:

1. Objectives at all levels
2. Emphasis on all significant priority areas
3. Participation of concerned managers in objective setting and performance reviews
4. Periodic reviews of performance
5. Appropriate systems and procedures
6. Role clarity
7. Multiple accountability

**OBJECTIVES/PURPOSES OF MBO:**

1. To translate mission statements into operational terms
2. To give directions and set standards for the measurement of performance
3. To set both long term and short term objectives

MBO is often achieved using set targets. It introduced the SMART criteria; the objectives of MBO must be:

* **S**pecific
* **M**easurable
* **A**greed
* **R**ealistic
* **T**ime specific

**Ultimate objective:**

To aid each manager and supervisor in promoting the most effective use of the human resources such that each members, as a part of a team, makes an optimum contribution to the organizational performance and profitability.

**PRINCIPLES OF MBO:**

1. Cascading of organizational vision, goals and objectives.
2. Specific objectives for each member.
3. Participative decision making.
4. Explicit time period.
5. Performance evaluation and feedback.

**PROCESS OF MBO:**

MBO is essentially a philosophy of management based on identifying purpose, objectives, strategy, desired result and evaluating performance in achieving them. It has 8 steps:

1. Setting of objectives at the top
2. Identifying key result areas (KRAs)
3. Clarifying organizational roles
4. Setting subordinates objectives
5. Holding periodical meetings
6. Assess strengths and weaknesses of key resources
7. Evaluation of results or performance appraisal
8. Recycling or re-evaluating the process

**Setting of objectives at the top:**

First step in setting objectives is for the top manager is to determine the purpose or mission of the organization under given appropriate planning premises. These are based on the analysis and judgement. Then long range and strategic objectives, short term organizational objectives, departmental, unit objectives and individual manager’s objectives are developed.

**Identifying key result areas (KRAs):**

It indicates the priorities for organizational performance. It also indicates the present state of an organizational health and the top management perspectives for the future.

**Clarifying organizational roles:**

Each goal and sub goal should be of one person’s clear responsibility. Hence the specific parts of each co-ordinating manager’s contribution to the program goal should be identified.

**Setting subordinates objectives:**

After setting all levels objectives, identifying KRAs, the superior can then proceed to work with subordinates in setting their objectives. The action plan is made with them. The subordinates’ contribution or participation is very important at every stage.

**Holding periodical meetings:**

Periodical meetings are conducted by the superior to discuss the progress of work and implementation of the plans with their subordinates.

**Assess strengths and weaknesses of key resources:**

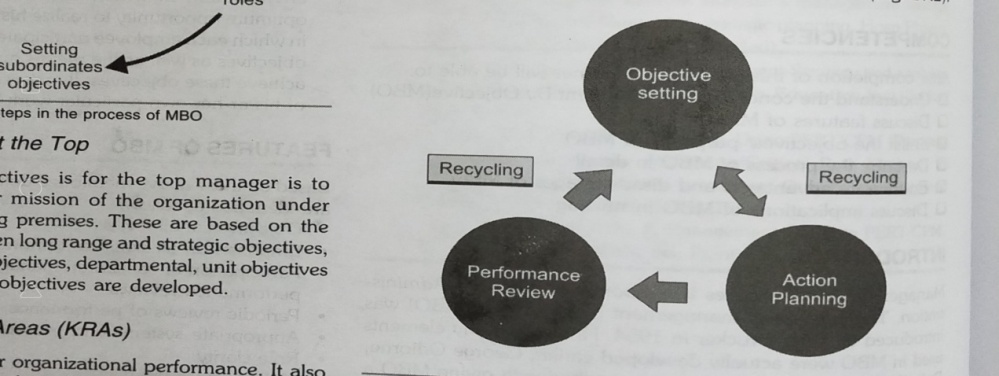
The strengths and weakness of key resources like human, financial, physical are assessed. The allocation and movement of resources are done in consultation with subordinate managers.

**Evaluation of results or performance appraisal:**

This aspect of MBO tries to measure whether the subordinate is achieving the objectives or not, what are the problems and how these problems can be overcome. This is a continuous process and view to find out the deficiencies in the work and also to remove those deficiencies.

**Recycling or re-evaluating the process:**

The result of performance appraisal is used as an input for recycling objectives and other actions. Since the objective setting is a joint process through interaction between superior and subordinates, each level may affect other levels also.



**Fig: Recycling aspect of MBO**

**ADVANTAGES OF MBO:**

1. It identifies problems of management, including structure, strategies and practices.
2. It focuses attention and effort on priority areas.
3. Planning becomes more precise and useful.
4. It makes objectives explicit and directs work activity towards their achievement.
5. It provides clear standards of control and facilitates self control.
6. It sharpens accountability.
7. It highlights interdependence within the organization.
8. MBO provides a vehicle for delegation of authority. It is an effective instrument for managing decentralized operation.
9. It emphasizes development and utilization of human resources.
10. It stimulates organizational change enabling the top management to initiate plan, direct and control the direction and speed of change by providing guidelines for planned change.
11. It provides clarity in organization action. The organization can look forward to what it intends to do in future, in short and long run.
12. It provides greatest opportunity for personnel satisfaction by adopting participatory approach.
13. It establishes good interpersonal relationship between management and employees. All the superiors and subordinates work together with a team spirit and minimize the differences between them.
14. It increases efficiency of management and the organization as a whole as the decisions are taken both by superiors and subordinates.
15. It helps in coordinating the activities of different units and departments.
16. It is the welding technique that joins personal-centered management to result centered management.

**LIMITATION OR DISADVANTAGES OF MBO:**

1. MBO often focuses on achieving specific, measurable objectives within a certain timeframe. This can lead to a short-term mindset where employees prioritize meeting immediate goals over long-term strategic planning and development.
2. The emphasis on quantifiable results may lead employees to neglect important aspects that are difficult to measure, such as employee morale, teamwork, and innovation. This can create an environment where employees prioritize easily measurable goals to the detriment of broader organizational health.
3. Setting rigid objectives can be problematic in dynamic and unpredictable environments. Business conditions may change rapidly, and sticking strictly to predefined goals may prevent necessary adaptations and responsiveness to new challenges and opportunities.
4. MBO may encourage employees or departments to pursue their individual objectives, which can lead to conflicting goals within the organization. This can result in competition among teams or a lack of cooperation, hindering overall organizational effectiveness.
5. The pressure to meet specific objectives can create stress for employees, particularly when goals are set unrealistically high or when they have limited control over the factors influencing goal achievement. This can negatively impact employee well-being and job satisfaction.
6. To meet their objectives, employees may resort to unethical practices or manipulate their performance data, resulting in goal distortion. This behavior can undermine the integrity of the performance management system and the trust within the organization.
7. Implementing MBO requires substantial planning, monitoring, and evaluation efforts. It may involve a significant amount of paperwork, reporting, and meetings, diverting valuable time and resources away from other critical tasks.
8. MBO tends to focus on quantifiable results, often overlooking the importance of soft skills such as communication, empathy, and creativity. These skills are essential for building strong team dynamics and fostering a positive work culture.
9. MBO's success relies heavily on effective goal setting. If goals are not well-defined, attainable, and aligned with the overall organizational strategy, the entire performance management process can be compromised.

**ESSENTIAL CONDITIONS FOR SUCCESSFUL EXECUTION OF MBO:**

1. Objectives should be specific, achievable, and measurable. They should be well-defined, leaving no room for ambiguity, and employees should understand what is expected of them. Clear objectives serve as a roadmap for employees, guiding their efforts towards achieving organizational goals.
2. MBO needs strong support from top management to be successful. Leaders should actively participate in the goal-setting process, communicate the importance of MBO to the entire organization, and provide necessary resources to support goal attainment.
3. Employees should be involved in setting their individual goals and be given the opportunity to provide input into the process. When employees have a say in goal-setting, they are more likely to be committed to achieving those objectives.
4. MBO should be closely aligned with the overall strategic objectives of the organization. When individual and departmental goals are in line with the broader organizational goals, it ensures that everyone is working towards the same vision.
5. Regular monitoring of progress is crucial in MBO. Managers should provide timely feedback to employees regarding their performance, acknowledging achievements, and offering guidance for improvement when necessary. This feedback loop helps employees stay on track and make adjustments as needed.
6. While setting clear objectives is essential, MBO should also allow for flexibility and adaptability. Business environments are dynamic, and goals may need adjustments to reflect changing conditions and priorities.
7. Employees and managers involved in the MBO process should receive adequate training on goal-setting, performance measurement, and feedback techniques. Training ensures that the process is understood and implemented effectively throughout the organization.
8. Recognizing and rewarding employees for achieving their objectives can be a powerful motivator. Incentives tied to successful goal attainment can reinforce a culture of performance and encourage continued commitment to the MBO process.
9. Encouraging open communication and collaboration among employees and teams fosters a supportive work environment. This allows for the sharing of ideas, knowledge, and resources, promoting a sense of unity and collective effort towards achieving organizational goals.
10. MBO should be implemented ethically, ensuring that goals are not set unrealistically high, which may lead to unethical behavior or goal distortion. The process should prioritize integrity and fairness.

**IMPLICATIONS OF MBO IN NURSING:**

MBO is not only essential and useful for business managers, but is equally important to nursing administrators to improve the efficiency of nursing personnel. MBO based on Taylorist principles can be used in nursing managerial process.

MBO can lead to improved patient care by setting specific and measurable objectives related to patient safety, quality of care, and patient satisfaction. By focusing on these goals, nurses can work more effectively to enhance patient outcomes and overall healthcare experiences. MBO creates a culture of accountability among nurses. When nurses are involved in setting their own objectives and goals, they are more likely to take ownership of their performance and strive to meet or exceed those targets. MBO encourages open communication and collaboration among nursing teams. Nurses work together to set departmental and organizational objectives, fostering teamwork and sharing best practices to achieve common goals. Goal-setting in MBO often includes objectives related to professional development and skill enhancement. Nurses are encouraged to pursue ongoing education and training to meet their career aspirations while staying up-to-date with the latest medical advancements. MBO provides a structured framework for evaluating nursing performance. Performance assessments are based on specific, measurable outcomes, making the evaluation process more objective and transparent. By aligning nursing objectives with the overall strategic goals of the healthcare organization, MBO ensures that nursing efforts contribute directly to the organization's mission and vision. MBO helps identify areas that require additional resources or support to achieve set objectives. This aids in the efficient allocation of resources, such as staffing, equipment, and training, to meet nursing department needs. MBO can emphasize patient-centered care by setting goals that prioritize patient needs and preferences. Nurses can be encouraged to incorporate patient feedback and preferences into their care plans. When nurses are actively involved in goal-setting, it can lead to higher levels of job satisfaction and reduced burnout. Having a clear sense of purpose and progress towards achieving objectives can positively impact nurse motivation and well-being. MBO relies on measurable data to track progress and assess performance. Nurses can use data to make informed decisions about their practice and identify areas for improvement.

**CONCLUSION:**

Management by Objectives is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. It is the process of defining specific objectives within an organization that management can convey to organization members, then deciding how to achieve each objective in sequence. This process allows managers to take work that needs to be done one step at a time to allow for a calm, yet productive work environment. This process also helps organization members to see their accomplishments as they achieve each objective, which reinforces a positive work environment and a sense of achievement.

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