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STRATEGIC PLANNING AND CONTROL IN MANAGEMENT BY OBJECTIVES

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Abstract: The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims. The complete MBO system is to get managers and empowered employees acting to implement and achieve their plans, which automatically achieve those of the organization. The planning and control is effective if it has strategic character, is aimed at achievement of concrete results, and is duly, flexible, simple and economic.

1. STRATEGIC MANAGEMENT AND MANAGEMENT BY OBJECTIVES SYSTEMS

Management by objectives (MBO) is a systematic and organized approach that allows management to focus on achievable goals and to attain the best possible results from available resources.

It aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization. Ideally, employees get strong input to identify their objectives, time lines for completion, etc. MBO includes ongoing tracking and feedback in the process to reach objectives (figure no.1).

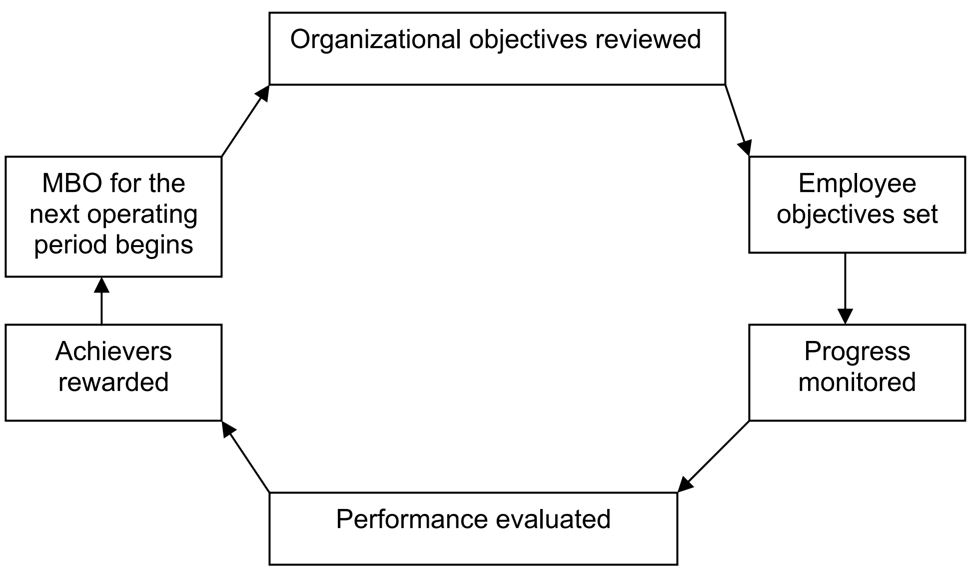

Figure no. 1 Step MBO process

Management by objectives is not a new technique. It was introduced as a supplementary management tool by Alfred Sloan in the early 1950s; however, Peter Drucker is credited with making it a central management concept in his classic management book, “*The Practice of Management*”, in 1954. Although Peter Drucker is credited with being the father of MBO, it was George Odiorne who popularized MBO with his statement of its six major premises.

During the late 1960s and early 1970s, MBO seemed to emerge as the dominant tool for organizational management. But many applications met with failure. The concept was challenged, and many cast it aside as a theoretical idea that could not be applied in practical situations. The causes of failure were in the implementation; they were not inherent in the basic procedure.

In the 90s, Peter Drucker himself decreased the significance of this organization management method, when he said: "It's just another tool. It is not the great cure for management inefficiency... Management by Objectives works if you know the objectives, 90% of the time you don't."

According to Drucker managers should "avoid the activity trap", getting so involved in their day to day activities that they forget their main purpose or objective. Instead of just a few top-managers, all managers should:

- participate in the strategic planning process, in order to improve the implementability of the plan, and
- implement a range of performance systems, designed to help the organization stay on the right track.

Strategic management focuses on achieving and maintaining a strong competitive advantage. It involves the application of corporate strategy to all aspects of the organization, and especially to decision making. As a discipline, strategic management developed in the 1970s, but it has evolved in response to changes in organization structure and corporate culture. With greater empowerment, strategy has become the concern not just of directors but also of employees at all levels of the organization.

No clear understanding of Management by Objectives in relation to Strategic Management has emerged in the literature. This paper attempts to point out the complexities surrounding Management by Objectives, and how the evolution of Strategic Management as a group process supersedes MBO as a system of planning, implementation, obtaining feedback, evaluating and controlling the functions for all types of businesses.

Strategic management is the process that involves planning and operationalizing the strategy of an organization. The involvement of teams in the strategic management process greatly facilitates its successful implementation**.**

2. PLANNING GET IN MANAGEMENT BY OBJECTIVES PROCESS

Basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. The planning process: identifies the goals or objectives to be achieved, formulates strategies to achieve them, arranges or creates the means required, and implements, directs, and monitors all steps in their proper sequence.

To be a good manager or steward, you must make plans. The word "objectives" is another word for "plans" or "goals.” So, management by objectives means "making plans to be a good manager’.

Planning what is desired involves clarification of the aims to be achieved. It is important that people understand exactly what should happen and what is required of them. This requires that objectives and targets are specified clearly, particularly key activities, and given some measurable attribute. Planning provides the framework against which the process of control takes place.

Related to planning is the establishment of defined standards of performance against which the level of success can be determined. This requires realistic measurements by which the degree and quality of goal achievement can be determined. There can be no control without them. Objectives and targets, and standards of performance, should be stated clearly and communicated to those concerned, and to those who are subject to the operation of the control system.

The generally accepted stages of the planning process are:

1. Definition of goals
2. Identification of constraints and premises
3. Development of alternative plans
4. Selection of the best plan.

These steps are followed by implementation and control to make sure the goal is achieved. A widely used technique which has had a major impact on how organizations are managed is management by objectives (MBO).

In Management by Objectives (MBO) systems, objectives are written down for each level of the organization, and individuals are given specific aims and targets. "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 they have not, start by constructing team objectives and ask team members to share in the process."

For Management by Objectives (MBO) to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors. "A manager's job should be based on a task to be performed in order to attain the company's objectives... the manager should be directed and controlled by the objectives of performance rather than by his boss."

The managers of the various units or sub-units, or sections of an organization should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them.

The review mechanism enables leaders to measure the performance of their managers, especially in the key result areas: marketing; innovation; human organization; financial resources; physical resources; productivity; social responsibility; and profit requirements.

However, in recent years opinion has moved away from the idea of placing managers into a formal, rigid system of objectives. Today, when maximum flexibility is essential, achieving the objective rightly is more important.

3. PREFORMANCE EVALUATED AND STRATEGIC CONTROL

Strategic control is concerned with tracking the strategy as it is being implemented, detecting any problems areas or potential problem areas, and making any necessary adjustments.

The Importance Of Strategic Control

Newman and Logan use the term "steering control" to highlight some important characteristics of strategic control Ordinarily, a significant time span occurs between initial implementation of a strategy and achievement of its intended results. During that time, numerous projects are undertaken, investments are made, and actions are undertaken to implement the new strategy.

Also the environmental situation and the firm's internal situation are developing and evolving. Strategic controls are necessary to steer the firm through these events. They must provide some means of correcting the directions on the basis of intermediate performance and new information.

Henry Mintzberg,one of the foremost theorists in the area of strategic management, tells us that no matter how well the organization plans its strategy, a different strategy may emerge.

The differences between strategic and operational control are highlighted by reference to a general definition of management control: "Management control is the set of measurement, analysis, and action decisions required for the timely management of the continuing operation of a process". This section discusses in the terms presented.

Starting with the intended or planned strategies, he related the five types of strategies in the following manner:

- Intended strategies that get realized; these may be called deliberate strategies;
- Intended strategies that do get realized; these may be called unrealized strategies. Realized strategies that were never intended; these may be called emergent strategies.

Recognizing the number of different ways that intended and realized strategies may differ underscores the importance of evaluation and control systems so that the firm can monitor its performance and take corrective action if the actual performance differs from the intended strategies and planned results.

Strategic control requires data from more sources. The typical operational control problem uses data from very few sources.

Strategic control requires more data from external sources. Strategic decisions are normally taken with regard to the external environment as opposed to internal operating factors.

Strategic control are oriented to the future. This is in contrast to operational control decisions in which control data give rise to immediate decisions that have immediate impacts.
Strategic control is more concerned with measuring the accuracy of the decision premise. Operating decisions tend to be concerned with the quantitative value of certain outcomes.
Strategic control standards are based on external factors. Measurement standards for operating problems can be established fairly by past performance on similar products or by similar operations currently being performed.

Strategic control relies on variable reporting interval. The typical operating measurement is concerned with operations over some period of time: pieces per week, profit per quarter, and the like.

There are several generally accepted methods for measuring organizational performance. One way for categorizing these methods divides into the distinct types: qualitative and quantitative. However, a few methods do not fall neatly into one or other of these categories but rather are a combination of both types.

Whatever the nature of control and whatever forms it takes there are five essential elements in a management control system:

- planning what is desired;
- establishing standards of performance;
- monitoring actual performance;
- comparing actual achievement against the planned target
- rectifying and taking corrective action.

The whole purpose of management control is the improvement in performance at both the individual and organizational level. Control is a basis for training needs, the motivation to achieve standards and for the development of individuals.

The balance between management and employee empowerment has to be struck, not by thinkers, but by practicing managers. Turning their aims into successful actions, forces managers to master five basic operations:

- setting objectives;
- organizing the group;
- motivating and communicating;
- measuring performance, and
- developing people, including yourself.

These Management by Objectives (MBO) operations are all compatible with empowerment, if you follow the main principle of decentralization: telling people what is to be done, but letting them achieve it their own way. To make the principle work well, people need to be able to develop personally. Further, different people have different hierarchy of needs and, thus, need to be managed differently if they are to perform well and achieve their potential.

Empowerment recognizes "the demise" of the command-and-control system, but remains a term of power and rank. A manager should view members of his or her team much as a conductor regards the players in the orchestra, as individuals whose particular skills contribute to the success of the enterprise. While people are still subordinates, the superior is increasingly dependent on the subordinates for getting results in their area of responsibility, where they have the requisite knowledge. In turn, these subordinates depend on their superior for direction and "above all, to define what the 'score' if for the entire organization, that is, what are standards and values, performance and results."

ll individuals within an organization are assigned a special set of objectives that they try to reach during a normal operating period. These objectives are mutually set and agreed upon by individuals and their managers.

Performance reviews are conducted periodically to determine how close individuals are to attaining their objectives. Rewards are given to individuals on the basis of how close they come to reaching their goals.

Under MBO, managers and subordinates participate together in identifying goals, individual responsibility and performance criteria in a process that spans all four management functions.

MBO managers focus on the result, not the activity. They delegate tasks by "negotiating a contract of goals" with their subordinates without dictating a detailed roadmap for implementation. Management by Objectives (MBO) is about setting yourself objectives and then breaking these down into more specific goals or key results.

4. STAGES, PRINCIPLES, ADVANTAGES AND DISAVANTAGES OF MANAGEMENT BY OBJECTIVES SYSTEM

4.1. Six MBO Stages

- Define corporate objectives at board level
- Analyze management tasks and devise formal job specifications, which allocate responsibilities and decisions to individual managers
- Set performance standards
- Agree and set specific objectives
- Align individual targets with corporate objectives
- Establish a management information system to monitor achievements against objectives

4.2. Management by Objectives (MBO) Principles

- Cascading of organizational goals and objectives
- Specific objectives for each member
- Participative decision making
- Explicit time period
- Performance evaluation and feedback

Success with MBO seems to be tied to the following factors:

1. Performance-based rewards
2. Participation in goal setting
3. Frequent feedback
4. MBO training for managers
5. Top management commitment to the system

4.3. Advantages of Management by Objectives (MBO)

- MBO programs continually emphasize what should be done in an organization to achieve organizational goals;
- MBO process secures employee commitment to attaining organizational goals;
- Organization is clearly defined in setting MBO organization roles and structure have to be clearly defined. Clearly defined authority is delegated key clearly defined;
- Better management the quality of management is improved because mbo focuses its attention in planning, Organization and controlling;
- Personnel Commitment the subordinate manager is committed dutiful and active in performance . he has high morale;
- Effective control managers are self directed and controlled.

4.4. Disadvantages by Management by Objectives (MBO)

- The development of objectives can be time consuming, leaving both managers and employees less time in which to do their actual work;
- The elaborate written goals, careful communication of goals, and detailed performance evaluation required in an MBO program increase the volume of paperwork in an organization.

5. CONCLUSIONS

Management by objectives is a dynamic system which seeks to integrate the company's need to clarify and achieve its profit and growth goals with the manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business.

Management by objectives must create a climate of opinion in which these and other problems are recognised as well as providing the framework of techniques for solving them. These techniques are interdependent and the dynamic nature of the system can be shown as in the diagram above. It follows that the development of managers, which is a matter of vital importance to every company, only makes sense if it is integrated with the purpose of the business. Looked at in this way, management development is a valuable by-product of running a business efficiently.
Some further comments can be made on: setting company objectives; key results analysis; management development and training.
Management by objective is the approach by which both employees and superior jointly set performance goals and duties. Having participated in the fixation of his own goals, the employee becomes more involved dutiful and active in performance. MBO facilitates employees to adjust their time schedules from time to time to attain the goals in planned time. It helps employees understand objectives and duties clearly.

MBO has three elements:

1. Managers (Subordinate manger) should be measured what they accomplish rather than how they spend their time.
2. Manager must be well informed of their objectives. Manager objectives are their duties that they must perform.
3. Manager and their subordinates should jointly set performance objectives.

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