Management by Objectives (MBO) and Outcome Based Management Systems (OBMS) A Comparison

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Abstract:

Effective management is all about successfully achieving the long-term and short-term goals while guiding everyone towards the vision of the organization. However, it is easier said than done. It is a much more difficult task for any manager to achieve the goals set by the management system along with maintaining the balance between the management and employee satisfaction. The effectiveness of different styles of management adopted by an organization can be determined only by proper planning and a systematic framework that keeps the flow of work in check. It is inevitable to adapt the culture of change for any organization, and if failed to speed up with the pace of changing times, it will be left behind the race of improvement and growth, the businesses will stagnate and it may even die, But the transformation is always accommodated with the resistance to change, and teething troubles while people get used to new ways of doing things can wreak havoc. The change management process is the make-or-break challenge that will determine whether the implementation of change is successful or not.

In this process the previous experiences and practices of management systems of various organizations and their various experimentation of change, their failure and success stories imprinted by many management thinkers may guide for the future decisions. Understanding the challenges faced by the organization, and proper research in the field one can set the objectives for the activities to undertake for the fulfilling the goals.

MBO played its exemplary role since two three decades for the success of the organization, now management gurus are talking about OBMS to realize the organization goals. In the present article a comparison of MBO is made with the OBMS.

**Keywords:** MBO, OBMS, Comparison

Introduction:

Whether it is success of individual or success of an organization a well-established management system is essential. Management is the backbone of successful organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

Whether management is an art or science, will continue to be a subject of debate. However, most management thinkers agree that some form of formal academic management background helps in managing successfully. Practically, all CEOs are university graduates. Hence, the reason for including business degree programs in all academic institutions.

Management, as a system, is not only an essential element of an organized society but also an integral part of life when we talk about managing our lives. Managing life is not much different from managing an organization and this 'art' of management has been with us from time immemorial. Just as a well-managed life is much better organized, goal-oriented, and successful, 'good' management of an organization makes the difference between the success and the failure of the organization.

Management and its Ms

Management is a system through which any organization will strive to achieve its objectives, it can be achieved by performing the series of activities aiming at the organizational goals. It is possible only by working with and through people and other organizational resources. But any management process has not possible to work effective without five Ms of management, which Men, Material, Money, Machines and Method [1].
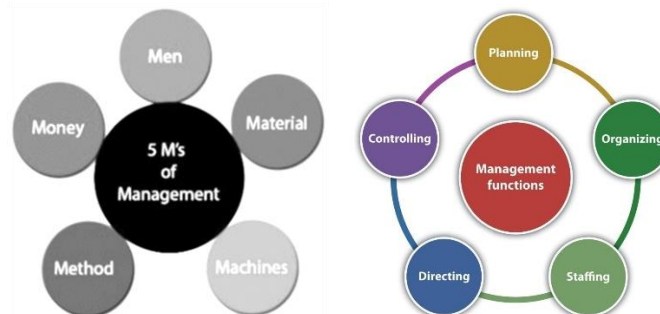
The organizational over all activities in connection to above mentioned Ms can be utilized effectively and efficiently by means of four management functions, those are Planning, Organizing, Staffing, Directing and Controlling. These five functions work under the management that aiming at the realization of set of objectives [2]. The complete picture that given above in total may designed by Management by objectives (MBO)

Management by objectives (MBO):

The father of modern corporate management Peter Drucker is often considered to be the world's most influential corporate guru. His ideas and thoughts revolutionized corporate management in the latter half of the 20th century. According to him effectiveness was more important than efficiency and was the foundation of every organization. He thereby developed Management by Objectives (MBO) through his 1954 book 'The Practice of Management'.

MBO deals with a certain type of interaction, specific to a manager and his employee. MBO is based on the thinking that various hierarchies within companies need to be integrated. There was a need for commitment, responsibility, and maturity. There was a need for a common challenge. Here MBO becomes a process by which the objectives of an organization are agreed to and decided between the management and the employees, this way the employees understand the expectations of the management from them and intern that helps set their own individual goals. Therefore, they attain both their personal goals and the organization's targets [3].

There are various steps to be followed in the MBOs,

defining the objectives must be by involving managers of various departments of organization like human resources, production, finance, sales and marketing, costumer service etc. within the resources

available and standards of the company, the various inputs given by these supervisors, the company can specify its goals within a specified time interval.

Secondly employees are major contributors for the organizational success without satisfying their needs and objective, this can be performed by discussion and debating with the employees based on their hierarchy. This step is divided into two tasks, first thing personal needs like salary, leaves, celebration, and motivation, second one wise expectation of company from them, like working hours, their targets etc.

Third one is, continues monitoring the progress of the various activities in the organization and performance of the employees, here at every sections performance evaluation and review about the activities can be done and note down the progress of each work, if anything is lagging the related supervisor must take the action to correct it, similarly it is important to monitor the performance of each and every employee which intern helps during performance appraisal.

The last one is performance evaluation and feedback, which is an important and end step so that based on the reports of these two steps the company forecast for further progress [4].

MBO gears up communication in different levels of the management, between the departments, with the employees etc. This provides the ways to resolve the differences, doubts and problems related to the management and various activities in the organization. This also helps modify the objectives and processes if needed.

But the implementation of MBO cannot happen immediately after conduction of number meeting and by the preparation of flow charts. It takes time to get a clear picture of the results. The common output of the implementation is as follows.

1. **Efficient Utilization of Human Resources** is important to every organization. With MBO, employees and managers collaborate on assigning roles and setting goals. As a result, both sides assure that individual talents are appropriate to the task at hand and the measurable objectives are highly achievable. Through thoughtful matching of talents-to-tasks fosters success and utilizes human resources to maximum effect.

2. **More Involvement; More Commitment**: MBO requires every member of the organization to be involved in planning and achieving company goals. Everyone is in the loop, which improves morale and commitment to the organization's objectives.

3. **More Efficient Organizational Structure**: MBO effectively rebuilds the organizational structure so that everyone is pulling together toward clear and common goals rather than pushing in different directions.

4. **More Objective Performance Evaluation** is the result of MBO's emphasis on goals that can be quantified and measured, and do not rely on a superior's subjective judgement. Measurable objectives are perceived as a fair and equitable assessment of individual performance management.

Limitations of Management by Objectives
- Management by objectives often ignores the organization's existing ethos and working conditions.
- More emphasis is given to goals and targets. The managers put constant pressure on the employees to accomplish their goals and forget about the use of MBO for involvement, willingness to contribute, and growth of management.
- The managers sometimes over-emphasize the target setting, as compared to operational issues, as a generator of success.

- The MBO approach does not emphasize the significance of the context wherein the goals are set. The context encompasses everything from resource availability and efficiency to relative buy-in from the leadership and stakeholders.
- Finally, there is a tendency for many managers to see management by objectives as a total system that can handle all management issues once installed. Overdependence may impose problems on the MBO system that it is not prepared to tackle, and that frustrates any potentially positive effects on the issues it is supposed to deal with.

The Outcome-Based Management (OBM) system

From the above management system i.e., MBO, we observed that the objectives and goals are set by the various levels of management and employees together and it puts pressure on all managers for the meeting of the related objectives and hence the goals. Along with this, social service agencies, and public sector agencies in general, are faced with complex issues. Lack of good information, conflicting goals and objectives, and other problems make planning, budgeting, and management challenging [5].

Outcome-Based Management (OBM) is an essential tool that should be used by agencies, decision-makers, stakeholders, and the public to set clear agency goals and objectives, establish meaningful outcome measures, and track, evaluate, and act to improve program services.

OBM systems set goals, community condition indicators, objectives, and performance indicators to focus on outcomes and results for clients. OBM systems then measure those results to enhance an agency's ability to provide services that effectively assist their clients. OBM can help clarify which agency may be best able to deliver needed services, what program goals should be emphasized, how they should be used, what the key elements are of successful programs which should be funded. OBM can inform agency management decisions about ways and options to allocate resources and provide and deliver services [5].

MBE is a management approach in which managers focus on identifying and addressing exceptions or deviations from established standards or goals. This approach is used to identify and resolve problems or inefficiencies in the organization.

Management by expectations (MBE) is another name for the OBM is a management approach that focuses on identifying and addressing deviations from established standards or expectations. This approach involves setting performance standards and monitoring actual performance against those standards. If actual performance deviates significantly from the standards, it is flagged as an exception and further investigation, or action is taken. The idea behind MBE is that by focusing on exceptions, managers can more efficiently allocate their time and resources and effectively identify and address issues that may have a significant impact on the organization. MBE is often used in conjunction with other management approaches, such as total quality management and continuous improvement [6].

Conclusion:

In outcome-based management system the picture of product is known to all stake holders from the labor to the product user. This is because the product idea is pre identified by taking opinion of all the people involved in it, so in each section of the product design related people can identify the pros and cons before going to next section. This can bring the most reliable unit at the output at the point of delivery.

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