

The Shredder Ate My Report

***Improve performance with
Management by Objectives***



One day a week wasted.

One whole day that you're not focusing on your own duties and responsibilities. Why? Because of employees who aren't doing what they need to be doing.

According to recent research, supervisors spend 17 percent of their time, or nearly one day per week, overseeing poorly performing employees.

And underperforming employees require significant attention from employers, distracting managers from business-critical initiatives and causing other team members to pick up the slack.

(Source: Staffing Industry Analysts/Workforce.com, "Survey: Time Wasted on Poor Performers," published November 8, 2012)

If you're burning yourself out, trying to get your staff's work done in addition to your own, it may be time to return to a classic management system: Management by Objectives (MBO).





What's MBO?

MBO was first suggested by management-guru Peter Drucker in the 1950s. Unlike “dime-a-dozen” leadership trends that come and go each year, MBO is a fundamental management “classic”--a powerful tool relevant for your business today, and for years to come.

So what is it?

It's defined as, “A management system in which the objectives of an organization are agreed upon, so that management and employees understand a common way forward.”

Sounds pretty basic and sensible, right?

That's because for most of us working in the modern business environment, it's hard to remember that just a few workforce generations ago, non-managerial employees weren't involved with corporate strategy and goals. Their job was to do what they were told, not to analyze why.

These days, employees at all levels of an organization are regularly reminded about the corporate mission statement, invited to strategy meetings and asked to participate in certain decisions. Most importantly, they're constantly being made aware of how their day-to-day activities contribute to--or undermine--the company's corporate goals.

MBO is based on the assumption that people perform better when they know what is expected of them and can relate their personal goals to organizational objectives.





What can MBO do for you?

Help you see the forest, not the trees

When creating MBO, Drucker talked about “the activity trap”-- where managers get so involved in their day-to-day activities that they forget their main purpose or objective. Using the MBO system helps by encouraging managers to:

- participate in the strategic planning process, in order to make strategic plans easier to implement;
- implement a range of performance systems, designed to help the organization stay on the right track;
- focus on the result, not the activity;
- delegate tasks by “negotiating a contract of goals” with subordinates, without dictating a detailed roadmap for implementation. In other words, no micromanaging!

Show a clearer picture to your employees

MBO gives you the tools to ensure that everybody within the organization has 1) a clear understanding of the aims, or objectives, of that organization and 2) awareness of their own roles and responsibilities in achieving those aims.



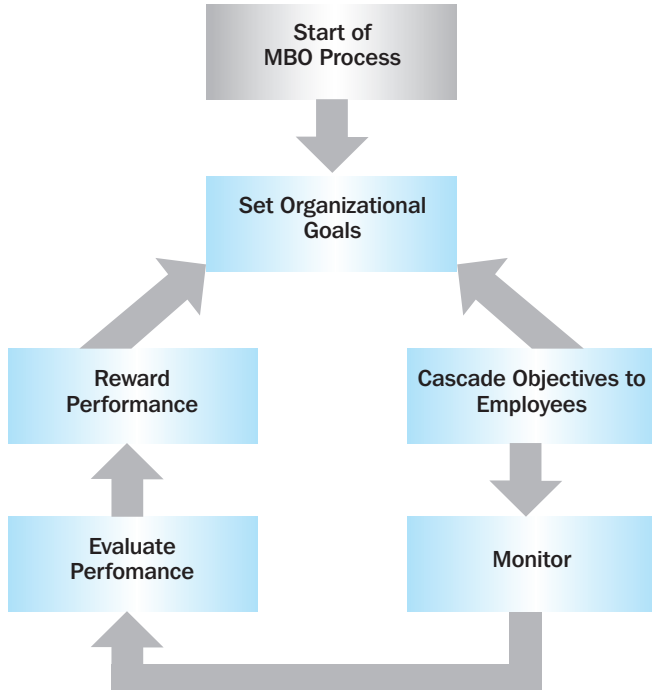


Image source: http://mindtools.com/pages/article/newTMM_94.htm

How Do You Implement an MBO Strategy?

Drucker broke it down into a simple five-step process.

Step One: Set or Review Organizational Objectives

The MBO process starts with the organization defining its strategic organizational objectives. If, as a whole, your organization isn't clear on where it's going, no one working there will be, either.

Then, individual departments form their own objectives. Most, if not all, should align and support the organizational objectives.

Finally, individual employees establish their own objectives to support the departmental objectives.

The key to success in step one is setting goals at the employee level that align with company goals.

Which leads us to:





Step Two: Cascading Objectives Down to Employees-- Or, Communicating the Message

This is just a fancy way of saying that you must explain to your employees what you're doing and why you're doing it. After your management defines the company's mission, you need to share it. You need to set clear goals and objectives for each level of the organization and make sure they are passed down.

Setting the actual objectives can be challenging in its own right, so Drucker created the SMART acronym to help managers set goals that are attainable--and to which people feel accountable.

S	pecific
M	easurable
A	greed
R	ealistic
T	ime-based





Specific: Goals should describe specifically the result that is desired. Instead of “better customer service score,” the objective should be “improve the customer service score by 12 points using the customer service survey.”

Measurable: In order to be able to use the objectives as a part of a review process, it needs to be very clear whether the person met the objective or not.

Agreed: Some descriptors of this acronym say that the A stands for Achievable. But Drucker believed that the only goal that is going to be met is one that is agreed on. It’s easier to get buy-in when the person responsible for achieving the goal has had a hand in developing it.

Realistic: Realistic objectives recognize factors that cannot be controlled. Realistic goals are challenging, but not so challenging that the chance of success is small. They can be accomplished with the tools that your employees have at their disposal.

Time-based: Piggy backing on the specificity factor, create goals that are time-bound. Instead of, “improve customer service by 12 percent,” it’s “improve customer service by 12 percent within the next 12 months.” This is the final step in making an objective real and tangible.





Don't Forget To Encourage Participation in Goal Setting.

Everyone needs to understand how their own personal goals support the objectives of the entire organization. This “big picture” understanding increases an employee’s ownership of his objectives and supporting activities.

So make goal setting participative. Teach every person in your organization how to set SMART goals, which support the overall objectives of the team, which support the objectives of the department, which support the objectives of the business unit, and which ultimately support the objectives of the organization.

Then, give employees the tools they need to succeed. In an MBO system, employees are more self-directed than boss directed. If you expect independent performance, you have to offer employees the support they need. So, once you have established what someone is accountable for, make sure he has the information and resources he needs to achieve results. To further ensure success, create a mechanism for monitoring progress toward the agreed-upon goals.



Step Three: Monitoring

This does not mean micromanaging! It just means that once goals are set, progress towards those goals should be formally and regularly monitored--to diagnose problems and make adjustments that will keep things on track.

Rather than waiting until a project is complete to determine its success, set up periodic meetings with key employees to monitor progress. For example, check in with your web designer to discuss the increase in number of hits; touch base with your advertising manager to discuss whether coupons have been redeemed.

If progress towards any goal is unsatisfactory, you may need to modify the goal or change the approach to achieving it.





Step Four: Evaluate Performance

When you use the SMART formula to develop specific, measurable and time-based goals, evaluating those goals is relatively straightforward (they're either achieved or not). But evaluation is only part of the equation. To help your staff develop successful SMART goal-setting skills, you must give employees constructive feedback on their own, as well as the organization's, goals.

For each individual objective, review the reasons why a goal was attained or missed. Discuss opportunities for improvement moving forward (e.g., Does the employee need help setting more realistic goals? Does he need access to additional resources to get his work done? Does he require additional job training?).

Furthermore, review the impact their own successes and failures have on the company's ability to achieve its goals. Helping your employee see why they hit or missed a goal-- and the impact that has--will help them become more accountable, productive and independent.





Step Five: Reward Performance

Rewarding employees or departments for achieving goals is one of the important steps in the MBO process. Yes, your employees might feel pride in a job well done, but it never hurts to encourage motivation with some kind of reward system, monetary or otherwise.

So when your employees meet their goals, reward their achievements. Then, help them establish new goals for the next period. With consistent MBO implementation, goal setting will naturally become an integral part of your business--so much so that employees will start to set, monitor, and evaluate goals without much coaching at all.





Is MBO Right for Me?

Like any other management system, MBO has its pros and cons.

Advantages

Improved Planning: Employees explicitly plan goals and define measures instead of creating them ad-hoc, without alignment with other goals in the organization.

Coordination: MBO results in increased clarity of organizational roles and structure. It promotes an interlinked view of management and assists with interdepartmental coordination.

Motivation and Commitment: When corporate goals are translated into personal goals at every level of a company, it integrates individuals with the organization. Improved communication and a sense of participation provide employees with psychological gratification and motivate them to work hard.

Executive Development: The MBO strategy stresses long-term perspectives and self-development.

Organizational Change and Development: MBO helps to identify shortcomings in a company's structure and processes, and can therefore improve the organization's ability to cope with a changing environment.

Focus on Outcomes: The MBO approach overcomes the problem of assuming that the employee traits needed for job success can be reliably identified and measured. Instead of assuming traits, the MBO method concentrates on actual outcomes. If the employee meets or exceeds the set objectives, then he has demonstrated an acceptable level of job performance.





Disadvantages

Low Morale and High Stress Levels: If MBO is not implemented properly, and objectives are imposed on employees rather than agreed upon, it can reduce morale. Similarly, if targets are overambitious, it can cause high levels of stress for employees.

Increased Bureaucracy: The process of determining and agreeing on targets can be very bureaucratic and time consuming due to the number of meetings and discussions needed.

Long-term Implications: Depending on an organization's culture, management by objectives can lead to "short-termism," which can be detrimental to a company's long-term health. This is especially true in industries or businesses where salaries and benefits are determined by the amount of sales made and how they compare to others. This can lead targets to become more focused on quantity rather than quality, appropriateness and ethics.

Unsuitable or Unrealistic Targets: As circumstances change, targets can quickly become outdated or unrealistic. If a business does not evaluate and change its targets to reflect changes in circumstances, it would likely reduce the flexibility of a business's response. There is also no guarantee that targets set will be met, which may lead to more time being spent in setting targets rather than achieving them.



Conclusion

A successful MBO system provides a framework in which:

- managers and employees create agreed-upon individual objectives (SMART goals) that support company-wide goals;
- employees are motivated to perform better, because they have a hand in creating their goals, know what's expected of them, and understand how their individual accomplishments impact the organization as a whole;
- employees and managers monitor progress and take corrective action to ensure goals are achieved;
- managers spend less time micro-managing and more time on their own activities, because employees are more self-directed.

In the modern business environment, no manager has the time to do it all. MBO may help you create a more productive, independent and results-focused staff--and get back a whole day each week!

