A study on Recent Emerging Trends in Commerce and Management with reference to Management by Objectives – A Theoretical Assimilation

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Abstract: *An essential "economic organ" of the modern industrial civilization is management. An essential component of a successful firm is proper administration. In the lack of effective management, a profitable company might become a losing enterprise. The acronym MBO stands for "Management by Objectives." It is a method that is frequently applied to create and carry out operational goals. Organizational objectives are typically developed through compliance. The MBO strategy, in contrast, involves staff members in the formulation and implementation of these operational goals that are directly relevant to their work. This essay discusses the goals and strategies for the MBO idea. It also emphasizes recommendations for qualitative and quantitative organizational improvement. The information for this research paper was gathered from a variety of sources, including websites, annual reports, articles, periodicals, and related books. The current paper is theoretically developed. The MBO, its workings, and its effects on Indian companies are all subjects of study.*

Keywords: *Emerging trends, Effective management, organizational improvement, MBO*

Introduction

The notion of planning and the notion of MBO are closely related. Planning is a process that assumes goals exist and is used as a tool or approach to help people reach those goals. Management by objectives (MBO) is a fitting description of contemporary management (MBO). Peter Drucker is credited for popularizing the MBO concept. It implies that goals shouldn't be imposed on staff members instead they should be chosen jointly by everyone involved in management. They receive widespread support as a result, making it simple and quick to attain their goals. The management philosophy that is currently most frequently accepted is Management by Objectives (MBO). It is both a challenging and rewarding managerial approach. It focuses attention on the achievement of goals through the involvement of all parties involved, or through teamwork. The fundamental components of MBO—participation, collaborative goal setting, support and encouragement from superior to subordinate—are based on the premise that people work better when they understand what is expected of them. It is a results-driven attitude that provides several benefits, including clear objectives in front of all

relevant parties, strong morale, effective and purposeful leadership, and staff motivation. MBO is a participative, democratic management approach. Subordinates are given a lot of room to grow in this situation and are also given a higher status and active roles. MBO is, in essence, a management technique and philosophy. The MBO idea is superior in many ways and differs from MBC (Management by Control). The traditional philosophy of management states that top management is responsible for creating goals, directing, and coordinating the work of middle level managers and lower level employees. However, achieving organizational goals can only be done with everyone's cooperation and participation rather than by issuing commands and directives. They ought to be involved in the management process for this. Since MBO is capable of doing this, it differs from MBC and is therefore better than MBC.

This paper's primary goal is to investigate how management by objectives is accepted and how it is used in business operations.

Definition:

"Management by objectives is considered as a technique for boosting performance, both of the individual managers and the company as a whole," according to Peter F. Drucker. This involves creating goals at the corporate, departmental, and individual manager levels. (ii) S.K. Chakravarty claims that "management by objectives is a 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 provided a list of recommendations. The staff will help in setting goals, and they should be challenging yet doable. Employees receive daily feedback, and rewards rather than penalties are the main emphasis. The focus is on growth and personal development rather than disappointment over not meeting expectations. MBO, in Drucker's opinion, should be used as a tool rather than a panacea. It provides organizations with a methodology, with many practitioners stating that top management support, well defined objectives, and trained managers who can implement it are necessary for MBO to be successful. The key benefits of MBO, according to practitioners, are greater management-employee communication as well as higher employee commitment and motivation. However, one critique of MBO is that it places too much emphasis on setting goals rather than creating a logical approach to attain them.
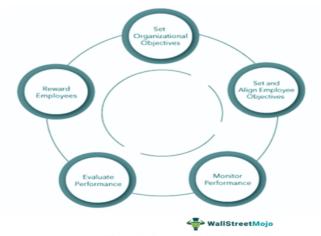

Figure 1: Process of MBO

MBO is a procedure for setting organizational goals so that management and staff members can agree on the goals and understand what needs to be done within the organization to reach them. Peter Drucker introduced it for the first time in The Practice of Management, published in 1954. All activity domains allow for the setting of objectives (production, marketing, services, sales, R&D, Human resource, Finance, information system). The enterprise's mission and strategic objectives must be determined by management. Top level managers base their goals on an appraisal of what an organization can and should accomplish in a given amount of time. The goals must meet the following requirements:

(i)   They must be ranked in order of priority as and

(ii)   When feasible, express qualitatively

(iii)   Realistic

(iv)   In accordance with organizational policies

(v)   Complementary to one another

(vi)   Results-driven rather than activity-driven

(vii)   Measurable

(viii) Time-related

Scenario of Indian Companies with reference to MBO:

There has been relatively little MBO adoption in India; very few businesses have used it, and even fewer have shared their learnings with others. MNCs that were initially operating in India are how MBO first entered the country. Multinational corporations' overseas corporate offices offer knowledge to their connected enterprises in India. MBO first became well known in 1969 when Administrative Staff College of India, Hyderabad, hosted a top-management symposium on MBO in which heads of numerous enterprises took part. Many of them saw the importance of MBO as a management technique and implemented it in their workplace. Madura Coats is the Indian company that has been using MBO for the longest. BHEL (Bharat Heavy Electronics Limited), Grindlays Bank, Blue Star, Shaw Wallace, and Glaxo Limited are a few additional businesses that have successfully used MBO.

Case studies of companies which implemented MBO:

1) Glaxo India Ltd.

It is a sizable pharmaceutical corporation in India with a sizable manufacturing base and an extensive marketing network throughout the country. Glaxo India Ltd. began to experience issues as a result of national and international inflationary pressures as well as internal organizational developments. In 1973, the company hired a new MD and the senior manager. The new managing director put forth the MBO concept. The company developed an all-encompassing plan for setting corporate, divisional, and departmental goals. The company adopted a number of goal-setting policies, including: I giving divisions guidelines for expected results; (ii) asking divisions to assess their capabilities and need for additional resources; (iii) establishing corporate as well as departmental objectives; (iv) finalizing divisional objectives; (v) putting together the company's budget; and (vi) updating result guides for managers. They concentrated primarily on raising the various levels of the planning and control system. On a functional level, it was found that the current organization had issues with responsibility, coordination, and conflict. In addition to a variety of corporate departments, the corporation organized itself into three operating divisions or profit centers: pharmaceuticals, foods, and chemicals. This aided in the MBO's deployment. The MBO process started off slowly and ran into a number of issues, but because to the Managing Directors' high level of personal devotion, it was successful.

2) INTEL:

By applying MBO, a manager's guide at Intel gives the following instructions: Start with a few of wisely chosen overarching goals; Set subordinates' goals so they are in line with your

main priorities; To help them achieve their goals, let your subordinates select their own key results; Every level of management at Intel has defined objectives, and each employee has a set of goals and targets. The idea behind this is to make sure that every one is aware of the organization's goals, what their section of the organization needs to accomplish to attain those goals, and how they can contribute personally. This assumes that the organization's programs and procedures have been completely taken into account. If not, begin by creating team objectives and request participation from the team. Focus is the only thing that the MBO system should offer, according to Shikha Khandelwal and Shweta Gupta. Andy Grove, a fervent proponent of MBO at Intel. Therefore, be specific in your goals and limit the number of them. Individual managers must comprehend their job's unique objectives and how they relate to the overarching company goals established by the board of directors in order for MBO to be effective. The manager should be managed and guided by performance goals rather than his superior. The afore mentioned case studies highlight the value of MBO in successfully and smoothly operating company organizations. After MBO was implemented, the companies' financial outcomes also improved. This was due to MBO and structure reorganization. This, in turn, strengthened the favorable opinion of MBO.

Advantages and arguments regarding MBO:

Key Advantages:

- MBO programs frequently highlight what must be done within an organization to accomplish organizational objectives.

- Employee commitment to achieving company goals is secured through the MBO process.

- MBO offers a framework for assessing a person's performance because objectives are decided upon in collaboration with superiors and subordinates.

- It creates objectives that specify desired or anticipated outcomes. Goals are made measurable and verifiable in order to promote excellent performance.

- It aids in the personal leadership and skill development of managers, which is important for the effective administration of a business unit's activities.

Arguments against MBO:

- The creation of objectives might take a lot of time, leaving managers and staff with less time to perform their actual work.

- When the goals are unclear and unattainable, managers may have trouble gauging their success.

- The MBO program, which places pressure on employees, aims to compel improvement on every worker. It may occasionally punish those whose performance continues to fall short of the desired level. Thus, it is built on the psychology of rewards and punishments.

- The quantity of easily measurable results, as opposed to important results, and placing too much focus on short-term goals at the expense of long-term goals are adversely connected to the success of MBO.

How to make MBO effective?

- The management should assist and cooperate with it. No MBO program can be successful unless the managers fully accept it in their mind as a good or promising program.

- Managers must be able to combine the technique with the organization's core values. Before the MBO program is implemented, training and practice sessions should be held.

- The MBO program should be founded on the active support, involvement, and

commitment of managers rather than being merely cosmetic.

- It cannot function on its own; it must be integrated into a complete pattern of management.

- The allotment of enough time and resources. Before yielding results, a well-designed MBO program needs to be in operation for three to five years. Managers and employees should be so motivated that neither group looks to MBO for quick fixes.

Trends in Leadership management:

• Soft Skills Development:

A leader must communicate with many different people. They each have unique technical skill sets and are experts in various fields. In order to communicate with all of these people, soft skills are essential. Time management, interpersonal, communication, and cultural sensitivity are examples of soft skills. Technical skills, often known as "hot skills," are unique to a role, whereas soft skills are acquired through practice and time. Soft talents promote job happiness, boost employee productivity, create a positive work atmosphere, and develop leadership potential. Therefore, businesses are funding their employees' soft skill training.

• Gender Balance

Nowadays, it's common to see accomplished women in leadership positions. Gender equality is evident in the workplace, and it promotes general development and professional advancement. Many female managers have served as role models for effective leadership initiatives. It enhances the nation's economic expansion. It boosts the organization's reputation while improving performance. It aids in staff retention and the identification of talent. A lot of businesses are working toward gender equality.

• Remote Working

Everyone in the world switched to flexible remote working after the pandemic. Before the epidemic,

people frequently worked from home for a variety of reasons, such as childcare, health, etc. Modern technology streamlines remote work. Work-life balance is achieved. It makes it easier to hire people from different cultures and backgrounds and helps develop a talent pool that encourages the company's growth.

Flat Organisational Structures

Flat organizational structures improve morale and decision-making, as well as staff communication. Employee responsibility is increased, and job satisfaction is raised.

• Self-development

The competition grows as the world advances with the newest technologies. As a result, you should keep yourself updated. Be a master of your role and avoid becoming out of date at every stage of your career path.

• External Consultants

Outside experts are given a chance when leaders acknowledge their ignorance of these particular subjects. They can impart their knowledge and experiences. They can help develop technical abilities like time management, leadership, interaction, and communication.

Conclusion

In conclusion, an organization can be compared to an orchestra team. It is up to the administration to turn it into music or noise. Sweet and melodic music results from effective and sufficient control; otherwise, there is chaos and terrible cacophony. MBO is now widely accepted as standard practice for management in knowledge-based enterprises. The personnel are given enough power and authority to accomplish their individual goals. Organizations focus on a variety of factors in order to increase market share or generate significant profits, but they also consider how best to serve customers in order to maximize pleasure. "It might seem obvious that managers need a destination before they embark on a journey." MBO mandates that the organization keeps track of a variety of performance indicators that are meant to keep it moving in the direction

of its goals. When this monitoring indicates that the plan is no longer achieving the desired objectives, the plan needs to be changed. What cannot be managed cannot be measured.

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