OBJECTIVES

Objectives may be defined as the goals which an organization tries to achieve. Objectives are described as the end- points of planning. According to Koontz and O'Donnell, "an objective is a term commonly used to indicate the end point of a management programme." Objectives constitute the purpose of the enterprise and without them no intelligent planning can take place.

Features of Objectives

- The objectives must be predetermined.
- clearly defined provides clear direction formanagerial effort
- Objectives must be realistic.
- Objectives must be measurable.
- Objectives must have social sanction.
- All objectives are interconnected andmutually supportive.
- Objectives may be short-range, medium-range long-range.
- Objectives may be constructed into ahierarchy.

Advantages of Objectives

- Clear definition of objectives encourages unified planning.
- Objectives provide motivation to people in the organization.
- When the work is goal-oriented, unproductive tasks can be avoided.
- Objectives provide standards which aid in the control of human efforts in an organization.
- Objectives serve to identify the organization and to link it to the groups upon which its existence depends.
- Objectives act as a sound basis for developing administrative controls.
- Contribute to the management process: they influence the purpose of the orgn, policies, personnel, leadership as well as managerial control.

Process of Setting Objectives: Objectives are the keystone of management planning. It is the most important task of management. Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business. In the setting of objectives, the following points should be borne in mind.

- Objectives are required to be set by management in every area which directly and vitally affects the survival and prosperity of the business.
- The objectives to be set in various areas have to be identified.
- the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
- The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.
- Objectives must be consistent with one and other.
- Objectives must be set in clear-cut terms.
- For the successful accomplishment of the objectives, there should be effective communication.

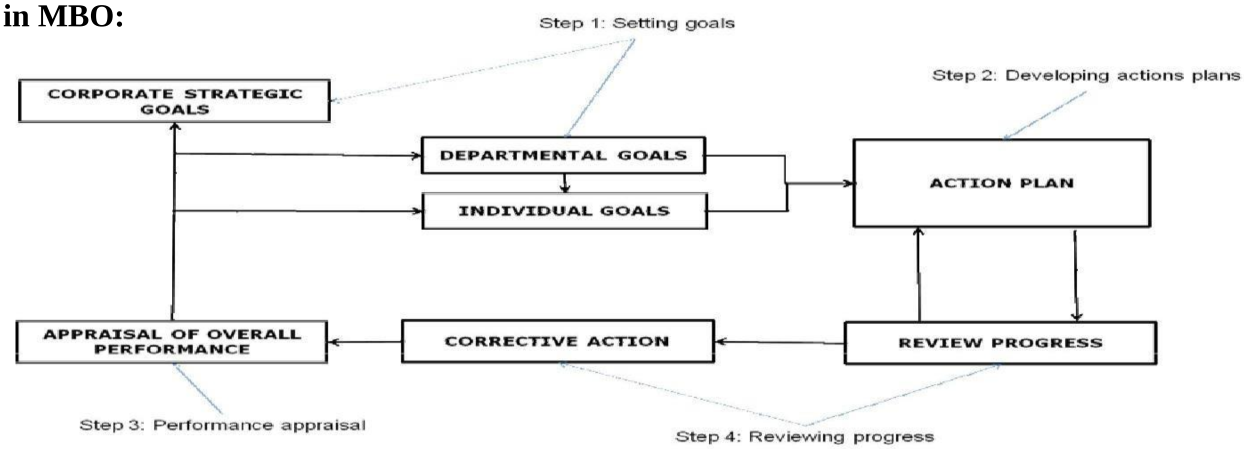
MANAGEMENT BY OBJECTIVES (MBO) MBO was first popularized by Peter Drucker in 1954 in his book 'The practice of Management'.

Definition: –MBO is a process whereby the superior and the mangers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.‖

Features of MBO

1. MBO is concerned with goal setting and planning for individual managers and their units.
2. The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
3. Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
4. MBO focuses attention on appropriate goals and plans.
5. MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

Steps in MBO:



The typical MBO process consists of:
1) Establishing a clear and precisely defined statement of objectives for the employee
2) Developing an action plan indicating how these objectives are to be achieved
3) Reviewing the performance of the employees
4) Appraising performance based on objective achievement

1) Setting objectives: 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. 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.
MBO systems, objectives are written down for each level of the organization, and individuals are given specific aims and targets.

2) Developing action plans: Actions plans specify the actions needed to address each of the top organizational issues and to reach each of the associated goals, who will complete each action and according to what timeline. An overall, top-level action plan that depicts how each strategic goal will be reached is developed by the top level management. The format of the action plan depends on the objective of the organization.

3) Reviewing Progress: Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions & results produced. Effort refers to the amount of energy an employee uses in performing a job. Abilities are personal characteristics used in performing a job and usually do not fluctuate widely over short periods of time. Role perception refers to direction in which employees believe they should channel their efforts on their jobs, & they are defined by the activities & behaviors they believe are necessary.

4) Performance appraisal: Performance appraisals communicate to employees how they are performing their jobs, and they establish a plan for improvement. Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion. Appraisals can also provide input for determining both individual and organizational training and development needs. Performance appraisals encourage performance improvement.

Advantages

- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment.
- Better communication and Coordination – Frequent reviews and interactions between superiors and subordinates Clarity of goals
- Subordinates have a higher commitment to objectives they set themselves than those imposed on them by another person.
- Managers can ensure that objectives of the subordinates are linked to the organization's objectives.

Limitations: There are several limitations to the assumptive base underlying the impact of managing by objectives, including:

- It over-emphasizes the setting of goals over the working of a plan as a driver of outcomes.
- It underemphasizes the importance of the environment or context in which the goals are set. That context includes everything from the availability and quality of resources, to relative buy-in by leadership and stake-holders.
- Companies evaluated their employees by comparing them with the "ideal" employee. Trait appraisal only looks at what employees should be, not at what they should do.
- When this approach is not properly set, agreed and managed by organizations, self-centered employees might be prone to distort results, falsely representing achievement of targets that were set in a short-term, narrow fashion. In this case, managing by objectives would be counterproductive.

STRATEGIES:

According to Koontz and O' Donnell, "Strategies must often denote a general programme of action and deployment of emphasis and resources to attain comprehensive objectives". Strategies are plans made in the light of the plans of the competitors because a modern business institution operates in a competitive environment. They are a useful framework for guiding enterprise thinking and action.

Characteristics of Strategy

- It is the right combination of different factors.
- It relates the business organization to the environment.
- It is an action to meet a particular challenge, to solve particular problems or to attain desired objectives.
- Strategy is a means to an end and not an end in itself.
- It is formulated at the top management level.
- It involves assumption of certain calculated risks.

Strategic Planning Process / Strategic Formulation Process

1. **Input to the Organization**: Various Inputs (People, Capital, Management and Technical skills, others) including goals input of claimants (Employees, Consumers, Suppliers, Stockholders, Government, Community and others)need to be elaborated.
2. **Industry Analysis**: Formulation of strategy requires the evaluation of the attractiveness of an industry by analyzing the external environment. The focus should be on the kind of compaction within an industry, the possibility of new firms entering the market, the availability of substitute products or services, the bargaining positions of the suppliers, and buyers or customers.
3. **Enterprise Profile**: Enterprise profile is usually the starting point for determining where the company is and where it should go. Top managers determine the basic purpose of the enterprise and clarify the firm's geographic orientation.
4. **Orientation, Values, and Vision of Executives**: The enterprise profile is shaped by people, especially executives, and their orientation and values are important for formulation the strategy. They set the organizational climate, and they determine the direction of the firm though their vision. Consequently, their values, their preferences, and their attitudes toward risk have to be carefully examined because they have an impact on the strategy.
5. **Mission (Purpose), Major Objectives, and Strategic Intent**: Mission or Purpose is the answer to the question: What is our business? The major Objectives are the end points towards which the activates of the enterprise are directed. Strategic intent is the commitment (obsession) to win in the competitive environment, not only at the top-level but also throughout the organization.
6. **Present and Future External Environment**: Must be assessed in terms of threats and opportunities.
7. **Internal Environment**: Internal Environment should be audited and evaluated with respect to its resources and its weaknesses, and strengths in research and development, production, operation, procurement, marketing and products and services. Other internal factors include, human resources and financial resources as well as the company image, the organization structure and climate, the planning and control system, and relations with customers.
8. **Development of Alternative Strategies**: Strategic alternatives are developed on the basis of an analysis of the external and internal environment. Strategies may be specialize or concentrate. Alternatively, a firm may diversify, extending the operation into new and profitable markets. Other examples of possible strategies are joint ventures, and strategic alliances which may be an appropriate strategy for some firms.
9. **Evaluation and Choice of Strategies**: Strategic choices must be considered in the light of the risk involved in a particular decision. Some profitable opportunities may not be pursued because a failure in a risky venture could result in bankruptcy of the firm. Another critical element in choosing a

strategy is timing. Even the best product may fail if it is introduced to the market at an inappropriatetime.

10. **Consistency Testing and Contingency Planning**: The last key aspect of the strategic planningprocess is the testing for consistency and preparing for contingency plans.