

when the technical competence of a rater is going to be affected by a rater who has limited functional specialisation in that area. The raters may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes, the raters may not be competent to do the evaluations owing to a poor self-image and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

- 4) **Ineffective Organisational Policies and Practices:** If the sincere appraisal effort put in by a rater is not suitably rewarded, the motivation to do the job thoroughly finishes off. Sometimes, low ratings given by raters are viewed negatively by management - as a sign of failure on the part of rater or as an indication of employee discontent. So, most employees receive satisfactory ratings, despite poor performance. Normally, the rater's immediate supervisor must approve the ratings. However, in actual practice, this does not happen. As a result, the rater 'goes off the hook' and causes considerable damage to the rating process.

## 5.2. MANAGEMENT BY OBJECTIVES (MBO) APPROACH

### 5.2.1. Meaning and Definition of MBO

The most common results-based approach to performance appraisal is Management by Objectives (MBO). The term MBO was actually coined for the first time by **Alfred P. Sloan** in the early 1950s, though; **Drucker** was the one who flesh out the term and bring it to the central position by comparing and contrasting managerial actions over supervision of activities. The MBO approach reflects a management philosophy which values and utilises employee contributions. Other names for MBO include target coaching, work planning and review, performance objective setting, and mutual goal-setting. MBO is known as **appraisal by results** as it is a result-based evaluative programme in which goals are mutually determined by supervisors and subordinates, and employees are rated on the degree to which these goals are accomplished.

MBO is a process of defining objectives within an organisation so that management and employees agree to the objectives and understand what they are in the organisation. MBO aims to increase organisational performance by aligning goals and subordinate objectives throughout the organisation. Ideally, employees get strong input to identifying their objectives, time lines for completion, etc. MBO includes ongoing tracking and feedback in the process to reach objectives.

Salary/wages must be lined with the objectives attained by the subordinates. Reward and penalties are the accepted ways of exercising authority over members which certainly affect their wages. However, it is difficult to link wages and MBO as it would create a lot of problems to the management and dissatisfaction among average performers. One way to overcome it is the reward-penalty system which should not be in monetary terms but should be in qualitative terms.

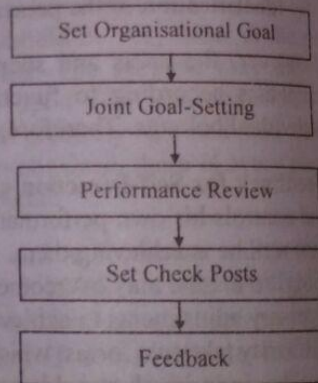
- 7) **Limited Commitment:** MBO creates a competitive climate in the organisation because it generates commitment. If not within limits, this commitment will create competitive rivalry with respect to claims on scarce resources of the organisation. Therefore, it requires inter-departmental co-operation and integration of efforts.

If the above factors are well-considered before introducing an MBO programme in an organisation, it will produce effective result upon the organisation, the people, and the environment.

#### 5.2.4. Process of MBO

The process of MBO includes following steps:

- 1) **Set Organisational Goal:** First step is to establish the goals each subordinate is to attain. In some organisations superiors and subordinates work together to establish goals. In other, superior establish goals for subordinates. The goal typically refers to the desired outcome to be achieved. These goals can then be used to evaluate employee performance.
- 2) **Joint Goal-Setting:** Joint goal-setting, i.e., establishment of short-term performance targets between the management and the subordinate in a conference between them. The individual manager must clarify in his own mind the responsibilities of their subordinates. Organisation charts and job descriptions may be used. The manager may ask each subordinate to write down his personal goals, while in turn the manager writes out the goals he thinks subordinates should have. The manager and subordinate then discuss them, reach an agreement about them, and put them in writing.
- 3) **Performance Review:** This involves the performance standard for the subordinates in previously arranged time period. As subordinates perform, they know fairly well what there is to do, what has been done, and what remains to be done.



Process of MBO

Another important thing in MBO is the joint evaluation. At the time of performance feedback both superior and subordinates are involved, so that they can discuss the bottlenecks and problems which occurred during performance.

According to Prof. Reddin, "MBO is the establishment of effectiveness areas and effectiveness standards for managerial positions and the periodic conversions of these into measurable time bound objectives linked vertically and horizontally and with future planning".

According to S.K. Chakarvarty, "MBO may be defined as a result centred, non specialist operational managerial process for the effective utilisation of material, physical and human resources of the organisation, by integrating the individuals with the organisation and organisation with environment".

### 5.2.2. Characteristics of MBO

Various characteristics of MBO are as follows:

- 1) **Philosophy:** MBO is a philosophy or a way of thinking about the management. It lays emphasis on what is to be achieved (objectives or goals) and not how they are to be achieved (methods). It suggests how the best use of material, physical, and human resources may be made to get the best results. For this purpose, MBO affects every management key areas. It employs several techniques though it is not a sum total of all these techniques.
- 2) **Approach:** MBO is an approach to management with objective orientation as its essence. Approach refers to various tools or techniques used in order to achieve the objectives. MBO introduces several new techniques of management. It also enhances the relevance and utility of existing ones. It is thus, a joint application of a number of principles and techniques. It works as an integrating device. Many principles and techniques of planning and control are used in an organisation in the normal situation, but in MBO, the focus is more on these techniques.
- 3) **Matching Objectives and Resources:** MBO lays emphasis upon objectives. While the various techniques of management help in measurement of results in resources, MBO is also concerned with determining what these results and resources should be. This is so, because MBO tries to match objectives and resources. Under it, objectives are set for all the levels of the organisation including the organisation level, units or departmental level, and individual manager's level. Objectives provide the means for integrating the organisation with its environment, its sub-systems, and people. Corporate objectives integrate organisation with its environment. The unity of departmental objectives integrates organisation with its various parts. At individual levels, objectives integrate the managerial contributions with the needs of the organisation.

- 4) **Set Check Posts:** In this the actual level of goal attainment is compared with the goals agreed upon. The evaluator explores reasons for the goals that were not met and for the goals that were exceeded. This step help determine possible training needs. It also alerts the superior to conditions in the organisation that may affect a subordinate but over which the subordinate has no control.
- 5) **Feedback:** The employees who receive frequent feedback concerning their performance are highly motivated than those who do not feedback that is specific, relevant, and timely feedback helps satisfy the need most people fell about knowing where they stand.

### 5.2.5. Advantages of MBO

Advantages of MBO are as follows:

- 1) **Develop Clear Plans:** MBO blends planning and control into a rational system of management. Objectives cannot be established without planning. It therefore forces management to develop clear plans. Such clear plans are the best standard for control.
- 2) **Develops Hierarchy of Objectives:** MBO forces an organisation to develop a top-to-down hierarchy of objectives. Since goal-setting begins at the top and the major and minor objectives that follow need to be intertwined, MBO also helps in developing a hierarchy of objectives and ensures that everyone's activity is ultimately aimed toward organisation's goals.
- 3) **Improves Commitment:** MBO encourages self-management and personal commitment through employee participation in setting objectives. No longer are subordinates only receiving orders to do work and follow instructions, but they now set their objectives, they get an opportunity to put their ideas into planning programmes, they understand their areas of discretion and they receive help from superiors to achieve goals. These help in improving commitment.
- 4) **Increases Employee Motivation:** It is so because MBO relates overall goals to the individual's goals; and helps to increase employee's understanding of where the organisation is and where it is heading.
- 5) **Reduces Internal Conflicts:** This kind of evaluation can reduce internal conflicts that often arise when managers compete with each other to obtain scarce resources.
- 6) **Provides more Objective Appraisal Criteria:** The targets that emerge from the MBO process provide a sound set of criteria for evaluating the manager's performance.

### 5.2.6. Disadvantages of MBO

Disadvantages of MBO are as follows:

- 1) **Failure to Get Top Management Support:** The programme can fail when subordinates fail to get top management support at the beginning. Under such circumstances, the subordinates do not get the guidelines needed to set goals.

**Failure of Managers to Get Employees Support:** If personnel do not understand the total MBO cycle, they may not fully support it. It is the duty of the managers to explain to the subordinates what it is, how it works, why it is useful, what part it will lay in appraising performance, and of course, how the subordinate can benefit. The basic philosophy of MBO is built around employee control and self-direction.

**Failure to Set Goals:** One of the reasons for the failure of MBO is the failure of some managers to set clearly defined, measurable objectives with their subordinates. However, with too much emphasis on measurable and quantifiable objectives, there is a danger of selecting unethical means for achieving results.

**Emphasis on Short-Term Goals:** In practice, managers set goals for a short term usually for a quarter and rarely exceeding one year. As a result, the manager neglects to see how these short-term goals coordinate with the long term organisational goals.

**Self-Defeating in Long-Run:** MBO may prove to be self-defeating in the long-run since it is tied with a reward-punishment psychology. It is a clear violation of the integrity of subordinate's personality. MBO programmes sometimes, discriminate against superior performers.

**Time-Consuming:** MBO demands a great deal of time to set objectives carefully at all levels of the organisation. Initially to instil confidence in subordinates in the 'new system' superiors may have to hold many meetings. The formal, periodic progress and final review sessions also consume time.

**Danger of Inflexibility:** Objectives may become obsolete due to some unforeseen circumstances. Managers may hesitate to change the obsolete objectives.

**Increased Paperwork:** MBO programmes introduce a tidal wave of newsletters, instruction booklets, training manuals, questionnaires, performance data, and reports into the organisation. To stay abreast of what is going on in the organisation managers may demand regular reports and data in writing resulting in 'gruelling exercise in filling out forms'.

## 3. PERFORMANCE COUNSELLING

### 1. Meaning and Definition of Performance Counselling

Performance counselling is quite often misunderstood and wrongly interpreted as a process of the boss correcting or controlling employee behaviour by giving him negative feedback in an assertive manner. When employees make mistakes or are unmanageable or non-cooperative, executives often say that they need counselling. Performance counselling is normally done in the regular course of work and not only in the face of problems.