

Advances in Project Management Series¹

Whatever happened to management by objectives? Learning to look beyond goals

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Introduction to the March 2014 Advances in PM Series Article

With the aid of social, mobile and other technologies we are increasingly surrounded by data, facts and values searching for a meaning. It appears that as a society we have never been so data rich.

Yet with so many potential measurements we struggle to stay afloat and pay attention to the urgent and critical ones. Indeed, it seems that managers have never had as many potential targets, indicators, objectives, goals and measures to track, study, analyse and interrogate.

The idea of *management by objectives* (MBO) was first formulated by management guru Peter Drucker in his 1954 book, *the Practice of Management*.

“A manager’s job should be based on a task to be performed in order to obtain the company’s objectives ... the manger should be directed and controlled by the objectives of performance rather than by his boss.”

The book highlights a set of priorities for the managers of the future; chief amongst them is the need for managers to manage by objectives. Management by objectives is a participative and collaborative process of defining objectives between management and employees so that everyone understands what needs to be done in order for the organization to achieve its principal goals. The intention is that subordinates play a key part in setting their own goals rather than that receiving a list of objectives from above.

The idea of MBO was particularly popular in the 1960s and 1970s. The process also became known as *management by results* (MBR) emphasising the focus on translating high-level business goals into individual objectives that enables the organisation to deliver the outcomes strategic outcomes. The key implication of MBO is that objectives need to be understood, defined and measured to determine their ultimate achievement.

¹*The Advances in Project Management series includes articles by authors of program and project management books published by Gower in the UK. Each month an introduction to the currently monthly article is provided by series editor **Prof Darren Dalcher**, who is also the editor of the Gower Advances in Project Management series of books on new and emerging concepts in PM. For more on Gower project management, visit <http://www.gowerpublishing.com/default.aspx?page=2063>.*

The result of non-systemic application of MBO can often lead to a rapid escalation in the number of measures tracked through an organisation. Responsibility for single measures and their achievement can also lead to lack of interest in some aspects, undeserving attention to a subset of parameters, and sub-optimisation without concern for the overall impacts.

US Quality guru, W Edwards Deming, suggested that the setting of production targets encouraged resources to be diverted to meet these targets through whatever means necessary, potentially resulting in poor quality. He therefore advocated the elimination of work standards as well as numerical quotas including management by objective and management by numbers.

Overly focusing on the attainment of specific goals, and linking performance targets with rewards, may entice manipulation of data, and encourage unethical, or unbalanced behaviour. Over the years, methods such as SMART have been widely utilised to develop more specific and measurable management criteria. Yet, the perfection of clearly defined measures rarely results in smooth and trouble free operations.

Strategic management increasingly grapples with uncertainty and ambiguity endeavouring to identify a path or an approach that works when very little is known. Practitioners are left to struggle with the paradoxical tension between charting and leading imprecise and unprecedented efforts, measured against specific and increasingly less relevant objectives.

The difficulty in resolving this paradox encourages many practitioners to seek advice and guidance, often through coaching and mentoring. This month's article written by Susan David, David Clutterbuck and David Megginson is derived from their edited volume *Beyond Goals: Effective strategies for Coaching and Mentoring* published by Gower.

While the book emanates from the coaching and mentoring community it makes important contribution to HR, talent management, and project management. Staff development is an essential part of successful and sustainable delivery of project results. Moreover, the concern with goals and their achievement and the recognition that progress is dynamic and responsive are crucial to managing projects, stakeholders and change.

The book, and the summary article, bring together established leaders in coaching and mentoring to offer a cutting-edge perspective encompassing psychology, neuroscience, complexity, chaos theory and social network theory. The book makes an important contribution in highlighting the complexity of attaining goals, their potential in hindering change and progress and the need for identify new lenses and perspectives. The authors point out that personal coaches and mentors need to grasp and embrace the nuances of goals. In an increasingly uncertain and data infused society, the collection of insights offers a rare opportunity to reflect and challenge long held views and perspectives.

Drucker himself reflected on the effectiveness of management by objectives observing that:

“MBO is just another tool. It is not the great cure for management inefficiency. ... Management by objectives works if you know the objectives: 90% of the time you don’t.”

Ultimately MBO relied on management certainty where an understanding of the past is used to predict the future. It was often criticised for not requiring managers to develop a systemic understanding of their organisations, for misapplying objectives and for not developing a more adaptive approach to change.

Given that we increasingly view strategy as a dynamic and ever changing destination, the fixation with undeviating targets and goals offers limited value. Moreover, as success is perceived as complex and multi-layered concept that emerges over time, the identification and specification of clear, precise and permanent objectives and goals will be of limited utility.

It is worth pointing out that Drucker's book advocated a systematic approach where management by objective was but one element alongside six other new management tasks that helped to balance and inform one another. The simplistic version hastily adopted and injudiciously discarded by organisations bore little resemblance to Drucker's broader and more strategic interpretation.

Management by objectives is no longer a popular approach in strategic and operational management. However, it remains a de facto methodology for performance appraisals and target setting. Until we gain deeper insights into the meaning of performance and the dimensions of success, the use of such systems and the limited interpretation they embody will continue to impact our ability to deliver sustained performance. Developing and addressing the concerns identified by the management community will require a shift in focus from financial or monetary value to less tangibles yet equally meaningful values and ethics. Once we have truly learned to look beyond goals, we can begin to adopt a more responsive, long lasting and equitable performance development system.

Darren Dalcher, February 2013

Editor's note: Darren Dalcher is the editor of the series of books on Advances in Project Management published by Gower in the UK. Information about the Gower series can be found at <http://www.gowerpublishing.com/advancesinprojectmanagement>. The above article is an introduction to the invited paper this month by another Gower author. You can find previously published articles by Prof Dalcher and Gower authors at www.pmworldlibrary.net.

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