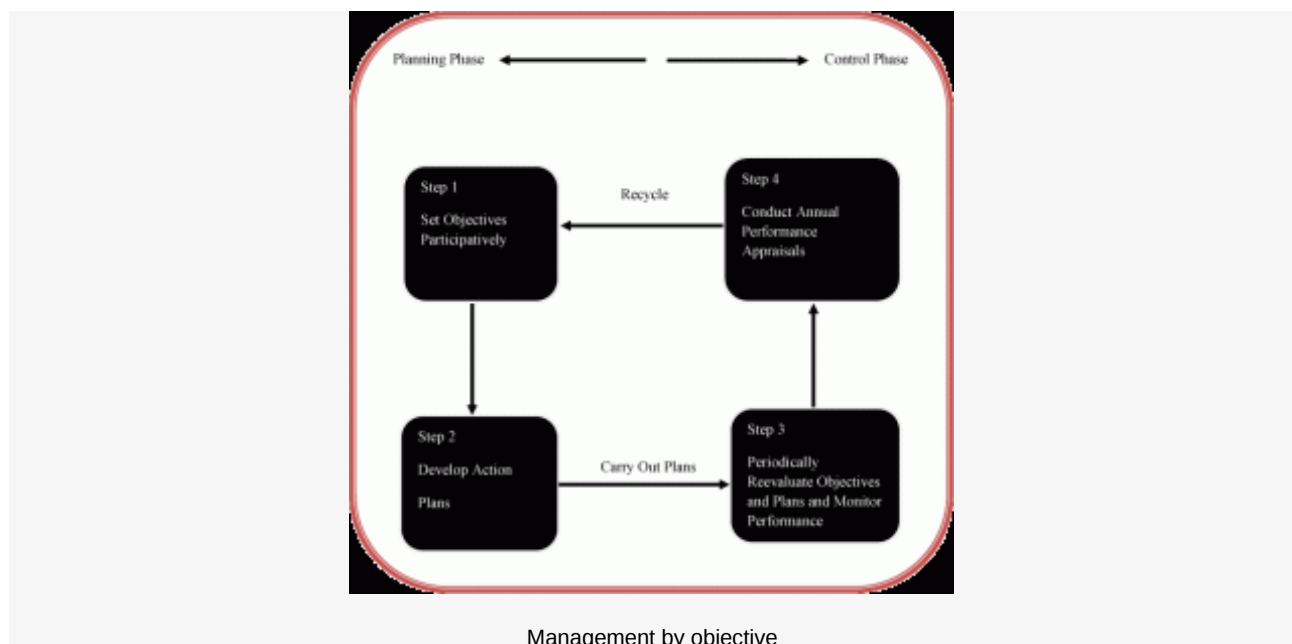


The four steps or stages of the Management by objective process are also called the MBO cycle. The four-step cycle illustrated below lies at the very heart of MBO. Since MBO combines planning and control, the management by cycle follows very closely the planning-control cycle.

Step-1: Setting objectives

A hierarchy of challenging, fair, and internally consistent objectives is the necessary starting point for the MBO cycle because it serves as the foundation for all that follows. All objectives, according to the principles of MBO, should be reduced to writing and kept aside for future reference during steps 3 and 4. Setting objectives under MBO starts at the top of the managerial pyramid and filters down, one layer at a time.

The main contribution of MBO to the objective-setting process is its emphasis on participation and involvement of subordinates. There is no place in MBO for either a domineering manager ordering people or a passive manager leaving all at the discretion of the subordinates. Rather MBO calls for a negotiation of objectives between superiors and subordinates on a give-and-take basis.



Step-2: Developing action plans

With the development of action plans and addition of these statements to the objectives anticipatively set, the planning phase of MBO comes to an end. Managers, at each level, tend to develop plans that incorporate the objectives established in step-1. It is the responsibility of higher managers to make sure that plans of their direct subordinates complement rather than conflict with one another.

Step-3: Periodic review

Attention now turns to step-3 as plans go into action requiring the following-up and monitoring of performance. Face-to-face meetings between superior and subordinate at 3-, 6- and 9- month intervals

should be held regularly. These periodic check-ups help the see whether a particular set of objectives is still valid or needs revision or updating under the changed circumstance. Periodic check-ups also provide managers with excellent opportunities to give subordinates required and well-considered feedback.

Step-4: Performance appraisal

According to Kreitner, "at end of one complete cycle of MBO, typically one year after the original goals are set, the final performance is matched with the previously agreed upon objectives. the pairs of superior and subordinate managers who mutually set the objectives one year earlier meet face to face once again to discuss how things have turned out. MBO calls for emphasis on results, not on personalities or excuses." Kreitner further adds that the control side of the MBO cycle is completed when success is rewarded with promotion, incentive payments or other suitable benefits and failure is noted to take corrective action in the future. At the time of evaluating performance during steps 3 and 4, managers need to keep in mind the following behavioral principles:

Evaluation of performance and appropriate response to success and failure complete the control side of the MBO cycle.