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Chapter 8: Management by Objectives and Self-Control

Introduction

Individual efforts must be put together to reach a common goal. All Efforts must pull in the same direction, and their contributions must fit together to produce a whole – without gaps, without frictions, without unnecessary duplications of effort.

To reach this, every member must have the knowledge about the global goal.

Misdirection

A big problem is misdirection. Hierarcical structures aggravate misdirection, because everybody doesn't reflect decisions and does only what the „boss“ says.

Solution: Choosing an management structure that focuses the manager's and his boss's eyes on what the job demands.

What should the Objectives Be?

Everybody needs clearly spelled out objectives.

- what is supposed to produce with which performance
- the contributions of the own unit to help other units to meet their objectives
- the contributions of the other units to help the own unit to reach the own objective

The objectives from above must be derived from the goal of the whole business.

Information should be delivered to the lowest end, so everyone can understand what the common goal is.

Efforts should be balanced. This means that every unit should make an adequat contribution, not one 97% and 10 others 3%. To reach this, it is usefull to make

- short range considerations
- long range considerations

In addition the objectives can be devided into

- tangible business objectives (eg. sale, production,...)
- intangible objectives like manager organisation and development

Management by Drives

Don't use management by „crises“ and „drives“. The emploee will not be happy about that.

People neglect their own job to get on with the current drive or try to sabotage the drive to get their work done.

Management by drive is a sign of confusion.

How should objectives be set and by whom?

The manager is responsible for the contributions of his unit. This means that the goal of each manager's job must be defined by the contributions he has to make to the success of the larger unit of which he is part.

This requires each manager to develop and set the objectives of his unit himself. Higher management has the burden to approve or disapprove those objectives. Every manager should responsibly participate in the development of the objectives of the higher unit. So the higher manager is able to know what to expect of the lower manager and can make exacting demands.

This can be achieved by management letters. This letter is written down twice a year.

The following things are defined:

- the superior managers objectives
- the objectives of the own unit as the manager sees it
- the performance standards that he believes applied to him
- the things he thinks he must do to attain these goals
- the major obstacles he believes
- the things of superior and the company that helps him
- the things of superior and the company that hamper him

This letter leads to a good check against inconsistencies and conflicting aims.

Self-Control through Measurement

The greatest advantage of management by objective is the possibility of controlling his own performance.

Self-control leads to a stronger motivation and better performance.

It is a desire to do the best rather than just enough to get by.

Management by objective enables substitution of management by domination with management by self-control.

To be able of self-control a manager must know more than his goals. He must be able to measure his performance against the goals.

These measurements don't need to be exact or rightly quantitative but they must be clear, simple and rational.

Measurement should be only the tool for self-control, not for control from above. This will lead to frustration and demoralisation.

Example:

General Electric uses „traveling auditors“. Each manager is visited at least once a year.

The study which comes out gets only the manager, not his boss.

The proper Use of Reports and Procedures

Reports, procedures and forms are important things, but they can also be misused:

- „procedures as instruments of morality“
Procedures never decide what to do, only how to do something
- „procedures substitution for judgement“
Our civilisation tends to believe in printed papers. Nonroutine and exceptional situations will never be written down in procedures in advance.
- „control from above“
The manager fills out forms for higher management containing information he doesn't need.
This directs him away from his job and the manager believes that this what the company wants of him.

Example:

In an insurance company the top level management did the last point. They learned a lot. But in the field the management had low performance because filling out too many forms.

Warning:

Be careful in introducing new forms. Get rid of forms nobody needs.