Introduction

- A common goal requires common efforts and common efforts presume individual efforts
- Every members effort must pull in the same direction
- All the contributions must fit together to produce a whole
  - Without gaps
  - Without friction
  - Without unnecessary duplication of effort
The Idea of Management by Objective

- Every manager knows his objectives and understands the common goal
- Workmanship is a MUST, but only related to the needs of the whole

Misdirection

- DANGER of hierarchical structures—everybody does without thinking what the boss says, even he makes a joke
- Subordinate managers are frustrated this leads to poor performance
- Most managers who misdirect don’t perceive it
- Solution: Choosing an management structure that focuses the manager’s and his boss’s eyes on what the job demands.
The Objectives (1)

- Everybody needs clearly spelled out objectives
  - What performance of the management unit is supposed to produce
  - The expected contribution of the own unit to help other units to obtain their objectives
  - The expected contributions from the other units to reach the own objective
  - These objectives are derived from the goal of the whole business
  - Information should reach everyone

The Objectives (2)

How to obtain balanced effort of all managers?

- On time-scale
  - short range consideration
  - long range consideration
- kind of objectives
  - tangible business objectives
  - intangible objectives
    - manager organisation
    - manager developement
The Objectives (3)

managers objectives = \sum_{\text{sub-managers objectives}} \sum_{\text{sub-managers objectives}} \sum_{\text{sub-managers objectives}}

- The manager has to set the objectives of his unit
- Higher management approves this objective

The Objectives (4)

Management-Letters

- written down by each manager (e.g. 2x a year)
  - objectives of superior
  - obstacles
  - things that help from superior
  - things that hamper from superior
- objectives of his own unit
- own performance standard
- what is to
- if accepted it is the charter for the specified time
- + check against inconsitences
- + check against conflicting aims
Self-Control through Measurement (1)

- Greatest advantage of management by objective
- the possibility of controlling the own performance
- Self-control gives stronger motivation
  - „a desire to do the best rather than just enough to get by“
- Management by objectives enables to substitute management by domination with management by self-control

Self-control through Measurement (2)

- A manager must know more than his goal
- Ability to measure performance and results against the goal
- The Tools of Measurement
  - not exact
  - not rightly quantitative
  - clear
  - simple
  - rational
Self-Control through Measurement (3)

- A manager must have all information to measure the performance
- Measurement – no tool to control from above!

- Example: General Electrics – „traveling auditors“
  - every unit has an audit each year
  - the study goes only to the unit-manager not to his boss
  - the unit-manager is enabled to self-control

Reports & Procedures

- Important, but DANGER
- Misuse is possible
  - **procedures as instruments of morality** – procedures never decide what should be done only how
  - **procedures as substitution for judgement** – civilisation tend to believe in printed papers, nonroutine and exceptional situations are never written in procedures
  - **control from above** – if managers have to report information they don't need to do their job.