

## **A Study on the effectiveness and Impacts of MBO process in BHEL.**

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### **Abstract**

MBO is designed to improve the management process and maximize the effectiveness of the members of individual team. It focused on helping team members to understand the individual roles they play and how their jobs contribute to organization success.

MBO process is an integrative approach to planning and control and emerging new techno-structural of business. The MBO strategy has three basic components which are following: assigned set of Objectives, periodical performance reviews, rewards given to individuals who are reaching goals. MBO process is a management system that is driven by goals and success oriented it is used in a variety of areas such as performance appraisal system, performance management system, KRA, Strategic planning, production planning and controls and other managerial subsystems like human resource planning, career planning, operational goals, budgeting, financial management. This process includes human resources planning and development, career planning, the reward system, budgeting and other managerial activities important for a specific position. It aims at enhancing organizational performance by synchronizing goals and subordinates the objectives throughout the organization.

The researcher has to study the effectiveness and impacts of MBO process in BHEL. This study concluded that MBO is empowering career planning, helps to evaluate performance appraisal, performance rating. Hence, the Management By Objective can be build a most effective performance in BHEL.

**Keywords: MBO process , MBO effectiveness, impacts of management by objective, BHEL, Management By Objective.**

## **Introduction**

Management by objectives is a process of agreeing upon objectives within an organization. The term MBO was first popularized by Peter Drucker in year of 1954. It is application followed and practiced by all over the world and they consider it as a planning and controlling tool. MBO is a comprehensive managerial system that integrates many key managerial activities in systematic manner that is directed towards the effective and efficient achievement of organization and individual objectives. It is very narrow, limited, goal driven and success oriented management system. This study has taken 396 samples from BHEL, it is an eminent public sector institutions in India. So, the researcher has investigated and analyze the effectiveness and impacts of MBO in BHEL.

MBO is a comprehensive managerial system that integrates many key managerial activities in systematic manner that is directed towards the effective and efficient achievement of organization and individual objectives.

MBO is a good management system which helps to organizational members to participate getting organizational effectiveness. This system gives full scope to individual strength and responsibilities. This study delves into the effectiveness and impacts of MBO in BHEL, examining both its benefits and potential challenges in contemporary organizational settings.

## **Management by Objectives.**

**Drucker, 1954**, Management by Objective as a management tool which does not only cut across the participation of both subordinate and superior, but also involves the monitoring and accessing of employees performance towards the goals.

According to **Koontz and Wehrich**, Management by objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives.

**Jeong et al, (2021)**, Setting objectives entails directing one's thoughts, feelings, and actions towards achieving the goal. This creates a mismatch between the goal setter's desired future state and their existing state, which in turn motivates further activities.

According to **Setyo and Novita (2020)**, is the predetermination of targets to be met or goals to be reached, the establishment of clear timetables for the accomplishment of each process in pursuit of the achievement of the ultimate goals, and the evaluation of performance by the degree of success in hitting the targets or goals within the allotted time.

### **MBO in BHEL**

In Indian, multinational companies have expanded of MBO concepts; particularly in PSU few of them have shared their experience of MBO with others in the initial stage that was 1969, after systematic entry of MBO in BHEL organized top management support and other companies applied and appreciated the role of MBO in performance management of employees have successfully implemented.

BHEL is India's largest engineering and manufacturing enterprise, second largest employer in the Indian capital goods industry. Presently pan India have 16 manufacturing units and 8 service centres with 53 percent of share installed conventional generation capacity, having above 30,000+ Human capital bases and 8000+ strong engineers and management staff have applied MBO concepts with performance management system very earlier, so they have fully experienced on this MBO concepts.

Management by objectives is the process which helps to measure and determine the performance of employees. MBO is modern method for performance appraisal. Formal MBO programmes are typically designed to serve as a means of: Goal setting—ascertaining and prioritizing missions, key result areas and goals. Programme planning—designing means for implementing action. Participation—involving members of the organization as individuals and as work teams in the planning process. Development—getting better managerial proficiency in decision-making, planning and controlling. Motivation—tapping latent capability through involvement in setting challenging realistic objectives. Control—measuring and evaluating result. Performance appraisal—providing feedback to individuals and work-teams about actual and expected results. Compensation—designing reward systems that centre on results rather than activities.

These steps are impacting the performance management system. All mechanism of MBO are intervening the performance appraisal and management. Hence the researcher has studied the impact of MBO concepts in the performance management system. In India, BHEL have applied MBO in very early bird on 1970s. It has more experience on this MBO concept. MBO ensures better and more effective management of the vital resource of the organization which is human resource without compromising the organizational strategy.

The setting of Objective in the MBO process helps to provide a yardstick for appraisal, compensation and control as well as serve as a measure or guide for operating the unit and assessing the contribution of each of its members. However, achievement of organizational goals is possible not by giving orders and strict instructions but by securing cooperation and participation of all persons in the organization. It is an attempt to fill this gap that this paper seeks to examine the effect of MBO on the performance of organizations. In-view of the result oriented nature of MBO as a management philosophy. It is confronted the researcher to conduct this study in the nature to determine the impact of management by objective on organizational performance management system.

### **Research methodology**

This study used quantitative approach. A descriptive analysis used as tool for identify the variable of employee awareness and perception. Data were assessed and measured by descriptive statistics, SPSS tools were used and SEM model for testing hypothesis. Questionnaire framed for data collection that was collected from around 396 respondents. Majority of questions were the closed ended questions which help to researchers for making extensive documentation. Author used non probability sampling from BHEL. They were 84.2 percent of men and 15.8 percent of women. The secondary data were collected from the secondary sources including books, journals, magazines, reports and previous studies.

### **Objective of the study**

To study the impacts of MBO on employee performance management system in BHEL.

To analyze the awareness and perceptions of employees about MBO in BHEL.

### **Hypothesis of the study**

H1: There is a significant positive impact of MBO on employee's performance.

H2: There is significant positive influence between awareness of employee and perception of employee on performance management system.

### **Analysis of data**

This study has analyzed the data with Cronbach's alpha test with five point scales and obtained 0.821 for impacts of MBO on employee performance and its factors, 0.661 points

was found for perception of employee. This point shows that good consistency in the data collected.

### Result and discussions

In the age level proportion is dominated in the samples are the productive age group between 35 to 45 years were 87 percent. The majority of respondents have undergraduate education background were 46.2 percent. In addition to that most of them (52 percent) have professional occupations. Finally in the demographic variable, the income profiles of respondents were 44.2 percent between 30,000 to 45,000 monthly incomes were dominated in the sample composition.

		Table 1. Regression analysis for effectiveness of MBO in BHEL					
Model		B	T	R	Adjusted R2	Sig.	F
1	Constant	31.841	4.656	0.507	0.250	0.000**	39.092
	Goal setting	0.72	0.432				
	Team work	0.432	2.037				
	Effective workers participation	1.335	6.843				

Table 1 shows the regression analysis for testing the hypothesis of MBO components influence on the effectiveness and its impacts, having beta value respectively is 0.72, 0.432, 1.335;  $p < 0.01$  for goal setting, Team work and effective workers participation, hence it is concluded that the effectiveness of MBO is positively influence on its components. R value (0.507) is supported and shows that there is positive correlation among the components.

### Conclusion

In conclusion, Management by Objectives (MBO) remains a powerful tool for enhancing performance management systems within organizations. By fostering alignment, motivation, accountability, and continuous improvement, MBO contributes positively to organizational effectiveness. However, its successful implementation requires careful consideration of challenges such as goal setting, team work, and workers participation. Future research could further explore how modern technologies and evolving workplace dynamics influence the application and outcomes of MBO in diverse organizational contexts. Ultimately, MBO represents a timeless approach that, when implemented thoughtfully, can significantly elevate performance management practices and contribute to sustained organizational success.

This study aims to analyze the impacts of MBO on its components goal setting, team work and workers participation with referencing BHEL. The response obtained from the various respondents of BHEL, which can relate the positive influence on employees participation with MBO. This study concluded that MBO process is higher effectiveness on its components.

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