

# The Return of Management by Objectives to Replace Annual Performance Reviews

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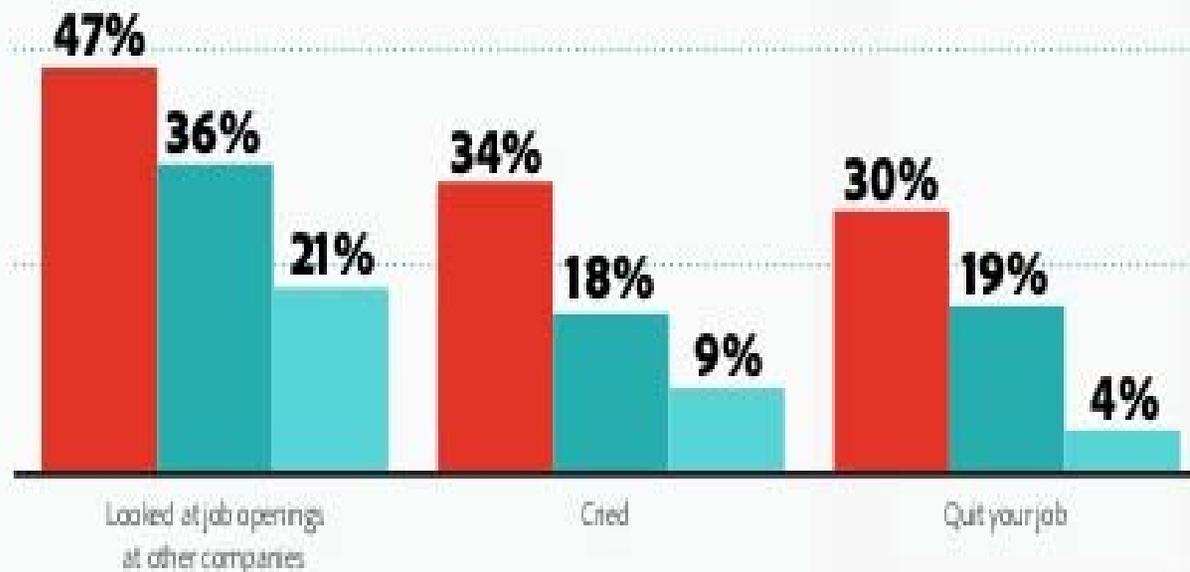
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# Millennials are more likely to have dramatic reactions

OFFICE WORKER REACTIONS AS A RESULT OF PERFORMANCE REVIEWS  
Among U.S. Office Workers with Structured Performance Reviews - Showing % Selecting "Yes"

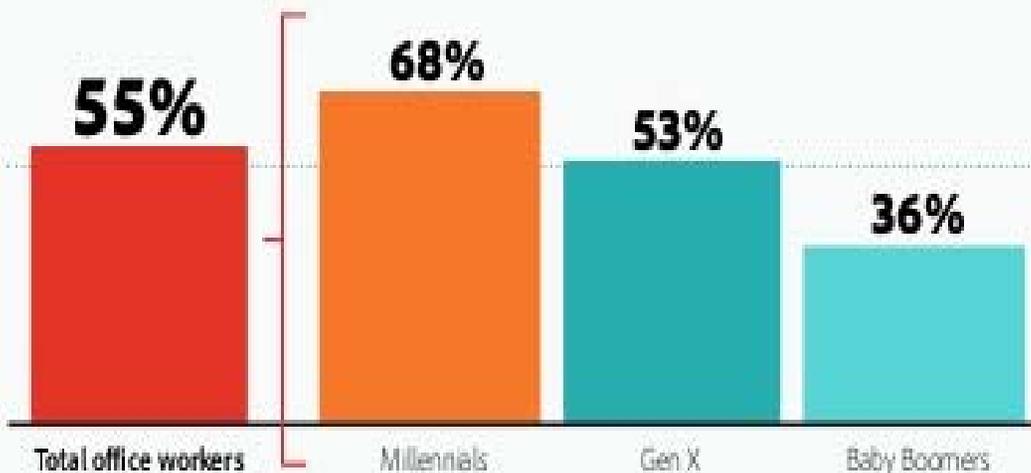
Millennials  
Gen X  
Baby Boomers



# Millennials and managers especially want a change

## "I WISH MY COMPANY WOULD GET RID OF PERFORMANCE REVIEWS"

Among U.S. Office Workers with Structured Performance Reviews - Showing Top 2 Box (Strongly + Somewhat Agree)



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## PERCEPTIONS OF PERFORMANCE REVIEWS BY MANAGERS

Among U.S. Managers with Standard Performance Reviews - Showing Top 2 Box (Strongly + Somewhat Agree)

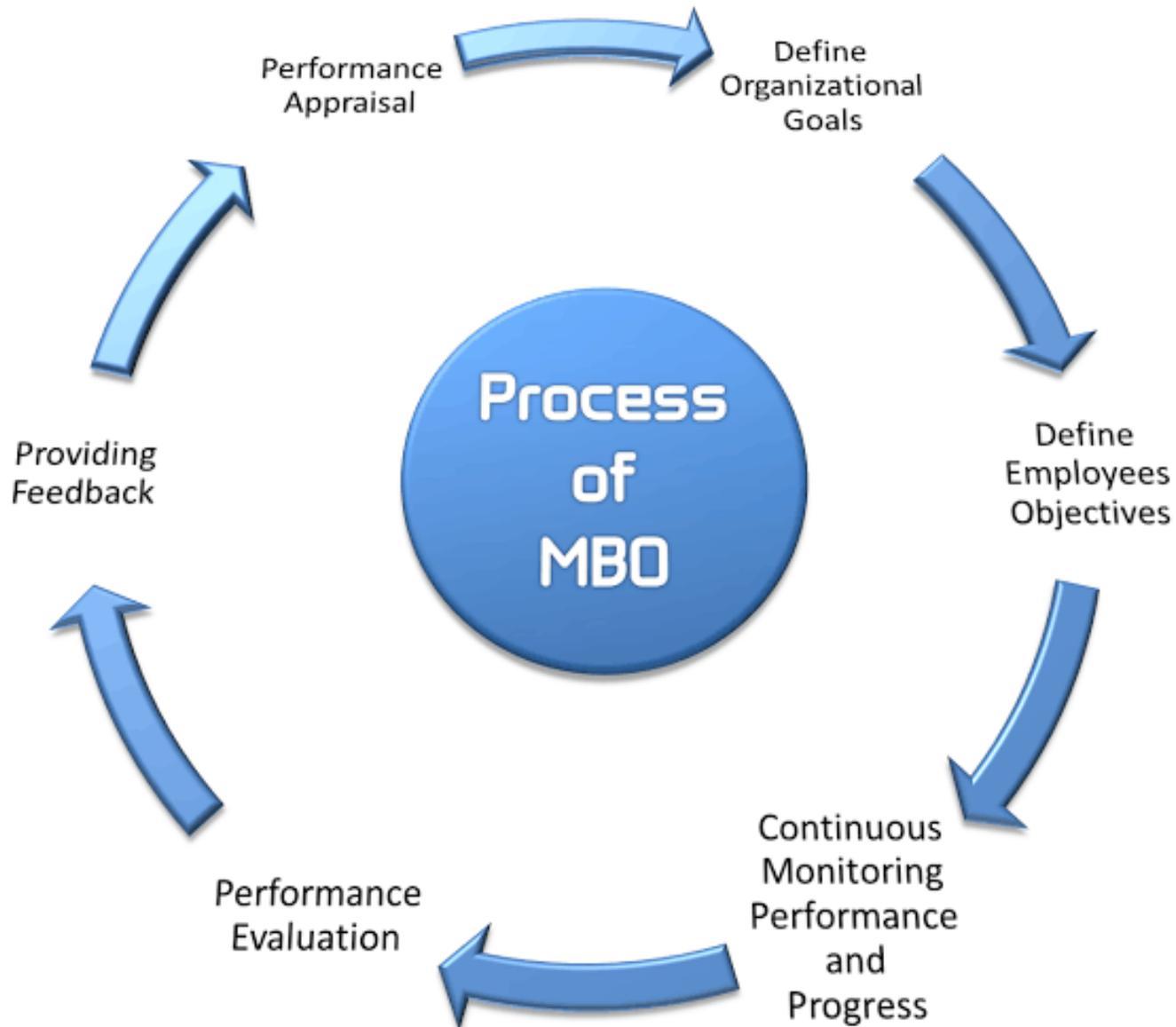
# Two in three

managers (66%) wish their company would change its current performance review process



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# Introduction to Management By Objectives



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# Quick History

- **Management by objectives (MBO), also known as management by results (MBR), was first popularized by Peter Drucker in his 1954 book The Practice of Management.**
- **Management by objectives is the process of defining specific objectives within an organization that management can convey to organization members, then deciding on how to achieve each objective in sequence.**
- **This process allows managers to take work that needs to be done one step at a time to allow for a calm, yet productive work environment.**



# Quick History

- **This process also helps organization members to see their accomplishments as they achieve each objective, which reinforces a positive work environment and a sense of achievement.**
- **An important part of MBO is the measurement and comparison of an employee's actual performance with the standards set.**
- **Ideally, when employees themselves have been involved with the goal-setting and choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.**



# **Discussion – How Many Have Used Some Form of MBO's in their Organization?**



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# Understanding Millennials and Performance Management



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# DIFFERENCES BETWEEN

MILLENNIALS

&

BABY BOOMERS

- Tech-Savvy
- Actively engage in social media
- Learn by exploring
- Want continuous feedback
- Expect and demand instant gratification
- Committed to their personal learning and development
- Are lifelong learners

- Uneven relationship with technology
- Great team players
- Need clear and concise job expectations, and will get it done
- Expect everyone to be workaholics
- Hard working and productive
- Self - sufficient
- Paying attention isn't really a problem- great attention spans



SHIFT  
DISRUPTIVE LEARNING



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# 6 Things Millennials Want from the Performance Management Process

- **Regular and Effective Communication**
  - Millennials have grown up in an age of real-time feedback. Advice and opinions are solicited and readily given in their private lives, and this is equally expected regarding their professional lives.
- **Frequent, Quality Feedback, Rather Than Ratings**
  - Millennials seek regular feedback from their managers. Annual reviews are no longer sufficient.
- **A Flexible Working Environment**
  - The average Millennial isn't scared to leave his or her job when unsatisfied with company processes or prospects.



# 6 Things Millennials Want from the Performance Management Process

- **A Boss Who Guides, Rather Than Instructs**
  - Millennials are generally independent in spirit. A study reflects that 72 percent of Millennials want to work for themselves, indicating that they prioritize autonomy, creativity, and flexibility.
- **Recognition for Their Efforts and Achievements**
  - Over the years, it has been shown that employees are more motivated by recognition than money.
- **Opportunities for Advancement**
  - Millennials are determined. They want to know their company will provide them with opportunity. If this is not something your performance management process is prioritizing, it will cost you talented candidates.



# What Challenges has Your Organization Faced in Engaging Millennials



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# The First Step – Return of “The One Minute Manager”



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# THE 3 SECRETS OF THE NEW OMM

## 1 One Minute Goals



Staff does something right.

Staff does something wrong.

## 2 One Minute Praisings



## 3 One Minute Re-Directs



Do more of what's right



Stop mistakes asap



Goals are Met



READINGGRAPHICS  
ACTIONABLE INSIGHTS IN ONE PAGE



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# One Minute Manager Basics

- **One minute goal setting:**
  - All good performance begins with a clear statement of what good behavior looks like, so here is where the One Minute Manager begins.
  - They have their people write out their goals in 250 words or less and focus on good behavior.
  - Then they encourages people to revisit their goals weekly and see how closely their behavior matches the goal.



# One Minute Manager Basics

- **One minute praisings:**
  - One minute praising's are the way that the One Minute Manager catches people doing things right or approximately right.
  - Soon after they observes the behavior, they tell the person what they specifically did right and how it makes them feel.
  - They encourages them to continue their good behavior and then shakes hands to reinforce the positive behavior and how good they feel about it.



# One Minute Manager Basics

## One minute re-directs:

- **One minute reprimands are used to correct and redirect behavior.**
- **When the One Minute Manager observes someone doing something wrong, they will tell them specifically what they are doing incorrectly.**
- **They will also tell them how it makes him feel, and then redirect them back to the one minute goal description of what good behavior looks like.**
- **Before ending the conversation, the One Minute Manager will encourage the person to do better by focusing on correcting their behavior in the future and letting them know that they can do it.**



# **Do Any of Us Utilized “One Minute Management” Techniques Today**



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# **The Next Step – Process to Set Objectives in the MBO Process**



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# The Process



# 6 Steps of the MBO Process

- **Define Organizational Goals:**
  - Goals are critical issues to organizational effectiveness. Goals should reflect “Mission Critical Outcomes” required for the organization’s success.
- **Define Employee Objectives:**
  - Manager’s should discuss with employees what they believe they can accomplish, in what time frame and with what resources that will support the organization’s objectives.
- **Continuous Monitoring Performance and Progress:**
  - Success of the process is the established of regularly scheduled “touch points” to review and discuss employee progress during the year.



# 6 Steps of the MBO Process

- **Performance Evaluation:**
  - Under the MBO process, performance evaluations occur on a quarterly basis tied to “touch point” feedback sessions. The annual review is a summary of these quarterly discussions.
- **Provide “Instant Rewards”:**
  - Successful MBO programs allow for instant rewards tied to the performance evaluation “touch points”.
- **Year-End Review and Establishment of New Objectives:**
  - At the end of the year the discussion focuses on a review of the “touch-points’ and in the realignment of objectives for the next year.



# **Advantages and Disadvantages of the MBO Process**



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# MBO: Key Advantages and Disadvantages

## Advantages

- MBO programs continually emphasize what should be done in an organization to achieve organizational goals.
- MBO process secures employee commitment to attaining organizational goals.

## Disadvantages

- The development of objectives can be time consuming, leaving both managers and employees less time in which to do their actual work.



# Advantages

- **The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured.**
- **Instead of assuming traits, the MBO method concentrates on actual outcomes.**
- **Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities.**



# Advantages

- **The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred.**
- **The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance.**
- **MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts - as one might take apart an engine to study it.**



# Disadvantages

- **MBO methods of performance appraisal can give employees a satisfying sense of autonomy and achievement. But on the downside, they can lead to unrealistic expectations about what can and cannot be reasonably accomplished.**
- **Supervisors and subordinates must have very good "reality checking" skills to use MBO appraisal methods. They will need these skills during the initial stage of objective setting, and for the purposes of self-auditing and self-monitoring.**
- **Unfortunately, research studies have shown repeatedly that human beings tend to lack the skills needed to do their own "reality checking". itself is an intensely personal experience, prone to all forms of perceptual bias.**



# Disadvantages

- **One of the strengths of the MBO method is the clarity of purpose that flows from a set of well-articulated objectives. But this can be a source of weakness also.**
- **It has become very apparent that the modern organization must be flexible to survive. Objectives, by their very nature, tend to impose a certain rigidity.**
- **Of course, the obvious answer is to make the objectives more fluid and yielding. But the penalty for fluidity is loss of clarity. Variable objectives may cause employee confusion.**



# Replacing the Annual Review



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# For Your Consideration

- Millennials are demanding that they be given regular and timely feedback as part of their “engagement” with the organization.
- “One Minute Manager” skills have been lost and forgotten yet they make perfect sense to ensure employees know what is expected and how they are doing.
- Management by Objectives links organization and department outcomes directly to employee efforts.
- MBO systems allow for more frequent regards (praises) and corrective action (reprimands).
- MBO will require managers to set department/unit goals that are supportive to the organization thereby linking the employee directly to the organization.



# Questions – Comments - Observations



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