Effective Use of MBO in the Conditions of Slovak Companies

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Abstract: With the variability of the business environment, the various tools that have emerged during the formation of management to support its functionality have been flexibly changed, used, or interchanged. With emphasis on the level of strategic management, it is not only the right choice of strategy and its implementation, but also the use of adequate theory or method of strategy implementation. There is a whole range of such methods, including management by objectives (MBO) by P. Drucker, a pioneer in modern management. The paper focuses on the implementation and use of a management system according to objectives in Slovak companies. Based on the content analysis of available professional resources, it defines the theoretical basis of the researched issues and the basic principles that relate to the MBO method. The analytical part is a case study of a selected Slovak company, in which we analyze the current state of management using qualitative and quantitative methods. Subsequently, based on the main findings, we propose possible recommendations for more effective management according to the objectives of the surveyed company.

Keywords: management by objectives (MBO); management; strategic management; evaluation; key performance indicators (KPI); employee development; performance management process (PMP)

1. Introduction

In modern conditions, where change is becoming a common part of business operations, there is a need for increased flexibility in achieving goals. In order to succeed in a competitive market, meet their goals, and make a profit, companies strive to constantly innovate, optimize their processes, and increase the efficiency of their management and operation. They incorporate modern trends into their programs and strive to improve existing management processes, including through various optimizations. However, problems often occur when employees do something other than what is expected of them, mostly because they have not clearly defined the goals of their work. As a result, various conflicts, misunderstandings, and inefficient use of human resources in the company can arise. To prevent such situations, it is therefore important to manage employee performance and clearly set goals. For this purpose, the MBO method is often used in practice, which includes a participatory approach to activities and the fulfillment of defined tasks. It is a certain style of management and leadership of people, which tries to combine the goals of the company with the individual performance and development of employees. The aim of this method of management is to harmonize the goals of employees and their effective fulfillment, which together lead to the fulfillment of corporate goals.

Business management includes all activities from setting up the entire management system, values, and rules of the company, setting up the organizational structure, setting and coordinating strategies and strategic management to routine, daily operations of processes and performance. The aim is to comprehensively support the overall functioning of the organization. This whole claim is based on Koontz–Wehrich theory [1], which declares that management is the process of creating and maintaining an environment in which individuals work together in groups and effectively achieve selected goals. Objectives become the basis for the organization and allocation of capital and human resources of...
the company and are a prerequisite for assigning tasks. The role of the objectives is to
develop and at the same time implement the organization’s capabilities, which are inac-
tivity, market orientation, and achieving the results of the organization’s performance [2].
It is a cross-sectional area. It uses strategic management methods, quality and efficiency
management methods, and more.

Various methods are used to manage the company over time and in terms of its goals,
organization of work, and other resources. This paper focuses on one of these methods,
MBO—management by objectives. Goals are an important part of a method. They represent
the future state to be achieved at a certain time and in a certain form. Goals are expected
positive future states or events that an individual seeks to achieve. At the same time, they
are considered an effective means of promoting motivation and are therefore used as a
tool to lead and motivate people. The application of this concept is visible in MBO, a
popular method of leadership that focuses on transforming the company’s strategic goals
into individual goals. It is expected that if an employee accepts and adopts the agreed
goals, he or she will be better oriented and more motivated than without a goal [3].

It is good to follow certain principles when setting a goal. Objectives should be
formulated in a clear and comprehensible manner. They are usually formed with an
indefinite verb. It is appropriate to set several objectives that complement or specify the
main objective. However, they should not be worded very generally or unrealistically [4].
Setting a goal is very important; it is about formulating wishes, interests, and needs. The
goal needs to be accurate and unambiguous so that each employee understands it. In
particular, the SMART method is used to set goals [5]. The SMART rule is a set of criteria
that helps management effectively define the goal and the proposed solution. This rule
can also be used in other areas where it is necessary to effectively define objectives. Each
goal, in order to be fulfilled, must have certain characteristics. A SMART rule can be used
to maintain these properties. This expression from the English translation wise or clever
represents in acronym form a management of goal-setting methodology [6].

It can be stated that the MBO includes a participatory approach to activities and the
fulfilment of defined tasks. It is a certain style of management and leadership of people,
which tries to combine the goals of the company with the individual performance and
development of employees. The aim of this method of management is to harmonize the
goals of employees and their effective fulfilment, which together lead to the fulfilment of
corporate goals.

The aim of this work is to analyze the implementation and use of a management
by objectives system (MBO) in Slovak companies. In the first part, based on the content
analysis of available professional resources, we theoretically define the starting points and
basic concepts of the researched issues. Subsequently, in the next part, we define the goals
and methodology of the work. To achieve the goal, we analyze the current situation in
the selected company in the practical part and based on the findings and interpretation of
results, we suggest possible recommendations. We are interested in how the MBO method
affected the performance of employees in the selected company and how it contributed
to the overall achievement of the set goals. Finally, we will discuss the main findings on
which our suggestions for improvement will be based.

2. Materials and Methods

The elaboration of the paper requires the use of theoretical and empirical scientific
procedures, which, in the first step, means working with theoretical methods, such as
analysis, synthesis, induction, and deduction, in which the topic is viewed from a theoretical
point of view. In the second step, the article uses empirical scientific procedures that work
with specific data and exact methods to achieve concrete results. In addition to explanatory
methods, interpretive methods will be used in the conclusion.

The aim of this work is to analyze the implementation and use of a management by
objectives system (MBO) in Slovak companies. To achieve the goal, we analyze the current
situation in the selected company and based on the findings and interpretation of results,
we suggest possible recommendations. We are also interested in how the MBO method affected the performance of employees in the selected company and how it contributed to the overall achievement of the set goals. Our main effort will therefore be to find out how the application of the method affected the performance of employees. We will answer the main research question using the following questions:

- Does the selected company implement the MBO method to such an extent that it is understandable and correctly understood by employees?
- Are employees trying to improve their performance based on set goals?
- Does the application of the method increase the efficiency of employees and the company?
- Does goal-based management contribute to the overall fulfilment of the company’s goals?

The procedure of processing the contribution follows from the nature of its goal. We based it on basic procedures and methods of qualitative and quantitative research. We use the description method to describe the selected company and its current situation in the field of management. We use the method of comparison to compare the acquired theoretical and practical knowledge, we summarize the results of the findings by synthesis, and we also use it in formulating conclusions and recommendations. We also use the definition method to define findings and formulate conclusions. In doing so, we proceed with a content analysis of available sources and professional literature, based on which we set out the theoretical basis for the analytical part of the work. We also use the analysis of records from company meetings and other documents provided by the company, supplemented by qualitative interviews with company representatives. Since we involve several methods and data sources in parallel, we intersect qualitative and quantitative research; we talk about mixed research and methodological triangulation. At the same time, it is a case study of a selected company, which provides us with the necessary information to answer the main and partial research questions.

The results of the paper will make it possible to approach its application possibilities in the conditions of Slovak companies in more detail in the context of the theoretical summary of MBO development. The conclusions can be interpreted as specific procedures for the implementation and use of management according to the objectives in manufacturing companies.

3. Results

In this part, we focus on two key areas. The first is the assessment of the degree of knowledge and use of MBO in the conditions of selected Slovak companies, and in the second part, we focus on the selected company and its analysis in the context of MBO.

3.1. A Survey of the Level of Knowledge and Practical Application of MBO in Selected Companies

The benefits of MBO lead to the assumption that the method is also used in business practice. The level of knowledge and practical application was the subject of a survey, which was carried out on a sample of small and medium-sized enterprises in Slovakia. The object of the exploratory research was a sample of randomly selected companies in the Slovak Republic, while the selection of the sample was based on the Register of Slovak Companies. The narrower selection criteria were small and medium-sized enterprises operating in the Slovak Republic without the limit of the legal form of business. It was important to consider the choice to communicate via email or within the available information on the website. The reason for these determinants was the possibility of electronic communication, which was the only possible option within the COVID-19 pandemic. For the same reason, this electronic communication was used. From the database of business entities, 200 small and medium-sized enterprises with different business objects from individual regions were selected. The return was 46.50%; 93 managers of the business entities in question responded. We used closed questions when formulating the questionnaire. Its content was determined primarily by knowledge of MBO, which we acquired by studying the literature. We were also inspired by the opinions of experts who deal with this issue. The main goal of the survey was to identify and evaluate the cognitive attitude of respondents to the method of management by objectives and to identify the extent of its use in business practice. In
order to fulfil the goal, we defined partial goals, aimed at gaining knowledge about the issues addressed and their subsequent use in the design of research questions. The survey was completed by 73% of men and 27% of women (Figure 1a), with a predominant role of a manager in the range of 5–10 years (83%).

In the sample, 65% of respondents knew the MBO method and 81% considered it time-consuming (Figure 1b). Given the knowledge of the method, the vast majority of respondents preferred goal setting (52%), followed by the organization of working groups (14%) and motivation to communicate (Figure 1c). These cognitive priorities are sometimes non-standard and change very often, so flexibility and constant goal setting are crucial for the company’s board of directors located under the owner. Management consists of individual departments (technical, sales department, personnel, finance, IT department, logistics, production, quality, and maintenance).

At present, the owner and top management set the goals of the selected company, which they subsequently confirmed in terms of efficiency. However, the positive answer did not prevail in the question on the practical use of MBO in practice (35%) and the main long-term goal of the company is to ensure prosperity and economic growth by satisfying customers and optimizing production and meeting customer needs. The company also plays a significant role in various innovative solutions and technological innovations that help optimize production and meet customer needs. The company’s core values include customer orientation, a proactive approach, and teamwork. As it is a Slovak company, the top management is the owner himself who built the company from the ground up. In the organizational structure, the general director and other members of the company's board of directors are located under the owner. Management consists of members of the top management who are responsible for the performance of the company's activities by studying the literature. We were also inspired by the opinions of experts who deal with management in its application in business practice. Only a small sample of respondents considered its impact on the relationship between superiors and subordinates to be positive (78%) and at the same time agreed with the requirement for a more liberal approach to goal setting (53%).

The majority of respondents considered employee development and performance measurement (19%) to be important activities associated with the introduction and application of MBOs. In the sample, 65% of respondents knew the MBO method and 81% considered it time-consuming (Figure 1b). Given the knowledge of the method, the vast majority of respondents stated only partial implementation or only the intention to engage in business practice.

The majority of respondents preferred setting goals (52%), followed by the organization of working groups (14%) and motivation to communicate (Figure 1c). These cognitive priorities are sometimes non-standard and change very often, so flexibility and constant goal setting are crucial.
respondents considered its impact on the relationship between superiors and subordinates to be positive (78%) and at the same time agreed with the requirement for a more liberal management style in its application in business practice. Only a small sample of respondents (15%) considered employee development and performance measurement (19%) to be important activities associated with the introduction and application of MBOs.

The majority of respondents preferred setting goals (52%), followed by the organization of working groups (14%) and motivation to communicate (Figure 1c). These cognitive attitudes were followed by the question of the order of the individual stages of the MBO method. Again, they preferred performance evaluation to a lesser extent (12%) and the majority consider it a priority to set goals for individual employees (50%) and provide an overview of them—38% (Figure 1d).

The majority of respondents considered the MBO method to be advantageous (71%), which they subsequently confirmed in terms of efficiency. However, the positive answer did not prevail in the question on the practical use of MBO in practice (35%) and the majority of respondents stated only partial implementation or only the intention to engage in business practice.

3.2. Analysis of the Current State of Management in the Selected Company

The selected company is a private Slovak manufacturing company operating in the engineering industry, which was founded in 1994. It currently has 400 employees. The core values include customer orientation, a proactive approach, and teamwork. As it is a Slovak company, the top management is the owner himself who built the company from the ground up. In the organizational structure, the general director and other members of the company’s board of directors are located under the owner. Management consists of managers within individual departments (technical, sales department, personnel, finance, IT department, logistics, production, quality, and maintenance).

At present, the owner and top management set the goals of the selected company, which are further divided into sub-goals of individual departments and employees. The main long-term goal of the company is to ensure prosperity and economic growth by satisfying the needs of customers. The company is strongly customer-oriented and its requirements are sometimes non-standard and change very often, so flexibility and constant adaptation to change is essential. An important factor in achieving this is the human resources of the company, which it considers its most valuable capital; therefore, it invests considerable resources in them, whether in the further development or the support of its employees. The company also plays a significant role in various innovative solutions and technological innovations that help optimize production and meet customer needs. The strategic goals of the company, therefore, include innovations that contribute to greater flexibility of the company and customer satisfaction.

Creating Goals in the Company

Strategic management uses a rather directive form of management and determining the direction of development of the company is mainly on the part of the owner and the board of directors of the company. The management of individual departments and managers then set sub-goals so that they are in line with the main and strategic ones and support them. Leaders discuss the goals with their subordinates in monthly evaluations, where they set short-term goals and achieve a reward bonus for meeting the goals. In this case, management is focused on goals which are set and adopted, which represent certain freedom and active involvement of employees in achieving them. Once a year, annual evaluation interviews are held between the manager and the employee, where longer-term goals are evaluated. Employees receive ongoing feedback through monthly appraisals and a guided annual appraisal interview. Shorter-term goals can be operationally changed according to the current situation and customer requirements.

There are also set goals at the level of individual departments, which result from the meetings of the company’s management as well as the monthly and annual goals of
individual managers. Again, longer-term and shorter-term goals adapted to the current situation and priorities of the company are set. Managers and employees are expected to take a proactive approach to add value. The company strives for the best possible economic result and employees are motivated to become active through an annual bonus as a certain set percentage of turnover. The company also cares about the development of its human capital, so it regularly invests in the education and development of its employees. However, the key to success is customer satisfaction, so it tries to satisfy as much as possible the requirements and needs of its customers, which are among the strategic goals of the company.

On a monthly basis, targets are set for employees whose remuneration consists of a given bonus component of wages. Such objectives are rather operational, they are set clearly; specifically, they are specified and there are also criteria for evaluation so that their fulfilment can be relevantly evaluated. The amount of the monthly bonus then depends on the degree of fulfilment of the objectives. The tasks and objectives set in the annual evaluation interviews are set more openly and fall below the level of more strategic objectives.

The goals in the company are therefore set in a certain hierarchy. The highest goals are long-term and strategic goals, which are reflected in the goals of individual departments and managers. For the management, partial goals and KPIs (key performance indicators) are set for their evaluation. Employees of individual departments have further set specific goals, operational tasks on a monthly basis, from which the bonus component of the salary is derived, but also longer-term goals set within the annual evaluation interviews between managers and employees. The company conducts regular operational meetings where current tasks are discussed and goals are set for individual departments. During further meetings, the status of the fulfilment of tasks is reported and the leader receives ongoing feedback. Employees receive feedback in monthly and annual guided appraisal interviews. The control of the fulfilment of objectives therefore depends on the given objectives, whether they are operational and shorter-term or long-term objectives. If employees fail to meet the set goals, the role of managers is to identify the causes and set measures to improve the situation. Within the framework of monthly and annual evaluations, the achieved results are evaluated, as well as the work performance and development of employees. The aim of these evaluations is to give employees ongoing coordinated and managed feedback and to have the opportunity to comment. At the same time, it is about managing the performance of employees, as part of the bonus component of the salary is based on the fulfilment of set monthly goals and tasks.

3.3. Evaluation and Proposal of Recommendations for Management According to Objectives for Slovak Companies

From the results of the survey, it can be identified that the knowledge of the management method according to the objectives is not unknown in the monitored area, but only partial knowledge of the benefits that the introduction of MBO can bring to companies prevails. It is very important to realize that MBO is a strategic tool; its benefits cannot be identified immediately after implementation. It is also a key fact that management according to goals very significantly affects not only the transparency and acceptance of the organization’s goals but also adequately affects the psycho-social side of management, specifically in stimulating motivation and communication. One way to further support, the implementation of MBOs in business practice is to focus on performance. The survey indicated that there is a bottleneck at this level and managers significantly underestimate the impact on performance in the context of MBOs. Performance can also become an argument for those managers who see MBO as complicating management rather than supporting it, and at the same time prefer so-called quantitative management. Specifically, it is the use of the performance management process (PMP).

The positive of the PMP is that the employees will not only get acquainted with the MBO method as such but it will also allow to clearly define the individual steps of the process and to design the individual roles and responsibilities of the participants. Performance
management is a systematic process of improving a company’s work performance through knowledge and performance management within an agreed framework of planned goals, standards, and skills requirements. These are processes of shared understanding of what is to be achieved, as well as a way to increase the likelihood that people’s development will be achieved in the short or long term. Performance management directs people to do things right by clarifying their goals [7]. The authors in [8] believe that PMP is a performance management process based on the responsibilities of not only the manager but also his subordinates. In other words, these entities share a certain part of their responsibilities. The manager takes care of the successful performance of employees. Just as the mentioned authors define this process, so it also applies in the company.

Due to the fact that PMP is a process, it is possible to define individual sub-processes in it. They are:

1. **Target setting**
2. **Monitoring—tracking goals**
3. **Evaluation**
4. **Round table**
5. **Feedback**
6. **Implementation**—in line with the overall objectives of the company, which meet the criteria of the SMART rule and are properly recorded and agreed.

3.3.1. Setting Goals

As a first step, it is necessary to set individual goals for employees that are consistent and support the overall goals of the company. In setting these goals, a consensus should be reached between both parties—the supervisor and the employee. Employees could design their individual goals based on a description of their work and responsibilities, as well as experience. Within the framework of production meetings, or newly introduced monthly meetings, they would discuss these goals with their superiors. Heads of departments, in consultation, should acquaint their employees with the company’s strategic goals, as these must be met through individual goals and at the same time should acquaint employees with the goals of a specific—economic, business, personnel, or production-technical—department. At this stage, it is important that they ask employees to suggest their individual goals and should help them apply the SMART rule. The director of the company verifies that the goals of individual departments are correctly divided into individual goals of employees and tries to ensure the support of the whole process.

3.3.2. Goal Tracking

Employees should try to gather information during a certain period of time (month, quarter), from the setting of individual goals to the next meeting, which indicates the degree of achievement of the set individual goals. They comment on them and propose an action plan, if necessary. They submit this information to their superior—the head of the department. The head of the department organizes a meeting every month, during which monitoring will take place. During the discussion with their subordinates, they jointly evaluate the ongoing fulfilment of the goals. The head of the department should also help and motivate employees in these newly organized meetings, and coach them in order to develop their competencies. The director should verify that the monitoring has taken place in the company. He, of course, continues to support the whole process.

3.3.3. Rating

This phase could take place once every six months in the form of a questionnaire. At the end of this time, employees could analyze their strengths and weaknesses, identify where they could improve, and provide this information to their supervisor. However, unlike traditional management, this phase takes place on a voluntary basis, an activity based on the employees themselves. They have their own share in fulfilling the goals and this fact raises in them the need to know the degree of fulfilment of the goal. They see it as
their voluntary commitment, not an order, which leads to higher motivation. Based on this information, the head of the department who asked the employees for self-assessment then performs an evaluation of the employee’s performance and defines his/her potential. At this stage, the timing of the evaluation is crucial. It should not be done until the subordinate performs his own self-reflection, because the subordinate himself may come up with his own shortcomings, which he will want to eliminate voluntarily. It often happens that he finds better solutions and improves without the intervention of a superior. The director will continue to assist, advise, and support the whole process.

3.3.4. Round Table

This phase only concerns the heads of departments and the director of the company, so it could be carried out in the company as part of operational meetings. Heads of the unit should actively discuss the evaluations and potential of their employees in operational meetings and support the division in evaluating the performance of individual employees. The director then approves the performance evaluation, the identified potential, and the development plans. It would also guarantee that remuneration measures are based on the results of the round table and would ensure internal fairness. It would also be responsible for providing data for comparing wages with the market.

3.3.5. Feedback

Employees, together with their superiors, define the necessary action plan for implementation, actively express their opinion of the overall process, and confirm the feedback record with their signatures. The heads of departments organize a meeting to prepare the conclusions of the round table, inform employees about the evaluation of their performance, the established measures in force, and further development plan. It is important that individual department heads approach employees positively and provide feedback honestly and constructively. This demonstrates their ability to suppress negative directive tendencies in favor of consensus. At this stage, the director enters the process in the event of a disagreement between the employee and the head of the department as a communicator. His next task would be to archive the documentation.

3.3.6. Implementation

In this step, employees will initiate the implementation of the action plan of measures. The heads of the department will positively support the employees in the implementation of their development activities and training. The director’s main task will be to implement changes in remuneration and provide support in implementing the action plan.

3.4. Evaluation and Proposal of Recommendations for Management According to the Goals in the Selected Company

By analyzing the selected company using the methods of qualitative and quantitative research, we found that the MBO method is used in part in the company, but rather intuitively and the company has not yet implemented the method at a sufficient level. By using some of its principles, however, the company manages to achieve the set goals. However, as short-term goals change quite often and depend on the current situation in the company, monthly goals are set for employees, which are part of the company’s remuneration system. We consider this to be an effective setting, where operational goals can be reflected relatively quickly in the monthly set goals and tasks for employees. Long-term and strategic goals are reflected in the annual set tasks for managers and employees, which are evaluated in the framework of controlled annual interviews. Managers of individual departments have also set annual goals, from which their annual bonus is derived, and for their evaluation, KPI indicators are set as evaluation criteria, which means indicators of goal fulfillment.

However, strategic management and the business owner himself make decisions relatively as a directive. The goals of the company are adapted to the ideas of the owner, which mainly reflect the needs of key customers. Therefore, their implementation can
sometimes cause problems, as the top management may not be maximally identified and familiar with them. However, the strategic goals are set relatively clearly, and the main ones include economic growth and satisfying customer needs. Middle management and executives leave some space for employees and discuss individual goals with them to some extent. Individual goals at the level of individuals follow the fulfillment of general tactical and operational goals of the company. They are the result of the work and agreement of the heads of individual departments with the employees who participate in them and are therefore hired by them. In this case, it is a management system according to goals, where the manager sets the monthly goals with the employee and the bonus component of the salary is based on their fulfillment. For the management, the top management sets annual goals and KPI indicators for their fulfillment.

Ongoing feedback is provided both operationally as needed, but also during monthly and controlled annual evaluations and during regular meetings, either with the company’s management or with individual departments. At the same time, each manager monitors the extent to which the goals are met in the monthly evaluations, which are the criteria for the payment of the bonus component of the salary. At regular meetings, managers are acquainted with the current situation, company plans, have the opportunity to come up with ideas, inform about the ongoing fulfillment of goals, and discuss together any other necessary tasks. Communication and providing ongoing feedback are important for the company and are a prerequisite for achieving the set goals and desired results. We consider the control of the fulfillment of objectives on a monthly and annual basis, but also continuously during operational meetings, to be very important and effective. Such a setting helps to effectively operate the management method according to the goals, and thus to effectively achieve the set goals.

The company also has a so-called management review, where on a quarterly basis the company’s management evaluates the set KPIs and indicators for each department, thus providing information on the current situation for the past period. During the annual evaluation interview of the superior and the subordinate, the employee receives an evaluation of both the achieved results, but also development, and together the plans and goals for the next period are set. Such guided interviews are documented in writing and kept in the personnel department in the personal files of the employees. Ongoing evaluations also take place at regular meetings, of which records are also available.

The MBO method is therefore used to some extent in the company, even if it has not been officially and properly implemented by the company. However, the company is interested in the managed implementation, which should help effectively use the method of management by objectives, and thus more effectively to meet corporate objectives at all levels of management. As part of the theoretical basis, we focused on the basic attributes of the MBO method, which the company is not aware of when using the method, as there was no official implementation. However, the methodology is to some extent used and applied by many elements that practically work. However, for more effective and controlled use of the MBO method, certain measures are still needed, which we focus on in our recommendations.

Management should become more familiar with the MBO method in order to better understand its meaning and be able to explain it further to employees. When using the method, feedback and regular evaluation are necessary, which must not be forgotten and neglected, otherwise, the resulting effect would be lost. Written documentation is also important as a basis for feedback and evaluation, which requires some administration and time. The company should focus more strongly on the underlying documentation in order to be able to evaluate more effectively, pursue set goals, and provide ongoing feedback. An information system and, to a certain extent, the electronification of the relevant forms would help to manage the documentation more efficiently, which would automate the whole process. Automation and the use of electronic forms would also reduce paper documentation, which would in part eliminate administration and manual work, facilitate the whole process, and reduce the disadvantages of this method.
The effectiveness of the introduction of the MBO method would also be increased by retraining management, who would be able to use the method at a more professional level and not, as before, more or less intuitively. Ongoing training of other employees is also important in order to increase awareness of the management method used according to the objectives and its benefits. Managers and employees themselves should be identified with the method and perceive its importance for achieving the company’s goals as well as individual goals that bring positive effects for all employees. We positively evaluate the bonus component of the salary, which is based on the monthly evaluation of the fulfilment of the set goals. However, we recommend introducing an annual remuneration for employees, which will be linked to the annual evaluation interview, where the fulfilment of annual goals is also evaluated. Thus, the same system is set up by managers who have annual remuneration based on the fulfilment of KPIs—key performance indicators. A system for evaluating and monitoring results and meeting objectives could be more effective by implementing the proposed measures.

The results of the study can be generalized in the field of technical and organizational characteristics of the company, ownership, legal form, and size of the company; restrictions represent the nature of the final result of the business and the economic sector.

4. Discussion

Management according to objectives is a Slovak term for a term that is generally known by the abbreviation MBO, which in English means management by objectives. We use the English name in the article for better understanding. It is a method authored by Peter Drucker in collaboration with D. McGregor and practiced in a variety of applications around the world [9]. The cause for its origin was not a coincidence, but the consequences of the basic attributes of the so-called scientific concept of control, which moved the man to the level of the object of control and found the greatest connection between man—the executive and the machine. She did not admit the psychosocial aspects of a person as relevant to the desired high performance, which manifested itself in dissatisfaction and a certain apathy, and disinterest in those who had and still have a direct impact on the desired high performance. Drucker correctly understood that one’s commitment must be maximal from the lowest level, the most elementary job, and rightly noticed that higher commitment leads to higher motivation, which in turn leads to a voluntary commitment to the goal in which everyone is involved. The essence is that the superior solves with the employees the issue of determining, consulting, and mutual agreement of goals and at the same time evaluating the success of their achievement. The executor of this task has the opportunity to choose the most appropriate way to achieve the goal. The responsibility for the goal is taken over by the implementer and this method can be used in practically all branches of management.

According to [10], there is an MBO method in which an employee concludes an agreement with his superior on the main goals of his work for a certain period. The plan is drawn up as and when the goals will be met, criteria are defined to assess whether the goals are achieved. and regular performance is assessed according to objectives until the end of the agreed period. At this time, the degree of fulfilment of the objectives is evaluated and an agreement is concluded for the next period. It follows from the above definition that the MBO method helps the efficient operation of the company. The identification with the positive consequences of the MBO can also be confirmed by the author in [11], who stated that goal-based management is very important from a practical point of view. The practical implications for all managers or executives are confirmed by the fact that goal management is one of the tools used to control managers and at the same time to achieve business results. In general, the MBO is considered a tool for setting goals and special control of large companies [12]. Authors in [13] explain that an MBO is nothing more than an attractive challenge for managers to “rediscover” their primary function, the role of strategy creators and implementers. An MBO is a way for a modern manager to create truly powerful organizations.
The definitions come together at a crucial moment, an appeal to a human potential at the level of the subject of management. The goal-based management process is not random and meaningful implementation is subject to certain rules. In the literature, this controlled process can be found under the name “MBO process”. It starts at the highest level of management—at the level of top management. Top managers define strategic, long-term goals for the company as a whole, which are referred to as general business goals. They determine what is to be achieved in a particular planning period in terms of mission and purpose, so they may be unspecified, descriptively non-quantifiable. It is important that they are also modifiable because they are tied to a longer period and ensure the fulfilment of the very existence, purpose, and mission of the company. Top management must necessarily acquaint themselves with the general goals of lower levels of management—middle management. After acquainting lower managers with general corporate goals, planning assumptions, and strategies, a situation arises where tactical managers are acquainted with the goals of their subordinates. Subsequently, an important procedural step occurs, in which there is a discussion with subordinates. Its result, based on reaching a consensus, is the formulation of the so-called individual objectives, which translate strategic objectives into functional strategies not by the directive, but by convention. This step is the most demanding, also in terms of the psychosocial aspects of all involved.

The agreement on individual goals, if the discussants reach it, occurs in written form, it becomes an internal binding document of the company and everyone signs it. It is a certain psychological moment because by signing it, everyone takes on a voluntary commitment to participate in the fulfilment of goals and not just passively carry out orders. Commitment as well as involvement and motivation are thus incomparably higher than in traditional, command management. A superior—middle manager—leads the discussion, asks subordinates relevant questions in order to find out what the subordinate thinks about the goals, as well as which goals they think are achievable, for what time, and with what resources.

Once the targets have been set, indicators must also be set to assess their achievement. This means that the goals are quantified. As already mentioned, one of the purposes of this technique is to motivate its employees by having the opportunity to participate in the creation of goals [14]. After a period of time, during which it is assumed that the objectives can be met, another important procedural step takes place—feedback and evaluation. It is applied regularly and the leader and subordinates compare the results with the agreed goals. It is better if employees come up with the right solution themselves and it is possible that they will eventually find an even better way to solve it than their manager will. Ultimately, the leader should agree with his subordinates and find a common way to achieve better results or to create new individual goals [9]. The whole MBO process is shown in Figure 2.

Literature and various theoretical studies are a guide for the practical application of MBO in business practice. They offer universal methodologies or instructions, which, however, the person who decides to introduce an MBO into the company must know and study perfectly. It is important that he understands and believes in the management of goals himself. According to experience, the most common reason for the failure of management according to objectives is its incorrect or insufficient implementation. The study in [9] provides guidance on how to avoid this danger.
It is necessary to get acquainted with MBO—the introduction of this method to top management. This step is demonstratively important, especially for executives who are better convinced of the importance of MBO top management. It is necessary to clarify the meaning of MBO to all levels of the company and then verify that everyone understands the rationality of MBO. For higher involvement, it is also necessary to create simple forms for recording goals and performance. However, the introduction of the MBO must be managed gradually from top management to employees. Before the MBO is implemented, it is important to find out if the company is ready for the MBO. Training for managers or a communication campaign may be needed to remove employee mistrust. In goal setting, importance should be placed on subordinates, as they should have the largest share in goal setting, but top management should regularly make sure that these goals are not imposed or pushed from above. It is important to move towards challenging but still achievable goals and always trying to classify goals whenever possible. Objectives must be time-limited, with an emphasis on the hierarchy of importance of objectives. Performance appraisals need to be done in conjunction with regular assurances that employees receive feedback on their performance. It is also important to organize meetings that will focus on analyzing the performance of problem areas in order to improve them. The organization of management support according to goals represents an effort to make managerial involvement in the MBO visible, thus declaring the active involvement of managers to employees. They must adapt their organizational systems to continuously support the MBO method. Regular monitoring of the MBO in connection with the control of attitudes, relationships, and performance is a step towards feedback on its success.

Objective management, like all other performance evaluation methods, has the advantage of offering organizations that use this method a competitive advantage in the marketplace. However, this method is not perfect; it also has a number of disadvantages that make its application difficult in practice. Authors in [15,16] argue that the application of the MBO method usually has a positive response. The efforts of employees increases, the number of complaints and conflicts decreases and, above all, the company’s performance increases. After some time, however, management returns to its original state and managers begin to neglect the prescribed procedure, or even to abandon the MBO method. However, the allocation of tasks is administratively demanding and lengthy, so managers return to their original habits. One of the factors that temporarily influence the success of the MBO method is the Hawthorn effect—the individual is motivated because he feels he is
participating in something else, something new, which has not been in the company so far (not an interest in creating goals). Improving governance can be seen as beneficial—goals cannot be set without planning, and only results-oriented planning makes sense. Every manager is forced to think about planning based on results. To be sure that their goals are real, the manager must think about how to achieve them or what organization and resources they will need. The definition of the organization can also be classified as positive. The MBO method forces every manager to clarify the organizational structure and organizational tasks. Those organizations that implemented the MBO method effectively discovered shortcomings in their organization. Identifying with goals is also a plus—if each individual has a clear explanation of their goals, then no decisions and instructions are needed. People who are involved in setting their goals can also use their ideas. The development of effective control is positive—it is possible to set up an effective control system and its mechanisms if the objectives are correctly defined. Thanks to the control, the manager determines the correctness of the results and takes corrective measures to eliminate the problem in order to achieve the desired goal. These benefits are beneficial for managers working in for-profit and non-profit organizations. The most important advantage is considered the MBO’s attempt to improve motivation, planning, productivity, and communication [17]. A number of shortcomings arise due to the incorrect implementation of the MBO. However, there are other shortcomings of this method.

Time-consuming—if the MBO implementation is used correctly, it can take 3–5 years. Using this technique will take managers a lot of time.

The amount of paperwork—because this technique is related to the amount of administrative work, it causes a loss of MBO meaning.

Difficulty in setting goals—paying attention to specific qualified goals can run the risk that not enough attention will be paid to important goals because it is difficult to determine the date of their achievement or their definition. Focusing on economic results can put undue pressure on an individual, whose reactions can have a negative effect on the system.

The danger of inflexibility—employees can continue to observe goals even if conditions change and goals become obsolete.

Emphasis on short-term goals—short-term goals are used in the MBO technique because the use of long-term goals is not motivating enough [9].

Despite certain disadvantages and being time-consuming, the MBO method is undoubtedly important for the success of the company. The advantages outweigh the disadvantages in most cases, and therefore the goal-based management system appears to be an effective tool for achieving business and individual goals. However, the introduction of the goal-based management method has certain necessary stages; it may have different variants depending on the specific conditions in the company, but a certain procedure and method should be maintained. Successful implementation of the method is also a prerequisite for the effective use of the management method, which can be beneficial for the company. The method also has certain shortcomings that may make its implementation difficult, but after overcoming them, it can contribute to the successful achievement of corporate goals and can contribute to the effective management of employees and the achievement of their individual goals.

It is important to evaluate the effectiveness of MBO. The goal management system is most criticized for the fact that the implementation attempt ended in failure in many companies and for being too involved in the numerical expression of parameters, while neglecting the non-numerical values of the company. Many consider it to be old-fashioned and negative that performance measurement may become biased, especially in certain sectors (services). Another imperfection is the fact that the implementation of the system may take longer and is reflected in an increase in paper and administrative work. A great advantage is a clearly defined and personalized system, through which it is possible to manage companies in any situation, whether in a period of growth or in a period of decline or crisis management. The MBO enables a flat organizational structure with a decentralized decision-making process, as well as the most flexible and cost-effective management system,
in which each employee and manager has defined responsibilities and authority as well as defined performance parameters. In the MBO system, every employee knows how his performance is perceived because there is clear feedback on his performance compared to the goal.

5. Conclusions

Based on our analyses, in which we followed the defined methods, we can therefore state that management according to the objectives in the selected company takes place at a certain level. However, the MBO method has not been purposefully implemented in the company and the management and employees are only partially aware of its use. However, the company has a real interest in the professional implementation of the methodology, which will bring higher efficiency in meeting the company’s goals. The proposed measures should also contribute to effective implementation, in particular the managed coordination of implementation and the retraining of management and employees.

At present, the goals are defined and controlled chronologically at individual levels of management, from the strategic ones defined by the owner with the top management of the company, to the operational goals of the employees in the individual departments. Employees also partially participate in the creation of goals, especially individual ones, which are aimed at fulfilling strategic ones. These are set more or less by the owner of the company, who, together with the top management, adjusts the goals and their priorities according to the current situation and customer requirements. Evaluation and control of the fulfilment of goals often take place both within the framework of monthly evaluations and within the framework of a controlled annual evaluation interview between the manager and employees. Fulfilment of goals and tasks is also evaluated within the operational meetings of the management or individual departments, the management has set annual remunerations, which are based on the fulfilment of the set goals, where the KPIs are determined by indicators.

The selected company uses the MBO method, but more or less intuitively and unknowingly. In part, the method is controlled but has not been officially implemented. The company is interested in the professional implementation and wider use of the MBO method, which should help to more effectively meet the company’s goals. At the same time, the employees themselves would be more actively involved in their creation, which would contribute to a better identification with the goals. Currently, they actively participate in setting individual goals and rather the owner defines strategic ones. Some goals are also reflected in the individual, but without sufficient understanding. However, we positively evaluate the link between the fulfilment of goals and the remuneration system, which enables the company to ensure the fulfilment of goals. In addition to the monthly bonus, we propose to link the annual remuneration to the evaluation of employees, currently, only the management has set it up.

We were interested in how the MBO method affects the performance of employees in the selected company and how it contributes to achieving the set goals. Based on the findings, we can say that the principles used by the MBO method contribute to better performance of employees, as they are regularly evaluated and the bonus component of the salary is derived from them. At the same time, the fulfilment of individual goals contributes to the fulfilment of corporate goals, as they are directly derived from them. However, a more effective implementation would require a controlled implementation of the methodology and its full use, not only intuitively and essentially unknowingly.

We can therefore answer the research questions as follows. The selected company does not implement the MBO method to such an extent that it is understandable and correctly understood by the employees; therefore retraining and organized implementation are necessary. It is currently used intuitively and rather unknowingly. Nevertheless, based on the set goals, employees try to improve their performance as the bonus component of the salary is linked to the evaluation of their performance. The application of some principles of the method increases the efficiency of employees and the company only to
a certain extent, as it is used intuitively in the current state and is not fully implemented. Even in such a form, however, it can contribute to the overall fulfillment of the company’s goals and the individual tasks of the employees themselves. However, in order to meet the business and individual goals more effectively, it requires full implementation and understanding of the methodology by both management and employees.

Theoretical knowledge and empirical research show that the issue of management by objectives is very current and beneficial. However, it can be pointed out that there are many companies on the market in which the MBO method works without it being known to employees and management. This can make management ineffective because it focuses on the goal. Implementation is easier if something specifically known, understood, accepted, determined, and described. However, companies that are not familiar with the MBO method will focus management on a way other than a goal. However, goal-oriented management represents certain freedom and active involvement of employees in achieving goals. In contrast, method-oriented control is directive control that is performed using commands.

Taking into account the findings, recommendations can be formulated that could lead to increased efficiency in the implementation of the MBO method. Businesses considering the use of MBOs should provide training for all managers with an emphasis on an explanation of the nature of the ongoing control over the achievement of objectives, the support of employees in meeting those objectives and feedback. It is also important to improve the system of monitoring and evaluation of current results and to carry out evaluations together with the remuneration of employees, for example, once every six months. In order to ensure the principle of knowledge and development, it is necessary to continuously train all employees on the topic of PMP and MBO in order to provide better information and, last but not least, to include in the meetings a point concerning a more detailed explanation of set goals.

The main goal of the MBO method is the joint setting and achievement of goals and subsequent reward for the achieved results. It is important that a fair and timely assessment of achievements and goal setting is set in accordance with the SMART rule. Clear performance indicators are essential for good management by objectives and guaranteeing the added value of MBOs in business practice.

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