

Management by Objectives (MBO) – Guidelines V. 4.0



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1. Introduction

1.1. Document Objective

This document outlines the process of creating a personal MBO (Management by Objectives) plan. MBO is a systematic approach for instilling flow and structure in one's work by setting clear, achievable, measurable and challenging goals. MBO is ultimately an intelligent form of self-management.

1.2. MBO Use

Personal MBO plans set common expectations, clarity, and define individual and teamwork contributions in the context of what the organization needs. The MBO approach is most effective if all people working together on the same project, both intra-departmental and inter-departmental team members, have MBO plans.

2. MBO (Management by Objectives) Plan Guidelines

2.1. Section Objective

This section outlines the basic guidelines for creating MBO plans. The key to a successful and effective MBO plan is that all elements of the plan are mutually agreed upon between relevant parties and never imposed.

2.2. MBO Parameters

- **Timeline increment** – Determine the timeline increment applicable for the individual (to complete the objectives), subject to the person's hierarchical level within the organization. Timeframes are a specified amount of time comprised of several timeline increments.
Managers commonly use months as time increments and three months as the timeframe, Directors use yearly quarters as time increments and three to four yearly quarters as the timeframe, and Vice Presidents and CEOs use years as time increments, and one to three years as the timeframe.
- **Strategic objectives** – Determine the strategic objectives sought within the chosen timeframe. Strategic objectives can be viewed as long-term objectives. Prioritize the strategic objectives.
- **Tactical objectives** – Support for attaining strategic objectives is created when tactical objectives are met. For each strategic objective, create its supporting tactical objectives. Tactical objectives can be viewed as short-term objectives. Prioritize the tactical objectives related to each strategic objective.
- **Action items** – Action items are drawn from tactical objectives. Determine the realistic, achievable and measurable actions to be accomplished in the timeframe.

2.3. MBO Plan Principals

- **Cascading dependency** – When building a MBO plan, each hierarchical level within the organization should reflect on the MBO plan that belongs to the level

above it. For example, the managers' and directors' strategic objectives should provide some foundational support for the VP's strategic objectives.

- **Rolling plan** – MBO plans are systematically extended with a timeline increment at the end of the first time increment. For example, a manager whose timeframe is set at three months will add to the plan at the end of the first month, an additional month with MBO information. This allows the manager to always have an MBO plan with a forward-looking three month timeframe.
- **Teamwork** – Each team member should be aware of the other members' MBO plans. Therefore, the team should meet every month and each member presents his/her MBO plan to the entire team.
- **Plan review** – At the end of every timeline increment, each person reviews his/her MBO plan with his/her manager. The purpose of these sessions is to review the past set of objectives and determine why certain action items and objectives were or are not being met. Then modify the plan accordingly, ensure the plan is realistic, and approve the added timeline increment.
- **Component relations** – The relationship between MBO components is one-to-many throughout the internal structure of an MBO plan, when viewed top-down. A strategic objective can have several tactical objectives supporting it, and a tactical objective can have many action items assigned to it.

2.4. MBO Considerations

- MBO is a process-oriented and team-oriented work planning instrument.
- MBO is an effective personal planning, control, and development instrument.
- Strategic objectives are very few and focus on the long-term. No more than four strategic objectives are recommended at any hierarchical level.
- Tactical objectives can be numerous and focus on the short-term.
- Strategic and tactical objectives loosely span the timeline. Action items are associated with a particular time increment.

<Comment: Although occasionally used as such, an MBO plan is not an effective performance evaluation or reward tool, nor was it meant to be.>

2.5. MBO Record Example

The following example demonstrates MBO record structure and how each MBO at different hierarchical levels supports the MBO objectives of the level above it. In the interest of simplicity only one tactical objective is presented, although several tactical objectives can be introduced in support of any single strategic objective. Likewise for the action items.

Product VP	Year 1		
Strategic Objective	Establish leadership in an emerging market segment		
Tactical Objective	Initiate a business case to evaluate the market opportunity		
Action Item	Secure executive management approval to the initiative		
Product Director	Quarter 1		
Strategic Objective	Plan and implement the product management process		
Tactical Objective	Assign a product management team to the project		
Action Item	Seek approval to initial staff, budget, and schedule		
Product Manager	Month 1		
Strategic Objective	Articulate market problems and needs		
Tactical Objective	Create a Market Requirements Document (MRD)		
Action Item	Interview selected customers in the market segment		

3. The MBO (Management by Objectives) Plan

3.1. Section Objective

This section describes the MBO (Management by Objectives) plan structure and layout.

3.2. The MBO (Management by Objectives) Plan Template

Objectives	Time Increment	Time Increment + 1	Time Increment + 2
Strategic Business Objectives			
Supporting Tactical Objectives			
Action Items	Time Increment	Time Increment + 1	Time Increment + 2
<i>Strategic Objective # N Action Items</i>			
<i>Strategic Objective # N+1 Action Items</i>			
<i>Strategic Objective # N+2 Action Items</i>			
<i>Miscellaneous</i>			

<Comment: Miscellaneous action items are activities which are loosely linked to the “Strategic Business Objectives” and to the “Supporting Tactical Objectives”. The miscellaneous action items constitute the “activity trap” and every effort should be made to minimize their number.>

3.3. Sample MBO Plan for a Product Marketing Manager

Objectives	October, 2010	November, 2010	December, 2010
Strategic Business Objectives	<ol style="list-style-type: none"> Product Launch – Ensure a successful product launch (<i>from a marketing and MarCom perspective</i>), and confirm messaging integrity in market launch materials Market Planning – Enhance overall quality of marketing department's decisions and planning Domain Expertise – Reduce dependency on internal/external product/market experts 		
Supporting Tactical Objectives	<ol style="list-style-type: none"> Complete positioning and value documents. Create product launch plan and provide input to MarCom Create a competitive tracking and analysis process for gathering and analyzing market information Establish comprehensive knowledge of the product (<i>including competition</i>) and market problems 		
Action Items	October, 2010	November, 2010	December, 2010
<i>Strategic Objective # 1 Action Items – Product Launch</i>	<ol style="list-style-type: none"> Validate customer use scenarios Complete and sign-off value documents Complete product positioning statements Complete launch plan draft 	<ol style="list-style-type: none"> Present all messaging, value, identity to MarCom and Marketing team members with an explanation on purpose/use Choose marketing collateral items and media vehicles for launch 	<ol style="list-style-type: none"> Complete launch plan Present possible co-marketing, and co-branding programs Evangelize product to select prospects, partners and analysts
<i>Strategic Objective # 2 Action Items – Market Planning</i>	<ol style="list-style-type: none"> Retain market research firm Gather input from firm 	<ol style="list-style-type: none"> Draft data collection and analysis process 	<ol style="list-style-type: none"> Present draft of tracking and analysis process. Gain approval Begin process implementation
<i>Strategic Objective # 3 Action Items – Domain Expertise</i>	<ol style="list-style-type: none"> Undergo product training with Product Manager Exploratory visit to key customer 	<ol style="list-style-type: none"> Undergo product training with Product Manager Attend industry conference Exploratory visit to key customer 	<ol style="list-style-type: none"> Provide list of topics for articles and whitepapers Write short article on product
<i>Miscellaneous</i>	None	Help MarCom find external advertising agency	None