

A Study on the Impacts of MBO on employee's performance management system in BHEL

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ABSTRACT

This research examines how employee awareness, perception, and satisfaction influence the performance management system at Bharat Heavy Electricals Limited (BHEL), a leading public sector firm in India. A group of 396 employees was surveyed to investigate the connections between these variables. The demographic assessment indicated that most participants were between 35 and 45 years old, possessed an undergraduate degree, worked in professional fields, and had monthly earnings ranging from 30,000 to 45,000. The correlation evaluation showed a weak yet positive link between employee perception and satisfaction ($r = 0.528$), whereas employee awareness did not display a notable direct relationship with either perception or satisfaction. Regression analysis showed that how employees perceive their work greatly impacts their job satisfaction ($\beta = 0.653$, $p < 0.01$), highlighting its importance in improving employee satisfaction. Hypothesis testing validated significant connections between employee awareness and satisfaction (path coefficient = 0.84), as well as between employee perception and satisfaction (path coefficient = 0.56).

KEYWORDS: Management by Objectives (MBO), Bharat Heavy Electricals Limited (BHEL), Performance Appraisal, Organizational Goals, Strategic Management.

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1. INTRODUCTION

Management by Objectives (MBO) is a method designed to improve organizational performance by aligning employee goals with the goals of the organization. Introduced by Peter Drucker in the 1950s, MBO highlights that employees perform best when they understand their role objectives and how they relate to broader goals. This method entails setting clear, measurable objectives for staff, consistently evaluating their progress, and adjusting goals when necessary, promoting accountability and enthusiasm. In sizable companies such as Bharat Heavy Electricals Limited (BHEL), MBO plays a crucial role in managing performance, enhancing productivity, and boosting both individual and organizational results through well-defined goal-setting strategies (Agarwal & Singh, 2016). In companies such as Bharat Heavy Electricals Limited (BHEL), MBO plays a crucial role in the performance management system (PMS). Being a public enterprise, BHEL aims to improve efficiency and boost competitive edge. Due to its complexity, a successful PMS must inspire employees while ensuring their work aligns with company objectives. Applying MBO aids in defining performance expectations, boosts motivation, and aligns individual responsibilities with organizational goals. Study conducted by Jain and Sharma (2021) emphasizes MBO's efficiency in establishing clear, quantifiable goals, facilitating employee performance assessment and alignment with strategic objectives. The effects of MBO include enhanced motivation, clearer roles and responsibilities, and greater accountability while promoting alignment between individual and organizational objectives. A variety of research conducted in the last ten years has

investigated the beneficial impacts of MBO on job satisfaction, organizational expansion, and employee growth, suggesting that it significantly enhances engagement, clarity, and productivity within BHEL (Chopra & Mehta, 2020; Bhat & Joshi, 2019; Sharma & Ghosh, 2021).

Organizations such as BHEL have been adopting numerous performance management tactics to improve employee involvement and organizational effectiveness. Management by Objectives (MBO) is a well-known approach aimed at enhancing productivity and motivation by fostering joint goal-setting between managers and personnel. This method promotes responsibility and connects personal goals with the organization's vision, providing employees with a sense of meaning. Although MBO benefits employee performance by enhancing role clarity and communication, it also presents challenges like an excessively narrow focus on certain objectives and possible misalignment between the goals set by managers and the capabilities of employees. Therefore, BHEL should regularly re-evaluate MBO objectives to ensure they remain pertinent. MBO greatly impacts employee motivation by defining objectives and performance criteria. As stated by Kumar and Singh (2020), involving employees in the goal-setting process improves both empowerment and motivation. Harmonizing individual aims with organizational objectives cultivates a feeling of purpose and responsibility, enhancing dedication to the success of the organization. Nevertheless, MBO is critiqued for its tendency to concentrate on quantifiable results, which could jeopardize employee welfare and growth (Sharma & Mishra, 2018). This is especially worrisome in intricate organizations such as BHEL, where immediate goals might eclipse long-term viability. Unattainable objectives may also lead to stress, emphasizing the importance of continuous feedback and assistance. The effectiveness of Management by Objectives (MBO) at BHEL depends on clear communication between management and employees, which guarantees alignment on expectations and performance criteria. A study conducted by Ravi and Rajendran (2017) highlights that unclear communication may lead employees to feel confused or disconnected from their goals.

To tackle this, BHEL ought to foster an environment of transparent communication, promoting feedback and frequent performance evaluations. In spite of obstacles, MBO is advantageous for improving employee performance and organizational efficiency. Gupta and Sinha (2023) recommend incorporating feedback systems into MBO to assist employees in refining their goals and approaches. The adaptability present in the MBO framework enables response to evolving organizational requirements. This method promotes a high-performance culture centered on ongoing enhancement, as confirmed by Verma and Singh (2022), emphasizing a beneficial effect on productivity. To maintain its effectiveness, BHEL needs to regularly evaluate its performance management systems, adjusting to the changing needs of both employees and the organization. This research aims to investigate the impact of MBO implementation in BHEL on the performance management framework, focusing on crucial aspects like employee involvement, efficiency, and general contentment. Through an analysis of current literature and empirical data, the research will explore the achievements and difficulties tied to MBO's execution, offering critical insights on how this method can be enhanced for improved outcomes in public sector organizations such as BHEL (Verma & Gupta, 2017; Rao & Sharma, 2023). Earlier studies indicate that MBO assists organizations such as BHEL in responding to adjustments in both external and internal environments by aligning employee performance with the strategic goals of the organization (Kumar & Singh, 2022).

Furthermore, the research will assess the wider effects of MBO on the culture of the organization and the development of employees at BHEL, since MBO practices affect not just performance results but also influence the organizational atmosphere and promote a culture of responsibility (Patel & Kaur, 2018; Mehta & Patel, 2018). This study will enhance understanding of MBO's effectiveness within a major public sector organization and its impact on ongoing employee and organizational development.

2. REVIEW OF LITERATURE

Agarwal, A., & Singh, A. (2016): Agarwal and Singh explored the effect of MBO on employee performance at BHEL. They found that MBO contributed to improved performance clarity, better goal alignment, and enhanced employee accountability, leading to increased overall productivity.

Bhat, S., & Joshi, M. (2019): Bhat and Joshi examined the implementation of MBO in BHEL and its impact on employee motivation. They concluded that MBO improved communication between managers and employees, aligning personal goals with organizational objectives, although resistance to change was noted in some departments.

Chopra, R., & Mehta, D. (2020): Chopra and Mehta studied the influence of MBO on employee motivation and organizational success at BHEL. They found that MBO positively impacted employee motivation and organizational performance, with a direct link between goal clarity and job satisfaction.

Sharma, P., & Ghosh, S. (2021): Sharma and Ghosh investigated the role of MBO in aligning employee goals with organizational objectives at BHEL. Their study highlighted that MBO enhanced goal clarity and improved task completion, contributing to better overall performance.

Verma, R., & Gupta, A. (2017): compared MBO with other performance management systems at BHEL. They found that while MBO was effective in aligning goals, its rigid structure led to challenges related to flexibility and employee engagement.

Patel, M., & Kaur, G. (2018): focused on MBO's impact on organizational culture at BHEL. They concluded that MBO fostered a performance-oriented culture, encouraging accountability and transparency, but it sometimes led to a focus on short-term goals over long-term development.

Kumar, S., & Singh, R. (2022): analyzed how MBO was used for performance appraisal and employee development at BHEL. They found that MBO facilitated better alignment of employee performance with strategic objectives, while also supporting individual career development.

Rao, M., & Sharma, V. (2023): MBO as a tool for improving employee performance and growth at BHEL. Their findings revealed that MBO contributed to improved employee performance through clear goals and regular feedback, though challenges in its implementation were acknowledged.

Singh, K., & Sharma, P. (2021): the effectiveness of MBO in BHEL's performance management system. They concluded that MBO effectively aligned individual and organizational goals, but inconsistencies in the appraisal process sometimes undermined its success.

Mehta, S., & Patel, H. (2018): MBO transformed employee performance at BHEL. They found that while MBO led to improved performance outcomes, challenges such as employee stress due to target pressure and biases in evaluations were notable.

Understanding Management by Objectives (MBO)

Management by Objectives is a management philosophy that emphasizes setting clear objectives collaboratively between managers and employees. These objectives are specific, measurable, achievable, relevant, and time-bound (SMART), aligning individual and team goals with organizational objectives. The process typically involves defining objectives, setting performance standards, and regularly reviewing progress towards these goals.

Benefits of MBO on Performance Management Systems

Clarity and Alignment: One of the primary benefits of MBO is its ability to align individual and team efforts with organizational goals. By setting clear objectives that are linked to the broader mission and vision of the company, MBO ensures that every employee understands their role in achieving organizational success.

Motivation and Engagement: When employees participate in setting their own objectives, they are more likely to feel a sense of ownership and responsibility towards achieving those goals. This participatory approach fosters motivation and increases employee engagement, leading to higher productivity levels.

Accountability and Performance Measurement: MBO establishes clear metrics and performance indicators against which progress can be measured. This accountability framework helps in identifying areas of strength and areas needing improvement, facilitating ongoing performance evaluation and development.

Continuous Improvement: The iterative nature of MBO encourages regular feedback and adjustment of objectives based on changing circumstances or organizational priorities. This adaptability supports a culture of continuous improvement and agility within the workforce.

Challenges of Implementing MBO

Despite its benefits, the implementation of MBO can pose several challenges:

- **Setting Realistic Objectives:** Ensuring that objectives are challenging yet achievable can be a delicate balance. Unrealistic goals may lead to frustration and demotivation among employees, while overly conservative goals may not stimulate sufficient effort.
- **Subjectivity in Evaluation:** Assessing performance against objectives can sometimes be subjective, especially in roles where outcomes are influenced by factors beyond an individual's control. This subjectivity can impact the fairness and perceived validity of performance evaluations.
- **Resistance to Change:** Implementing MBO requires a cultural shift towards a more participative and goal-oriented approach. Resistance to change from both management and employees who prefer traditional top-down management styles can hinder effective implementation.

Factors necessary for an effective MBO program

The following factors to be considered and essential to the success of MBO program

- Top level management support and commitment
- Managers and subordinates together must develop and agree the objectives
- Employee performances are evaluated systematic manner and conscientiously
- Recognitions and rewards are given accordingly and must given fairly and honestly
- Target must be appropriate level.
- Avoid time consuming and setting up the objectives mutually concern.
- Setting careful communication without of more paper works.

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. MBO integrates the individual, group, and organizational goals. MBO is popularized in the USA by George Odiorne, according to him, MBO is system wherein the superior and the sub ordinate managers of an organization jointly identify its common goals, define each individual's major area responsibility in terms of the results expected of him and use these measures guides for operating the unit and assessing the contribution of each its members.

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.

3. 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.

4. OBJECTIVES 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.

5. 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.

6. ANALYSIS OF THE DATA

This study analysed 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 showed that good consistency in the data collected.

7. RESULTS AND DISCUSSION

The demographic profile of the sample reveals that the majority of respondents belong to the productive age group of 35 to 45 years, comprising 87% of the sample. This indicates a workforce that is experienced and potentially more engaged in organizational processes. The education level of the respondents shows that 46.2% of them have an undergraduate background, highlighting a relatively high level of educational attainment. Furthermore, 52% of the respondents hold professional occupations, indicating that they are likely to have specialized skills and knowledge within their fields. In terms of income, 44.2% of the respondents earn between 30,000 and 45,000 per month, which suggests a moderate income group.

Table 1, investigates the relationship between employee awareness (EA), employee perception (EP), and employee satisfaction (ES). From the table, it is evident that there is a positive but statistically insignificant correlation between EA, EP, and ES. Specifically, the correlation values for EA and EP (0.001), as well as EA and ES (0.00), show weak relationships that do not reach significance at the 0.01 level. However, it is important to note that the correlation value of 0.528 between EP and ES suggests a moderate positive relationship, though the lack of statistical significance could mean that other factors may be influencing employee satisfaction beyond just perception and awareness.

Table – 1. Correlation analysis			
Variable	Employee awareness(EA)	Employee perception(EP)	Employee Satisfaction(ES)
EA	1.00		
EP	0.001**	1.00	
ES	0.00**	0.01**	1.00

N	396	** correlation is significant at the 0.01 level
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Table 2 presents the regression analysis aimed at understanding the influence of employee perception on employee satisfaction. The model reveals a significant positive relationship, with a beta coefficient of 0.653 for employee perception ($p < 0.01$), indicating that employee perception is a strong predictor of employee satisfaction. This finding is in line with previous studies that suggest the role of perception in shaping job satisfaction (Agarwal & Singh, 2016; Bhat & Joshi, 2019). The result highlights the importance of addressing employees' perceptions to enhance their overall satisfaction within the organization. The significant t-value of 9.544 further supports the strength of this relationship.

Table 2. Regression analysis for employee satisfaction						
Model	B	Std. Error	Beta	Std. coefficients	T	Sig.
1	Constant	0.265	0.154		1.612	0.074
	Employee perception	0.653	0.043	0.427	9.544	0.000**

Table 3, shows in significant relationships between the studied variables. Hypothesis 1 (H1) tests the relationship between employee awareness and employee satisfaction, and the path coefficient of 0.84 with a t-value of 102.65 (p-value = 0.000) confirms a significant and strong relationship. This suggests that employees' awareness of organizational processes and expectations strongly influences their satisfaction levels. Similarly, Hypothesis 2 (H2), which examines the relationship between employee perception and employee satisfaction, also shows a significant positive path coefficient of 0.56, with a t-value of 87.14 (p-value = 0.001), further reinforcing the positive influence of perception on satisfaction.

Table 3. Hypothesis testing results				
Hypothesis	Path coefficients	t-value	p-value	Sig.
H1	0.84	102.65	0.000	Significant
H2	0.56	87.14	0.001	Significant

The analysis suggests that employee awareness, perception, and satisfaction are indeed linked, with employee perception emerging as a significant predictor of employee satisfaction. This is consistent with previous research which indicates that how employees perceive their work environment can directly influence their overall satisfaction and productivity (Chopra & Mehta, 2020; Verma & Gupta, 2017). Although employee awareness did not show significant results in the correlation and regression analyses, it still plays an important role in shaping employee behavior and satisfaction in more indirect ways, such as through communication and goal alignment. The weak relationship between employee awareness and satisfaction could indicate that while awareness is essential, it might not directly translate to satisfaction without other factors, such as perception or organizational culture, coming into play.

8. 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 objective setting, evaluation subjectivity, and resistance to change. 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 employee

performance management system and awareness, perception, satisfaction of employee with referencing BHE. The response obtained from the various respondents of BHEL, which can relate the positive influence on employee perception with employee satisfaction. This study concluded that MBO approach is positively influence on employee performance.

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