



# From Policy to Practice: Investigating the Realities of Management by Objectives in a Nigerian Commercial Bank

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## Abstract

This study investigates the implementation realities of Management by Objectives (MBO) within a branch of a major Nigerian commercial bank, focusing on employee perceptions of its practical application versus its espoused principles. Employing a quantitative survey design, data were collected from 37 employees (82% response rate) at the Damaturu branch of United Bank for Africa (UBA). The findings reveal a significant disconnect between policy and practice. While a large majority of employees (78%) believe MBO contributes to organizational success, nearly half (47%) report infrequent participation in the collaborative goal-setting process, a core tenet of the MBO framework. Furthermore, 64% of respondents indicated they lacked the necessary authority and autonomy to effectively pursue their objectives. These results, analyzed through the lens of Goal-Setting and Expectancy Theories, highlight that the potential benefits of MBO are being undermined by critical implementation gaps. The study provides evidence-based recommendations for bridging this gap through enhanced participatory practices, targeted training, and genuine employee empowerment, suggesting a pathway for improving performance management effectiveness in the Nigerian banking sector and similar contexts.

**Keywords:** Management by Objectives, Performance Management, Goal-Setting Theory, Employee Participation, Banking Sector, Nigeria.

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## Introduction

Management by Objectives (MBO), first popularized by Peter Drucker (1954), remains a cornerstone of modern performance management. At its core, MBO is a participative system where managers and employees collaboratively set clear, challenging objectives and periodically review progress toward their achievement (Odiorne, 1981). The enduring appeal of MBO lies in its alignment with robust motivational theories. It directly operationalizes Goal-Setting Theory, which posits that specific and difficult goals, when accepted, lead to higher performance than vague or easy ones (Locke & Latham, 2019). Furthermore, by creating a clear link between individual effort, objective attainment, and organizational rewards, MBO resonates with Expectancy Theory, which holds that motivation is a function of an individual's belief that effort will lead to performance (expectancy), performance will lead to outcomes (instrumentality), and those outcomes are valued (valence) (Vroom, 1964).

The Nigerian banking sector, characterized by its intense competition and results-driven culture, is a prime context for MBO implementation. An effective MBO system can provide the framework needed to align individual and team efforts with a bank's strategic priorities, such as enhancing customer satisfaction, improving operational efficiency, and managing risk (Aguinis, 2019). In an era of rapid digital transformation, a well-executed MBO process can also foster the agility required to respond to shifting market dynamics (Schleicher *et al.*, 2018). However, a persistent challenge in organizational management is the "policy-practice gap," where formal systems adopted by an

organization are not faithfully implemented at the operational level (Kaźmierczyk & Aptacy, 2016). This disconnect can arise from a lack of genuine management commitment, inadequate training on MBO principles, insufficient resources, or a clash between the collaborative philosophy of MBO and a pre-existing hierarchical culture (Rodgers & Hunter, 1991). When such a gap exists, the motivational power of MBO is severely undermined, leading to employee cynicism and suboptimal organizational performance.

This study investigates these realities within the Damaturu branch of United Bank for Africa (UBA). It explores the extent to which the formal MBO policy translates into practice by examining employee perceptions of participation, autonomy, and support. Diagnosing the specific challenges hindering effective MBO implementation will assist in providing actionable insights for bridging the policy-practice gap in a real-world banking environment.

## Literature Review

### *The Principles and Theoretical Foundations of MBO*

MBO is far more than a simple performance appraisal tool or a method for evaluating employee output; it is a comprehensive management philosophy built on the core principles of participation, shared responsibility, and open communication. At its heart, MBO seeks to align the individual ambitions of employees with the overarching strategic direction of the organization. A successful MBO cycle is a dynamic and continuous process that involves several key stages. It begins



with the cascading of organizational goals, where high-level strategic objectives are systematically broken down and translated into more specific goals for each division, department, and ultimately, each individual. This is followed by the crucial stage of joint objective-setting, a collaborative dialogue between managers and employees to define key results and expectations for a specific period. This participatory process ensures that employees not only understand what is expected of them but also have a voice in shaping those expectations.

Once objectives are set, the focus shifts to the development of detailed action plans, which outline the specific steps, resources, and timelines required to achieve the agreed-upon goals. This is not a "set it and forget it" system; MBO demands continuous progress monitoring. Regular check-ins and feedback sessions are essential to track progress, identify potential obstacles, and make necessary adjustments in a timely manner. The cycle culminates in formal performance reviews, which are grounded in the objective data of goal attainment rather than subjective opinion, creating a fair and transparent evaluation process (Noe et al., 2020). A defining and indispensable feature of this entire process is the rigorous emphasis on creating Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals. This framework transforms vague aspirations into actionable targets, providing the clarity and focus necessary for both employees and managers to direct their efforts effectively (Doran, 1981).

The efficacy of this structured process is not merely anecdotal; it is strongly supported by decades of research in motivational science, with Goal-Setting Theory standing as its most direct theoretical underpinning. The seminal work of Locke and Latham (2019) has consistently demonstrated that specific and challenging goals lead to higher performance than vague or easy ones. Central to their theory is the concept that goal commitment is a critical mediator between the act of setting a goal and the subsequent performance. MBO, in its ideal form, is a direct application of this principle. The collaborative nature of joint objective-setting is specifically designed to enhance this commitment. When employees participate in formulating their own objectives, it fosters a powerful sense of ownership and psychological buy-in, transforming a manager's directive into a personal challenge and commitment.

Expectancy Theory, pioneered by Vroom, provides another crucial lens for understanding why MBO can be a powerful motivator. This theory posits that an individual's motivation to act is a function of three key beliefs. First, they must believe that their effort will lead to the successful achievement of their objectives (expectancy). For MBO to be effective, this requires that goals are not just achievable in theory but that the organization provides adequate training, resources, and support. Second, the employee must believe that achieving these objectives will be recognized and rewarded (instrumentality). This highlights the need for a clear and transparent link between performance in the MBO system and tangible outcomes like bonuses, promotions, or recognition. Finally, the rewards offered must be personally valuable to the employee (valence) (Vroom, 1964). Therefore, an effective MBO system cannot exist in a vacuum; it must be seamlessly integrated with the organization's broader human resource functions, including a robust support infrastructure and a reward system that transparently reinforces and incentivizes the desired outcomes.

### **Implementation Challenges in Contemporary Organizations**

Despite its strong theoretical basis and logical appeal, the practical implementation of MBO is frequently fraught with significant challenges that can undermine its effectiveness and even lead to its outright failure. A primary and often fatal obstacle is the lack of unwavering and visible commitment from

senior leadership. When top executives treat MBO as just another administrative requirement rather than a core management philosophy, the entire process is often rendered a superficial, "box-ticking" exercise, devoid of its strategic intent (Hussain et al., 2020). This lack of genuine buy-in from the top sends a powerful message throughout the organization that MBO is not a priority. Consequently, the necessary resources for comprehensive training, system support, and meaningful rewards are often withheld, crippling the program before it can even begin.

Another significant challenge stems from ingrained resistance from both managers and employees who are accustomed to traditional, top-down, and often unilateral appraisal systems. MBO demands a fundamental shift in mindset and behavior. It requires managers to transition from being directive supervisors to becoming collaborative coaches, and it asks employees to take on a more proactive role in their own performance management. This move towards a more developmental and participatory approach can be difficult to achieve, particularly within an organizational culture that does not actively support open communication, trust, and shared power (Lephalala, 2021). Furthermore, the MBO process itself carries an inherent risk of becoming overly bureaucratic and cumbersome if not managed with care. The focus can easily shift from meaningful, ongoing dialogue about performance and development to an excessive preoccupation with completing forms and meeting paperwork deadlines, which stifles the very engagement MBO is designed to foster (Aguinis, 2019).

In the specific context of developing economies like Nigeria, these universal challenges can be significantly exacerbated by a unique set of contextual factors. Pervasive resource constraints may limit the organization's ability to invest in the necessary training and technological infrastructure to support a robust MBO system. Broader institutional weaknesses, such as unstable economic conditions or inconsistent regulatory environments, can make long-term objective setting a difficult and frustrating endeavor. Moreover, prevailing cultural norms that emphasize hierarchy, seniority, and high power distance may directly conflict with the participatory and egalitarian ethos that is fundamental to the MBO philosophy (Nwachukwu, 2016; Tabiu & Ndebugri, 2017). This study, therefore, provides a valuable and timely opportunity to move beyond general theory and examine how these well-documented, multifaceted challenges manifest, interact, and are navigated within the specific operational reality of a Nigerian commercial banking context.

### **Methodology**

This study employed a descriptive survey research design to investigate the realities of MBO implementation at the Damaturu Branch of UBA in Yobe State, Nigeria. A survey approach was chosen for its ability to efficiently gather data on employee perceptions and experiences with the MBO system (Fowler, 2014).

The survey questionnaire was distributed to all 45 employees of the branch. A total of 37 completed questionnaires were returned, representing a strong response rate of 82%. The sample was diverse, including employees from various departments and hierarchical levels, providing a comprehensive cross-section of the branch's workforce.

The questionnaire was developed based on a review of MBO literature and included closed-ended items using Likert scales and multiple-choice formats. The questions were designed to capture employee perceptions regarding: (1) their level of participation in the goal-setting process; (2) the adequacy of authority delegated to them; (3) their beliefs about MBO's contribution to organizational goals; and (4) the key obstacles hindering its effectiveness.



Table 1. Main MBO Implementation Problems

Indicator	Response Category	n	%
Belief in MBO's Contribution	Agree that MBO contributes to organizational success and commitment.	29	78.40%
Participation in Goal-Setting	Report infrequent or no participation in the goal-setting process.	17	47.00%
Delegated Authority	Feel they lack the appropriate authority and responsibility for effective implementation.	24	63.70%
Top MBO Implementation Problem	Lack of top management commitment.	15	41.20%
Top MBO Implementation Problem	Non-participation of employees.	14	39.20%

The collected data were analyzed using descriptive statistics (frequencies and percentages) to summarize employee responses and identify key trends related to MBO implementation. This approach is appropriate for the study's goal of describing the "realities" of MBO practice within the specific case-study branch.

### Findings

The survey results from the branch reveal a significant and troubling disconnect between the theoretical appreciation for Management by Objectives (MBO) as a concept and the stark realities of its practical execution. The core findings, summarized in Table 1, paint a picture of a system that is fundamentally flawed in its implementation, despite the goodwill of the employees who operate within it. The most striking finding is the inherent paradox between belief and practice. An overwhelming majority of employees, with over three-quarters (78.4%) endorsing the idea that a properly functioning MBO system contributes positively to organizational success and fosters commitment, clearly see its potential value. This indicates a workforce that is receptive to the philosophy of MBO and understands its intended benefits.

However, this widespread belief is starkly contrasted by reports that the system's most essential principles are not being followed in their daily work. A critical breakdown is evident in the foundational stage of joint objective-setting. Nearly half of all respondents (47.0%) reported that they do not regularly participate in setting their own objectives. This finding points directly to a process that has devolved from the intended collaborative dialogue into a traditional, top-down, non-collaborative directive. Instead of fostering ownership, this approach likely breeds compliance at best and resentment at worst, as goals are imposed rather than co-created.

This critical issue is further compounded by a pervasive perceived lack of empowerment. A clear and substantial majority of employees (63.7%) felt they were not granted the necessary authority and responsibility to truly take ownership of their assigned goals. This is a crucial failure, as it points to a system where accountability is effectively decoupled from the autonomy required to achieve results. Employees are being held responsible for outcomes they have limited power to influence, a situation that is inherently demotivating and undermines the very sense of agency that MBO is supposed to cultivate.

When participants were asked to pinpoint the primary obstacles hindering the system's effectiveness, their responses reinforced the disconnect between policy and practice. The most cited problem was a "lack of top management commitment" (41.2%), followed closely by the "non-participation of employees" (39.2%). These two issues are deeply intertwined. The perceived lack of commitment from senior leaders creates a ripple effect, signaling that MBO is not a strategic priority but rather a procedural hurdle. This, in turn, fosters an environment where genuine employee participation is neither expected nor encouraged. Consequently, the MBO system at the branch appears to exist more as a formal, bureaucratic procedure

dictated by policy—a box to be ticked—than as a lived, dynamic, and genuinely participatory management practice that drives performance and engagement.

### Discussion

The findings from this study paint a vivid and compelling picture of a Management by Objectives (MBO) system struggling with a profound policy-practice gap. The core of the issue lies in the chasm between intention and execution. The widespread belief in MBO's potential, with a significant 78.4% of employees affirming its value, represents a latent organizational asset—a workforce ready and willing to engage with a system designed for mutual success. However, this positive perception is starkly juxtaposed with the lived reality of low participation in goal-setting (47.0%) and a pervasive sense of insufficient autonomy (63.7%). This paradox is the central dilemma facing the organization, revealing a system that is honored in principle but fundamentally broken in practice.

From a Goal-Setting Theory perspective, the reported lack of employee participation in setting their own objectives constitutes a critical and systemic failure. The foundational work of Locke and Latham (2019) consistently emphasizes that participation is not a peripheral benefit but a key driver of goal commitment. When goals are collaboratively developed, employees are able to contribute their unique, job-level insights, leading to more realistic and strategically aligned objectives. More importantly, this collaborative process fosters a deep sense of ownership and psychological buy-in. An objective that is co-created becomes a personal commitment rather than a managerial directive. The finding that nearly half the workforce feels excluded from this vital process indicates that the organization is failing to activate one of MBO's primary motivational mechanisms. Goals are being simply assigned, not internalized, which predictably leads to reduced intrinsic motivation, diminished discretionary effort, and a culture of mere compliance rather than passionate commitment.

From an Expectancy Theory standpoint, the finding that a majority of employees feel they lack the delegated authority to achieve their goals is equally, if not more, damaging. According to Vroom (1964), an individual's motivation is a product of their belief that effort will lead to performance (expectancy), that performance will lead to reward (instrumentality), and that the reward is valuable (valence). The perception of insufficient authority directly attacks the first and most fundamental link in this motivational chain. If employees believe they lack the necessary autonomy, resources, and decision-making power to successfully execute their tasks (low expectancy), their motivation to exert effort will inevitably diminish, regardless of how clearly their goals are defined or how attractive the potential rewards might be. The fact that nearly two-thirds of the bank's employees feel disempowered in this manner suggests a deep-seated organizational flaw where the link between effort and performance is perceived as weak or broken. This cripples the MBO system's effectiveness, transforming it from a tool of empowerment into a source of frustration and futility.



Finally, the identification of a "lack of top management commitment" as the primary obstacle is not an isolated grievance but a finding that resonates with a large body of performance management literature (Aguinis, 2019; Hussain et al., 2020). MBO is not a self-sustaining administrative program that can be implemented and left to run on its own. It requires active, visible, and unwavering championship from the highest levels of leadership. This commitment must be demonstrated through the allocation of sufficient resources for training, the modeling of collaborative behaviors, the demand for high-quality goal-setting conversations, and the integration of MBO outcomes into significant organizational decisions. Without this dedicated stewardship, MBO invariably degenerates into the very bureaucratic, form-filling ritual that its critics have long warned about. It becomes a hollow exercise in paperwork, detached from the strategic and developmental purpose it was designed to serve, breeding cynicism and undermining the very culture of accountability and shared purpose it seeks to create.

## Conclusion

This study examined the implementation of Management by Objectives in a Nigerian commercial bank branch and found a significant disconnect between its intended philosophy and its execution. While employees perceive MBO as a valuable tool for achieving organizational success, its potential is unrealized due to critical shortcomings in employee participation, autonomy, and leadership commitment. To bridge this gap, the bank must move beyond treating MBO as a mere policy and actively foster a culture of participatory goal-setting, empower employees with the authority to achieve their objectives, and ensure that leadership visibly champions the process.

## Contributions and Recommendations for Practice

This research makes a significant contribution by providing crucial empirical evidence to the broader literature on performance management, particularly as it pertains to the unique challenges and complexities of developing economies. By specifically investigating the Nigerian banking context, it illuminates the critical and often-underestimated gap between formally instituted policies and the lived reality of daily practice. The study moves beyond theoretical discussions to present a clear, data-driven account of how a well-intentioned MBO system can falter when its core principles are not embedded in the organization's culture and operational workflows. For practitioners, this study serves as more than just an academic exercise; it offers an actionable diagnostic tool that pinpoints specific areas of failure and provides a clear roadmap for corrective action.

To bridge this policy-practice gap, bank managers must first prioritize and enforce genuine participation in the goal-setting process. The first recommendation is to mandate and train for participatory goal-setting. This requires moving beyond a passive system where objectives are simply handed down. Instead, the organization should implement structured, mandatory, and regularly scheduled sessions where managers and employees sit down together to collaboratively negotiate and define SMART goals. Crucially, this involves comprehensive training not only for managers on how to coach and facilitate these dialogues but also for employees on how to take an active role in articulating their contributions and planning their work. This fosters the psychological ownership and goal commitment that Locke and Latham (2019) identify as essential for high performance, transforming the process from a top-down directive into a shared commitment.

Secondly, it is imperative to align authority with responsibility. The finding that a majority of employees feel they lack the necessary empowerment to achieve their goals is a critical flaw that renders the entire MBO system ineffective. An

organization cannot hold an individual accountable for an outcome they do not have the power to influence. Therefore, leadership must conduct a systematic review of job roles and responsibilities to ensure that employees who are assigned specific objectives also possess the corresponding decision-making authority, budgetary control, and access to the necessary resources and information to pursue them. This directly addresses the "expectancy" component of Vroom's (1964) theory, strengthening the employee's belief that their effort can and will lead to successful performance, thereby unlocking their motivation and initiative.

Finally, to address the most cited obstacle, the organization must enhance leadership accountability. The commitment of senior and middle management cannot be left to chance or goodwill; it must be systemically enforced. The most effective way to ensure this is to make the successful and high-quality implementation of the MBO process a key performance indicator (KPI) for managers themselves. Managers should be evaluated not just on their team's output, but on their demonstrated ability to collaboratively set goals, provide regular coaching and feedback, and empower their employees. By holding leaders directly accountable for the health of the MBO process within their teams, the organization signals its unwavering commitment from the top down, ensuring that MBO is treated as a core leadership responsibility rather than a perfunctory administrative task. This creates a virtuous cycle where good MBO practice is cascaded throughout the organization, fostering a genuine culture of accountability and shared purpose.

## Limitations and Future Research

While this study provides valuable initial insights, it is essential to acknowledge its methodological limitations to contextualize the findings appropriately and to guide future scholarly inquiry. The conclusions drawn are based on self-reported data collected from the employees of a single bank branch. This specificity, while offering depth, inherently limits the generalizability of the findings. The unique organizational subculture, the specific leadership style of the branch manager, and the localized market pressures faced by this one branch may have significantly influenced the results. Therefore, the challenges and perceptions documented here cannot be confidently extrapolated to represent the entire organization, let alone the broader Nigerian banking sector, without further, more extensive research.

Looking forward, future research should endeavor to build upon this foundational work by significantly expanding its scope and methodological rigor. A larger-scale quantitative study, encompassing multiple banks and a diverse range of branches (urban, rural, corporate, retail), is necessary to provide a more comprehensive and statistically robust picture of MBO implementation across the Nigerian banking industry. Such a study would allow for comparative analysis, potentially identifying sector-wide trends versus institution-specific problems.

Furthermore, to achieve a more profound and multi-faceted understanding, future investigations would benefit immensely from employing a mixed-methods approach. While the current survey effectively captures the "what"—the prevalence of issues like low participation and lack of autonomy—it is less equipped to explain the "why." Supplementing survey data with qualitative methods, such as semi-structured interviews with both senior executives and branch-level managers, would be invaluable. These interviews could uncover the nuanced rationales behind the perceived lack of leadership commitment, explore the managerial challenges in delegating authority, and provide rich, contextual narratives that bring the quantitative data to life. Additionally, incorporating an analysis of objective performance data—such as sales figures, customer satisfaction scores, and employee turnover rates—and correlating it with the qualitative



and survey findings would provide a more triangulated and empirically grounded understanding of MBO's tangible impact on organizational outcomes. This holistic approach would offer a more complete and actionable assessment, moving beyond perception to measure the real-world consequences of the policy-practice gap.

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