

## Impact of Management by Objectives in Enhancing Sustainable Organisational Performance in Hotels

Wagih M. E. Salama\*

*Department of Social Studies, College of Arts, King Faisal University, Al Ahsa 31982, Saudi Arabia, Department of Hotel Studies, High Institute of Tourism and Hotels, Ismailia 104, Egypt, Email, [welsayed@kfu.edu.sa](mailto:welsayed@kfu.edu.sa)*

*\*Corresponding Author*

**How to cite this article:** Salama, W.M.E. (2021). Impact of Management by Objectives in Enhancing Sustainable Organisational Performance in Hotels. African Journal of Hospitality, Tourism and Leisure, 10(3):805-520. DOI: <https://doi.org/10.46222/ajhtl.19770720-133>

### Abstract

This study analysed the contribution of MBO in enhancing sustainable organisational performance. Previous studies have revealed that MBO contributes to enhancing the profitability of hotels, increasing the performance of employees, improving the effectiveness of operating processes and enhancing the service provided within hotels. The study was conducted via a questionnaire method. Separate questionnaires were administered to managers and employees of 5 star hotels. The data were analysed using the Statistical Analysis for Social Sciences (SPSS, version 25). The results indicated that hotel managers are in favour of the application of MBO as it contributes towards the achievement of their personal goals as well as the goals of the hotel. The employees also showed a willingness towards implementing MBO thanks to its advantages that assist in enhancing sustainable organisational objectives. The study recommends the activation of the MBO in hotels owing to its contribution towards enhancing the performance, achieving the targeted profitability and enhancing the sustainability of organisations.

**Keywords:** Management by objectives, MBO, sustainability, organisational performance, Hospitality

### Introduction

Nowadays, in functional strategies, short- and medium-term plans are a paramount requirement however, these strategies focus on achieving goals on a small scale within institutions. Long-term strategies have therefore become important because they are broader and more comprehensive (Kyriakopoulos, 2012). According to Antoni (2005) and Ashfaq (2018), objectives are required in every area where performance and results directly and vitally affect the survival and prosperity of a business. It is therefore necessary to define the objectives for each employee and then compare their performance against the defined objectives. A sophisticated technique to assess the individual performances of employees, as well as the performance of an organisation, has been developed and evaluated by renowned researchers (Drucker, 1954). Management by Objectives (MBO) is an administration strategy which is used for resolving the knowledge problems from the managers' side. The prospect of this strategy relies on the principal positioning of participation within the company's goals (Ntanos & Boulouta, 2012). MBO can also be a management approach that energises the manager and his/her subordinates to refine the set objectives in relation to the requirements (Antoni, 2005). Furthermore, MBO can also be a scientific and arranged approach that allows both managers and employees to specialise in achievable goals and realise the foremost ideal outcomes by using the organisations' available resources (Cai & Hu, 2005; Paul, 1997).



Drucker (1954) argues that setting objectives and observing progress are the key determining factors of the successful functioning of the organisations, thus these factors should permeate the entire organisation, from top to bottom. As such, a need arose for a competent administration to monitor and achieve the goals, which was termed by Drucker as Management by Objectives (MBO) (Rosemary & Evans, 2016).

According to Drucker (2010), setting objectives is necessary for every area, wherein actions and the consequential results are crucial for the survival and prosperity of any organisation. In this regard, every business organisation should formulate objectives bearing in mind the market position, innovation, productivity, physical and financial resources, profit, activities and development of managers, activities and attitudes of employees as well as social responsibility. Workers, regardless of their position within the company's hierarchy, want to be made aware of their employer's expectations of them as well as what benefits and what salary they will earn by serving their role in the organisation. It is therefore necessary to manage the objectives that provide the detailed information about the organisation (Ntanos & Boulouta, 2012). MBO is an approach that is established upon a goal setting philosophy and is sometimes used in non-profit and public sector organisations. MBO begins with establishing the organisational objectives and then stimulating those objectives within every level of the organisation with the purpose of achieving the set objectives (Fisher, 2009).

MBO functions as kind of administrative design called "participatory management" or "consultative management", which describes a kind of management in which employees are encouraged to contribute ideas towards identifying and setting organizational goals, problem solving strategies and decision making processes which directly affects them (Curtin, 2009). This process of formulating objectives is participatory between the manager and his/her subordinates, where a manager and his or her subordinates sit together in order to refine the specific objectives within a gaggle timeframe. The subordinates are then directly responsible for achieving those objectives (Burdzińska & Flak, 2017; Gotteiner, 2016; Kristiansen, 2016). MBO is a systematic and intensive process which designates grades of success to an organisation. The appraisal of the grades of accomplishment at each level, and the utilisation of knowledge for the localisation of the sources of the organisation or firm, will always be achieved by the active participation of the entire staff body (Flak, 2013; Gotteiner, 2016). According to Mullins (2005), MBO can also serve as a technique where management sets specific goals for the workers to accomplish within a tough and fast time frame (Derek & Heather, 2005).

Organisations are designed by people to push individuals in order to achieve their objectives individually. Hence, the organisations become the means of survival for the people. MBO studies have indicated that the implementation of this approach has become widespread over the past three decades (Paul, 1997). In both private and public sectors, the share of Fortune 1000 companies using MBO has nearly tripled - from 27 percent in 1981 to 79 percent in 2008 (Curtin, 2009). Despite its widespread, global use, MBO has endeavoured to demonstrate its viability. Studies examining the effectiveness of MBO have indicated that the implementation of MBO has generated mixed results and questions have therefore been raised which concern the circumstances under which it is effective (Antoni, 2005). This intrinsically points to the contingency approach. Out of 70 studies conducted, 68 found that MBO generates productivity gains and only 2 studies found losses (Antoni, 2005; Paul, 1997; Tomás, Rodríguez & Robaina, 2004). Tahir, Shafkat and Mohammed (2008) described MBO as a process involving the establishment and communication of organisational goals; the setting of individual goals in line with the organisational goals, and the periodic and final review of performance in relation to the organisational goals.



## Literature review

### *Advantages and Disadvantages of MBO*

Anand, Sahay and Saha (2005) considered MBO as a strategic measurement to reinforce the performance of a firm. MBO is an approach wherein self-control stems from classical management methods and its wide scope of use includes evaluating teamwork effectiveness (Burdzińska & Flak, 2017). It is worthwhile mentioning that MBO features a strong reference to a positive management philosophy. The MBO may be a method of motivating employees by managerial practices that are perceived positively by employees. These practices include: commonly negotiated goals, an autonomy in establishing and using means to realise goals, and periodical monitoring of work performed by team members. It therefore also supports the accomplishment of other management functions (planning, organising and controlling) (Larsson & Hanberger, 2016; Wu, 2005) and improves employees' motivation to realise organisational goals (Derek & Heather, 2005; Islami, Mulolli & Mustafa, 2018; Kristiansen, 2016; Rosemary & Evans, 2016). MBO encourages managers and employees to be committed to specific achievements by specialising in results and realising employees' commitments, control and coordination towards goal accomplishment (Cao, Xu, Zhou, Zheng & Piao, 2009). MBO increases employees' loyalty, reduces turnover rates and helps the employees ascertain their strengths and weaknesses. Additionally, it helps the organisation anticipate change and delineate concrete steps which will elucidate goal achievement rates (Cai & Hu, 2005; Petkova, 2017).

Kristiansen (2016) pointed out that MBO contributes towards employees feeling empowered in their jobs and believing that they possess the talent, attitudes and opportunities to manage change which consequently affects work-related self-efficacy and social support. MBO also offers several advantages to practicing administrators. According to Verboncu and Vrincut (2014), performance measurement is predicated on the quantitatively or qualitatively expressed standards for every objective and the most significant advantage of MBO is that it makes the self-control of one's own performance by each manager possible. MBO also assists administrators in designing diverse functions (Aydin & Dube, 2018; Yanagizawa & Furukawa, 2016). MBO has the potential of allowing managers to realise the commitments of subordinates since the goals and objectives are not imposed on them, rather they are set after due consensus between managers and subordinates (Deac, Cioc, Deaconu, Frăsineanu, Ioniț & Jiroveanu, 2014). MBO establishes clear objectives for businesses and this can help businesses increase their profitability and productivity in addition to increasing their market share and reputation (Cao et al., 2009). Schermerhorn (1984) highlighted that MBO facilitates the goal of revenue generation as set by any enterprise since the process of set goals contributes to an increase in the percentage of sales which confirms the development of performance in general and achieves sustainability in the organisational performance. Higher productivity is therefore a clear advantage of the MBO process.

There are also however factors that contribute to the failure of MBO. This failure is attributed to the variability of definitions of any term and confusion around its meaning, multiple disparities and other problems in MBO's implementation process (Gotteiner, 2016; Szelagowska-Rudzka, 2015). The factors that contribute to the failure of MBO include: a lack of an appropriate incentive system; a lack of top management support; inadequate training; the introduction of MBO into organisations without prior consideration of its viability and appropriateness (Rodgers & Hunter, 1991; Ugwu, 2012); the decadence of the hierarchical model which does not fit into the new-era management, and the calling for higher degrees of participative management coupled with a lack of innovation (Anand et al., 2005). The disadvantages of implementing the MBO include significant consumption of time, possible

conflicts between managers and subordinates and additional problems at various hierarchical levels (Aydin & Dube, 2018).

### ***MBO process steps and sustainability***

The implementation of MBO entails five essential steps. In MBO processes, monitoring, motivating, controlling and awarding each person and each organisation are equally as important as objective setting. MBO resembles an active and discontinuous circle wherein the introduction of a required strategy or method is completed after reaching any result (Ashfaq, 2018). The MBO process begins with the company’s ‘mission statement’ wherein the senior management sits together to discuss the future direction of the organisation (Aminu, 2019). The second step is to develop objectives for all workers across all levels of the organisation. This step focuses on specialty units, divisions, groups and other workers (Vasile, 2018). The third step is to encourage participation on goal setting - all individuals should be involved in the goal setting process (Maciekowich, 2018; Mullins, 2005). The fourth step is to monitor progress. Whenever targets are set, the progress of achieving those targets should be closely observed (Cheng, 2017).

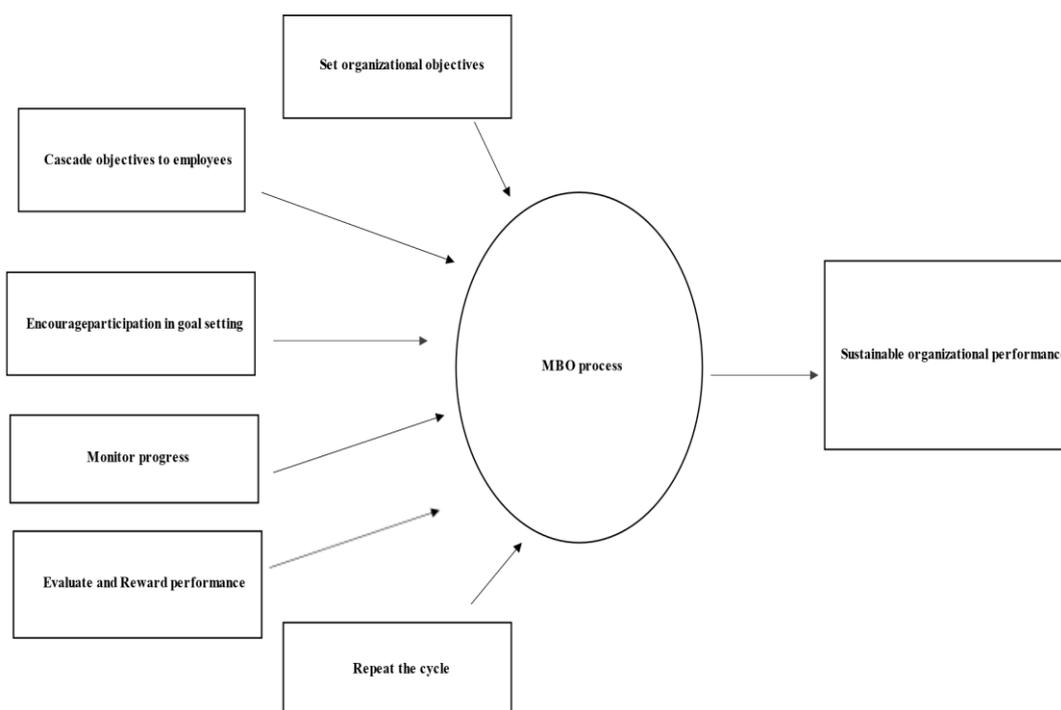


Figure 1: The theoretical model of the study

The fifth and final step is to evaluate and reward performance. In this step, owing to their contributions, the individuals feel valued and they gain inspiration to continue performing (Cheng, 2017). After this, it is crucial to repeat the cycle. Sustainable organisational performance is a product of achieving all of the steps of MBO. This represents a more integrated way into the consciousness of corporate organisational responsibility, learning and the development of creating profit and being efficient on the marketplace, which is meant to



support long-term sustainable organisational goals and outcomes by balancing people, the state of wellbeing and prosperity (Cheng, 2017). It is therefore appropriate to note that MBO is not just a management tool/strategy, but rather a contemporary management technique that, when properly understood and applied, helps in the appropriate coordination of available resources (men, money, materials, and machines) which consequently achieves common goals and sustainability in performance at the organisational level (Li, Frenkel & Sanders, 2011). The success, sustainability and survival of each organisation lies within the appropriate understanding and application of the management technique/tool.

### ***Organisational performance and MBO***

The concept of organisational performance is key to businesses since the foremost objective of companies is to generate profit (Glykas, 2011; Olanipekun, Abioro, Akanni, Arulogun & Rabi, 2015). King, Kenyatta and Iravo (2013) stated that one of the most important questions in business has always been why some organisations succeed and why others fail. Olanipekun et al. (2015) asserted that for an organisation to be successful it must record high returns and identify performance drivers from the very highest to the lowest levels of the organisation. Mose, Njihia and Magutu (2013) highlighted that performance measurement tools help firms in monitoring performance, identifying the areas that need attention, enhancing motivation, improving communication and strengthening accountability (Mutindi, Namusonge & Obwogi, 2013; Weihrich, 2000). In MBO, the employees are evaluated by their individual performances, therefore if they are good at achieving their goals, they become valuable to the organisation. MBO can also be an approach or process which transforms a firm's goals into individuals' goals (Armstrong, 2009; Ashfaq, 2018). MBO facilitates in setting the organisational self-analysis, planning, goals and achievement. In organisational goal setting, personal goals are established between managers and subordinates and organisational goals are used as a benchmark for employee's evaluation within the design process (Qureshi & Hassan, 2013). Perceptive planning is required when applying MBO in any corporation for the sake of certifying buy-in (Lewis, Packard & Lewis, 2011). MBO is the most popular technique for organisations nowadays. It directs more and more attention to the achievement of the set goals through the contribution of all connected employees of an organisation. In MBO, the outcomes and required performances of individuals and firms are predictable in both the short-term and the long-term (Lindberg & Wilson, 2011).

### ***MBO in tourism and hospitality***

Every organisation, including tourism organisations, works in accordance with a set of specified objectives. Organisational objectives are the rationale for establishing a tourism organisation and the organisation is managed in line with the organisational objectives. The role of organisational objectives is to generate positive economic results (such that the revenues are greater than expenses) (Krale, 2011). In hotels, the two most important principles of MBO are commitment and feedback (Abdelatif & Aboelenin, 2019). The foremost principle of MBO is to assure that each employee of a hotel has a clear understanding of his/her objectives and is well aware of his/her individual roles and responsibilities. The employees are held directly responsible for achieving their own intended goals, which in turn achieves the greater objectives of the organisation (Concepcion, 2008). It is important that the objectives of the hotel company relate to each other. The higher-level managers set objectives for his or her subordinate managers of lower levels, who then set the objectives for their departments and their teams (Krale, 2011). Organisational performance measurement is the process of quantifying actions (Armstrong, 2009) and has been part of the



hospitality industry for an extended period of time as a crucial component of the decision-making process since it allows hotel management to make decisions that would ensure the absolute best results (Ivankovič, Jankovič & Peršič, 2010).

### Methodology

In this study, two separate survey questionnaires were designed for hotel managers and guests in order to determine the effectiveness of implementing the policies of MBO in enhancing sustainable organisational performance in the context of Egyptian hotels. During the period of January to April 2021, we obtained data via hotel visits and by distributing survey forms to both managers and employees through email owing to the inability to travel due to the suspension of international tourism movement because of the COVID-19 pandemic. In total, 25 forms were distributed to hotel managers of 25 five-star hotels of which we received 23 valid forms for analytical purposes. 250 forms were distributed to the employees of five-star hotels, of which 230 forms were analytically valid. The two questionnaires were designed according to Rosemary and Evans (2016). All variables were measured using Likert's pentagonal scale; 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree. The twenty-fifth Edition (version 25) of Statistical Analysis for Social Sciences (SPSS) was used for the analysis. The collected data were analysed using a quantitative method of statistical analysis via Statistical Analysis for Social Sciences (SPSS, version 25). The aim of the statistical analysis was to evaluate the items of the questionnaires using factor analysis of the forms of managers and guests individually. The correlation and regression analyses between the variables of the study were also undertaken.

### Demographic data of the respondents

The respondents' demographic profile is represented in Table (1) below:

Table 1: The respondents' demographic profile

| Demographics      | Characteristics and Classification | Frequency | Percentage |
|-------------------|------------------------------------|-----------|------------|
| Gender            | Male                               | 196       | 85.5       |
|                   | Female                             | 34        | 14.8       |
|                   | Total                              | 230       | 100        |
| Age               | Under 30 years                     | 65        | 28.3       |
|                   | 30-45 years                        | 131       | 57         |
|                   | Above 45 years                     | 34        | 14.8       |
|                   | Total                              | 230       | 100        |
| Educational Level | College graduate                   | 165       | 71.7       |
|                   | Postgraduate                       | 65        | 28.3       |
|                   | Total                              | 230       | 100        |
| Position          | High management                    | 25        | 10.9       |
|                   | Supervisor                         | 77        | 33.5       |
|                   | Operation level                    | 128       | 55.7       |
|                   | Total                              | 230       | 100        |
| Work Experience   | Less than 5 years                  | 94        | 40.9       |
|                   | 5-10 years                         | 71        | 30.9       |
|                   | More than 10 years                 | 65        | 28.3       |
|                   | Total                              | 230       | 100        |

Table 1 illustrates that, out of 230 respondents, 196 respondents (85.5%) are males, while the remaining 34 respondents (14.8 %) are females. Among these respondents, 65 respondents (28.3%) are below 30 years of age, 131 respondents (57%) belong to the age group of 30-45 years and 34 respondents (14.8%) are above 45 years of age. In terms of educational level, 71.7% of respondents are college graduates, while 28.3% of respondents are postgraduates. In terms of their position, about 10.9% of respondents are working at high-management level,



77 respondents (33.5%) are working at inter-mediate level / supervisors and 128 respondents (55.7%) are working at the operational level. Regarding work experience, 94 respondents (40.9%) have work experience of less than 5 years, while 71 respondents (30.95%) have work experience of 5 to 10 years and 65 respondents (28.3%) have work experience of more than 10 years.

### Results

Factor analysis was performed with one as the Eigen value to improve the strength of the factors. Afterwards, three factors were extracted when the rotation converged in their iterations. The two factors were MBO practices and sustainable organisational performance (SOP). The 37 items in the questionnaire were categorised as a measure of MBO in enhancing organisational performance (Table 2).

Table 2: Factor analysis for the questionnaire given to managers

| Variables                              |       |  | MBO          | SOP          |
|--|-------|--|--------------|--------------|
| MBO practices                          | MBO1  | Developing the objectives of hotel in line with new technologies   | <b>0.633</b> | 0.117        |
|  | MBO2  | Sustaining and motivating staff for continuous improvement in achieving hotel objectives.  | <b>0.880</b> | 0.192        |
|  | MBO3  | Building shared decision making, collegiality and peer support among staff and employees given the appropriate authority and responsibility for effective management by organisation | <b>0.852</b> | 0.144        |
|  | MBO4  | Unleashing the potential capacities that already exist in staff.   | <b>0.903</b> | 0.170        |
|  | MBO5  | Effectiveness in achievement of the hotel services development plan  | <b>0.882</b> | 0.292        |
|  | MBO6  | Setting community involvement objectives and determining outcomes  | <b>0.831</b> | 0.321        |
|  | MBO7  | Designing, implementing and evaluating achievement of the hotel's goals  | <b>0.712</b> | 0.194        |
|  | MBO8  | Developing the organisation and operational procedures involved in staff appraisals.   | <b>0.657</b> | 0.540        |
|  | MBO9  | Your hotel is achieving its objectives because it adopted MBO.   | <b>0.861</b> | 0.092        |
|  | MBO10 | A workforce that is respected, energised and enabled to achieve objectives.  | <b>0.733</b> | 0.091        |
|  | MBO11 | Activating the active participation in hotel management by employees and the community   | <b>0.774</b> | 0.029        |
|  | MBO12 | Staff willingness to seek feedback of their own job effectiveness.   | <b>0.687</b> | 0.347        |
|  | MBO13 | Taking active steps by staff in supporting their own development   | <b>0.833</b> | 0.147        |
|  | MBO14 | Staff adherence to hotel laws, which are manifest in all day-to-day activities.  | <b>0.605</b> | 0.198        |
|  | MBO15 | Management by goals is a greater opportunity to continue to be successful in employee achievement.   | <b>0.841</b> | -0.230       |
|  | MBO16 | Management by goals contributes to real empowerment of employees to make decisions.  | <b>0.741</b> | 0.023        |
|  | MBO17 | To what extent do you think motivation determines employee output of work or performance?  | <b>0.760</b> | 0.021        |
|  | MBO18 | Is it true that MBO helps obtain total commitment of all the employees to work together to achieve a common goal?  | <b>0.877</b> | 0.210        |
| Sustainable organisational performance | SOP1  | Do you think that good and prompt salary improves performance of the employees and organisational performance in terms of achieving a common goal?                                   | 0.137        | <b>0.513</b> |
|  | SOP2  | Do you think that promotion when due improves performance of the employees and organisational performance in terms of achieving a common goal?                                       | 0.157        | <b>0.887</b> |
|  | SOP3  | Do you think that good relationship with management improves performance of the employees and organisational performance in terms of achieving a common goal?                        | 0.513        | <b>0.695</b> |
|  | SOP4  | Do you think that recognition of achievement improves performance of the employees and organisational performance in terms of achieving a common goal?                               | 0.093        | <b>0.924</b> |
|  | SOP5  | How often does the organisation send its staff for training?   | 0.244        | <b>0.856</b> |
|  | SOP6  | How is the relationship between you and employees?   | 0.138        | <b>0.795</b> |
|  | SOP7  | The hotel manager directs the tasks according to the goals of the hotel.   | 0.213        | <b>0.839</b> |
|  | SOP8  | The employees participate in setting the hotel goals.  | 0.267        | <b>0.554</b> |
|  | SOP9  | The hotel manager is concerned about achieving goals within a specified time.  | 0.070        | <b>0.817</b> |
|  | SOP10 | The manager shapes hotel goals so that they are measurable.  | 0.331        | <b>0.711</b> |
|  | SOP11 | My organisation possesses tangible and intangible assets that have enhanced its profitability.   | 0.052        | <b>0.733</b> |



|       |   |       |              |
|-------|---|-------|--------------|
| SOP12 | There is a timely achievement of set goals by the organisation.   | 0.410 | <b>0.698</b> |
| SOP13 | In my organisation, new product development has improved over the last three years.                         | 0.527 | <b>0.545</b> |
| SOP14 | There is an increased level of successful and innovative products and services provided by my organisation. | 0.022 | <b>0.577</b> |
| SOP15 | There has been improved effectiveness in the organisation's operations.                                     | 0.129 | <b>0.875</b> |
| SOP16 | In my organisation, there has been increase in our customer base.   | 0.456 | <b>0.695</b> |
| SOP17 | We have been able to meet and surpass our revenue target in the last two years.                             | 0.376 | <b>0.823</b> |
| SOP18 | There has been improved profitability over the last two or three years.                                     | 0.031 | <b>0.765</b> |
| SOP19 | In my organisation, there has been increased growth in market share.  | 0.456 | <b>0.576</b> |

The analysis extracted a three-factor solution, each with Eigen values above one, which explains 55% of the total variance compared to 17% that was explained by Salama and Abdelsalam (2021). This indicates that more factors can affect MBO and OP when more items are generated using expert opinions. Kaiser Meyer Olkin (KMO) was 0.610, indicating a good level, and the study variables are high, with good measurement quality and therefore suitable for examining the study variables. The Measurement of Sampling Adequacy (MSA) was found to be above 0.7 for all the 37 items based on the rotated component matrix.

### *Statistical analysis of managers' responses*

According to the descriptive statistics, the dependent variable in the manager questionnaire (Cronbach's alpha value  $\alpha=0.801$ ) indicates a trend towards activating MBO in hotels in order to improve the quality of organisational performances. The questionnaire has shown MBO to be reliable in field applications besides having a high degree of stability. The results also indicate the readiness demonstrated by hotel managers as well as employees in applying the principles and concepts of MBO as they believe that by applying MBO, they can activate modern technological means in management as well as the possibility of motivating workers to achieve the planned hotel goals in addition to other practices that support the application of MBO within the hotel, which contribute to supporting sustainable organisational performance. This is presented in Table 3.

Table 3. Statistics for the managers questionnaire

| Variables     |        | Means  | STD  | Grade |         |
|---------------|--------|--|------|-------|---------|
| MBO practices | MBO 1  | Developing the objectives of hotel in line with new technologies   | 4.09 | .60   | agree   |
|               | MBO 2  | Sustaining and motivating staff for continuous improvement in achieving hotel objectives.  | 3.8  | .89   | agree   |
|               | MBO 3  | Building shared decision making, collegiality and peer support among staff and employees given the appropriate authority and responsibility for effective management by organisation | 3.9  | .67   | agree   |
|               | MBO 4  | Unleashing the potential capacities that already exist in staff.   | 3.9  | .64   | agree   |
|               | MBO 5  | Effectiveness in achievement of the hotel services development plan  | 4.09 | .79   | agree   |
|               | MBO 6  | Setting community involvement objectives and determining outcomes  | 3.8  | .82   | agree   |
|               | MBO 7  | Designing, implementing and evaluating achievement of the hotel's goals  | 3.7  | .99   | agree   |
|               | MBO 8  | Developing the organisation and operational procedures involved in staff appraisals.   | 3.9  | .63   | agree   |
|               | MBO 9  | Your hotel is achieving its objectives because it adopted MBO.   | 3.6  | 1.08  | agree   |
|               | MBO 10 | A workforce that is respected, energised and enabled to achieve objectives.  | 3.3  | .97   | Neutral |
|               | MBO 11 | Activating the active participation in hotel management by employees and the community   | 3    | .71   | Neutral |
|               | MBO 12 | Staff willingness to seek feedback of their own job effectiveness.   | 2.9  | .70   | Neutral |



|  |        |   |     |      |         |
|--|--------|---|-----|------|---------|
|  | MBO 13 | Taking active steps by staff in supporting their own development  | 4   | .74  | agree   |
|  | MBO 14 | Staff adherence to hotel laws which are manifest in all day-to-day activities.  | 3.2 | .89  | Neutral |
|  | MBO 15 | Management by goals is a greater opportunity to continue to be successful in employee achievement.  | 3.6 | .51  | agree   |
|  | MBO 16 | Management by goals contributes to real empowerment of employees to make decisions.   | 2.7 | .82  | Neutral |
|  | MBO 17 | To what extent do you think motivation determines employee output of work or performance?   | 3.1 | .90  | Neutral |
|  | MBO 18 | Is it true that MBO helps obtain total commitment of all the employees to work together to achieve a common goal?   | 4   | .67  | agree   |
| Sustainable organizational performance | SOP1   | Do you think that good and prompt salary improves performance of the employees and organisational performance in terms of achieving a common goal?            | 2.7 | 1.07 | Neutral |
|  | SOP2   | Do you think that promotion when due improves performance of the employees and organisational performance in terms of achieving a common goal?                | 3.9 | .79  | agree   |
|  | SOP3   | Do you think that good relationship with management improves performance of the employees and organisational performance in terms of achieving a common goal? | 3.9 | .76  | agree   |
|  | SOP4   | Do you think that recognition of achievement improves performance of the employees and organisational performance in terms of achieving a common goal?        | 3.1 | .85  | Neutral |
|  | SOP5   | How often does the organisation send its staff for training?  | 3.4 | 1.2  | agree   |
|  | SOP6   | How is the relationship between you and employees?  | 3.7 | .86  | agree   |
|  | SOP7   | The hotel manager directs the tasks according to the goals of the hotel.  | 3.5 | .73  | agree   |
|  | SOP8   | The employees participate in setting the hotel goals.   | 4.1 | .76  | agree   |
|  | SOP9   | The hotel manager is concerned about achieving goals within a specified time.   | 3.8 | 1.07 | agree   |
|  | SOP10  | The manager shapes hotel goals so that they are measurable.   | 3.2 | .72  | Neutral |
|  | SOP11  | My organisation possesses tangible and intangible assets that have enhanced its profitability.  | 4.1 | .73  | agree   |
|  | SOP12  | There is a timely achievement of set goals by the organisation.   | 4   | .71  | agree   |
|  | SOP13  | In my organisation, new product development has improved over the last three years.   | 4.4 | .50  | agree   |
|  | SOP14  | There is an increased level of successful and innovative products and services provided by my organisation.   | 3.4 | .50  | agree   |
|  | SOP15  | There has been improved effectiveness in the organisation's operations.   | 4   | .64  | agree   |
|  | SOP16  | In my organisation, there has been increase in our customer base.   | 3.2 | .72  | Neutral |
|  | SOP17  | We have been able to meet and surpass our revenue target in the last two years.   | 3.4 | 1.08 | agree   |
|  | SOP18  | There has been improved profitability over the last two or three years.   | 2.9 | .74  | Neutral |
|  | SOP19  | In my organisation, there has been increased growth in market share.  | 3.4 | .99  | agree   |

The regression coefficient between SOP as an independent variable and MBO as a dependent variable is shown in Table 4.

Table 4: Regression coefficient between (MBO and SOP)

| Model      | B      | Std. Error | Standardised Coefficients Beta | t     | Sig.  |
|------------|--------|------------|--------------------------------|-------|-------|
| (Constant) | 88.130 | 13.664     | -                              | 6.450 | 0.000 |
| SOP        | .344   | .201       | .351                           | 1.717 | 0.000 |

Dependent Variable: MBO.

By analysing the regression coefficient between sustainable organisational performance (SOP) as an independent variable and MBO as a dependent variable, we found a regression coefficient beta = .351. Thus, whenever there is an application of management strategies with goals, which include relying on technological means in management as well as continuous motivation of workers and support for the process of delegating authority to employees, this



has led to the development of the organisational performance of the hotel and consequently to the achievement of the previously planned goals.

Table 5: Correlation matrix relationship between MBO and SOP

|     |                 | MBO     | OP      |
|-----|-----------------|---------|---------|
| MBO | PCA             | 1       | 0.351** |
|     | Sig. (2-tailed) | 0.000   | 0.000   |
| SOP | PCA             | 0.351** | 1       |
|     | Sig. (2-tailed) | 0.000   | 0.00    |

### Statistical analysis of employees' responses

By analysing employees of Egyptian hotel, statistical results were obtained and are shown in Table 6.

| Variables                              |       |  | Means | STD | Grade   |
|--|-------|--|-------|-----|---------|
| MBO practices                          | MBO1  | Developing the objectives of hotel in line with new technologies   | 3.4   | 1.2 | agree   |
|  | MBO2  | Sustaining and motivating staff for continuous improvement in achieving hotel objectives.  | 3.1   | .95 | Neutral |
|  | MBO3  | Building shared decision making, collegiality and peer support among staff and employees given the appropriate authority and responsibility for effective management by organisation | 2.7   | 1.2 | Neutral |
|  | MBO4  | Unleashing the potential capacities that already exist in staff.   | 2.8   | 1   | Neutral |
|  | MBO5  | Effectiveness in achievement of the hotel services development plan  | 3.3   | 1   | Neutral |
|  | MBO6  | Setting community involvement objectives and determining outcomes  | 3.5   | .98 | agree   |
|  | MBO7  | Designing, implementing and evaluating achievement of the hotel's goals  | 2.8   | .91 | Neutral |
|  | MBO8  | Developing the organisation and operational procedures involved in staff appraisals.   | 2.9   | .63 | Neutral |
|  | MBO9  | Your hotel is achieving its objectives because it adopted MBO.   | 3.1   | .67 | Neutral |
|  | MBO10 | A workforce that is respected, energised and enabled to achieve objectives.  | 3.9   | .94 | agree   |
|  | MBO11 | Activating the active participation in hotel management by employees and the community   | 3.2   | 1.1 | Neutral |
|  | MBO12 | Staff willingness to seek feedback of their own job effectiveness.   | 3.7   | .84 | agree   |
|  | MBO13 | Taking active steps by staff in supporting their own development   | 3.1   | .94 | Neutral |
|  | MBO14 | Staff adherence to hotel laws which are manifest in all day-to-day activities.   | 3.3   | 1.1 | Neutral |
|  | MBO15 | Management by goals is a greater opportunity to continue to be successful in employee achievement.   | 3.1   | .78 | Neutral |
|  | MBO16 | Management by goals contributes to real empowerment of employees to make decisions.  | 3.1   | .78 | Neutral |
|  | MBO17 | To what extent do you think motivation determines employee output of work or performance?  | 4     | .67 | agree   |
|  | MBO18 | Is it true that MBO helps obtain total commitment of all the employees to work together to achieve a common goal?  | 3.1   | .78 | Neutral |
| Sustainable organizational performance | SOP1  | Do you think that good and prompt salary improves performance of the employees and organisational performance in terms of achieving a common goal?                                   | 3.1   | .71 | Neutral |
|  | SOP2  | Do you think that promotion when due improves performance of the employees and organisational performance in terms of achieving a common goal?                                       | 3.1   | .71 | Neutral |
|  | SOP3  | Do you think that good relationship with management improves performance of the employees and organisational performance in terms of achieving a common goal?                        | 3.1   | .71 | Neutral |
|  | SOP4  | Do you think that recognition of achievement improves performance of the employees and organisational performance in terms of achieving a common goal?                               | 3.1   | .71 | Neutral |
|  | SOP5  | How often does the organisation send its staff for training?   | 3.2   | .92 | Neutral |
|  | SOP6  | How is the relationship between your supervisor / boss?  | 3.2   | .90 | Neutral |
|  | SOP7  | The hotel manager directs the tasks according to the goals of the hotel.   | 3     | .85 | Neutral |
|  | SOP8  | The employees participate in setting the hotel goals.  | 2.7   | .89 | Neutral |
|  | SOP9  | The hotel manager is concerned about achieving goals within a specified time.  | 3.4   | .94 | Neutral |
|  | SOP10 | The manager shapes hotel goals so that they are measurable.  | 2.4   | .81 | Neutral |
|  | SOP11 | My organisation possesses tangible and intangible assets that have enhanced its profitability.   | 3.4   | .81 | Neutral |
|  | SOP12 | There is a timely achievement of set goals by the organisation.  | 3.2   | 1   | Neutral |
|  | SOP13 | In my organisation, new product development has improved over the last three years.  | 3.2   | 1   | Neutral |



|       |   |     |     |         |
|-------|---|-----|-----|---------|
| SOP14 | There is an increased level of successful and innovative products and services provided by my organisation. | 3.2 | 1   | Neutral |
| SOP15 | There has been improved effectiveness in the organisation's operations.                                     | 3.2 | 1   | agree   |
| SOP16 | In my organisation, there has been increase in our customer base.   | 3.2 | .72 | Neutral |
| SOP17 | We have been able to meet and surpass our revenue target in the last two years.                             | 3.2 | .95 | agree   |
| SOP18 | There has been improved profitability over the last two or three years.                                     | 3.2 | 1   | Neutral |
| SOP19 | In my organisation, there has been increased growth in market share.  | 3.2 | .95 | agree   |

Table 6: Statistics for the employees' questionnaire

PCA: Pearson Correlation Analysis; the number of samples (n) = 22. \*\* Correlation is significant at the 0.00 level (2-tailed)

There is a strong correlation between the two study variables. A significant correlation at 1% suggests that hotel managers are convinced that management will implement the objectives to achieve the enhancement and development of the sustainable organisational performance of the hotel. The regression coefficient between SOP as an independent variable and MBO as a dependent variable is shown in Table 7.

Table 7: Regression coefficient between MBO and SOP

| Model      | B      | Std. Error | Standardised Coefficients Beta | t      | Sig.  |
|------------|--------|------------|--------------------------------|--------|-------|
| (Constant) | 68.692 | 1.914      | -                              | 35.893 | 0.000 |
| SOP        | .167   | .030       | .348                           | 5.603  | 0.000 |

Dependent Variable: MBO

By analysing the regression coefficient between sustainable organisational performance (SOP) as an independent variable and management by objectives MBO as a dependent variable (Table 8), we found a regression coefficient beta = 34. When the hotel management seeks to implement management measures with goals, this has led to an increase in employee loyalty and high levels of performance have been achieved which leads to an increase in the level of organisational performance of the hotel.

Table 8: Correlation matrix relationship between MBO and SOP

|     |                 | MBO     | SOP     |
|-----|-----------------|---------|---------|
| MBO | PCA             | 1       | 0.348** |
|     | Sig. (2-tailed) | 0.000   | 0.000   |
| SOP | PCA             | 0.348** | 1       |
|     | Sig. (2-tailed) | 0.000   | 0.00    |

There is a strong correlation between the two study variables. A significant correlation at 1% suggests that the employees are convinced of the importance of implementing the objectives of the management strategy which achieves many of their career ambitions in order to accomplish the larger organisational goals of the hotel.

## Discussion

The results obtained highlight the readiness of hotel managers, as well as employees, to apply the principles and concepts of MBO as they perceive that in doing so, they can activate modern technological means in management as well as the possibility of motivating workers to achieve the planned goals of the hotel. This finding is in line with the opinion of Cao et al. (2009) who believed that businesses' clear objectives play a vital role in their profitability, productivity, increased market share and reputation. MBO offers several advantages to practicing administrators. According to Verboncu and Vrîncut (2014), the most significant advantage of MBO is probably the very fact that for each manager, it makes self-control of his/her own performance possible. The performance measurement is predicated on the



quantitatively or qualitatively expressed standards for every objective. It assists administrators in designing diverse functions (Aydin & Dube, 2018; Yanagizawa & Furukawa, 2016). According to Abdelatif and Aboelenin (2019), most views and attitudes of the sample's individuals were positive (favourable) on implementing two certain principles of MBO (commitment and feedback), however their opinions were somewhat unfavourable on the implementation of the other principles. Furthermore, the results also indicate that despite implementing the principles of MBO moderately, it is still considered as one of the most vital methods of management used to improve the employees' performance through the optimal utilization of the available resources, whether they were human resources or material ones, in order to reach the desired level of performance.

This study has revealed that hotels achieved their objectives because they adopted MBO, wherein managers work with their subordinates in order to set out and clarify performance objectives that are consistent with the objectives of the work unit and the organisation as a whole. When this process is followed throughout all levels of the organisation, MBO helps refine the hierarchy of objectives as a series of well-defined chains. MBO contributes towards creating a stimulating environment for both management and employees by generating interaction between heads and subordinates and motivating them for the effective participation of the subordinates in achieving the goals of the hotel. This is consistent with Gotteiner (2016) who insisted that MBO is a systematic and intensive process which designates grades of success of an organisation, including the appraisal of the grades of accomplishment at each level and the utilisation of knowledge for the localisation of the sources of the organisation or firm. This is also consistent with Curtin (2009) who argued that MBO forms part of a larger administration called "participatory management" or "consultative management" since it is a kind of management through which employees within the lower levels are encouraged to contribute ideas towards identifying and setting organisational goals, problem solving and decision making. The application of MBO helps in defining the tasks and the goals of each individual; the time that he/she needs to implement MBO, and the training programmes that the individual needs to follow in order to achieve the desired goals. This is in line with Ntanos and Boulouta (2012), wherein they suggest that workers, regardless of the position they hold within the company's hierarchy, wish to know what their employer wants them to undertake as well as the benefits and salary they are to receive from their employer.

The results of the study showed an improvement in the production process thanks to applying the principles of MBO. This included the improvement in the effectiveness of operating processes in addition to developing the service provided in the hotel through the application of advanced training programmes as well as working on developing human capabilities to achieve the planned hotel goals. This is consistent with Abdelatif and Aboelenin (2019) who pointed out that MBO is considered one of the most vital methods of management used to improve the 'performance' through the optimal utilisation of the available resources, whether human or material, in order to reach the desired level of performance. It was also found that MBO motivates managers at all levels as well as the employees as everyone tends to work harder towards achieving the goals when they acknowledge and accept them as their own. This is consistent with Wu (2005) who mentioned that MBO has a strong connection with a positive management philosophy. MBO is a method of motivating employees by managerial practices that are perceived positively (commonly negotiated goals, an autonomy in searching and using means to achieve goals, self-controlling and periodical monitoring of work done by team members). The results indicate that managers are satisfied with achieving a profit margin by applying MBO. This is consistent with Schermerhorn (1984) who pointed out that MBO helps exceed the goal of



achieving revenues as the process of setting goals also contributes to an increase in the percentage of sales which consequently results in the development of performance in general and the achieving of sustainability in the organisational performance. Higher productivity is a clear advantage of the MBO process. The benefits that a company gains through the implementation of MBO are not only limited to increased productivity since an increase in employees' motivation and job satisfaction is also achieved. The MBO, in principle, helps the workers become a real team focused on both individual and organisational goals. Many of the employees show interest in improving their individual professional skills and some even undertake specialist training. The more the employees are willing to work in groups, the greater the benefits for the company as they learn their skills from each other.

### Conclusion

MBO is a management system that realises many advantages for hotel establishments as it assists administrators in planning the function of hotels; increasing the profitability of hotels; developing the performance of employees; improving the effectiveness of operating processes and developing the service provided by hotels. Consequently, the management is successful in enhancing the sustainable organisational performance. The study therefore recommends the activation and implementation of the MBO in hotel establishments owing to its many advantages that contribute towards the development of an organisation's performance, achieving its targeted profitability and enhancing the sustainability of organisational performance.

### Acknowledgments

The authors extend their appreciation to the Deanship of Scientific Research for funding this research work through project number 206210.

### References

- Abdelatif, M. & Aboelenin, R. (2019). The impact of implementing the principles of management by objectives on the performance of hotel employees (A field study on a sample of five-star hotels in greater Cairo). *Journal of Faculty of Tourism and Hotels of Mansoura University*, 6, 117-141.
- Aminu, S. I. (2019). Impact of Management by Objectives [MBO] on the Employee Productivity in Vodafone Ghana. *Texila International Journal of Management*. doi: 10.21522/TIJMG.2015.SE.19.01
- Anand, M., Sahay, B. S. & Saha, S. (2005). Balanced scorecard in Indian companies. *Vikalpa*, 30 (2), 11-26.
- Antoni, C. (2005). Management by objectives - An effective tool for teamwork? *International Journal of Human Resource Management*, 16 (2), 174-184.
- Armstrong, M. (2009). *Armstrong's Handbook of Human Resource Management Practice* (11<sup>th</sup> Edition). London and Philadelphia, PA. Kogan Page.
- Ashfaq, M. (2018). Managing by Objectives (MBO) and government agencies: A critical Review. *European Journal of Business and Management*, 10 (28), 49-53.
- Aydin, S. & Dube, M. (2018). Knowledge management, innovation, and competitive advantage: Is the relationship in the eye of the beholder? *Knowledge Management Research & Practice*, 16 (3), 402-413.
- Burdzińska, K. H. & Flak, O. (2017). Management by objectives as a method of measuring teams' effectiveness. *Journal of Positive Management*, 6 (3), 67-82.
- Cai, Z. & Hu, J.-H. (2005). Application of management by objective to drug administration, *Pham, Care Res*, 5, 345-348.



- Cao, Y., Xu, T., Zhou, Y., Zheng, W. & Piao, Z. (2009). Power distribution reliability management by objective based on GIS platform. *1st International Conference on Information Science and Engineering (ICISE), Hong Kong.*
- Cheng, J.-L. (2017). Implementing six sigma via management by objectives Strategy: An empirical study in Taiwan. *Journal of Business and Management Sciences*, 5 (2), 35-41.
- Concepcion, B. C. M. (2008). Management by objectives needs to be applied with creativity and conceptual clarity. *ACIMED*, 18 (6), 1-4.
- Curtin, J. L. (2009). Values-exchange leadership: Using Management by Objectives performance appraisals to improve performance. *Kravis leadership institute, Claremont McKenna College*, 9, 66-79.
- Deac, V., Cioc, M., Deaconu, A., Frăsineanu, C., Ioniț ă, F. & Jiroveanu, D. (2014). *Management*. Bucharest: ASE Publishing House.
- Derek, F. & Heather, S. (2005). *Human Resource Management*. London: Prentice education Ltd.
- Drucker, P. F. (2010). *Practice of Management* (2nd edition). New York: Harper Collins.
- Drucker, P. F. (1954). *The Practice of Management: A Study of the Most Important Function in America Society*. New York: Harper & Row.
- Fisher, E. A. (2009). Motivation and leadership in social work management: A review of theories and related studies. *Administration in Social Work*, 33 (4), 347-367.
- Flak, O. (2013). Theoretical foundation for managers' behavior analysis by graph-based pattern matching. *International Journal of Contemporary Management*, 12, 110-123.
- Glykas, M. (2011). Performance measurement in business process, workflow and human resource management. *Knowledge and Process Management*, 18 (4), 241-265.
- Gotteiner, S. (2016). The optimal MBO: A model for effective management by objectives implementation. *European Accounting and Management*, 2 (2), 42-55.
- Islami X., Mulolli, E. & Mustafa, N. (2018). Using management by objectives as a performance appraisal tool for employee satisfaction. *Future Business Journal*, 4 (1), 94-108.
- Ivankovič, G., Jankovič, S. & Peršič, S. (2010). Framework for performance measurement in hospitality industry - Case study Slovenia. *Ekonomski istraživanja*, 23 (3), 12-23.
- King, A., Kenyatta, J. & Iravo, A. (2013). Challenges influencing implementation of electronic payment systems: A case study of Kenya airways company, *Business*, 1, 1-11.
- Krlev, T. (2011). Management by objectives: Management philosophy for prosperous tourism organizations. *UTMS Journal of Economics*, 2 (1), 83-87.
- Kristiansen, M. B. (2016). One scandinavian approach to management by objectives and results, Scandinavian. *Journal of Public Administration*, 20 (1), 45-70.
- Kyriakopoulos, G. (2012). Half a century of Management by Objectives (MBO): A review. *African Journal of Business Management*, 6 (5), 1772–1786.
- Larsson, M. & Hanberger, A. (2016). Evaluation in management by objectives: A critical analysis of Sweden's national environmental quality objectives system. *Journal of The Tavistock Institute*, 22 (2), 190-208.
- Lewis, J. A., Packard, T. R. & Lewis, M. D. (2011). *Management of Human Service Programs* (5<sup>th</sup> edition). Belmont, CA: Cengage Learning.
- Li, X., Frenkel, S. J. & Sanders, K. (2011). Strategic HRM as process: How HR system and organizational climate strength influence Chinese employee attitudes. *The International Journal of Human Resource Management*, 22 (9), 1825-1842.



- Lindberg, E. & Wilson, T. L. (2011). Management by objectives: The Swedish experience in upper secondary schools. *Journal of Educational Administration*, 49, 62-75.
- Maciekowich, M. F. (2018). *The Return of Management by Objectives to Replace Annual Performance Reviews*. Wisconsin: SHRM.
- Mose J. M., Njihia J. M. & Magutu, P. O. (2013). The critical success factors and challenges in e-procurement adoption among large scale manufacturing firms in Nairobi. *Scientific Journal (Kocani)*, (9), 375.
- Mullins, L. J. (2005). *Management and Organizational Behavior*. London: FT Pitman.
- Mutindi, U. J. M., Namusonge, G. S. & Obwogi, J. (2013). Effects of strategic management drivers on organizational performance: A survey of the hotel industry in Kenyan coast. *Journal of Business Ethics*, 23, 399-411.
- Ntanos, A. S. & Boulouta, K. (2012). The management by objectives in modern organisations and enterprises. *International Journal of Strategic Change Management*, 4 (1), 68-79.
- Olanipekun, W. D., Abioro, M. A., Akanni, L. F., Arulogun, O. O. & Rabiou, R. O. (2015). Impact of strategic management on competitive advantage and organisational performance - Evidence from Nigerian bottling company. *Journal of Policy and Development Studies*, 9 (2), 185-198.
- Paul, B. (1997). *Management By Objectives*. New Delhi: Tata McGraw hill publishing.
- Petkova, E. (2017). A model of the vision: Mission, objectives and strategies of the hotel company that determine the processes. *Eastern Academic Journal*, 2, 60-68.
- Qureshi, A. & Hassan, M. (2013). Impact of performance management on the organisational performance: An analytical investigation of the business model of McDonalds. *International Journal of Academic Research in Economics and Management Sciences*, 2 (5), 54-76.
- Rodgers, R. & Hunter, J. E. (1991). Impact of management by objectives on organizational productivity. *Journal of Applied Psychology*, 76 (2), 322-336.
- Rosemary, N. & Evans, O. (2016). Management by objective: A top down planning technique for effective Nigerian secondary school management in the 21. *International Journal of Education, Learning and Development*, 4, 70-81.
- Salama, W. & Abdelsalam, E. (2021). Impact of hotel guests' trends to recycle food waste to obtain bioenergy. *Journal of sustainability*, 13 (6), 1-15.
- Schermerhorn, J. R. (1984). *Management for Productivity*. Hoboken, NJ: John Wiley & Sons.
- Szelagowska-Rudzka, K. (2015). Management style as determinant of employees' direct participation in ICT Industry: Case Study. In J. C. D. Rouco (Ed.), *ECMLG2015-11th European Conference on Management Leadership and Governance* (pp. 478-486). Academic Conferences and publishing limited.
- Tahir, Q. M., Shafkat, K. A. & Mohammed, K. (2008). Management by objective an effective tool for organizational performance: A case study of Pakistani industries. *Proceedings of ASBBS*, 15 (1), 22-33 .
- Tomás, F., Rodríguez, E. & Robaina, V. A. (2004). Resource-based view of outsourcing and its implications for organizational performance in the hotel sector. *Journal of Tourism Management*, 26, 707-721.
- Ugwu, C. I. (2012). *Management by objectives as an Instrument for organizational performance: A case study of First Bank PLC, Enugu main branch*. Masters Thesis. University of Nigeria.
- Vasile, E. & Croitoru, I. (2018). Management by objectives - Factor of growth in organizational performance. *Internal Auditing and Risk Management*, 52 (4), 44-53.
- Verboncu, I. & Vrîncuț, M. (2014). Managerial tools for performance evaluation II. *Management by Objectives and Management by Budgets*, 15, 84-87.



- Weihrich, H. A. (2000) New approach to MBO: Updating a time-honored technique. *Management World*, 1-6.
- Wu, B. (2005). *The Philosophy and Practice of Management By Objectives*. Available at <https://libroweb.alfaomega.com.mx/book/385/free/data/Materiales/Capitulo05/ThePhilosophyandPractice.pdf> [Retrieved 15 August 2021].
- Yanagizawa, S. & Furukawa, H. (2016). Fitness of job type and management by objectives: mediating effects of perception of effectiveness and goal commitment and moderating effects of supervisor's behavior. *Japanese Psychological Research*, 58 (4), 297-309.