

Management by objectives (MBO) is a four-step process in which (1) managers and employees jointly set objectives for the employee, (2) managers develop action plans, (3) managers and employees periodically review the employee's performance, and (4) the manager makes a performance appraisal and rewards the employee according to results. The purpose of MBO is to motivate rather than to control subordinates.

For MBO to be successful three things have to happen. (1) The commitment of top management is essential. (2) The program must be applied organizationwide. (3) Objectives must cascade—becoming more specific at lower levels of the organization.

Deadlines are essential to planning because they become great motivators both for the manager and for subordinates.



### 5.4 The Planning/Control Cycle

Once plans are made, managers must stay in control using the planning/control cycle, which has two planning steps (1 and 2) and two control steps (3 and 4), as follows: (1) Make the plan. (2) Carry out the plan. (3) Control the direction by comparing results with the plan. (4) Control the direction by taking corrective action in two ways—namely, (a) by correcting deviations in the plan being carried out or (b) by improving future plans.

## Management in Action

### Will GM's Strategic Plan Lead to Future Success?

Bailed out by the federal government just three years ago, General Motors Co. has set its sights on a once-unthinkable goal: making more than \$10 billion a year.

It already is headed in that direction. On Feb. 16 [2012], GM is likely to report 2011 net income of about \$8 billion, its highest ever, according to people who have seen the figures. Behind the gain to nearly twice 2010's \$4.7 billion are growth in China and strong profits in North America, where GM has shed billions of dollars of costs and lately has been able to command higher prices.

GM has loftier ambitions still. It aims over the next several years to raise its profit margin—the portion of revenue left after paying expenses—to 10%, Daniel Ammann, chief financial officer, said in an interview. That would be a significant jump from the current margin of about 6% and would be among the highest in the auto industry. . . .

The bailout and restructuring helped GM to shed nearly \$40 billion in obligations to become debt-free. It was a contrast with Ford Motor Co., which didn't have a bailout and is still paying off \$23 billion it borrowed to survive. GM will pay almost no federal corporate taxes for years as one condition of the bailout. . . .

Now, "we are targeting our best-in-class peers," said GM's Mr. Ammann, referring to South Korea's Hyundai Motor Co. and Germany's BMW AG, both of which are estimated to have had a 10% return on sales for 2011. . . .

Mr. Ammann acknowledged that GM has a ways to go, particularly when it comes to leveraging the company's global scope to generate savings. "We have

gaps when it comes to our best-in-class peers, and we are clear that we know where those gaps are," he said.

Adam Jonas, an auto analyst at Morgan Stanley, expressed skepticism that GM can achieve higher margins in their near future because of troubles in Europe and stiffer competition at home, as well as likely lower pickup-truck production. . . .

In South America, where GM's models are outdated, the company is struggling to avoid losses. "Consumers are demanding very good, up-to-date product there and GM is behind," said Brian Johnson, an analyst at Barclays Capital.

In Europe, where GM is weighed down by high labor costs, the company has been losing money for more than a decade. The company still has bloated costs in its engineering and manufacturing operations there. "Clearly we have more work to do," Mr. Ammann said.

GM also faces what promises to be a tougher 2012 in its home market. Toyota and Honda Motor Co. are back to full production after struggling with shortages last year after the Japanese earthquake and tsunami.

Mr. Ammann is setting out to cut billions more in costs while boosting revenue through global sales growth and reduced incentives on some models, he says.

One goal is fewer auto "platforms." GM aims to build vehicles all over the world that are made from the same basic parts and assembled in plants that use the same type of tooling—thus wringing savings out of its massive engineering budget. GM in 2010 had 30 auto platforms. It aims to reduce this total to 24 by 2014 and to 14 by 2018. . . .

Volkswagen and Ford are further down this road. Ford plans to rely on just five common platforms to deliver 75% of sales by the middle of the decade. Globally, Ford made roughly \$300 more profit per vehicle sold than GM through September.

“Ford is light years ahead of GM, [which is] just at the beginning,” said Morgan Stanley’s Mr. Jonas. The process “is expensive and disruptive and will hurt profits for the next couple of years. There is a reason GM had not attacked this before.” Though GM’s bankruptcy helped it shed debt and excess models, it didn’t help the company consolidate vehicle architectures.

Besides cutting costs, GM needs to change its culture. For decades the company focused on selling as many cars as possible, and propping up its U.S. market share, sometimes at the expense of the bottom line.

At the beginning of 2011, GM executives wanted to get sales off to a quick start, and offered plump incentives on Chevrolet trucks, Cadillacs, and GMC sport-utility vehicles. Sales jumped 20%, but soft profit in North America disappointed investors and caused some to fret that GM was back to its old ways.

In December 2011, GM’s North American chief, Mark Reuss, huddled with top sales executives to discuss a strategy for the beginning of this year. The group knew it couldn’t go heavy on incentives again, but worried that holding the line on them would displease dealers, turn off some customers, and mean a weak monthly sales performance.

“We all had to sit back and think about it and decide how comfortable we were with what was going to happen,” recalled sales chief Don Johnson.

In the end, GM chose to cut incentives. On Jan. 30, the night before auto makers would report their January sales totals, Mr. Johnson barely slept, knowing GM would be the only major auto maker to show a decline from a year ago. The next day, Chrysler said its sales had risen 44% in January from the year before, and Ford had a 7.3% rise. GM’s sales fell 6%.

“It is so important for the company to guard against focusing on [market] share over profitability,”

said Harry Wilson, who was a member of the Obama administration’s automotive task force when it oversaw the restructuring of GM. Losing that focus, he said, would be one of the biggest threats to GM’s profitability. . . .

Amid the turnover, GM slimmed down dramatically. It cut its global work force to 208,000 from 263,000 in 2008. The number of union workers in the U.S. fell to 49,000 from 62,000. GM closed 15 plants in the U.S., shed four of its eight brands and trimmed its model line to 49 cars and trucks from 86.

According to GM executives, achieving a healthier margin is becoming the company’s main focus. For salaried executives, for example, annual bonuses are based largely on the company’s margin.

Recently, when GM released global sales figures showing it had regained from Toyota the title of world’s largest auto maker, Mr. Akerson was asked about his feelings on reclaiming the crown.

GM, he replied, needs to focus “on profits and margins and not necessarily try to post numbers on the board.”

## FOR DISCUSSION

1. Which of the four basic strategy types were used by GM? Explain your rationale.
2. Based on the case, what is GM’s vision? Do you think it is realistic? Explain.
3. State two SMART goals for GM based on the case. Are these goals attainable? Discuss.
4. Using Figure 5.5, describe the extent to which GM is using the planning/control cycle.
5. What did you learn about planning based on this case? Explain.

Source: Excerpted from Sharon Terlep, “Target at Post-Bailout GM: Earning \$10 Billion a Year,” *The Wall Street Journal Europe*, February 7, 2012, pp. 14–15. Copyright © 2012 by Dow Jones & Company, Inc. Reproduced with permission of Dow Jones & Company, Inc. via Copyright Clearance Center.

## Self-Assessment

### Holland Personality Types & You: Matching Your Personality to the Right Work Environment & Occupation

#### OBJECTIVES

1. To understand the need to plan for your career.
2. To try to match your personality with an occupation.

#### INTRODUCTION

What do you want to be when you grow up? Some people seem to know early in life. Others come to a realization in college. Still others may be forced to

such awareness by a crisis in later life, such as being dismissed from a job. Of course, most of us make some sort of plans for our careers. But in doing so we may not always be knowledgeable about how to match our personalities with the choices available.

## INSTRUCTIONS

There are four parts to this exercise.

First, select a number from the list of six personality types.

Second, match that choice with the personality you think that type would have.

Third, select the work environment you think would be best for that personality type and personality.

Fourth, based on the preceding three choices, select which occupation would fit best. (For example, if you selected number 1, C, and f, the best fit for an occupation would be artist, musical conductor, and other related occupations.)

Try to connect each of the four parts and then check the key to see if your pairings are correct. After that, go through the list again, identifying what you think your personality type is, what your personality is, the work environment you like or think you would like best, and then the occupation that you would like or do like best. See if there is an alignment by using the scoring guidelines and interpretation shown below; if there is such an alignment, this suggests you may be on your way to a successful career.

## PERSONALITY TYPE

1. Artistic
2. Conventional
3. Realistic
4. Enterprising
5. Social
6. Investigative

## PERSONALITY

- A. Prefers to work with things; is present-oriented, athletic, and mechanical.
- B. Is analytical, a problem solver, scientific, and original.
- C. Relies on feelings and imagination, is expressive, is intuitive, and values esthetics.
- D. Sensitive to needs of others, enjoys interpersonal gatherings, and values educational and social issues.
- E. Adventurous, has leadership qualities, persuasive, and values political and economic matters.
- F. Structured, accurate, detail-oriented, and loyal follower.

## WORK ENVIRONMENTS

- a. Technical/mechanical and industrial.
- b. Traditional and rewards conformity and dependability.
- c. Cooperative and rewards personal growth.
- d. Managerial role in organizations and rewards monetary gains and achievements.
- e. Rewards high academic achievement and uses technical abilities to complete tasks.
- f. Unstructured and allows nonconformity and rewards creativity.

## OCCUPATIONS

7. Chemist/biological scientist, computer analyst, and emergency medical technician.
8. Lawyer, flight attendant, sales representative, reporter.
9. Accountant, bank teller, medical record technician.
10. Cook, drywall installer, auto mechanic.
11. Artist/commercial artist, musical director, architect, writer/editor.
12. Teacher, clergy, nurse, counselor, librarian.

## SCORING GUIDELINES & INTERPRETATION

Scoring is as follows:

- 1-C-f-11
- 2-F-b-9
- 3-A-a-10
- 4-E-d-8
- 5-D-c-12
- 6-B-e-7

The purpose of this type of exercise is to see how personality type, personality, work environment, and occupation can best fit together. When the elements mesh, you will usually feel more competent and more satisfied with your work conditions and occupation. When these elements or factors are mismatched, one can be very frustrated, feel incompetent, or not be good at one's job.

If you wish to know more about career planning, you can avail yourself of a much more in-depth planning process at [www.soicc.state.nc.us/soicc/planning/jh-types.htm](http://www.soicc.state.nc.us/soicc/planning/jh-types.htm).

## QUESTIONS FOR DISCUSSION

1. Does your assessment suggest that your career choice is best for your personality type? How do you feel about this assessment?