Global Journal of Management and Business Research - Section A
GJMBR

Management by Objectives (MBO) as a Strategic Management Tool under Resource Constraints: Pathways to Improved Economic Performance in Bangladesh

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Abstract

Bangladesh has achieved sustained economic growth despite persistent shortages of raw materials, skilled human resources and institutional integrity. This article examines whether Management by Objectives (MBO), first articulated by Peter Drucker (1954), can serve as a practical strategic management model for improving organisational and national economic performance under such constraints. Using a qualitative, secondary-data approach, the study reviews classical and contemporary literature on MBO and goal-setting theory, and analyses Bangladesh's resource and governance context through government plans, policy documents and published research. The analysis suggests that MBO is well suited to resource-scarce settings because it concentrates scarce inputs on a limited number of measurable priorities, aligns individual effort with organisational and national goals, and creates a transparent basis for accountability. The article proposes a five-stage MBO framework adapted to Bangladesh and discusses its application in the ready-made garments (RMG) sector, small and medium enterprises (SMEs), state-owned enterprises and public administration. It also identifies implementation risks, including hierarchical culture, weak data systems, political interference and ethical lapses, and offers recommendations for managers and policymakers.

Keywords: *Bangladesh Economy, Goal Setting, human resource development, Management by Objectives, performance management, professional ethics, Resource Constraints, strategic management*

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1. Introduction

Bangladesh is one of the most closely watched development stories of the past three decades. From a low-income economy at independence, it has become a lower-middle-income country with strong export performance, rising female workforce participation and steady reductions in poverty. Yet this progress has occurred alongside structural weaknesses. The country imports a large share of its industrial raw materials, including cotton, fuel and capital machinery. Its workforce is large but often under-skilled relative to the needs of higher-value industries. Governance and professional-ethics concerns, including corruption, weak enforcement and politicised appointments, continue to raise the cost of doing business and reduce the efficiency of public and private organisations.

In such an environment, the question for managers and policymakers is not simply how to obtain more resources, but how to use limited resources more purposefully. Management by Objectives (MBO) offers one answer. MBO is a management process in which superiors and subordinates jointly define objectives, specify the results expected of each person, and use those results to guide operations and evaluate performance (Drucker, 1954; Odiorne, 1965). Its central logic, that clear, agreed and measurable goals focus effort and reduce waste, is highly relevant to a country that cannot afford idle capacity or misdirected investment.

This article asks: How can the Bangladesh economy use the MBO model to improve its economic performance despite constraints in raw materials, human resources and professional ethics? It aims to (i) explain the theoretical foundations of MBO; (ii) describe the main resource and institutional constraints facing Bangladesh; (iii) propose an MBO-based strategic framework suited to those constraints; and (iv) identify risks and policy recommendations.

2. Research Methodology

This study adopts a qualitative research design based on secondary data. Qualitative inquiry is appropriate because the aim is to interpret and apply a management theory to a particular national context, not to test a statistical hypothesis. The method involved the following steps:

1. *Source identification.* Secondary sources were drawn from peer-reviewed journals, classic management texts, and official Bangladesh government and development-partner documents, including national plans and public-sector performance-management policies.

2. *Content and thematic analysis.* Materials were reviewed and coded into themes: the principles of MBO, evidence on its effectiveness, resource constraints in Bangladesh, and governance and ethical challenges.

3. *Analytical synthesis.* The themes were combined to construct a context-specific MBO framework and to derive propositions and recommendations.

2.1. Limitations of the Study

Because the study relies on secondary data, it does not provide primary empirical evidence on MBO adoption by individual Bangladeshi firms. Findings are therefore interpretive and should be tested in future through surveys, interviews or case studies.

3. Theoretical Background: Management by Objectives

3.1. Origins and Core Principles

The concept of MBO was popularised by Peter Drucker in The Practice of Management (1954), where he argued that managers should direct their work by objectives rather than by activities, and that every manager needs clear goals that reflect the goals of the whole organisation. George Odiorne (1965) and John Humble (1970) developed the approach into a systematic managerial process. Although practitioners describe the cycle in different ways, MBO generally contains the following elements:

- Organisation-wide goal setting, derived from the mission and strategy.
- Cascading of objectives to departments, teams and individuals so that each contributes to higher-level goals.
- Participation of subordinates in setting their own objectives.
- Measurable, time-bound targets, often expressed through the SMART criteria (Doran, 1981).
- Periodic review and feedback during the performance cycle.
- Performance appraisal and reward linked to the achievement of agreed objectives.

3.2. Link with Goal-Setting Theory

MBO is theoretically supported by goal-setting theory. Locke and Latham (1990, 2002) show that specific and challenging goals lead to higher performance than vague or easy goals, provided that people have the ability and commitment to pursue them and receive feedback. Participation in goal setting can improve commitment and acceptance. McGregor's (1960) Theory Y, which assumes that people can exercise self-direction when committed to objectives, provides a behavioural foundation for the participative element of MBO.

3.3. Evidence on Effectiveness

Empirical evidence is generally supportive but conditional. In a widely cited review of 70 studies, Rodgers and Hunter (1991) found that the large majority reported productivity gains from MBO, and that the gains were larger where top-management commitment was high. Earlier reviews (Kondrasuk, 1981) also noted that MBO can fail when it becomes a paperwork exercise, when objectives are imposed from above, or when appraisal is used mainly for punishment. These findings are important for Bangladesh, because the same conditions, namely leadership commitment and genuine participation, are often the weakest points in local organisations.

3.4. MBO and Modern Strategic Management Tools

MBO is not a rival to contemporary tools but their foundation. The Balanced Scorecard (Kaplan and Norton, 1992) extends objective-setting beyond financial targets to customer, internal-process and learning-and-growth perspectives. Modern frameworks such as Objectives and Key Results (OKRs) are widely seen as descendants of MBO. For a developing economy, MBO's relative simplicity is an advantage: it can be introduced with limited technology and then upgraded to more sophisticated systems as capacity grows.

4. The Bangladesh Context: Opportunities and Constraints

4.1. Economic Setting and National Planning

Bangladesh has a strong tradition of medium-term national planning. The Eighth Five Year Plan (Planning Commission, 2020) sets targets for growth, employment, poverty reduction and sectoral development, while the Perspective Plan 2021-2041 (General Economics Division, 2020) articulates a long-term vision of upper-middle-income status by 2031 and high-income status by 2041. These plans are, in effect, national-level statements of objectives. Their weakness has often been in translating high-level targets into clear responsibilities and measurable outputs at the level of ministries, agencies and firms, which is exactly the gap that MBO is designed to fill.

The government has already experimented with a public-sector version of the approach. Since the mid-2010s, ministries and divisions have signed Annual Performance Agreements (APAs) with the Cabinet Division, setting measurable targets and performance indicators (Cabinet Division, Government of the People's Republic of Bangladesh, 2014). APAs reflect the MBO principle of cascading objectives, although their effectiveness depends on the quality of indicators, monitoring and consequences.

4.2. Raw Material Constraints

Bangladesh is land-scarce and densely populated, with limited reserves of many industrial minerals and a heavy dependence on imported inputs, especially for its dominant export industry, ready-made garments. Imported cotton, yarn, fabrics and accessories expose manufacturers to exchange-rate shocks, supply disruptions and global price swings. Energy shortages, particularly of natural gas, add a further constraint on industrial output.

4.3. Human Resource Constraints

The country enjoys a demographic advantage with a large working-age population, but skills mismatches are a recurring concern. Many workers lack technical training, and middle-management capability is limited in many small and family-owned firms. Higher-value activities, such as design, branding, engineering and digital services, require skills that the education and training system has not yet delivered at scale.

4.4. Professional Ethics and Institutional Constraints

Transparency International's global corruption indices have consistently placed Bangladesh in the lower half of countries, reflecting concerns about bribery, patronage and weak accountability. Weak professional ethics in the workplace, including favouritism in recruitment and promotion, falsified reporting, and non-compliance

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with labour and safety standards, undermine trust and distort performance measurement. The collapse of the Rana Plaza building in 2013 became a stark reminder of the human cost of weak compliance and accountability in the supply chain.

5. Why MBO Fits a Resource-Constrained Economy

The analysis indicates five reasons why MBO is particularly relevant to Bangladesh's situation:

1. *It focuses scarce resources on priorities.* Where raw materials, energy and capital are limited, firms and agencies cannot pursue every opportunity. MBO forces managers to choose a small number of high-impact objectives and to direct inputs towards them.

2. *It converts human capital into measurable contribution.* Clear targets and regular feedback help less-experienced workers understand what is expected and improve on the job. This turns day-to-day work into a form of low-cost training.

3. *It aligns individual and national goals.* By cascading objectives from national plans to ministries, firms and teams, MBO can create a coherent chain between Vision 2041 and individual performance.

4. *It supports transparency and ethical conduct.* When objectives and results are written down, agreed and reviewed, there is less room for arbitrary evaluation and favouritism. Ethical behaviour can itself be set as an objective, for example the proportion of audits passed or the number of compliance violations.

5. *It is low-cost and scalable.* MBO does not need expensive technology. It can be implemented with simple target sheets and review meetings in an SME, and later integrated into digital dashboards in larger organisations.

6. A Proposed MBO Framework for Bangladesh

Building on the literature and the context analysis, this article proposes a five-stage framework:

Stage 1: Strategic anchoring. Organisations define their mission and select three to five strategic objectives linked to national priorities such as export diversification, productivity growth, job creation, energy efficiency and import substitution.

Stage 2: Constraint-aware objective setting. Objectives are written in SMART form and explicitly account for known constraints. For example, a garment factory might aim to cut fabric wastage by a stated percentage, raise the share of locally sourced inputs, or reduce energy use per unit produced, rather than simply raising output.

Stage 3: Participative cascading. Superiors and subordinates agree on departmental and individual objectives through dialogue. Participation is particularly important in Bangladesh's hierarchical culture, where employees may hesitate to voice disagreement. Structured one-to-one goal conversations and team workshops can help.

Stage 4: Monitoring, feedback and capability building. Monthly or quarterly reviews track progress. Where targets are missed because of skill gaps, the response is training or coaching, not only sanctions. Partnerships with technical institutes, industry associations and universities can supply this training.

Stage 5: Ethical appraisal and reward. Appraisal is based on verifiable results and on observable conduct, including compliance, honesty in reporting and respect for workers. Rewards are transparent and linked to the achievement of agreed objectives, reducing the scope for favouritism.

7. Sectoral Applications

7.1. Ready-Made Garments (RMG)

The RMG sector accounts for the major share of Bangladesh's export earnings. MBO can be applied at factory level through objectives for productivity per worker, defect and rework rates, on-time delivery, energy and water efficiency, workplace safety and compliance. Because the sector depends on imported inputs, shortening lead times and reducing wastage are especially valuable objectives. At the industry level, associations can use MBO-style targets to move production towards higher-value products and to diversify markets.

7.2. Small and Medium Enterprises (SMEs)

SMEs are a major source of employment but often lack formal management systems. A simplified MBO approach, with a few annual and quarterly targets for sales, quality, cash management and skills development, can bring discipline without heavy administrative cost. Government agencies and financial institutions can support this by linking access to credit and training to the preparation of simple business objectives.

7.3. State-Owned Enterprises (SOEs)

Many SOEs have been affected by inefficiency and losses. Performance contracts that set measurable financial and service-delivery objectives, reviewed independently and published, can improve accountability. The key success condition is that managers have real authority over the resources needed to meet their targets, and that results are not overridden by political interference.

7.4. Public Administration

The APA system provides an institutional platform for MBO in government. To strengthen it, indicators should focus on outcomes (such as service quality and time taken) rather than only on activities. Citizens' feedback, independent verification and a clear link between performance results and career progression would increase credibility.

8. Challenges and Risks

The literature and context analysis highlight several risks that could limit MBO's contribution in Bangladesh:

- *Hierarchical and paternalistic culture.* If objectives are simply dictated from the top, MBO loses its participative value and may reduce commitment (Kondrasuk, 1981).

- *Weak data and measurement systems.* Poor-quality statistics and records make it hard to set realistic targets and verify results.

- *Target manipulation and ethical lapses.* Where integrity is weak, managers may falsify results or choose easy targets. Independent audit and transparent reporting are therefore essential.

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- *Political interference and unstable leadership.* Frequent changes in leadership and politicised appointments can interrupt the goal cycle.
- *Over-emphasis on quantifiable goals.* Concentrating only on measurable targets can neglect quality, innovation and employee wellbeing, an issue the Balanced Scorecard seeks to address (Kaplan and Norton, 1992).
- *Short-term focus.* Annual targets may crowd out long-term investment in skills and technology unless they are linked to strategic objectives.

9. Recommendations

1. *Secure top-management and political commitment.* Evidence shows that MBO results depend heavily on leadership support (Rodgers and Hunter, 1991).
2. *Start small and scale up.* Pilot MBO in selected ministries, large exporters and SME clusters, evaluate the results, and then extend the model.
3. *Invest in managerial training.* Universities, the Bangladesh Institute of Management and industry bodies can train managers in objective setting, feedback and coaching.
4. *Embed ethics in objectives and appraisal.* Compliance, transparency and anti-corruption indicators should form part of each organisation's objectives.
5. *Strengthen data and monitoring.* Improve statistical capacity and use simple digital tools to track objectives and publish results.
6. *Link national plans to organisational objectives.* Ministries, regulators and industry associations should translate Vision 2041 and the Five Year Plans into sector-level and firm-level targets.
7. *Combine MBO with complementary tools.* Over time, integrate the Balanced Scorecard and similar tools to capture quality, innovation and sustainability.

10. Conclusion

Bangladesh cannot easily remove its structural constraints in the short run: raw-material dependence, skills shortages and weaknesses in professional ethics will continue to shape its economic prospects. However, the way in which scarce resources are directed and monitored is within the control of managers and policymakers. Management by Objectives offers a disciplined, participative and low-cost approach to focusing effort on priorities, aligning organisations with national goals, building employee capability and promoting accountability. Its success will depend on genuine leadership commitment, honest measurement and a culture of participation. If adapted carefully to local conditions, MBO can serve as a practical bridge between Bangladesh's ambitious national plans and the everyday performance of its firms and institutions, thereby contributing to sustained economic growth. Future research should test the framework empirically through case studies and surveys in the RMG sector, SMEs and public agencies.

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