JOURNAL OF IDEA Journal of Investment, Development, Economics and Accounting

ISSN (*print*) : 3047-3470 & ISSN (online) : 3047-1982

Vol. 2 • No. 1 • Mei 2025
Pege (*Hal.*) : **100 – 106**

ISSN (*online*) : 3047-1982
ISSN (*print*) : 3047-3470

website. :
https://ojs.ideanusa.com/index.php/JIDEA

© IDEA Nusantara
Darmaguna IDEA Nusantara Foundation
Jl. Pendowo, Limo No. 69, Depok, Indonesia
Telp. 0875 8655 3215
Email : ideajournal@ideanusantara.com

Effect of management by objectives on organizational and financial performance of banks

Emeka Alex Akwaeze[1]; Chinelo Patience Ohanyere[2]; Ekwutosi Theresa Ezeanorue[3]; Michael Ikenna Udodiugwu[4]

[1]Alex Ekwueme Federal University Ndufu-Alike, Nigeria
[2-4]Chukwuemeka Odumegwu Ojukwu University, Nigeria
Email: [1]emeka.akwaeze@funai.edu.ng; [2]cp.ohanyere@coou.edu.ng; [3]teeezeanolue76@gmail.com; [4]mi.udodiugwu@coou.edu.ng

ARTICLE INFO

Research Paper

Article history:
Received : March, 2025
Revised : April, 2025
Accepted : May, 2025

Keywords: Management by Objectives (MBO); Organizational Performance; Financial Performance; Employee Accountability; Goal Setting

ABSTRACT

Purpose – The study investigated the effect of management by objectives on organizational and financial performance of banks. Two research objectives and research questions; and two research hypotheses were used for the study
Methodology/approach – The study adopted a descriptive survey research design. The population of this study encompassed the employees of a commercial bank in Anambra State. The population of the study consists of 105 employees in the branches of the bank in Awka South Local Government Area in Anambra State, Nigeria, which is made up of top, middle and junior management level staff. Data generated from the survey were analyzed using descriptive statistics such as mean, frequency percentages and standard deviation (SD) which provided answers to the research questions..
Findings – Findings showed strong agreement that MBO enhances goal setting, accountability, and decision-making, with mean scores (3.91–3.95) and a grand mean of 3.61. It also improves financial performance (means 3.44–3.96; grand mean 3.77). A correlation coefficient ($r = 0.963$, $p = 0.10156 > 0.05$) indicated a strong but insignificant relationship. It therefore recommended that top management should sponsor their staff conferences in the area of banking management and planning within and outside the state where they will acquire more knowledge on the application of MBO to their managerial tasks.

ISSN (*print*) : 3047-3470 & ISSN (online) : 3047-1982

INTRODUCTION

Every business organization seeks to maximize its value, which can be accomplished by cutting costs and identifying sources of financing that can most effectively permit this goal. Any organization that wants to survive needs a strategic plan for accomplishing its long-term goals and objectives. As a result, Lively (2021) posited that an organization needs to be strategic in how it plans to achieve its goals and objectives. One of the management techniques is called Management by Objective (MBO). The management by objective strategy pushes managers to constantly inquire what more can be done to enhance organizational performance and mandates that they define explicit goals to be met in the future (Fried & Slovik, 2022).

Organizational performance according to Maguire (2023) is a measurement used to assess an organization's degree of success, failure, strength, weakness, human capital, attitude, and employee welfare, among many other crucial determinants. As a result, every organization should prioritize organizational performance in all its manifestations since it not only assesses its determining component but also establishes its profit margin and organizational objective (Maguire, 2023). In light of this, scholars and organizational managers use a variety of strategies in their attempts to improve organizational performance.

Management by objectives (MBO) is one of the numerous managerial strategies and methodologies that have been proposed by various scholars to help improve the performance of the business (Obi & Obiajulu, 2018). The term "management by objectives" describes a structured series of steps that start with goal-setting and end with performance evaluation. Together, managers and their subordinates establish shared objectives (Stoner, 2020). Furthermore, Stoner believed that each person's primary areas of responsibility are well-defined in terms of quantifiable expected results or objectives, utilized by employees in their work planning, and carried out continuously by employees and their managers, with provisions for frequent periodic reviews. Management by objectives is defined by Koontz and O'Donnell (2018) as a technique of system or method of management whereby the superior and subordinate managers of an organization agreed on its broad goal, translate these goal into a chain of specific short term goals, defined each individuals major areas of responsibility in terms of result expected continually reviewed the accomplishment as the sole basis of assessing and rewarding them.

Objectives :1. Determine the role of management by objective on organizational performance of banks. 2. Examine the impact of management by objective on financial performance of the commercial bank.

Research Questions: 1. What is the role of management by objective on organizational performance of banks? 2. What is the impact of management by objective on financial performance of the commercial bank?

LITERATURE REVIEW

In line with Obi and Obiajulu (2018), management by objectives (MBO) is a strategic approach in which management sets clear and measurable goals for employees to achieve within a specified timeframe. This method aligns managerial aspirations for growth with the organization's overall profit and performance objectives. As noted by Anaekwe et al, (2025), MBO provides a structured framework that fosters participation, accountability, and performance enhancement across hierarchical levels. Employees are actively involved in goal setting and decision-making within defined limits, which promotes motivation and ownership of results (Ohanyere et al, 2025a). Furthermore, effective MBO implementation depends on adequate training, communication, and supervision, ensuring that employees understand their responsibilities and are equipped to meet organizational targets (Ohanyere et al, 2021). Consistent with Ohanyere et al, (2025b), this approach contributes to sustainable organizational growth by aligning individual efforts with corporate objectives, enabling efficient use of resources, and enhancing profitability.

Additionally, management by objective assigns tasks to subordinates in order to achieve particular goals or important outcomes, concentrating on the outcome rather than the activity (Hastings & Hawkins, 2023). All organizations have a purpose, and in order to fulfill that purpose, top management establishes goals and objectives that are shared by the entire organization claim Hansung and Stoner (2018). From one administrative level to the next, plans and objectives are communicated, and subordinates are informed of their responsibilities and what they will be held accountable for (Hansung & Stoner, 2018). The supervisor's subordinates are included in the precise goals and measures communicated by the superior. They work together to create a set of precise objectives and timelines for achieving them (Fried & Slovik, 2022).

Organizations are ubiquitous as Mullins (2023) averred that organizations are designed by people to overcome individual limitations and achieve individually. Hence, organization becomes a means of survival for the people and exerts an important daily influence on the life of the people and the way they live. The existence of competent personnel who know how to integrate the organization's resources (people, machines, materials, and money) to accomplish its objectives is a key factor in determining whether an organization will survive. Many Nigerian firms, particularly banks, use the majority of management by objective processes, systems, and management tools in an unreliable manner, which causes losses and damages to the organization. Besides it is the wrong use of techniques and unwillingness of top management to utilize the right tool to solve the management problems. This brought about the research on the study on management by objectives impact on organizational performance with the commercial bank as a case study.

METHOD

The study adopted a descriptive survey design, which allows both explicit and implicit hypotheses to be tested through data collected from participants' opinions. According to Nworgu (2015), the descriptive survey design is used to gather information from a representative sample of a population to support decision-making and serve as a foundation for further research. It is suitable for this study on the impact of management by objective (MBO) on organizational performance in a commercial bank in Anambra State, because it focuses on gathering employees' opinions through structured questions. The population of the study consists of 105 employees working in the bank branches within Awka South Local Government Area, including top, middle, and junior management staff. Based on data from the Human Resources Department, this number covers both contract and permanent employees. Considering the population size is less than 1000, all 105 employees were used as the sample size.

A random sampling technique was applied to reduce bias and ensure every participant had an equal chance of being selected, providing a fair and manageable representation. The research instrument was a structured questionnaire divided into two parts: one section collected demographic data, while the other contained questions aligned with the study's objectives. Respondents indicated their views on a four-point Likert scale ranging from "Strongly Agree" to "Strongly Disagree." The questionnaires were personally distributed by the researcher to ensure clarity and timely collection. Data collection involved both primary and secondary sources. The primary source was the questionnaire, while the secondary sources included textbooks, journals, government reports, and online publications.

Data analysis was carried out using descriptive statistics such as mean, percentage, and standard deviation to answer the research questions. The decision rule was based on a mean score of 2.50 and above being accepted, while scores below 2.50 were rejected.

ISSN (*print*) : 3047-3470 & ISSN (online) : 3047-1982

Hypotheses were tested using the Chi-square statistical technique with the Statistical Package for the Social Sciences (SPSS) version 23. To ensure validity, the questionnaire was reviewed by the project supervisor, who confirmed that it accurately measured what it was designed to measure and aligned with the study objectives. Reliability was established using the Pearson Correlation Coefficient, with an acceptable range between 0.67 and 0.87. Ethical considerations included obtaining departmental approval, securing informed consent from all participants, and seeking permission from relevant authorities. The researcher also scheduled visits for questionnaire distribution in advance to maintain transparency and respect participants' rights.

RESULT AND DISCUSSION

Research Question 1: What is the role of management by objective on organizational performance of banks?

Table 1: Mean Ratings and Standard Deviation Scores on role of Management by Objective on Organizational Performance of Banks

N=50

S/N	Items	Mean (X)	SD	Decision
1.	Help in setting specific financial clear goals	3.91	1.10	Agree
2.	Enables the bank to improve performance measurement	3.53	1.08	Agree
3.	Promotes accountability of employees to better financial outcomes	2.79	0.18	Agree
4.	Helps the bank align their financial goals with overall strategic objectives	3.88	1.10	Agree
5.	Enables informed decision making and resource allocation	3.95	0.93	Agree
	Grand Mean	**3.61**	**1.04**	**Agree**

Source: Field Survey, 2025

Table 1 on the role of management by objective on organizational performance of the commercial bank in Awka South LGA in Anambra State showed that mean ratings of items 1, 2, 3, 4 and 5 indicated agreement with scores 3.91, 3.53, 2.79, 3.88 and 3.95 above the average mean value of 2.50 respectively, while no item indicated disagreement with score below average mean value of 2.50. The finding of this study reveals a grand mean of 3.36 revealing the agreement of respondents on the role of management by objective on organizational performance of the commercial bank.

Research Question 2: What is the impact of management by objective on financial performance of the commercial bank?

Table 2: Mean Ratings and Standard Deviation Scores on impact of management by objective on financial performance of the commercial bank

N=50

S/N	Items	Mean (X)	SD	Decision
6.	Promotes bank's accountability	3.44	1.07	Agree
7.		3.96	1.04	Agree

8.	Helps the bank set SMART goals with organizational objectives	3.59	0.79	Agree
9.	Resources can be allocated more efficiently	3.94	1.12	Agree
10.	Motivate employees to improve financial performance	3.90	0.94	Agree
	Increase staff productivity through prioritization of tasks			
	Grand Mean	**3.77**	**1.03**	**Agree**

Source: Field Survey, 2025

Table 2 on the impact of management by objective on financial performance of the commercial bank in Awka South LGA in Anambra State showed that mean ratings in items 6, 7, 8, 9 and 10 indicated agreement with scores 3.44, 3.96, 3.59, 3.94 and 3.90 above the average mean value of 2.50 respectively, while no item indicated disagreement with score below average mean value of 2.50. The finding of this study reveals a grand mean of 3.77 revealing the agreement of majority of the respondents on the impact of management by objective on financial performance of the commercial bank in Anambra State.

Research Hypothesis

HO_1: **There is no significance relationship between management by objective and financial performance of the commercial bank.**

Table 3: Pearson Correlation for Research Questions I

		MBO	Financial Performance
MBO	Pearson's Correlation	0.963	0.851
	Sig. (2-tailed)	0.0002	0.0001
	N	50	50
Financial Performance	Pearson's Correlation	0.851	0.963
	Sig. (2-tailed)	0.0001	0.0002
	N	50	50
	Df	48	
	P-value	0.10156	
	Level of Sig.	0.05	
	Decision	Not rejected	

Source: *Analysis Output Using Excel 22.*

Table 3 on MBO and financial performance of UBA bank plc showed a correlation coefficient = 0.963 with p-value at 0.10156 > 0.05 indicated hypotheses is not rejected, which implies there is a very high positive relationship between the MBO in relation to the bank financial performance in Awka South LGA in Anambra State. This indicates there is no significance relationship between management by objective and financial performance of the commercial bank.

The finding of this study on the role of management by objective on organizational performance of the commercial bank in Awka South LGA in Anambra State showed that respondents agreed it; help in setting specific financial clear goals, enables the bank to improve performance measurement, promotes accountability of employees to better financial outcomes, helps the bank align their financial goals with overall strategic objectives, and enables informed decision making and resource allocation. This finding is in line with the study of Antoni (2015) that MBO sets clear goals and objectives that are measurable and achievable. Joint goal setting enhances intra-group communication and lifts team spirit. Also, it increases

ISSN (*print*) : 3047-3470 & ISSN (online) : 3047-1982

commitment towards achieving those goals. According to Mullins (2023) when employees have a better understanding of what is required from them their productivity increases to the maximum level.

The result of data analysis on the impact of management by objective on financial performance of the commercial bank in Awka South LGA in Anambra State showed that it; promotes bank's accountability, helps the bank set SMART goals with organizational objectives, resources can be allocated more efficiently, motivate employees to improve financial performance, and increase staff productivity through prioritization of tasks. The result is consistent with the findings of Akrani (2020) who stated that MBO's focus is on developing action plans, roadmaps, mobilizing resources and how to match those resources with the organizational objectives. Moreso, Enemuo et al (2022) revealed that MOB provides a way to integrate and focus the efforts of all organization members on the goals of high management and overall organizational strategy.

CONCLUSION

The study concluded that management by objectives (MBO) plays a significant role in enhancing both organizational and financial performance of banks. The findings revealed that MBO fosters clear goal setting, improves accountability, strengthens performance measurement, and aligns employee efforts with strategic objectives. It also enhances decision-making, resource allocation, and staff productivity. Although the correlation between MBO and financial performance was strong, it was not statistically significant, suggesting that while MBO positively influences bank performance, other external factors may also contribute. Therefore, banks should effectively implement MBO principles to improve operational efficiency, accountability, and overall financial outcomes.

REFERENCES

Akrani, G. (2020). Management by objectives (MBO), Education, Management, Study Notes. Retrieved from http://kalyan-city.blogspot.co.uk/2010/06/management-by-objectives-mbo-peter.html.

Anaekwe, V. B., Okoye, N. S., Okoye, E., & Ohanyere, C. P. (2025). Manpower planning and organizational performance: A study of Anambra State Ministry of Environment, 2018-2022. Humanities Horizon, 2(3), 144-155.

Antoni, C. (2015). Management by objectives – an effective. International Journal of Human Resource Management, 16:2, 174-184.

Enemuo, J. I., Odo, A. M., & Onyejiaku, C. (2022). Impact of Management by Objective (MBO) on the Organizational Performance of Selected Deposit Money Banks. Management Sciences.

Fried, Y., & Slovik, H. (2022). Enriching Goal-Setting Theory with Time: An Integrated Approach. The Academy of Management review, 29(3), 404-422.

Hansung, K., & Stoner, M. (2018). Burnout and turnover intention among social workers: effects of role stress, job autonomy and social support. Journal of Administration in Social Work, 32(3), 5-25.

Hastings, F., and Hawkins, J. (2009). Body Weight and Goal Setting among Multiracial Young Women: Results from the California Health Interview Survey (CHIS). Journal of African American Studies, 13(1), 14-28.

Koontz, H., and O'Donnel, C. (2018). Management, Tokyo: McGraw Hills Inc.

Lively, B. (2021). Management by objectives: getting back to basics. Journal on management System Corporation, 7(3), 1-5.

Maguire, M. (2023). Management by Objectives: Applications for or Nursing. AORN Journal, 45(3), 752-753.

Mullins, J. L. (2023). Management and Organizational Behaviour: Seventh Edition P.C.M. London: Pitman Publishing Imprint.

Obi, C., & Obiajulu, M. (2018). AN APPRAISAL OF GLOBALIZATION AND THE PARADOX OF MIGRATION IN AFRICA. Nnadiebube Journal of Philosophy, 2(2).

Ohanyere, C. P., Eboh, O. S., & Theresa, E. E. (2025a). Impact of Motivation and Job Satisfaction on Employees' Performance at Central Bank of Nigeria, Awka Branch. Ecobankers: Journal of Economy and Banking, 6(2), 65-85.

Ohanyere, C. P., Gloria, N. E., Okeke, C. F., & Eboh, O. S. (2025b). Sustainable entrepreneurship and profitability of manufacturing firms in Anambra state. INJOSEDU: International Journal of Social and Education, 2(7), 2336-2350.

Ohanyere, C. P., Ngige, C. D., & Jacobs, C. J. (2021). Effect of training on organizational performance of small and medium scale enterprises in Anambra state, Nigeria. International Journal of Management and Entrepreneurship, 3(1), 67-75.

Stoner, J. A. (2020). Management, New Delhi: Prentice Hall.