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'Management by objectives': An impediment to corporate compliance

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The desire to operate within the ambit of what is legally and ethically acceptable is often much-admired by many organizations, but whether they live up to this expectation is another issue entirely. More often than not, the ability to meet compliance targets is commonly bedeviled by the management approach or style adopted by organizations. Ideally, individual career aspirations within a given organization should work in tandem with the overall corporate objectives; however, having an ambition beyond the threshold of corporate goals constitutes conflict of interest, as it may compromise the organization's corporate compliance objectives.

Therefore, there is an urgent need to strike a balance between corporate compliance goals and employees' career objectives through the careful adaptation of management principles that promote ethical and lawful pursuit of the organization's objectives.

Is management by objectives the way to go?

The concept of "management by objectives," also known as "management by result," is a strategic management module that was made popular by Peter Drucker in his 1954 book, *The Practice of Management*.[1] It is a model that aims to improve the performance of an organization by clearly defining objectives that are agreed upon by both management and employees. This theory seeks to give employees a sense of ownership of set career goals through broad-based participation in goal setting while ensuring alignment with the organization's business objectives.

Management by objectives, however, has an inherent weakness that makes organizations susceptible to compliance violations if not properly implemented. According to W. Edwards Deming,[2] setting particular goals like production targets leads workers to meet those targets by any means necessary, including shortcuts that result in poor quality. Most compliance infractions by organizations are associated with actions of employees and top management geared toward attaining corporate goals and objectives. The questions that then arise are:

- Do organizations see potential violation of ethical norms and laws as an unavoidable path toward actualizing corporate objectives?
- Do they emphasize compliance with ethical norms and laws as much as they emphasize set commercial targets?
- Is compliance with ethical norms and laws part of corporate objectives or a means toward actualizing corporate objectives?
- Does compliance with ethical norms and laws confer competitive advantage on organizations?

Organizations with the best of intentions may be found liable for compliance violations resulting from desperate acts or actions of employees who are under pressure to meet career goals at all costs. As much as the organization may not have given express approval for illicit business practices, the management approach to goal setting and performance appraisal is enough incentive for employees to indulge in illicit business practices. There are instances when top management sets unrealistic business goals and expects employees to deliver on those goals. In this instance, if there is a violation of any law by employees, the organization can be said to be the architect of its own misfortune. Although there are situations when, at the time of setting the business objectives, the prevailing situation justified the attainability of the goals, subsequent events may suggest otherwise. In this case, the appropriate thing to do is to recast the goal within achievable boundaries.

Another issue of concern is the reward system of organizations where employees are rewarded only for big-ticket accounts or closing a deal without probing how it was done. Such practices foist unhealthy competition among employees; the race to outshine one another will open the organization to all manners of unethical business practices.