

MBO: company's objective identified with the one of its' employees

Makro: to motivate thousands



Introduction of management by objectives makes the employees' effort concentrate on the objectives of the company. New motivation mode in Makro, based on MBO, was supported with complex SAP solutions.

Makro stores are part of the world largest distribution network Metro. The first Makro store opened in Poland in 1994. Since then, new ones have been springing up. Up to now Makro have built 27 stores throughout the country. Metro Group is an international trading and retailing company operating in 30 countries around the world. In Poland Metro Group has been present through its sales divisions since the mid-nineties. Metro Group corporate headquarters are located in Duesseldorf/Germany. Metro Group is a leader in the trade sector in Poland. Metro Group in Poland operates chains of Makro, real, Media Markt and other. More information: www.metrogroup.pl

To know company's objectives

After Peter Drucker, who in 1954 created MBO, each employee should work so that the company could reach its strategic objectives. The method of MBO results in achieving such an effect.

Management by objectives does not let falling into a so called trap of activities, that is focusing on everyday tasks without knowing the goals of our work.

The basic task is to make the employee realize, which are the objectives of the company and what is the way his or her work can influence their achievement. Management by objectives system is being transposed onto the motivated remuneration system.

Well tailored, based on the MBO motivation system causes that managers and other employees, fulfilling their own tasks, complete company's priorities.

Versatile motivation tool

One of the main ideas of MBO is common work, led by all the managers striving for setting the list of goals important for the organization. After Drucker, strategic planning of objectives led by the broadly defined management and not only by managers of the highest level, positively impacts on task comprehension and identification with company's objectives.

After individual professional objectives planning, consistent with corporate priorities, the next MBO phase is to control the process of goals accomplishment. The feeling and awareness of having achievements, which are measurable and undisputable, dependent not on the opinion of others, but only on the results of ones own work, is a desirable outcome for employee's motivation. The next idea and result of MBO implementation is return information. Both elements let additionally motivate the employees.

The combination of employees' motivation system with the level of goals' achievement, but also making the bonuses dependent on the results of the company's overall success, makes employees identify with the organization.

Transposition of the responsibility for the company's development on the certain employees' activities causes, apart from motivation, realization and materialization of the abstract idea of strategic development of the organization. The meaning of employees participation in the whole strategy creating process is also highly important. It results in them understanding the company's requirements and their own place in the organization. Therefore, MBO is a versatile motivation tool, which trough the enhancement of human capital efficiency lets increasing the efficiency of the whole organization.

Starting from business

As most of the big changes at the organization, the first step of implementing MBO is a pure business project. Information technology system is here explicitly a tool supporting the processes, tailored in the business part. If you make any mistakes in the business phase, the support of even the most advanced information technology tools will not contribute to a better accomplishment of the strategy.

For a greater success of the MBO project the moment of the objective setting is critical. Goals set for the employees should be formulated clearly, be able to achieve and measure or define the level of their accomplishment.

The business side of MBO is tailored upon the employees' knowledge about the enterprise, as well as upon the method of MBO itself. A help of a consulting company with knowledge and previous MBO experience is highly recommended, not to make any mistakes on this stage. The desired working result of the group implementing MBO is defining the objectives, which are:

- employee-motivating
- fully understandable and acceptable, not only for the "managed", but also for the "managing" group
- taken by the employees as their own tasks
- perceived as possible to accomplish, but giving the feeling of task complexity and encouraging to develop professionally

The next stage of creating the MBO program is assigning the weight to the objectives, proportion between the quality and quantity objectives. It has to be decided, which goals – personal or company ones – have to be supreme over the others, accordingly to the implemented strategy.

An important element having already certain consequences for the information technology system, which supports the new processes, is defining employee appraisal frequency, appraisal method, scale and option of appraisal, and choosing the method of conduct in case of failure to achieve the goals set before.

The result of such work will be inter alia some projects of forms dealing with introducing and browsing through the employee appraisals, from the lowers to higher levels in organizational hierarchy. Further consequences for the information technology system carries a fact, that the level of objectives accomplishment should be compatible with employee's remuneration.

MBO and SAP

Implementation of information technology solutions supporting employee appraisal, maintaining all the rules of MBO, is an integral part of the MBO project. The correct preparation and successful implementation of IT solutions is undoubtedly a technological and organizational challenge, but also a criterion vital for the success of the whole undertaking.

The level of necessary integration with different areas, usually already being served by one HCM system, causes that the new solution should not be a separate entity, but ought to be engaged in the whole HCM mechanism.

Mostly large organizations decide to implement an expanded MBO conception, usually making use of the SAP solution in HR. Lets pay attention to the combination of data from the SAP system and data concerning MBO.

Personal data, their organizational assignment in the enterprise and the position in the company's hierarchy are taken from the HR-PA SAP module (Personnel Administration). These are the data powering the MBO system.

Another important function is integration of MBO and Payroll (HR-PY), where all the output data of MBO system meet causing an automatic transformation into remuneration, calculated in SAP.

Useful warehouse

Lots of necessary for MBO data are often taken from different than SAP applications, which are also used in a company. These are, for example, reporting systems. Therefore, data integration using information warehouse, like SAP BW, is getting more and more useful considering implementation of MBO.

The use of SAP BW guarantees elimination of errors generated by people's work (manual data collecting, calculating and introducing on the executive values' card). Thanks for that, we optimize the time of data supply, we guarantee credibility and reliability of executive values provided, not even mentioning optimizing of business processes and taking the right decisions, based on the high quality information.

Makro: to motivate thousands

Makro Cash & Carry is a part of Metro Group – the biggest trading company in Poland. From its' point of view, human capital management has a great impact on the company's efficiency. Therefore, HR and new technology projects are of the highest importance.

At first, Makro used to have a bonus payment system, the management, however, considered it to be insufficient for the needs of the constantly developing company. In 2005 a decision about preparation of a new, based on the MBO system was taken.

Iwona Kubzdela, Manager Coordinator of the Personnel Level in Makro – the head of the project, says: "The idea was, that the new system fully reflects our corporate way of thinking, which might be expressed with the sentence: to reward employees for greater impact when following the company's strategy".

Before the described project, only management had been concerned in this kind of motivation system. Now the intention was to involve all the employees from over 20 markets in the whole Poland, from management through consultants and experts to cashiers and casual market workers – so over 6000 people.

Objectives and guidelines

Goals set for MBO project are related with human capital management strategy in Makro:

- to motivate employees to concentrate on the fulfillment of business results of the market
- to distinct employees involved the most and achieving the best results in objectives fulfillment in the group
- to come into a dialog with employees on financial and operation objectives level
- to increase business awareness and give incentive for employees' initiative

The method of MBO concerned employees' motivation to a greater involvement in their responsibilities, underlining:

- rewarding for the results – each employee works on his/her bonus personally, co-creating the absolute company's outcome with his/her work
- informing employees – easy access for the employees to feedback about their work appraisal
- increase of the bonus related with increase of responsibilities on certain position – the higher the level of the position, the higher part of the bonus in the whole salary.

Makro has been working with SAP system since 2002, using it also for Personnel Administration, Payroll and Time Management . Therefore, a logical idea is to base the information technology background of MBO on SAP system.

4 streams of work

The MBO project lasted from February 2005 to July 2006. From organizational point of view, it was important to distinguish 4 so called streams of project work. Groups ascribed to the streams were involved in the key project tasks, namely: key features and reporting, pilotage and recognition appraisal, IT system, communication and training.

It was decided to co-operate with two external partners in this project – with a consulting company supporting business part of the project, and with BCC – as a SAP implementation partner, responsible for versatile IT stream support.

Not only standard positions in functioning Makro markets had been considered with the MBO project. It also regarded employees from the markets being rebuilt at that time, as well as positions in newly created markets, appraised with help of already different key features.

Iwona Kubzdela comments: "The changes in remuneration system always arouse emotions. Keeping it in mind, we focused on the right communication about MBO implementation. We performed an intense information campaign among all employees, organizing trainings, editing educational materials, involving managerial level in an active way, too. Everyone had access to information about all the changes being introduced, the reason of the changes and the way they would influence an individual employee and the whole company".

Appraisal areas

The result of the business part of the project was the conception describing all the ideas of MBO system.

According to these ideas, appraisers are the managers of all departments of the market, whereas appraisees are their subordinates.

Depending on the position, appraisal takes place every month or every quarter. The appraisal process is standardized for the whole group of employees. 4 main areas are taken into account during an appraisal: Customer (high quality of customer service), Tasks (accomplishment of tasks in a solid and outstanding way), Team (friendly working atmosphere and establishment of good relations in the group), Makro (good image of Makro, involvement in changes aiming in increasing company's results).

All the named areas are described with set of questions. On the basis of the answers on these detailed questions employee's appraisal in the named areas is being constructed.

Apart from recognition appraisal described above, employee's appraisal also consists of so called parametric appraisal. Parametric appraisal is connected with objectives important for a certain market, which the management wants to bind the employees with, for instance sales, loss reduction or anti-fire security of the market.

The results achieved by the market are also being taken into consideration in parametric appraisal. For example, for a position of a 'cashier' one of the bonus elements is the sales' result in "his" market, and for all positions from HR department – legal security of the market.

Easy in use

The consequence of business part of the project was the need of changes and development of mySAP HR solutions used in Makro. BCC has focused with its' work on modeling of new processes in mySAP HR connected with MBO, including Personnel Administration and Payroll.

An important and integral part of the project was to prepare internet application dealing with entering and displaying data connected with MBO.

One of the ideas of SAP project was easiness of use and system accessibility to employees' appraisal for Makro employees. The application is therefore open for computers in every market through www browser.

Owing to that, service of application made for employees' appraisal, and browsing the cards of objectives are easy and intuitive, also not causing any technological barriers. Ultimately, every appraised employee will have access to the application.

The solution is tailored in a way not to make any mistake in an appraisal, or not to enter any false data into the SAP system. It is impossible to appraise an employee not being subordinate to a certain manager or to perform an appraisal in some other time than fixed before.

What results from special solutions available in www browser, the application demands neither installing nor updating on every computer.

Piotr Oliwa, Analysis and Development of HR Tools Specialist in Makro, was performing a role of IT Stream Manager in MBO project: "Internet application prepared by BCC provides high flexibility in managing the MBO system. For sure, we will be changing parameters, wages of appraisal parameters, content and number of questions, or way of calculating the elements of salary. Thanks for this solution, it will be very easy to administer all these parameters. These kind of changes we can enter by ourselves, and their result is available almost on line for every computer having access to the system".

Starting point for perfection

Changes for SAP system and new solutions were ready in the middle of July. The first monthly appraisals took place in August, whereas the first quarter appraisal is planned for October. Introducing of MBO in Makro is not a one-off action. The influence of the new motivation system on the level of accomplishment of company's objectives is now and will still be an object of interest for HR analytics.

Paweł Średziński, Analysis and Development of HR Tools Manager in Makro, Key Features and Reporting Stream Manager in MBO, comments:
"Obviously, the MBO project is aimed to be a one with a long-lasting effect. However, since the very moment of introducing the new motivation system, on the basis of SAP reports, we examine how and in which areas the motivation results in a positive way. Such analyses will let the board introduce corrections to the motivation system and continuously improve it".



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