Principles Of Management

Question And Answers

INTRODUCTION TO MANAGEMENT

1. What are the four managerial functions and how do they interrelate with each other? {20}

The four managerial functions are:-

a) PLANNING – *(Decision making, looking ahead).* It is the determining of organisation's goals and deciding how best to achieve them. Managers think through their goals and actions in advance, that their actions are based on some method, plan or logic, rather than on a hunch. It is the basis by which:-

- The organisation obtains and commits the resources required to attain its objectives
- Members of the organisation carry on activities consistent with the chosen objectives and procedures.
- Progress towards the objective is monitored and measured so that corrective action can be taken where such progress is unsatisfactory.

b) ORGANISING - (*harnessing, combining, co-ordinating resources).* While planning provides the framework in terms of organisational goals, organising refers to the process of arranging and allocating work, authority and resources among an organisation's members so that they can achieve the organisation's goals effectively and efficiently.

It entails setting or designing the organisational structure that suits the organisation in terms of its resources and gaols. Students will note organising should necessarily follow after planning.

Management cannot organise without any idea as to the purpose of such an exercise, thus tasks and positions are allocated after an organisation has established its direction (planning)

The organisational structure defines the reporting levels within an organisation and provides a hierarchy of formal positions

c) LEADING: - (*Directing, supervising, overseeing, guiding, motivating).* This entails directing, influencing and motivating the task related activities and efforts of organisational members to achieve set goals of an organisation.

The leadership function is distinct from planning in that it involves dealing with people. It should be borne in mind that leading function necessarily follows after organising. Managers are given authority and responsibility as well as confirmation of their levels in the company through that organisation function. It should therefore follow that you cannot effectively lead without knowing:

Who to lead? Where you belong in terms of the various departments of the organisation. How much authority is bestowed upon you, and finally. Who you report to in the organisational hierarchy.

d) CONTROLLING :- *(Monitoring, Evaluating, Checking, Making sure).* This process is the ultimate management function and it evaluates the efficiency and effectiveness of the other management functions. The control function is concerned with ensuring that the action s of the organisation's members does move the organisation towards its stated goals.

It is sometimes referred to as the process of monitoring progress towards achievement of goals. The controlling function entails:-

- Establishing standards of performance and how it will be measured
- Measuring current performance
- Comparing actual with standard performance, and
- Taking corrective action where deviations from stated goals are detected.

Through the control function, the manager keeps the organisation on its chosen track through timorously investigating and correcting and deviations from set standards

2. Explain three ways of classifying managers {20}

a) Managers can be classified by management levels were we have:-

- **First line managers also known as operations managers or just line managers**. These are responsible for the work of employees only and as such do not supervise any managers. They are the lowest management level in the organisational hierarchy, being directly responsible for the supervision of non-managerial staff. First line managers' activities tend to focus mainly on the day to day running of the organisation and they focus on the activities of sub-units such as departments and sections thereof.

  Typical titles of first line managers are: foreman, supervisor, operations managers etc

- **Middle managers (also known as tactical managers or management control level).** This may incorporate more than one level in the organisation. They are primarily concerned with directing the operations of lower level management. In addition they are also responsible for implementing and interpreting the policies formulated by the top management level. Thus they are intermediaries between top management and lower level management.

  Typical titles include: Branch managers, Regional managers, senior managers etc.

- **Top management (also known as strategic managers or corporate level managers).** Top managers probably account for a relatively small group of executives who control the organisation. They are thus responsible for establishing the organisation's goals, strategies and operating policies. In addition, they also represent the organisation to the external environment e.g. by meeting with government officials, other business executives, other institutional heads etc.

  Activities undertaken at this level are thus of a long term nature and mainly guide the organisation's conduct with the environment. They tend to focus on the organisation as a whole, with emphasis on both the present and the future scale of operations

  Typical titles are: Chief Executive Officer, Managing Director, and General Manager etc.

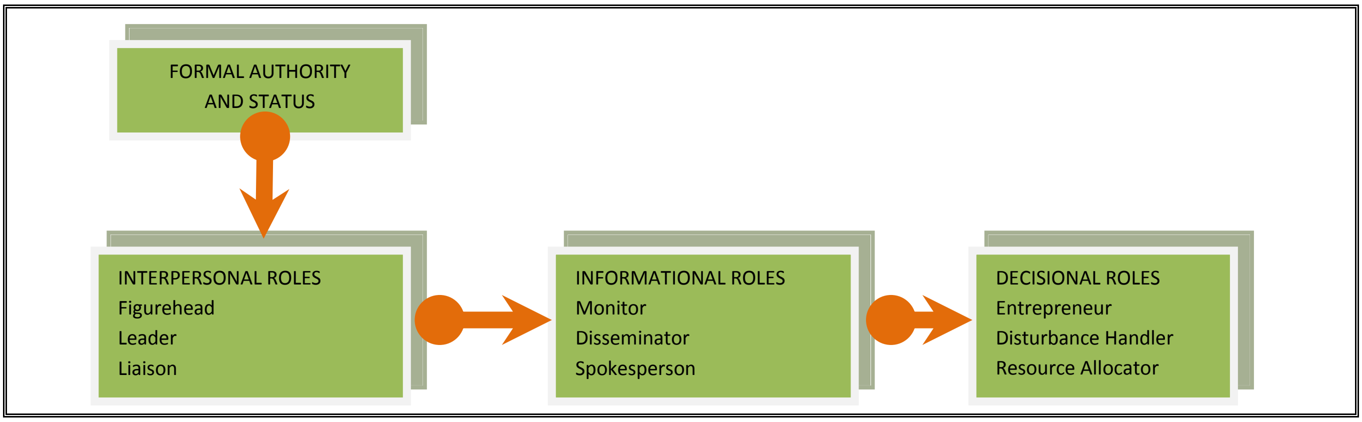
b) MANAGEMENT CAN ALSO BE CLASSIFIED ACCORDING TO THE SCOPE OF ACTIVITIES

- **Functional Managers-** These are responsible for just one speciality organisational activity e.g. the finance manager (responsible for finance) and the human resources managers (responsible for the human resource function) this level of management may be likened to that of operational management for they are also responsible for the day to day running of the organisation as well as the direct supervision of subordinates.

  The people headed by a functional manager are engaged in a common set of activities

- **General Managers.** Unlike functional managers, general managers oversee the complex units e.g. subsidiaries or independent operating divisions. In this case they will be responsible for all the activities of that unit such as marketing, production etc. Thus the general manager will be in charge of the functional managers falling under his sub-unit or division.

3. State and explain three managerial roles as identified by Henry Mintzberg. Clearly identify how each is subdivided. {20}



a) INTERPERSONAL ROLES:

These roles relate to how a manager interacts with others i.e. subordinates, peers, supervisors and outsiders. They include the roles of:-

i. **Figurehead:** - As a figurehead, the manager performs certain ceremonial roles, which are of a legal nature. Typical example include welcoming visitors, attending subordinates' weddings and performing ribbon-cutting ceremonies as well as taking customers to lunch. In this case, managers are symbols and as such personify an organisation's successes and failures.

ii. **Leader: -** Managers are accountable for the actions of their subordinates as well as their own. It therefore follows that by showing subordinates how to perform under pressure, what hours they should work, promoting, etc, managers will be performing the role of leader.

iii. **Liaison: -** In the liaison role, managers must learn to work with everyone both within and outside the organisation who can help them achieve their goals. This role necessitates establishing networks of contacts and creating obligations among the people with whom the manager interacts. In this instance, managers also act as a contact person and his activities include those of writing correspondences, replying customer enquiries, etc. Thus liaison role enables the manager to win support for his/her proposal.

b) INFORMATIONAL ROLES

These relate to the manager's tasks of receiving and communicating information. Managers need information to make quality and informed decisions.

Similarly other people, both within and outside the organisation rely on information received from and / or transmitted through the manager. Mintzberg identifies the following three informational roles that managers have to undertake:-

i. **Monitor: -** Managers are constantly and actively seeking for information from both inside and outside the organisation that may be useful to the organisation. They establish a network of contacts through which they get information. In addition they ask subordinates for information where the subordinates are more informed.

   Where possible, they also obtain information from unsolicited sources. It is because of this role, therefore that managers are often said to be the most informed people in an organisation

ii. **Disseminator: -** Here managers will be responsible for contributing important information to subordinates. The manager has to make sure that subordinates have all the information to ensure that they carry out their duties efficiently and effectively. This role may also be thought of as a communication role, especially combined with the role of monitor.

iii. **Spokesperson: -** Managers in this instance are responsible for transmitting information to the outside world. Literally put, managers are said to be the organisation public relations managers (officers). Typical activities include, among other things, replying letters from customers, giving speeches on behalf of the organisation etc.

c) DECISIONAL ROLES

According to Mintzberg, information is the basic input for managerial decision-making. The following are four decisional roles:-

i. **Entrepreneur: -** Managers try to improve performance of their sub-units as if they are the actual entrepreneurs. Examples include situations when managers make decisions that will maximise shareholders' wealth and add value to the organisation, thus, managers act as entrepreneurs whenever they act in the best interest of the providers of capital. They make decisions that will minimise costs and maximise returns.

ii. **Disturbance Handler: -** This is the role of problem-solving. In this case the manager is expected to take care of 'sticky' situations. Thus the manager is expected to come up with solutions to difficult situations. The role of disturbance handler requires both the analytical and conceptual skills. Good examples of disturbance handlers (which the manager has to deal with) could be industrial actions (strikes), low performance, high employee turnover etc.

iii. **Resource Allocator: -** The role of the resource allocator entails all the activities that the manager undertakes to minimise revenue and minimise costs. It is primarily concerned with the activities relating to allocating resources (human physical or otherwise) among the organisational members.

   For instance, a manager is expected to make decisions, say, on the best way of utilising resources such as that the revenue of the organisation reaches the desired targets.

iv. **Negotiator: -** As negotiators, managers spend a lot of time bargaining for a better deal for their sub-units or for the organisation as a whole.

   Typical examples include bargaining with workers for salary increases, bargaining with suppliers for cheaper materials etc. Thus, negotiating requires the application of various managerial skills such as interpersonal, diagnostic, technical, etc

4. Identify five (5) basic management skills and explain the major sources of these skills. Do managers at all levels require these skills? Explain giving examples. {20}

In order to effectively and efficiently undertake their management functions, managers need to have certain unique abilities called managerial skills. Five managerial skills are **(a)** Technical, **(b)** interpersonal (or Human), **(c)** Conceptual, **(d)** Diagnostic, and **(e)** Analytical

(a) Technical Skills: - These are skills necessary to accomplish specialised activities. They incorporate the ability to use procedures, techniques and knowledge of a specialised field. For instance Doctors, accountants, and even musicians all have technical skills in their respective fields. First line managers have to possess technical skills as they are responsible for the day to day running of the organisation. This requires knowledge of procedures, techniques and skills in their specific areas of responsibility.

(b) Interpersonal or Human Skills. At first line level, where managers directly supervise subordinates, they are expected to have the ability to work with, understand, and motivate other people (subordinates) as individuals or in groups. They spend considerable time interacting with people not only inside but also outside the organisation.

This group of abilities is often referred to as interpersonal or human skills and communication skills also form part of these. Interpersonal skills could be linked to Mintzberg's managerial roles.

(c) Conceptual Skills: - These refer to the ability to co-ordinate and integrate all of the organisation's interests and activities. It entails the ability to see the organisation as a whole, understand how its component parts interrelate and anticipate how a change in one affects the whole.

Managers with a high level of conceptual skills have the mental capacity to understand various cause-and-effect relationships in the organisation and to view the organisation in a holistic manner.

For instance, a conceptual manager would, before making any decision pertaining to his department or function, ascertain the effect of such a course of action on the operations of the whole organisation. Conceptual skills are especially important at the higher level of management i.e. General Managers, Chief Executives and others. They are a requisite at the higher echelons of the management hierarchy.

(d) Diagnostic Skills. An organisation could be facing problems e.g. in its operations. Managers must have the ability to diagnose them from their symptoms. For instance, a company could be faced with a spate of resignations. This would probably be a result of industrial relations problems within the organisation. Diagnostic skills enable the manager to be able to determine deep-rooted problems from symptoms and are necessary for effective problem-solving. Diagnostic skills are important at all levels of management but especially at the operational and tactical levels.

(e) Analytical skills. These are closely related to and complement diagnostic skills. They entail the ability to identify the key variables in a particular situation, see how they inter-relate and decide which ones should receive the most attention.

Analytical skills enables managers to determine the best possible strategies and select the most appropriate one for a particular situation. Thus, they help managers decide on the best course of action to solve problems identified by diagnostic skills. In some circles analytical skills are similar to decision-making skills, although analysing a problem may itself not amount to making any decision.

There are two main sources of managerial skills which are (1) education and (2) experience

5. Give an account of Henry Fayol's 14 principles of management {20}

Henry Fayol came up with 14 principles which can be represented by the following mnemonic ADDEC – SORIE – USSU.

ADDEC

- **Authority –** Managers must give orders so that they can get things done. They need both formal and personal authority to carry out the tasks.
- **Discipline –** Members of the organisation must abide by the rules and regulations governing them. Discipline results from good leadership, fair agreements etc.
- **Division of labour - Specialisation** of functions will yield maximisation of efficiency in production e.g. in assembly lines.
- **Equity –** Managers should be friendly and four to their subordinates
- **Centralisation –** Managers should retain final responsibility in decision-making, but should also give subordinates sufficient authority to carry out assigned tasks.

SORIE

- **Scalar Chain –** The line of authority in an organisation runs in order of hierarchy from the high rank to the lowest ranks.
- **Order –** Material and people should be at the right places at the right time. People should be assigned jobs for which they are suitable.
- **Remuneration –** Compensation paid for work done should be fair to both the organisation and employee.
- **Initiative –** Subordinates should be given the freedom to conceive and carry out their plans
- **Esprit de Corps –** promoting team spirit will give the organisation a sense of unity. Team spirit should prevail.

USSU

- **Unit of Command -** One man one boss: Each man must receive commands from only one superior
- **Subordination –** Subordination of individual interest for the common good: the interests of the organisation as a whole should come before the interests of individuals.
- **Stability of Employees –** A high employee turnover should be avoided as it results in reduction of efficiency
- **Unity of direction –** Operations that have the same objective should be under one manager to boost co-ordination and unity of direction.

MANAGEMENT THEORIES

6. Discus, the main theories of management. Who are the proponents in each category?

There are **five** main management theories which are: (1) the classical management theories, (2) The Behavioural School (3) The Quantitative School, (4) The Systems Approach, and (5) The Contingency approach.

(i) THE CLASSICAL MANAGEMENT THEORIES

This is the first group of theories. The classical management theories are classified into three main categories as follows

a) THE SCIENTIFIC MANAGEMENT THEORY (FREDRICK WINSLOW TAYLOR, HENRY FORD, HENRY GANTT, AND FRANK AND LILLIAN GILBRETH)

This theory was pioneered by Fredrick Winslow Taylor and it sought to scientifically determine the best methods of performing any task, and for selecting, training and motivating workers. He believed in the scientific determination of the best man-machine combination.

Taylor based his management system on **production-line time studies.** He analysed and timed workers movements in a sense of jobs. He broke each job into its components and designed the quickest and best method of performing each component. With the present equipment in mind, he was thus, able to determine what output each worker would produce.

Taylor also believed in the **differential rate system** of compensation whereby higher wages were paid to more efficient workers. Workers are urged to surpass their previous performance standards for them to earn more salaries.

Taylor had developed the following guidelines:

- The development of a true science of management so that best methods for performing each task could be determined
- The selection of workers on a scientific basis, so that each would be given responsibility for the task for which he or she is best suited.
- The scientific education and development of the workers.
- Intimate friendly co-operation between management and labour

One major contribution of this theory is productivity. Examples are in today's world are in the form of assembly lines which produce thousands of products in fractions of a second.

The major limitation is that it disregards factors such as human desire for job satisfaction through responsibility and social needs, this result in frustration.

b) THE ADMINISTRATIVE MANAGEMENT THEORY (ADVOCATED BY HENRY FAYOL)

The major thrust here was on the administrative side of management, unlike scientific management which concentrates on production. Henry Fayol is said to be the father of the classical management theory

He drew distinctions between the various business operations and maintained that 'with scientific forecasting and proper methods of management, satisfactory results were inevitable'.

Fayol divided business operation into six interrelated activities:

(1) Technical – producing and manufacturing of products
(2) Commercial - buying raw materials and selling products
(3) Financial – acquiring and using capital
(4) Security – protecting employees and property.
(5) Accounting and
(6) Management

He was the pioneer of managerial functions of planning, organising, leading and controlling. He also came up with the 14 principles of management – **ADDEC SORIE USSU**. **(Refer to question 5).**

c) THE BUREAUCRATIC THEORY (ADVOCATED BY GERMAN SOCIOLOGIST CALLED MAX WEBER)

He believed that any goal-oriented organisation consisted of thousands of individuals and as such there was need to carefully regulate and control their activities.

His emphasis was therefore on the bureaucratic organisation which entails.

- Strict adherence to the hierarchy and formal communication lines
- Strictly defined regulations or a consistent set of abstract rules
- Rationally set out objectives and activities with a clearly set out division of labour
- Technical competence and merit-based performance evaluation
- Making activities and procedures more predictable and standardised to make for easier control and uniformity of performance.
- Impersonal conduct of business. Management should maintain appropriate social distance with their subordinates.

The major contributions of the bureaucratic school placed emphasis on the division of labour, reliance on rules, a hierarchy of authority and employment based on technical competence which may improve efficiency

However the major weaknesses of the bureaucratic school lay in the resultant lack of innovation and excessive reliance on formal, impersonal channels which tend to reduce efficiency in decision-making

(ii) THE BEHAVIOURAL MANAGEMENT THEORIES

The behavioural school was pioneered by a group of scholars trained is psychology and other social science disciplines who felt that the classical approaches did not yield efficiency and harmony at workplaces. It is split into two main branches which are (1) the Human Relations Movement and (2) The Behavioural Science Approach.

a) THE HUMAN RELATIONS MOVEMENT (BY ELTON MAYO AND THE HAWTHORNE EXPERIMENTS).

This movement arose out of the need to discover the social and psychological factors that would create effective human relations. It followed the experiments conducted at the Western Electric Company which have come to be known as 'The Hawthorne Studies.

Elton Mayo concluded that – through his studies – a complex chain of attitudes had influenced the productivity variations.

Researchers discovered that workers would work harder if they were given special attention and management were concerned with their welfare.

The major contribution of the Human relations approach was that, it highlighted the fact that production is not just an engineering problem as contented by Fredrick Taylor, but was a social problem as well. In addition, their researches laid the foundation for further studies in group dynamics and the effect of group pressure, values and norms on productivity. Great emphasis was now put on management training in human relations skills as opposed to technical skills.

Their limitations however relate to the design and analysis of the studies and experiments

b) THE BEHAVIOURAL SCIENCE APPROACH

It should be noted that Mayo and his advocates used scientific methods in their studies. Later behavioural researchers, however, were more righteously trained in psychology, sociology, and anthropology and as such used more sophisticated research methods. These came to be known as '*behavioural scientists'* as opposed to the *'the human relations theorists'.*

The behavioural scientists, (most notably, Professor Abraham Maslow, Fredrick Herzberg, Chris Argyris, Douglas McGregor, Rensis Liket, Victor Vroom and BF Skinner) believed in the ***'self-actualisation man concept'*** and a host of other concepts as a better explanation of human motivation. In particular, Maslow identified the hierarchy of needs which motivate man to exert effort towards achieving organisational goals. These ranges from the basic human needs called physical needs (e.g. sex, hunger, shelter, thirst etc) to the self-actualisation needs (being the needs to realise one's full potential).

He stated that these needs can only be satisfied one after the other in a hierarchical order. Once people have satisfied their lower level needs, they are motivated by esteem (egoistic) needs as well as self-actualisation needs.

Most theorists in this grouping opposed some aspect of Maslow and made their own assertions, as the argued that not everyone goes predictably from one need level to the other. Thus, according to other theorists in the behavioural science, the more realistic model of human behaviour was one of the ***'the complex man concept'***. The effective manager should be aware that not two people have the same set of needs and the manager has to address such needs differently

Their major contribution has been in shading light into the areas of human motivation, group behaviour, interpersonal relationship at work and the importance of work to the human beings. It says that managers must be sensitive to the needs of the workers.

(iii)THE QUANTITATIVE THEORIES (OPERATION RESEARCH AND MANAGEMENT SCIENCE)

This approach tended to concentrate on the development of solutions to more complex problems. It is based on the mathematical modelling.

A model is a theoretical representation of a real life situation, or in this case, a real life problem. It shows the factors giving rise to the problem and their inter-relationship. Various alternative solutions to the problem are simulated and computers are used to determine the best solution. It also placed emphasis on the development of Management Information Systems (MIS).

The greatest contribution of the Quantitative theory was the use of computers to solve complex problems using modelling and simulation techniques.

The greatest limitation is that most managers feel that this management science places too much emphasis on complicated mathematical formulae which they may be unable to fully comprehend.

(iv)THE SYSTEMS APPROACH

This approach offers more insights into management. It views the management process as a '***system'***

A ***system*** is an interrelated set of components functioning as a whole. The organisation is thus viewed as a system, consisting of inputs from the environment in the form of material, human and financial inputs. They may be shown diagrammatically as follows

INPUTS FROM THE ENVIRONMENT	TRANSFORMATION OR PROCESSING OF INPUTS	OUTPUTS TO THE ENVIRONMENT
Financial Resources **Physical Resources** **Human Resources** **Information Resources**	Manufacturing Systems Technology Expertise	Products and Services Job opportunities Wealth Profit or loss Information output
	MANAGEMENT SYSTEMS Planning, organising, leading & controlling	

Thus, the activity of each of the components of a system (called subsystems) has an effect on the activities of the other components. Management has to view an organisation as an open system – meaning a system that interacts with the environment- and have to communicate with other employees, departments, as well as representatives of other organisations.

The major contribution of this systems approach is that, it highlights the dynamic and interrelationship nature or organisational activities and thus, the enormity of the management task.

It may also be said to be a basis for conceptual thinking for general managers who need to have an overview of organisational objectives it also equips the manager with a unique skill to understand how a given variable is composed, and hence, it gives rise to a holistic view of the organisation.

The major weakness is that: as this is an evolving field of study, it may not offer conclusive insights into the best managerial practice but generalise i.e. applies to all schools

(v) THE CONTINGENCY APPROACH (ALSO KNOWN AS A SITUATIONAL APPROACH)

The contemporary thought in management is that of integrating the various schools of management thought and focusing on the interdependence of the many factors involved in the managerial situations.

The managers' task was to identify which technique will, in a particular situation and under certain circumstances, best contribute to the achievement of organisational goals.

Advocates to this approach maintain that universal solutions and principles cannot be applied to social systems such as organisations; hence the best solution depends on the situation. Some say such a way of looking at management enables us to look at each situation on its own rather than offer blanket solutions.

The major contributions is that: By accepting that there is no one best management technique, proponents of this theory see it as the leading branch in management thought, meaning that it entails elements of all other schools and the choice of a technique is based on the available option. The contingency approach prepares managers for the unanticipated problems relating to the application of other management techniques.

(vi) THE JAPANESE APPROACH TO MANAGEMENT

In recent years, a great deal has been written about the principles of Japanese management, principally because of their ability to increase productivity. However, many of the components of the Japanese model of management are dependent upon the influences of the Japanese culture, and their exportability is limited.

The features of Japanese management include:

- A focus on high quality and getting things 'right first time';
- Continuous improvement of all work processes, with a high degree of worker involvement;
- Encouragement of teamwork;
- Non-specialisation and flexibility of workers;
- A paternalistic attitude to workers by the organisation;
- Lifetime employment and job security;
- A strict, bureaucratic, hierarchical structure;
- Egalitarianism and absence of class symbols.

PLANNING

7. Define planning and logic of planning.

PLANNING – *(Decision making, looking ahead).* It is the determining of organisation's goals and deciding how best to achieve them.

Planning could be thought of as the dynamic process of analytically looking at the organisation's present position with a view to determine its future position

Managers think through their goals and actions in advance, that their actions are based on some method, plan or logic, rather than on a hunch. It is the basis by which:-

PLANS are the guides by which **(1)** the organisation obtains and commits the resources required to reach its objectives; **(2)** members of the organisation carry on activities with the chosen objectives and procedures; and **(3)** progress towards the objectives is monitored and measured so that corrective action can be taken if progress is unsatisfactory.

8. What are the importance and benefits of planning?

a) Planning gives the organisation direction as it provides expected levels of performance – it gives the organisation an idea of where it is heading, what it has to achieve and how it will be accomplished.
b) If objectives are clearly formulated, planning promotes co-operation among various departments or sub-units of organisations
c) A manager is compelled by planning to look at the future, thus it encourages the proactive approach to management
d) Morden technology advances can best be exploited if a formalised planning process exists i.e. the organisation is better prepared for such changes if it plans in the first instance.
e) The increasing complexity of organisations necessitates planning i.e. the interdependence between various managerial functional areas and planning makes c-ordination easier
f) Planning ensures that an organisation is better prepared for today's ever changing environment.
g) Resources aimed at or to be committed towards achieving organisational goals can be set aside if a formalised planning system exists.

9. List the types of plans

a) Operational Plans
These are predominantly short-term plans undertaken at the lower managerial levels and tend to concentrate on the firm's current scale of operations. They are sometimes called routine plans because they relate to the day to day running of the organisation

b) Tactical Plans
These, on the other hand, are medium term plans undertaken by middle management and they focus on the organisation's current scale operations, with particular emphasis on efficiency in resource utilisation.

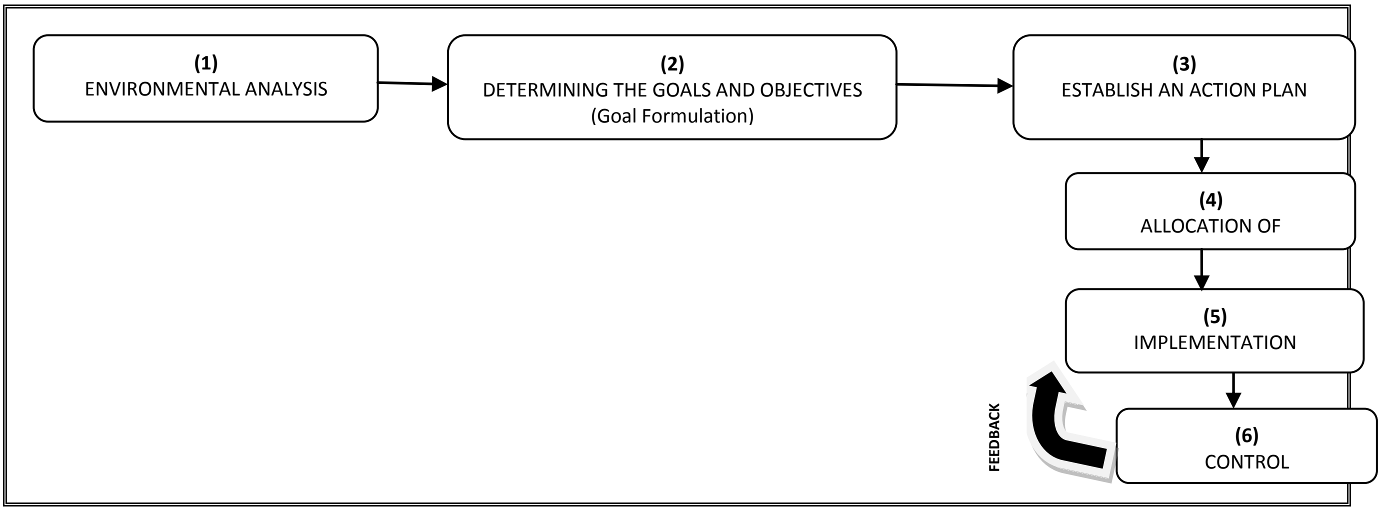
Typical examples in this category would be the budgets which tend to concentrate on how the organisation is sticking to certain set standards for example relating to expenditure.

c) Strategic / Corporate Plans
These are long term ***"survival"*** plans for the whole organisation undertaken by top management. They provide the basic framework for all the other plans already discussed. Their main focus is on the organisation's future scale of operations, with the emphasis being on investments and divestments, mergers and acquisition, and all other issues pertaining to the expansion and contraction of the firm's scale of operations.

There are also other two types of plans (1) Specific plans, and (2) Directional plans.

i. ***Specific plans*** are plans that are formulated for a specific task
ii. ***Directional plans*** provide a skeletal framework while according the manager some reasonable leeway as to how they are to formulate their plans

10. What are the basic steps in the planning process?



1. **Environmental assessment** – where the organisation wants to conduct its operations. Is the environment conducive? What does the environment has to offer. What out there needs doing? What are the opportunities and threats? **PESTELG ANALYSIS, SWOT ANALYSIS AND PORTER'S FIVE FORCES.**
2. **Establishments of goals and objectives** – These are targets of performance. What do we want? What are currently doing?
3. **Establishment of action plans** – Come up with action plans with clear deadlines and implementation timetables. ***This is what we will do to get what we want.***
4. **Allocation of resources –** This is the allocation of organisation's resources to each task which needs to be done. Do we have enough resources to achieve what we want? If not where else can we get other resources to fulfil the organisation's goals. Do we have the capacity of doing what we want done?
5. **Implementation –** Once the action plan has been formulated, it must be implemented or incorporated into the daily operations of the organisation
6. **Control –** as implementation proceeds, managers must check their progress at periodic intervals or critical stages

11. What are the barriers to effective planning and how the organisation can overcome them?

There are a number of factors that may limit the effectiveness of plans, these are:

a) **Lack of Environmental Awareness:** manager may not have sufficient knowledge about the organisation to embark on the planning process. Such information includes information on profitability, and more importantly, information on which resources to use for achieving organisational goals.

b) **Lack of organisational Knowledge:** This usually emanates from the manager's who have lack of confidence in their abilities, and have no knowledge about the organisation in terms of goals, sub-units etc.

c) **Resistance to Change:** Changing the organisation's current situation is one of the consequences of planning and some members may resent change. This tends to reduce the effectiveness of planning.

d) **Time and Expense:** Planning costs money and time, and sometimes sacrifices have to be made. Some members may be unwilling to make such sacrifices, preferring instead to tackle problems as they arise.

e) **Lack of Knowledge of the Benefits from Planning:** If organisational members are not enlightened on the benefits from planning they may not be keen to implement plans.

f) **Lack of Involvement:** If those who are supposed to implement the plans are not involved in the planning, they may not be enough information to enable effective planning.

g) **Lack of Managerial Commitment or Support:** it should be borne in mind that top managerial support is instrumental foe effective planning since it ensures that all the policy frameworks is set in place and that all the required resources are provided.

There are various ways of making planning more effective, and hereunder we enumerate more important ones.

a) **Top Management Support.** There is need for top management to support the planning efforts of those lower down ranks. Planning starts at the top (Strategic Planning) and it is communicated downwards. This makes therefore top managerial support a prerequisite.

b) **Managers should realise Limitations of Planning**: Planning is not a perfect solution to all problems and there is need for managers to understand the short-comings of planning e.g. its dependence on assumptions about the future.

c) **Effort must be made to include everybody:** For planning to succeed, there is need for every organisational member's participation. This is necessary at both the formulation and implementation stages so as to minimise resistance.

d) **Plans should be communicated to all concerned:** everyone should have information about planning objectives, targets etc.

e) **Plans should be in accordance with Environmental Trends:** Plans should be adaptable to environmental changes since; in any case, the organisation is a sub-system of the environment.

f) **Contingency Plans should be formulated:** the organisation must have contingency plans i.e. what to do if things do not go according to plan.

12. List five Porter's five forces.

a) Bargaining power of Customers.
b) Bargaining power of Suppliers.
c) Threats of new entrants
d) Threats of Substitutes.
e) Degree of Rivalry (Jockeying for position)

ORGANISING

13. What is organising?

ORGANISING - (*harnessing, combining, co-ordinating resources).* While planning provides the framework in terms of organisational goals, organising refers to the process of arranging and allocating work, authority and resources among an organisation's members so that they can achieve the organisation's goals effectively and efficiently.

It entails setting or designing the organisational structure that suits the organisation in terms of its resources and gaols. Students will note organising should necessarily follow after planning.

Management cannot organise without any idea as to the purpose of such an exercise, thus tasks and positions are allocated after an organisation has established its direction (planning)

The organisational structure defines the reporting levels within an organisation and provides a hierarchy of formal positions

14. What are the principles of co-ordination?

There are three co-ordination principles

a) **Unit of Command**: - According to this principle, one man should report to one boss so as to minimise conflict and ambiguity.
b) **The Scalar Chain Principle:** - It states that there should be a clear and unbroken chain of command to link every person with someone at a higher level.
c) **Span of Management (control):**- The term span of control or span of management is used to refer to the number of subordinates directly reporting to one superior.

15. What factors influence the span of control? Factors that influence organising.

The following are factors that influence the span of control

a) **<u>The competence of both boss and subordinates: -</u>** Generally if the subordinates are more competent, then they will need less supervision, in which case the manager could afford a larger span. Conversely, if the manager is incompetent, then a smaller span would be more appropriate.

b) **<u>Similarity / Dissimilarity of work supervised: -</u>** If task performed by various subordinates are similar, then a larger span is manageable.

c) **<u>Incidence of New Problems in Managers' Departments: -</u>** If the manager is not likely to encounter any significant number of new problems in his department, then he would be able to handle a larger span.

d) **<u>Extent of Clear Operating Standards, Policies and Manuals: -</u>** Where clear policies and procedures are in place then a larger span would be more logical.

e) **<u>Geographical distance: -</u>** If functions entail a wide geographical coverage, then smaller span would be practical.

16. Define the terms: Authority, Responsibility, and Accountability? What are the sources of authority?

a) **<u>Authority</u>** refers to the scope and amount of discretion given to a person to perform a certain task or make a decision. It may also be referred to as *the right to influence the behaviour of others*. The organisational structure shows the hierarchy and authority derived from the positions.

b) **<u>Responsibility</u>** refers to the obligation to perform a particular task or the liability of a person to account for his/her actions. It may also be referred to as "*the duty"* to carry out a particular task.

Unlike authority, responsibility cannot be wholly delegated; the manager maintains the ultimate responsibility for the performance of tasks.

c) **<u>Accountability</u>** refers to *"answerability"* or the extent to which an individual is answerable to the results of his actions. It entails the credit for desirable results and taking the blame for unfavourable consequences. It is also used to refer to the obligation to report to superiors and it is associated with the scalar chain: the reporting levels, the subordinate remains accountable to the superior in that he has to report to him. Generally accountability of results rest with the manager.

The sources of authority are as follows:

a) **<u>The top-down authority</u>: -** it is the authority conferred on the manager by virtue of his position in the organisational hierarchy.

b) **<u>Bottom-up authority</u>: -** It is the authority conferred on the leader by those he leads e.g. elected leaders has bottom-up authority conferred to them by those who elected him/her.

c) **<u>Rank Authority</u>:-** Authority originates from your rank in an organisation

d) **<u>Personal Authority /Charisma</u>: -** Some leaders acquire authority through their charisma, personal magnetism. Charismatic people can influence the behaviour of others in one way or the other.

e) **<u>Traditional Authority</u>: -** This emanates from tradition e.g. family elders have authority over their junior counterparts.

<u>Authority may also be examined from two contrasting views, the classical and the acceptance view.</u>

a) **<u>The Classical View</u>: -** The leader has ultimate, unquestionable authority, and the subordinate is compelled to obey. The leader issues commands and the subordinate obeys them without questions.

b) **<u>The Acceptance View</u>: -** This view maintains that authority is on the basis of the influence. In this case the leader (manager) issues commands and the follower (subordinate) considers and decides either to accept or not

17. List the sources of power.

a) **Reward power.** _ It emanates from the influencer's ability to reward the influence for carrying out certain tasks.
b) **Coercive Power.** It emanates from the leader's ability to punish followers for undesirable behaviour.
c) **Legitimate Power.** It is the power acknowledged by the subordinate and may be referred to as formal *power / authority*. This power is derived from the organisational hierarchy.
d) **Expert Power.** It arises from the perception that that the leader has some specialised skill / knowledge that the influence does not have.
e) **Referent Power.** It emanates from the leader's ***"exemplary power"*** – his ability to set an example to the influences.

18. What is delegation and what are the reasons for delegation?

Delegation refers to the conferring (upon subordinates by managers) of power, authority, and responsibility to perform specific tasks and accountability of results. It goes down the scalar chain.

REASONS FOR DELEGATION

a) There are mental and physical limits to the workload of any individual or group. Because of this managers need to delegate some extra work they are authorised to do.

b) Managers need to pass routine/less important decisions down the line.

c) The increasing size and complexity of the organisation

19. What are the steps in the delegation process?

a) ***Establish Performance levels / Results Expected –*** Expected results should be clearly spelt out to the subordinate and should also be fully understood.

b) ***Assigning Tasks to subordinates –*** The tasks should be clear and the subordinates should agree to perform the tasks delegated to him/her.

c) ***Allocate Authority and Resources –*** These will be necessary for the accomplishment of the delegated tasks. A subordinate without authority and resources will be handicapped in his quest to perform the given tasks

d) ***Creating Accountability –*** After responsibility and authority to perform tasks have been conferred on the subordinate, there is still need to allocate accountability. Here the superior passed accountability for results to the subordinates, but still retains the overall accountability for the same results to his superiors.

20. What are the Classical Principles of delegation?

Classical theorists, most notably Henry Fayol, have recommended the following for effective delegation.

a) Authority, responsibility, and accountability must be properly balanced within the organisation: subordinates must be given both authority *(power)* and responsibility *(accountability)*.

b) Responsibility cannot be wholly delegated: superior retains overall responsibility for the performance of the tasks.

c) Subordinates must be given sufficient authority to enable him to achieve the required results.

d) Once authority is delegated, the subordinate cannot be expected to refer decisions back up the chain, provided the decision is within the prescribed authority limits.

e) A scalar chain must be clearly specified i.e. who holds what authority and who is account to who?

f) There must be unity of command. Each individual must report to only one boss to avoid conflict from dual command.

21. What are the barriers to effective delegation?

(i) *Low confidence / trust in subordinates' capabilities.* Can they perform the delegated tasks?

(ii) *Burden of responsibility / Accountability*. Managers are unwilling to maintain responsibility / accountability for subordinates' tasks.

(iii) *Unwillingness to admit that subordinates are capable / Accountability*. Managers are afraid that subordinates will try to prove that they are capable, if given the chance.

(iv) *Fear of being unseated.* Managers may be afraid that if they delegate, subordinates may end up outperforming them.

(v) *Poor control and communication systems.* Managers are afraid that they will not be able to regulate/control activities of subordinates.

(vi) *Organisational culture.* The organisational culture may be against delegation because of beliefs in theory X

(vii) *Lack of knowledge about the benefits of delegation*. Managers may not know the benefits derived from the delegation process.

22. What are the guidelines for effective delegation?

The guidelines to effective delegation are as follows:

a) *Define assignments and delegate authority according to the expected results.*
b) *Select the person in the light of the job to be done.*
c) *Maintain open lines of communication*
d) *Establish proper controls.*
e) *Reward those who successfully assume delegated authority.*
f) *There must be top management support and commitment.*

LEADING

23. Define leading?

LEADING: - (*Directing, supervising, overseeing, guiding, motivating).* This entails directing, influencing and motivating the task related activities and efforts of organisational members to achieve set goals of an organisation.

The leadership function is distinct from planning in that it involves dealing with people. It should be borne in mind that leading function necessarily follows after organising. Managers are given authority and responsibility as well as confirmation of their levels in the company through that organisation function. It should therefore follow that you cannot effectively lead without knowing:

- Who to lead.
- Where you belong in terms of the various departments of the organisation.
- How much authority is bestowed upon you, and finally
- Who you report to in the organisational hierarchy

24. Discus the three approaches to leadership

The three approaches to leadership are (1) Trait Approach, (2) Behavioural Approach, and (3) The contingency Approach.

(i) THE TRAIT APPROACH

This theory seeks to separate certain characteristics that separate effective from ineffective managers. The proponents of this theory identified the following as some of the unique characteristics.

a) ***Physical Characteristics.*** These include physical appearance, weight, height, age etc.
b) ***Capacity.*** Alertness, verbal facility, originality, judgement, aptitude, personal charisma, character
c) ***Achievements.*** Scholarship, knowledge, athletic accomplishments
d) ***Participation.*** Activity, sociability, cooperation, adaptability, humour.
e) ***Status.*** Socioeconomic position, popularity.
f) ***Drive.*** Leaders exhibit a high effort level. They have a relatively high desire for achievement; they are ambitious; they have a lot of energy; they are tirelessly persistent in their activities; and they show initiatives.
g) ***Desire to lead.*** Leaders have a strong desire to influence and lead others. They demonstrate the willingness to take responsibility.
h) ***Honesty and integrity.*** Leaders should build trusting relationships between themselves and followers by being truthful or non-deceitful and showing high consistency between word and deed.
i) ***Self-confidence*.** Followers look to leaders for an absence of self doubt. Leaders therefore, need to show self-confidence in order to convince followers of the rightness of their goals and decisions.
j) ***Intelligence.*** Leaders need to be intelligent enough to gather, synthesise, and interpret large amounts of information, and they need to be able to create visions, solve problems, and make correct decisions.
k) ***Job-relevant knowledge.*** Effective leaders have a high degree of knowledge about the company, industry, and technical matters. In-depth knowledge allows leaders to make well-informed decisions and understand the implications of those decisions
l) ***Extraversion.*** Leaders are energetic, lively people. They are sociable, assertive, and rarely silent or withdrawn.

Thus, these theorists sought to judge the effectiveness of leadership be personal characteristics of the leader.

This theory has failed to prove itself practically, in real life situations as there are no distinct traits that aptly describe the effectiveness of a leader.

(ii) THE BEHAVIOURAL APPROACH.

Following the failure of the trait approach to explain how characteristics of a leader could influence the effectiveness of leadership new approaches were developed.

This approach shifted emphasis to the behavioural characteristics of the effective leader i.e. what effective leaders did. This included analysis of how the leader motivated and guided subordinates.

The major advantage of behaviours over traits was that they could be learnt i.e. with adequate training, the leader's behaviour could be altered. The researchers analysed two aspects of leadership behaviours.

a) ***Leadership Function: -*** It is the term used to analyse the behaviour of a manager in terms of whether it is *"task-related"* (problem-solving) or *"group maintenance"* (social function. An effective leader is the one who is able to blend these two successfully.
b) ***Leadership Style:*** - These are the various behaviour patterns favoured by leaders during the process of directing and influencing subordinates. Manager with task-oriented style closely supervise subordinates to make sure that the tasks assigned to them are carried out.

(iii) THE CONTINGENCY APPROACH

There are various situational factors (variables) which causes one leadership style to be more effective than another. Put differently, leaders are the product of given situations i.e. leadership is strongly is strongly influenced by the situation from which the leader emerges and in which he operates.

The following factors were identified

a) ***Leadership personality and experience.*** These include past experience, expectations and standard of education. For example, a manager who has been successful in exercising little supervision is bound to adopt a more employee-oriented approach than his other counterparts – who may have proved that close control is more effective and hence opt for a more task-oriented approach.

b) ***Expectations and Behaviour of superiors.*** This emanates from the fact that superiors are usually the ones to review the leaders' performance. Use of reward power by superiors implies that they can influence the leadership behaviour of subordinates referent power on the part of the superiors may also have a bearing on subordinate's leadership style.

c) ***Expectations, characteristics and behaviour of subordinates.*** These entail the subordinates' skills, training, attitudes, confidence, degree of self-motivation, desire for responsible tasks, preferable leadership styles i.e. close supervision, autonomy etc. The appropriateness of a particular leadership style depends on the above factors.

d) ***Task Requirements.*** The manager's leadership style also hinges on the job responsibilities of the subordinates. The task requiring precise instructions, for example, would tend to warrant a task-oriented approach than tasks with lesser operating procedures - this is also called the ***task structure*** and a task requiring precise instructions is also called a ***highly structured task.***

e) ***Organisational Culture and Policies.*** Culture refers to the general pattern of behaviour, shared beliefs, and values that organisational members have in common. It establishes implied rules for the way people should behave. It therefore follows that the organisational culture and policies do influence the leadership style a leader would adopt.

f) ***Expectations and behaviour of peers.*** Peers are colleagues at the same echelons (ranks) with the leader and they interact in meetings and exchange ideas (including those on leadership styles). Peer pressure may influence a particular leader to follow the leadership styles advocated by peers.

25. Discus McGregor Theory X and Y.

This theory concentrates on the argument that leadership behaviour depends on how the manager views subordinates. McGregor's research culminated into the following theories:

a) ***Theory X***
The manager is tough, autocratic and supports tight controls with punishment-reward systems. He believes that the human being is lazy by nature (the dislike work) and has to be pushed to attain high levels of production. It maintains that human beings dislike and avoids responsibility and only seeks authority.

Douglas McGregor's theory is sometimes referred to as the pessimistic or negative man. It therefore follows that proponents of this theory will inevitably advocate the task-oriented leadership style.

b) ***Theory Y***
According to McGregor, this is the positive and optimistic view of man. Man is assumed to derive intrinsic motivation from work and is self-sufficient. In addition, man is also presumed to love challenging and responsible tasks.

26. What are the core leadership skills?

There are certain skills that are considered necessary for effective leadership. Five such skills are:-

a) ***Empowerment.*** This refers to the ability to share power with subordinates. Effective managers have the ability to delegate to subordinates and make them feel important.

b) ***Vision.*** The foresight, ability to look ahead, give subordinates strategic direction.

c) ***Value Congruency.*** The ability to reconcile values, say those of the organisation and those of employees. It entails fostering goal congruency – finding a common link between contradicting goals.

d) ***Intuition.*** This refers to the sixth sense – the ability to sense problem from symptoms. It is important for problem solving as well as strategic planning.

e) ***Self-understanding.*** It relates to the ability to comprehend one's strengths and weaknesses. It involves critical evaluation of one's self and helps of formulating strategies that make the most of strengths and minimise negative impact of weaknesses.

MANAGERIAL DECISION MAKING

27. Define decision making and discus the different types of decisions.

Decision making is the process whereby managers arrive at a course of action to solve a particular problem or take advantage of a given opportunity.

Decision making is about how managers choose the best possible solution – to a given solution – from all possible solutions.

TYPES OF DECISIONS

Different problems require different types of decisions. These range from routine or programmed decisions to those decisions of a specific or noncurrent (once-off) nature also called non-programmed decisions.

a) **Programmed Decisions**
These are made either in accordance with written or unwritten policies, procedures or rules that simplify decision making in recurring situations. Emphasis is on limiting activities. Examples include decisions on salary scales for new employees which rarely have to be made due to the existence of the other salary scale for the same position.

Programmed decisions are used for dealing with complex as well as uncomplicated problems. It is especially suitable for problems of a routine nature. Programmed decisions are prevalent at the operational level of management hierarchy.

b) **Strategic Decisions**
These are decisions made by top management although lower level managers may also be involved in various stages of decision making process.

The decisions concerns the long-term future of the organisation e.g. decisions on new product development.

c) **Administrative Decisions**
These are usually made by middle or junior managers and are concerned with how the organisation's rules and policies may be applied to a particular set of circumstances e.g. decisions on a loan application and also who is supposed to be recruited or retrenched.

d) **Operational Decisions**
These are usually made by junior managers or supervisors. Such decisions are more concerned with reacting to things happening e.g. how to cover for an absent employee.

e) **Non-programmed Decisions**
On the other hand, non-programmed decisions deal with unusual or exceptional problems. These problems will not be covered by policies. Example include decisions on resource allocation, whether to close an existing – say, loss making – product line or not.

Non-programmed decisions are especially material at the strategic managerial level where information is largely external and decisions are based on assumptions.

28. What are the conditions under which decisions are made?

Decisions are normally made under certainty, risk, uncertainty and turbulence situations.

a) ***Certainty.*** Under certainty, the future outcome is known and all the information is available and thus decisions are based on fairly predictable situations.
b) ***Risk.*** Under conditions of risk, the estimated position can be determined by multiplying the probability of occurrence by the expected outcomes. This technique is called value analysis.
c) ***Uncertainty.*** Managers operating under this condition face unpredictable external conditions or lack of information needed to establish the probability of certain events.
d) ***Turbulence.*** This is the condition under which decisions are made when decision objectives are unclear and the business environment is changing rapidly.

29. State the stages in the problem finding process.

A problem arises when an actual state of affairs differs from a desired state of affairs.

The problem finding process is often informal and intuitive.

a) A deviation from past experience.
This means that a previous pattern of performance in the organisation has been broken e.g. a fall in the year's sales figure, rising expenses, employee turnover has risen etc. Such events signal to the manager that a problem has developed.

b) A deviation from a set plan
This means that the manager's projections or expectations are not being met e.g. profit levels are lower than anticipated. These events tell the manager that something must be done to get the plan back on course.

c) Other people
Other people often bring problems to the manager. Customer complaints: higher level managers set new performance standards for the manager's department etc.

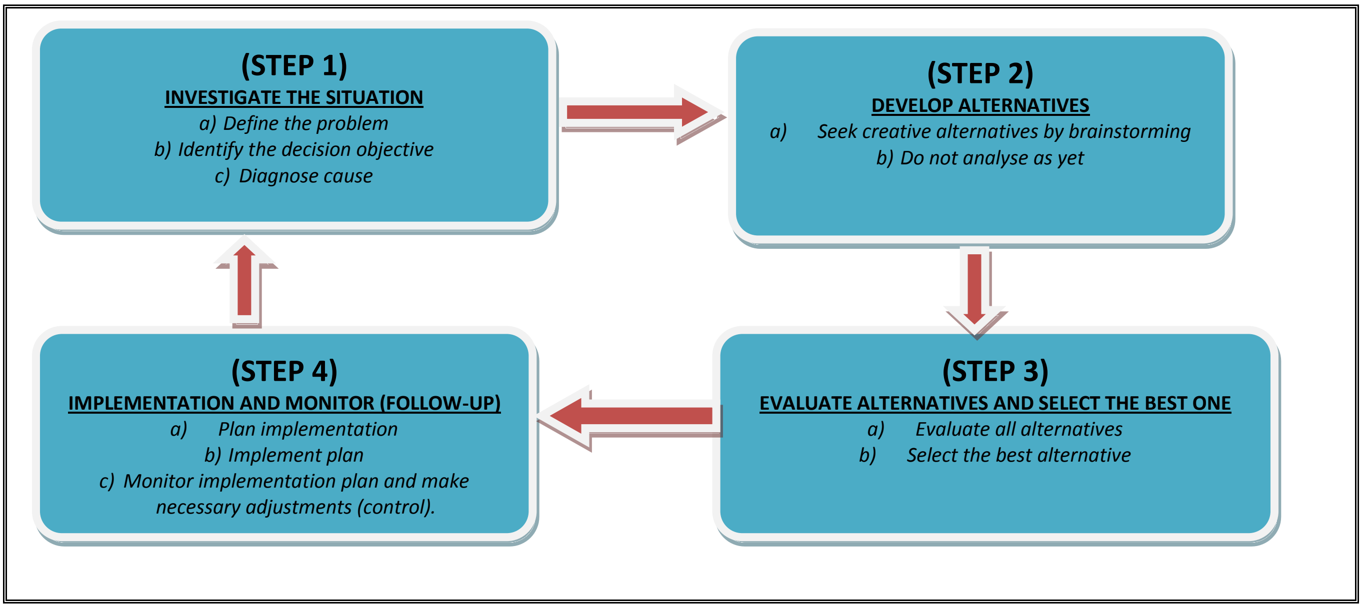
d) The performance of competitors
These can also create problem solving situations e.g. when competitors develop new processes or improvements in operating procedures, the manager may have to re-evaluate the processes or procedures in his or her own organisation.

30. What is rational model of decision making? What are the steps in the rational problem solving process?

Decision making is about solving problems, and some theorists maintain that problem solving is not haphazard but entails that there are certain organised and systematic steps.

This model is based on the following assumptions:-
i. That all alternative ways of solving a given problem can be identified and that consequences of each course of action can be readily ascertained.
ii. That there is a clearly defined criterion for determining the best course of action from among the various alternatives.
iii. And that managers act rationally – e.g. they are willing and capable of identifying more than one way of solving a given problem

THE DIAGRAM BELOW SHOWS THE STEPS IN THE RATIONAL PROBLEM SOLVING PROCESS



STEP 1: INVESTIGATE THE SITUATION

A thorough investigation has three aspects.

a) ***Define the problem.*** Care should be taken in identifying and defining the problem. This problem should be defined in terms of organisational goals and objectives that are being hindered and this could also be an effective way of avoiding addressing symptoms than the actual problem.
b) ***Identification of decision objectives.*** What would constitute an effective solution? What would be the objective of the decision, in the light of the problem? If a solution enables the manager to achieve organisational objectives, it is a successful one.
c) ***Diagnose the causes.*** A solid understanding of all the sources of the problem is necessary as it develops a set of appropriate actions. Managers may ask a number of questions e.g**.** **(1)** what changes inside and outside the organisation may have contributed to the problem? **(2)** What or which people are most involved with the problem situation? **(3)** Do they have insights or perceptive that may clarify the problem? **(4)** Does their actions contribute to the problem?

STEP 2: DEVELOP ALTERNATIVES
This is a simple stage with programmed decisions but not so with non-programmed especially if they are time consuming. Use may be made of idea-generating techniques, most notably brainstorming.

No evaluation of alternatives is necessary as yet at this point, as emphasis is on developing alternative ways of solving the problem only.

STEP 3: EVALUATE THE ALTERNATIVES AND SELECT THE BEST ONE
Managers should, for each alternative, look at
- Its feasibility
- Whether it is satisfactory and also its consequences.
- Some cost-benefit analysis (CBA) may also help make best decision.
- The best decision is based on available resources of time and information and imperfect judgement.

STEP 4: IMPLEMENTATION AND MONITORING (FOLLOW-UP)
This is the final stage and entails implementation of the chosen course of action (best alternative) monitoring and where necessary making corrective actions.

One may also view this as the control mechanism for decision making and problem solving

Has the solution (alternative) chosen solved the problem? If not, it may be necessary to go back to the drawing board.

CONTROL

31. Define control. Why is it necessary?

CONTROLLING :- *(Monitoring, Evaluating, Checking, Making sure).* This process is the ultimate management function and it evaluates the efficiency and effectiveness of the other management functions. The control function is concerned with ensuring that the actions of the organisation's members do move the organisation towards its stated goals.

It is sometimes referred to as the process of monitoring progress towards achievement of goals. The controlling function entails:-
- Establishing standards of performance and how it will be measured
- Measuring current performance
- Comparing actual with standard performance, and
- Taking corrective action where deviations from stated goals are detected.

Through the control function, the manager keeps the organisation on its chosen track through timorously investigating and correcting and deviations from set standards

Control is necessary because of the following factors:-

a) ***The changing environment –*** Organisations operates in turbulent environments *(always changing)* and as such there is need to ensure that set targets are met. Changing environment means that set standards themselves may also have to be reviewed to keep abreast with changes.

b) ***The inevitable of errors –*** Human beings make mistakes. Indeed, even the most efficient person working under the most conducive environment, is bound to make errors. By providing the link between standard and actual performance, control ensures that such errors are minimised and, where they do occur, are corrected to steer the organisation back on the course for achieving its objectives.

c) ***The Complexity of Organisations –*** Max Weber referred to the organisation as being composed of thousands of individuals who may each have their own aspirations. This complexity of organisations and diversity of members and activities necessitates control.

d) ***Delegation –*** managers often have to delegate authority to subordinates. The irony of all this is that the responsibility for accomplishment of the task and accountability for results both still rest on them. It therefore follows that managers have to undertake the control function to ensure that the authority delegated is effectively used.

32. What are the steps in the control process?

a) Establishment of Standards of Performance.
Standards have to be established, in terms of profits, costs, turnover etc. In addition, this step also entails establishing how such performance will be measured. Emphasis here is on quantitative measures, albeit without disregard for qualitative considerations.

b) Measuring Actual Performance
The reporting should be reliable and reasonably accurate. The *Management by Exception Principle* ***(MBE)*** should be applied i.e. reporting should emphasise exceptional factors

c) Comparing Actual and Standard Performance
Determine variances, both favourable and unfavourable. For instance, if set standards have been surpassed, it should be established why and how that standard has been exceeded.

d) Taking corrective action>
Differences in the actual performance may be either due to unsatisfactory performance or unrealistic standards. Therefore, taking corrective action entails correcting the performance (if unsatisfactory) or adjusting the plans if they are unrealistic.

33. State and explain the types of control.

a) ***Feed Forward Controls***
These are controls instituted before the production process i.e. at the input stage. By ensuring that the input is of high quality, there will be less likelihood of poor quality. Its advantage is that *it allows management to take corrective action before problems actually occur.*

There is need for:
(i) Management commitment to functional and not dysfunctional work environments.
(ii) Employee Assistance Programmes (EAP) to help employees with serious behavioural problems.
(iii) Organisational policy that any workplace rage, aggression, or violence will not be tolerated.
(iv) Careful pre-hiring screening.
(v) Never ignore threats.
(vi) Establish specific policies defining theft and fraud and discipline procedures.
(vii) Involve employees in writing policies.
(viii) Clearly communicate policies to employees.
(ix) Educate and train employees about policies to avoid danger if situations arise.
(x) Have professionals review your internal security controls

Examples include the checking of batches before capturing and the checking of raw materials before production.

b) ***Concurrent Controls.***
In this case the control action will be taken during the production process. Examples are the validation of data during capturing stages.

There is also need for:
(i) Management by Working around (MBWA) to identify potential problems, observe how employees react and interact with each other.
(ii) Allow employees or work groups to ***'grieve'*** during periods of major organisational change.
(iii) Be a good model in how to treat others.
(iv) Treat employees with respect and dignity
(v) Let employees know on a regular basis about their successes in preventing theft and fraud.
(vi) Use video surveillance equipment if conditions warrant.
(vii) Install ***'lock-out'*** options on computers, telephone, and e-mails.
(viii) Use corporate ***hotlines*** or some mechanisms for reporting or investigating incidences.
(ix) Use quick and decisive intervention
(x) Get expert professional assistance if violence erupts.
(xi) Provide necessary equipment or procedures for dealing with violent situations, (cell phones, alarm systems, code names, and so forth).

c) ***Feedback Control***
These are controls that are **"*reactive*"** by nature in that they are implemented after an activity. The emphasis is on waiting for an event / activity to occur, comparing it with the standards and then taking corrective action here there are deviations. Examples include quality control undertaken on the final product.

The following is needed:
(i) Communicate openly about incidences and what is being done.
(ii) Investigate incidences and take appropriate actions.
(iii) Review company policies.
(iv) Make employees know when theft or fraud has occurred – not naming names but letting people know that this is not acceptable.
(v) Use the services of professional investigators.
(vi) Redesign control measures.
(vii) Evaluate your organisation's culture and relationships of managers and employees.

34. What are the factors that determine the type of control?

a) The size of the organisation
b) The degree of decentralisation.
c) Importance of an activity.
d) Position or level within the organisation.
e) Organisational culture.

35. What re the qualities of an effective control system?

a) Specificity: - The control system must be targeted at specific areas. Standards must not be vague.
b) Simplicity: - The system must be easy to use.
c) Economy: - It must not be more costly than its value to the organisation.
d) Timeliness: - An effective system must produce information when it is needed most. This ensures that corrective action is taken before a situation gets out of hand.
e) Completeness: - The system must balance quantitative with qualitative information and must not be restricted to one particular aspect.
f) Understandability: - A good control must be understood by all those who participate in its implementation; otherwise it may be of no value.
g) Reasonable criteria: - standards that are too high may de-motivate staff, leading to possible use of shortcuts.
h) Emphasis on exceptions: - The control system should pinpoint only exceptional circumstances.

MOTIVATION

36. Define motivation. What are the views of motivation?

Motivation refers to the forces that drive humans to behave in a certain way. It may also be defined as the inner state of mind that arouses, energises channels and sustain behaviour.

Motivation is to lead people so that they want to do correct things and keep doing the right things which in a key activity of managers and supervisors.

There are three views of motivation which are:

a) ***The Traditional Model.***
This view is associated with ***Fredrick Winslow Taylor*** (the father of mass production). And his scientific approach.
- Here managers worked out the best man-machine combination that would yield efficient production and then worked out an appropriate incentive scheme for the workers.
- In an industrial setting where there are repetitive tasks, emphasis on mass production yields efficiency
- The assumption was that man is motivated by economic gains (in the form of pay increases) to attain higher levels of production
- This view of man came to be known as ***'the rational economic man concept.'***

b) ***The Human Relation Model***
This was brought into being by ***Elton Mayo*** and his ***Hawthorne experiments.***
- The discovery was that boredom and stress relating to performing repetitive tasks cause lower performance levels.
- Managers had to make employees' lives at work worthwhile by addressing their social needs. Thus the concept here was one of the social view of subordinates or ***'the social man concept.'***
- Emphasis was on giving subordinates some freedom to make job-related decisions.
- Informal workgroups were also studied by this group of researchers and the conclusion was that management should give informal groups a greater say in the organisational setting.
- Management, however, still maintained decision-making power and subordinates were expected to accept authority and implement managerial decisions
- Mayo and his colleagues also studied the effects of informal group-induced pressure on the performance on the individual, whereupon it was concluded that the group had, in some instances, more influence than the manager. Managers should therefore use groups effectively.

c) ***The Behavioural Model***
Both the Traditional and the Human relations models failed to aptly explain what motivates the human behaviour. They emphasised on one or two factors and did not give sufficient coverage of the other factors.

The behavioural school addressed these issues. The behavioural school of management's thought was advocated by psychologists and other behavioural specialists.

These proponents believed that the human being had initiatives and enjoyed work itself without necessarily having to be pushed to perform.

37. Discus the motivation theories

a) ***The Hedonistic Principle***
The Greek Philosopher's Hedonistic principle holds the belief that people are motivated to search for pleasure and avoid pain. (But there are certain things that people do that are not explainable e.g. Banji Jumping where there is a thin line between pain and pleasure).

b) ***Urges and Needs Theories***
People always want to satisfy needs e.g. food, shelter, or social needs which are to have friends, and the so called needs for self actualization. The urges and needs theories are supported by other theorists such as Abraham Maslow, Fredrick Herzberg and David McClelland. The needs and urges theories are important to motivation but don't fully explain the whole spectrum of motivation. This is because people differ radically in the kind of motivation that they need and the strength of that need.

c) *Reinforcement Theory*

This theory holds that human behaviour is determined by the outcomes or results of each behaviour – normally people repeat the behaviour that have positive or pleasurable outcomes e.g. recognition, reward, salary increment/bonus. People avoid behaviours leading to negative or unpleasurable outcomes e.g. a reprimand, dismissal or other forms of discipline or punishment. Rewards and remuneration can be used to create a motivating environment in the work place but doesn't have a long term effect. It loses its motivational capacity especially if the motivator is in monetary terms for it may become entitlement e.g. annual bonuses.

d) *Cognitive Theory*

Cognitive theories holds that individual behaviour is as a result of his/her own assumptions, premises, expectations, values and other psychological processes. Motivated behaviour is seen as a product of conscious rational decisions between alternatives. People decide on how they want to work i.e. they make individual choices. This is directly related to the Expectancy theory whereby an individual asks his/her self the question; if I work hard what will I get.

e) *Three Needs Theory*

David McClelland and others proposed the Three Needs Theory, which says there are three (3) needs that motivate employees.

1. ***Need for Achievement (n-Ach)*** - this is the drive to excel, to achieve in relation to a set of standards and to strive to succeed. Such people are striving for personal achievement rather than for the trappings and rewards for success. They have a desire to do something better or more efficiently than it has been done before. They prefer jobs that offer personal responsibility for finding solutions to problems in which they can receive rapid and unambiguous feedback on their performance in order to tell whether they are improving and in which they can set moderately challenging goals.
2. ***Need for Power (n-Pow)*** – this is the need to make others behave in a way or manner that they would not have behaved otherwise
3. ***Need for Affiliation (n-Aff)*** – this refers to the desire for friendly and close interpersonal relationships. The need for power and affiliation are closely related to managerial success as the best managers tend to be high in the need for power and low in the need for affiliation.

f) *Goal setting Theory*

The proposition of this theory is that specific goals increase performance and that difficult goals, when accepted, result in higher performance than do easy goals. The employee's intention to work towards a goal is a major source of job motivation.

Specific hard goals produce a higher level of output than does the generalized goals. The specificity of the goals themselves acts as an internal stimulus. Goal setting theory deals with people in general and the conclusions on achievement motivation are based on people who have a high need for achievement. Also the conclusion applies only to those who accept and are committed to the goals. Difficult goals will lead to higher performance only if they are accepted. Finally, people will do better when they get feedback on how well they are progressing towards their goals because it helps identify deviations between what they have done and they want to do i.e. feedback helps in guiding and regulating behaviour. Cognitive theory was found to be able to explain significantly what motivation is all about and therefore form the basis for creating a motivating environment.

g) *Job Characteristic Theory*

The characteristics of a job which an individual performs are key to his/her motivation therefore monotonous, repetitive jobs with little challenges inhibit employee motivation to perform well. Job design should promote a variety of experiences.

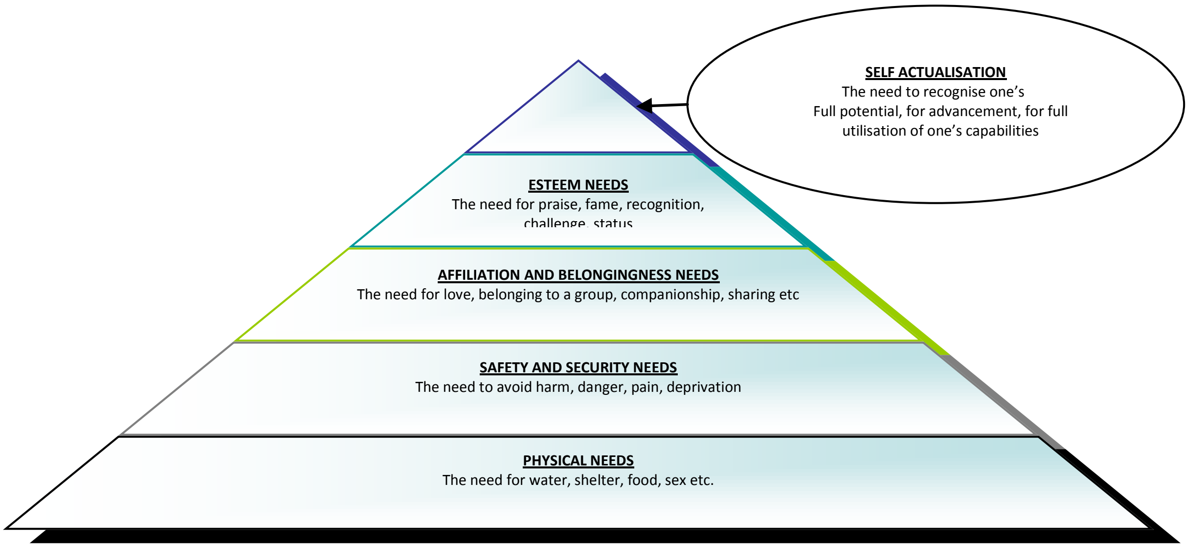
h) *Maslow's Hierarchy of Needs Theory*

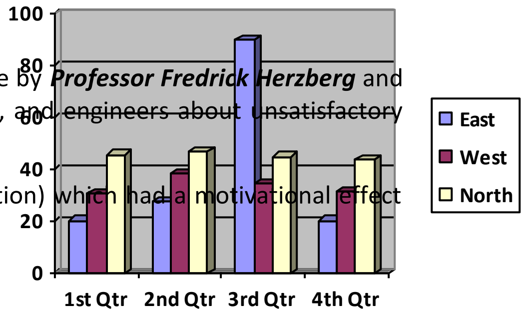
Abraham Maslow was a psychologist who also contributed to the motivation theories. He identified that human needs are satisfied in some hierarchical order, that is, the more important needs are satisfied before the next needs etc.

CRITICISM OF MASLOW HIERARCHY OF NEEDS

- Indeed this is the basis of most criticism against Maslow i.e. he assumes that the needs are addressed in some hierarchical order.
- Opposing theorist maintain that it is possible to address needs at the same time.

THE DIAGRAM BELOW SHOWS THE MASLOW HIERARCHY ON NEEDS





i) ***Fredrick Herzberg's Two Factor Theory (Also called Motivation Hygiene theory***

Another important content theory of motivation arose from research work done by ***Professor Fredrick Herzberg*** and his team. Their findings were based on feedback from about 200 accountants, and engineers about unsatisfactory and satisfactory feelings on the job.

Herzberg's concentration was on factors (both inside and outside the organisation) which had a motivational effect on the performance of employees.

Herzberg found out that the factors could be divided into two broad categories.

a) Hygiene (Also called maintenance factors or dissatisfiers)

An improvement in these will not lead to improved productivity but neither would it lead to reduced production.

On the other hand any reduction in these factors would lead to reduced performance levels, hence giving rise to the name ***'dissatisfiers'***

Managers have to try and ensure that they do not reduce these hygiene factors or else risk negative effects of reduced productivity and lower employee morale.

These hygiene factors include:

- Company policy and administration
- Supervision, relationship with supervisor
- Working conditions
- Salary
- Relationship with subordinates
- Personal life
- Relationship with peers
- Status
- Security

The term ***'maintenance factor'*** is probably used because these factors do not significantly affect motivation but are necessary to maintain hygiene within working environment. Put differently, these factors were the basic levels necessary to maintain certain levels of performance.

b) Satisfiers (Also called Motivators)

These factors boost production each time they are increased. Herzberg believed that managers should concentrate on satisfiers or drivers ***(motivators)*** to maximise the benefits from motivation.

Typical motivators are:

- Achievement
- Recognition
- Work itself
- Responsibility
- Advancement.

38. Discus the environmental factors that affect motivation. What are the three requisites necessary to create a motivating environment

Environmental factors
These factors include supervision style, organisational climate and culture, team spirit, cooperation and the organisation rewards and recognition systems.

Managers should also be aware of the fact that people differ in terms of the nature and strength of their needs, expectations, self concept but they also differ in terms of the influences coming from the environment (environment signal different influences to people).

Thus people react differently to the same motivating environment, there are people who are self starters and some who have to be encouraged or motivated to work but are in the same environment with self starters.
People also decide on the amount of effort that they are prepared to put in return for a particular reward or punishment and people also differ in relation to the decision they will make with regards to the effort they will put in whatever that were or are doing. The big question they ask is **what's in it for me**? And what they expect to get out of it should be of value and or determine their status.

NB: people normally choose the best alternative among options and in the majority of cases they normally choose the best perceived option with attractive outcomes.

As such managers need to understand all these things in order to be able to create a motivating environment.

Three Requisites Necessary to Create a Motivating Environment

1. **Effective management leadership**
2. **A shared value system –** everyone should identify with any of the values, they help guide behaviour in the organization
3. **Sound work ethics**

In addition managers should provide inspiration in this environment for example they may institute name changes to departments e.g. Department of engineering can be renamed Department of Beauty, PEST analysis can be taken as STEP. These changes directly affect or influence an organisation's ability to creating a motivating environment. Themselves they do not create a motivating environment, but they influence and organization in a number of ways.

Outputs of a motivating environment
Commitment – of workers to goals and visions and their alignment to it. Management should be able to communicate the consequences and benefits of sticking to the goals and vision of the organization.
Efficiency and effectiveness – employees cannot be productive is they are not efficient and effective. If they cannot do the right thing in the right way you will never out-compete your rivals.

39. Discus the understanding of commitment of managers and employees. What are the formulas use for aligning commitment (By Professor Coetzee)

Understanding commitment of managers and employees
There is a need to understand certain fundamentals that are inherent and practiced by people in organisations.

Level 1
Here people are taking note of what they are or being told. At this level they know about it but this does not mean that they are going to do something about it. This is equivalent to doing nothing. We need to do something better than noting or knowing about it.

Level 2
Support it. Being supportive is equivalent to being on favour of something which means it is acceptable and given a chance you will vote for it. Support is a positive attitude but is not good enough as a manager you need to go beyond just being in favour by contributing something.

Level 3
Involvement is much stronger than support. There is participation especially in decision making that allows employees to feel that they are part of what has been or is being done.

Level 5
This is the highest level that is signified by high levels of commitment. Commitment allows employees to be part of or acquire ownership of any endeavour initiated. When an employee is committed to something he/she knows that it is going to happen i.e. there is full identification with something or being part of that something.

Aligned commitment of employees – this implies that all members are focused to attaining the same goals and are committed to attaining them.

FORMULA FOR ALIGNING COMMITMENT (PROF COETZEE)
Aligned Commitment = knowledge x information x empowerment x recognition and rewards x shared goals and values

Knowledge
Training and development within the organization. This also refers to employee knowledge, skills and abilities, methods and techniques applied to train, develop and to stimulate employee growth.
Managers should create a learning organisation and make an investment in the knowledge of employees.

Information
This refers to communication in an organisation, its concern with the dissemination of information in that organisation (downwards, laterally, and upwards). The importance of the information and how effective the information is distributed and how well it is understood by the employees (take an effort to inform people on what is happening not to hear about it in the press) because it affects morale especially when things are bad.

Empowerment
This is the extent to which employees can influence and partake in decision making, the enlargement of responsibilities and competences of employees. Opportunities should be provided for employees to assist with the identification of problems and defining the problems and inviting their inputs in decisions on how work should be done.
How work methods could be improved and the delegating of more comprehensive powers and responsibilities has a bearing of levels of commitment and motivation.

Rewards and Recognition
This refers to the reward and recognition, philosophies, policies and systems and the way these are applied in the organization e.g. acknowledgement, recognition, withholding it, giving rewards and taking disciplinary action, linking pay to performance i.e. a performance management system.

Shared values and Goals
This refers to a combination of what to achieve here and how we do things here. The shared goals have to be clearly formulated and communicated to employees and have to be clearly understood and accepted.

Job Satisfaction
In a motivating environment both employees and managers are generally satisfied with their jobs but just like with the civil service satisfaction doesn't mean productivity. If also follows that it doesn't mean that satisfied employees performs better than dissatisfied employees. There is no direct link between satisfaction and performance or productivity.

CONFLICT MANAGEMENT

40. Define conflict. What are the views of conflict

Conflict refers to perceived incompatible differences resulting in some form of interference or opposition.

It is the clash that occurs when the goal-directed behaviour of one group blocks or thwarts the goals of the other. Because goals, preferences, and interests of stakeholder groups differ, conflict is inevitable in organisations.

VIEWS OF CONFLICT:

a) ***The Traditional View.***
This is an early view on conflict. The assumption is that conflict is bad and always has negative effects to an organisation. Conflict was associated with violence, destruction, and irrationality.

It therefore follows that conflict must be avoided and it is the manager's responsibility to rid the organisation of any conflict, that is, managers were evaluated according to their ability to reduce conflict to a zero level.

The traditional view dominated management literature from the 19^{th} century up to the mid 1940s.

b) ***The Human Relations View.***
The argument here was that conflict was natural and inevitable phenomenon in all organisations. It therefore has to be accepted. This group of theorists maintained that conflict should, however, be minimised i.e. a maximum permissible conflict level should be set. They also conceded that there were times when conflict could actually be beneficial to an organisation.

This view dominated management thought from late 1940s to the mid 1970s.

c) ***The interactionist View***
By and large, this constitutes the current thought on conflict. This approach, unlike the other views, maintains that conflict must actually be stimulated ***(encouraged, inspired)***.

The basic argument is that a harmonious, peaceful tranquil and cooperative organisation is prone to become static, apathetic, and non-responsive to needs for change and innovation. Management is, thus, encouraged to maintain a minimum level of conflict. This should be enough to stimulate ideas, innovations etc.

41. What is functional conflict?

Functional conflict refers to conflict that supports the goals of an organisation. It may be called ***'Constructive conflict'.***

The following are the benefits that are derived from this type of conflict:
a) It fosters creativity
b) It is a major stimulant for change
c) It clarifies issues and goals
d) It enhances communication
e) It increases energy within a given unit.
f) It overcomes organisational inertia ***(apathy)*** and leads to organisational leaning and change.
g) It can also improve decision making and organisational learning by revealing new ways of looking at a problem or the false erroneous assumptions that distorts decision making.

42. Define dysfunctional conflict. Discus Pond's Model of Organisational conflict

Dysfunctional conflict is conflict that has destructive consequences or undesirable effects.

It is unfavourable because it has the following consequences:
It tends to increase labour turnover emanating from dissatisfaction.

POND'S MODEL OF ORGANISATIONAL CONFLICT

Pondy's views conflict as a process that consists of five sequential episodes or stages, as summarized below.

STAGE 1: LATENT CONFLICT

No outright conflict exists, however the potential for conflict to arise is present due to interdependence of functional activities. According to Pondy, all organizational conflict arises because vertical and horizontal differentiation leads to the establishment of different organizational units with different perceptions of how best to realise those goals.

An organisation's vision and mission are central to all departments; however how to realize these visions and missions may cause problems as each individual department may have its own unique insight.

Other potential causes of conflict

As organisations differentiate, each sub unit develops a desire for autonomy and begins to pursue goals and interests that it values over the goals of other subunits or organisation as a whole. Because the activities of these sub units are interdependent, sub unit's desire for autonomy leads to conflict between groups. In this regard, each sub unit's desire for autonomy comes into conflict with the organisation's desire for coordination.

Differences in goals and Priorities

Differences in departmental orientation affect the way each function or division views the world and cause each unit to pursue different goals that are often inconsistent or incompatible. Once goals become incompatible, the potential for conflict arises because the goals of one subunit may thwart the ability of another to achieve its goals.

Bureaucratic factors

The way in which task relationships develop in organisations can also be a potential source of conflict. Overtime conflict can occur due because of status inconsistencies between different groups in the organisation's bureaucracy for example conflict between line and staff functions.

Line function: is directly involved in the production of the organisation's outputs.
Staff Function: advice and support the line function and include functions as personnel, accounting and marketing amongst many others.

Incompatible Performance Criteria

An organisation's way of monitoring, evaluating and rewarding different departments can bring them into conflict. For example, production and sales can come into conflict, when, to achieve a goal of increased sales, the sales department asks manufacturing to respond quickly to customer – orders- an action that raises manufacturing costs. If the organisation's reward system benefits sales department (who get higher bonuses because of increased sales) but penalizes manufacturing or high costs, conflict will arise.

Competition for scarce resources

When resources are scarce, strict choices about resource allocation have to be made, and functions have to compete for their share. To increase access to resources, functions promote their interest and importance often at one another's expense.

Other causes of conflict are

- Individual differences
- Structural relationships (emanating from organisational structure – hierarchy).
- Communication distortions.
- Task interdependency.

STAGE 2 PERCEIVED CONFLICT

Perceived conflict begins when a subunit or stakeholder group perceives that its goals are being thwarted by the actions of another group. Each group also begins to define why the conflict is emerging and to analyse the events that have led up to it. Stakeholders begin to battle over the cause of the problem.

STAGE 3 FELT CONFLICT

At the felt conflict stage, subunits in conflict develop an emotional response toward each other. Each department closes ranks and develops a polarized us versus them mentality that puts the blame for the conflict squarely on the other subunit. As conflict escalates, cooperation between subunits falls and so does organizational effectiveness. For example, it's difficult to reduce new product's time to market if Research and department, Procurement and Manufacturing are fighting over quality and final product specifications.

STAGE 4 MANIFEST CONFLICT

At this stage one department gets back at another department by attempting to thwart its goals. Manifest conflict can take many forms including open aggression between people and groups is common for example on in the *case of Parliamentary fighting that occur in South Korea on 22/07/09 over a media Bill or what happened between Patrick Chinamasa and Roy Bennett.* A very effective form of conflict is **passive aggression** frustrating the goals of the opposition by doing nothing. Once conflict is manifest, organizational effectiveness suffers because coordination and integration between managers and departments breakdown.

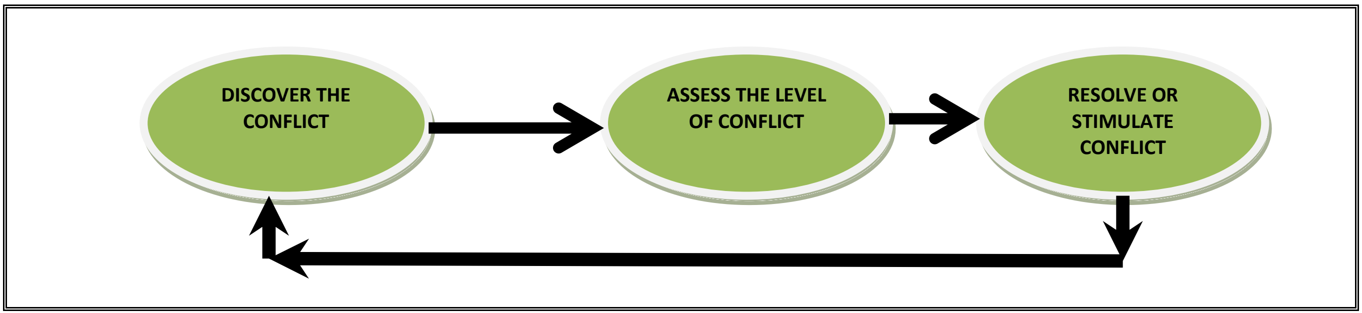
STAGE 5 CONFLICT AFTERMATH

Conflict aftermath affects the way both parties to the conflict perceive and react to future conflict episodes. If a conflict is resolved before it gets to the manifest stage then the aftermath will promote good future working relationships. If conflict is not resolved until late into the process, or is not resolved at all, the aftermath will sour future working relationships, and the organizational culture will be poisoned by permanently uncooperative relationships.

Managerial Implications

1. Analyse the organizational structure to identify potential sources of conflict
2. Change or redesign the structure to eliminate the potential for conflict whenever possible
3. If conflict cannot be eliminated, be prepared to intervene quickly and early in the conflict to find a solution
4. Choose a way of managing the conflict that matches the source of the conflict
5. Always try to achieve conflict aftermath so that cooperative attitudes can be maintained in the organisation over time.

43. What are the steps in conflict management process



44. Discus conflict resolving methods.

According to Robin, there are five (5) conflict resolution styles, namely, confrontation, compromise, collaboration, accommodation, and avoidance.

a) ***Confrontation***.

This approach directly addresses the conflict. A confrontational approach usually involves high emotional levels, clear clarity of goals, weak relationship, and low concern for formalities or fear for punishment, moderate concerns for traditions and moderate self-concept.

This approach is aimed at solving the problem and could be ideal where conflict is caused by ***semantic barriers.*** It may, however, not suitable for conflict from individual differences.

b) Compromise (lose, lose approach)

Compromise involves bargaining and mutually giving up something to reach a settlement. It can be used to get quick resolution, with the prevention of further escalation.

Compromise usually involves high to moderate emotional levels, high to low skills levels, moderate clarity of both goals, moderate status of relationship, win-win attitude toward authority, moderate concern for traditions and moderate fear of punishment.

c) Collaboration

This involves working together to generate win-win alternatives for resolving issues. In this case, conflicts are resolved amicably and no one feels they have lost anything. The conflicting parties sit on the same side working together to achieve a common goal.

Collaboration involves moderate to high skills levels, clear clarity of both goals, strong status of relationship, win-win attitude toward authority, low concern for formalities and traditions, and high self-concept.

d) Accommodation

This involves listening and accepting without resistance. This approach is characterised by suppressed emotional levels, high to low levels of parties, moderate clarity of both goals a lose-win attitude towards authority, high concern for formalities, a moderate self concept, and a high fear of punishment.

e) Competition

This is a situation where all parties are left to compete. There is a win-lose situation. One party wins whilst the other party loses. This is not a very healthy method as it leaves ill feelings which may develop into a worse conflict.

f) Avoidance.

This is where conflict is avoided (conflict is not addressed

CHANGE MANAGEMENT

45. Define change and change management.

Change: In the context of an organisation ***change*** is the implementation of new procedures or technologies intended to realign an organisation with relentless changing demands of its business environment, or to capitalize on business opportunities.

Modern day environment is highly characterised by rapid change and since the business organisation is a sub-system of the environment, there is need to constantly revise organisational goals and policies to ensure that they are kept abreast with environmental changes.

Change Management: Refers to the proactive anticipation of change and being prepared for the change in order to cope with, introduce and sustain transformation. It looks at the way managers adjust their plans, activities etc to cope with the turbulent environment.

46. Why is planned change necessary?

Planned change occurs when an organisation deliberately implement a new policy or goal, or a change in operating philosophy, climate or style.

Planned change is a ***proactive managerial approach***, as it prepares the entire organisation to adapt to significant changes in the organisation's goals and direction. Employees and management alike have to be prepared to surrender familiar work habits for new policies, procedures and expectations.

This contrasts sharply with the ***reactive approach*** to management of change where changes are largely unscheduled and random.

Planned change is necessary for the following reasons:-

a) **Environmental changes threaten the organisation's survival.** Failure to change may give rise to failure to keep in touch with the environment, and this may translate to loss of market share and hence sales revenue.
b) **Environmental changes offer new opportunities.** Changes offer new opportunities for survival of the organisation e.g. new markets.
c) **The organisational structure.** Needs constant review to ensure that it is abreast with environmental changes.
d) **Changes in productivity, profitability, worker's morale, sales level etc may also necessitate change.**

47. Give factors and reasons why people resist change.

There are two major factors in which resistance is a function in organisations

- ***a)*** ***Rational.*** Resistance can occur where an individual's own rational assessment of change outcomes differ with those of management
- **b)** ***Non-Rational.*** Individual reaction to change is also a function of predispositions and preferences not necessarily based on a rational assessment of change
- **c)** ***Political.*** Resistance is also influenced by political factors such as favoritism or "point scoring" against those initiating the change.
- **d)** ***Management.*** Poor management styles also contribute to resistance.

Why People Resist Change

Organisational members are usually resistant to the implementation of changes. Various reasons have been advanced. In an organizational setting, resistance is an expression of reservation which normally arises as a response or reaction to change. Management often interprets this as any actions perceived as attempting to stop or alter change

Ten Sources of Resistance to Change

- **a)** Fear of the unknown
- **b)** Loss of control
- **c)** Loss of face
- **d)** Loss of competency
- **e)** Need for security
- **f)** Poor timing
- **g)** Force of habit
- **h)** Lack of support
- **i)** Lack of confidence
- **j)** Lingering resentment

Sources of Individual Resistance to Change

- **a)** Selective Information Processing
- **b)** Fear of the Unknown
- **c)** Economic Factors
- **d)** Security
- **e)** Habit

Sources of Organisational Resistance to Change

- **a)** Threat to Established Resource Allocations
- **b)** Threat to Established Power Relationships
- **c)** Threat to Expertise
- **d)** Group Inertia
- **e)** Limited Focus of Change
- **f)** Structural Inertia

48. How can an organisation overcome resistance to change?

An organisation can overcome resistance to change use of the following criteria:-

- **a)** **Education and Communication.** Explain the need and logic for change to individuals, groups, etc. Benefits also need to be explained.
- **b)** **Participation and involvement.** Ensure everyone is involved to make fell part of the process, especially in initial stages.
- **c)** **Facilitation and support.** Offer re-training, time off, emotional support, and understanding during period of change. This will minimise negative effects on those affected by the change.
- **d)** **Negotiation and agreement.** Interact with potential resistors; establish their interests, compromise, solicit for support.
- **e)** **Manipulation and co-optation.** Entails giving key position to resistors to minimize resistance.
- **f)** **Coercion.** Threaten job loss or transfer, lack of promotion etc. this obviously is not a very effective approach

g) Appoint a Suitable Change Agent. The change agent must be competent and capable of minimising resistance.

Organisations can also use the ADKAR Model *(by PROSCI Management Consultants)*

- The change team can also apply the ADKAR Model to determine how change should be introduced and implemented.
- This model stresses the need for creating awareness and desire for change, disseminating knowledge on how to change, assessing the ability to implement change and then its reinforcement. The ADKAR model can thus be illustrated:

A – Awareness of why change is needed

D – Desire to support and participate

K – Knowledge of how to change

A – Ability to implement new skills

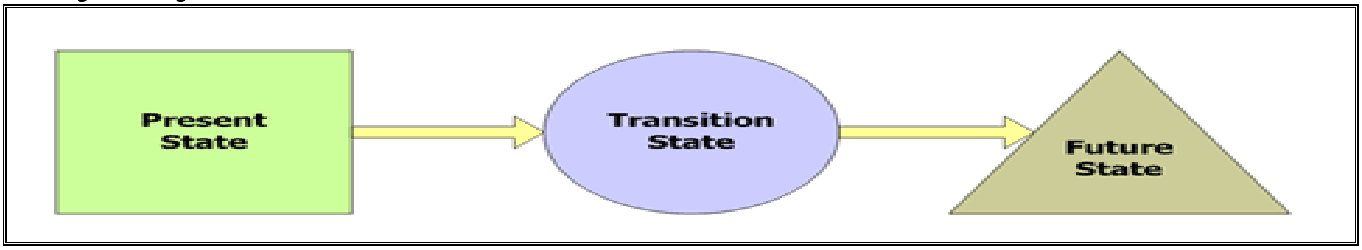
R – Reinforcement to sustain change

49. Discus the change process

The basic change management process includes three steps to help a program achieve its goal. Kurt Lewin outlined the state in the change process as follows:

a) Present state
b) Transition state
c) Future state

Change Management Process



a) Present state

- Who are we /where are we?
- What is our current state of affairs?
- What are the problems we are facing
- Why do we want to change?

b) Transition state

- the gap
- what needs to be done to propel the change
- The wilderness

c) Future state

- The desired future steady state
- It is the ideal

3-STEPS IN THE CHANGE PROCESS BY KURT LEWIN

- Unfreezing
- Changing
- Refreeze

a) PHASE I: UNFREEZING

- The first step, "unfreeze" involves the process of letting go of certain restricting attitudes during the initial stages.
- The need for change is recognized / Creating a felt need for change
- Overcoming inertia and dismantling the existing mindset.
- This is followed by a deliberate action involving discussions, meetings and presentations
- Creation of a felt need for change through the media.
- The aim is to create awareness in order to unfreeze existing attitudes and behaviour and minimizing resistance to change
- Making the status quo undesirable, that is, the demolition of the status quo, the business as usual attitude
- A case of the Israelites
- Creation of awareness in order to unfreeze existing attitudes and behaviour and thereby minimizing resistance to change.
- Carrying out deliberate discussions, meetings and presentations on the change programme.
- Creation of super ordinate goals.

b) PHASE II: CHANGE

- Changing people (individuals and groups); tasks; structure; technology
- change" or "moving" involves alteration of existing state towards the desired state
- Putting up a framework for change and its drivers.
- Altering the existing state towards the desired state.
- Implementation of the change strategies. This is the implementation of the actual systems and operational mechanisms
- This is the most painful stage of change.
- It is like the biblical wilderness.
- It can also be likened to birth pangs mothers feel at delivery.
- Everyone should be prepared to pass through this stage if the change process is to be successful

c) PHASE III: REFREEZE

- Solidifying or crystallizing the changes into a new, permanent form.
- Appraising the effectiveness of the change process
- Positives outcomes are reinforced any constructive modifications are made.
- Reinforcement of positive outcomes and their modifications.

Conclusion

The "change process" is usually a challenging one. Knowing what the change process involves can facilitate the transition; it can mean the difference between failure and success

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ORGANISATIONAL CULTURE, SOCIAL RESPONSIBILITY AND ETHICS

50. Define organisational culture

Organisational culture is the wide pattern of, shared values, norms and ways of managing, assumptions about the organisation's mission, perceptions of how best to adapt to the environment etc.

And interesting aspect about organisational culture is that some or most of its characteristics may be largely unstated and in some instances individual organisational members may even be unaware of these.

The organisational culture is therefore not an overnight thing – it is cultivated over a period of time by management, learnt by employees and subsequently passed over to new employees. It also tends to changes over time.

Whenever there exists a well-coordinated culture, there tends to be less distinction between formal and informal rules and regulations, activities and interactions.

Culture is indeed not entirely positive phenomenon. For instance, the establishment of sub-cultures within organisations may in fact create politics which may cause organisational instabilities and ineffectiveness.

51. What are the sources of Organisational Culture? What are the implications of organisational culture to management?

Organisational culture is created from the following (1) core values, (2) Organisational Socialisation, (3) Rites, and (4) legends.

a) ***Core Values.***
These are the work-related values of the society in which the organisation operates. The core values could not be further sub-divided into the following:

(i) **Power Distance.**
This is the extent to which individuals accept the unequal distribution of power. Cases if high power distance are epitomised by autocratic management styles.

(ii) **Uncertainty Avoidance**
This refers to the extent to which individuals feel threatened by ambiguous risky situations.

b) ***Organisational Socialisation.***
This, on the other hand, is the process by organisation bring new members into their culture. Strong cultures tend to be characterised by well-developed methods of selecting and moulding employees into the organisation.

Here a combination of modelling, coaching, teaching and enforcement by managers tends to be an effective means of socialisation.

Thus, socialisation is supposed by organisation - wide norms and maybe both explicit and formal and implicit and informal.

c) ***Rites.***
Refers to an elaborate, well planned expression carried out through an event. Performance driven organisations tend to use a number of rites of enhancement to:

- Publicly recognise individuals for outstanding performance.
- Motivate others towards similar achievements.
- Spread good news about the organisation, and
- Emphasise the mutual nature of organisational and employee objectives.

d) ***Legends.***
A legend is a story of some significant event, typically based on historical fact but exaggerated by functional details. Thus the organisation may be associated with ***"'legendary quality'*** which ultimately helps maintain cohesion and guidelines for employees to follow.

The implications of organisational culture to management
Managers constantly need to ascertain which organisation cultural attributes needs to be preserved. In this respect he should:

- Set the example.
- Articulate and reinforce values.
- Socialise.
- Not underestimate the power of values, socialisation, rites, and legends.
- Management has the strongest responsibility for creating and transmitting organisational culture. This they achieve through the formulation of policies in their day to day activities, interactions, sentiments, and norms, as perceived throughout the organisation.
- They should explicitly communicate and articulate, maintain and reinforce important organisational sentiments and norms.

- They should also mould the way the employees think, feel, and act within the organisation. They must attempt to create a sense of unity without blind conformity and blend individuality with group and organisational concerns.

52. State and explain at least five strategies that can be used to effectively manage workforce diversity?

A diverse workforce can be well managed if there are well planned strategies in place in and organization. If workforce diversity is managed in an effective way, there is a potential for an organization of reaping organizational benefits. Effectively managed organizations with diverse workforce have effective competitive edge as a diverse group of employees is perceived to be more creative and efficient in problem solving as compared to a homogeneous group. A benefit of a diverse workforce is the ability to tap into the many talents which employees from different backgrounds, perspectives, abilities, and disabilities bring to the workplace. Judith Lindenberger and Marian Stoltz-Loike say:

> "*Diversity is about our relatedness, our connectedness, our interactions, where the lines cross. Diversity is many things - a bridge between organizational life and the reality of people's lives, building corporate capability, the framework for interrelationships between people, a learning exchange, and a strategic lens on the world.*"

"Today's organisations are characterised by workforce diversity – a workforce that is more heterogeneous in terms of gender, race, ethnicity, and other characteristics that reflects differences." Stephen P. Robinson and Marry Coulter (2005). There are many different innovative strategies that organizations have adopted to manage diversity.

(a) Drafting organisational policies. An organisation must have policies which has a holistic approach to diversity. Workforce diversity can provide tremendous benefits if the organisation has a workforce diversity policy which is fully implemented. This will help to improve morale, outside-the-box thinking, greater teamwork, and an atmosphere of mutual understanding and respect. Judith Lindenberger says:

> *"The long-term success of any business calls for a diverse body of talent that can bring fresh ideas, perspectives, and views to their work. The challenge that diversity poses, therefore, is enabling your managers to capitalize on the mixture of genders, cultural backgrounds, ages, and lifestyles to respond to business opportunities more rapidly and creatively."*

Workforce diversity can be built considering many factors such as, as a social responsibility, as a legal requirement, as a marketing strategy as business communication strategy and as a capacity building strategy.

(b) Implementation. Walk the talk. If the organisation's policies advocates for a diverse workforce, all employees must make diversity evident at all organisational levels. Implementation process is vital as this will show the true picture of the organisation. When implementing, an organisation should at all levels remove artificial barriers to the success of the policies. Diversity must also be retained at all levels. Training programmes are needed – the training programmes must emphasise diverse ideas.

(c) Team building. When the organisation encourages workforce to work in teams this will create a favourable environment for people from different nations, cultures, gender, age groups etc to work together. Organisational goals will be effectively achieved. Judith Lindenberger says **"**Mentor with others at your company who you do not know well**.** Find someone from a different background, a different race, or a different gender. Find someone who thinks differently than you do." Casio (1995) suggests that an organisation must link diversity to every business process and strategy such as succession planning, reengineering, employee development, performance management, and review, and reward systems. "Talent is colour blind. Talent is gender blind. Talent has nothing to do with dialects, whether they are Hispanic, Irish or Polish, or Chinese." Stonner, J.A.F and Freeman, E.R. (5th Ed) (1990:16)

(d) Open lines of communication. An organisation must keep lines of communication open. http://www.moneyinstructor.com/art/managework.asp. People from different cultures, nations, religions have different values and norms. If employees in an organisation are encouraged to communicate with each other, so that everyone in the organisation knows each other's values and norms. This will create a favourable working environment. If you focus on building a well-integrated multi-cultural team, you will find other ideas to make the team work well together.

(e) Evaluations. As a manager one should frequently evaluate if workforce is working together in harmony to achieve the organisational goals. Organisational assessments must be conducted in order to be in the know of the work environment. This will help the manager to keep doing what is good for diversity and correct what is not working.

If you and your team work together, and learn from one another, you will discover the real synergy of bringing your collective knowledge and skill together to achieve a goal, and your company environment will be better for the effort. Welcome to the global economy! http://www.moneyinstructor.com/art/managework.asp

In conclusion I can say that workforce diversity in all organisations is now the order of the day world over because of globalisation. Organisations around the world have realised that diversity within an organisation is not a negative aspect, rather can facilitate organisational stalk for glory.It reflects the good management. "… for as the international economy increases competitive pleasures, organisations must draw on their most talented employees – without regard to racial, cultural or sexual differences." Stonner, J.A.F and Freeman, E.R. (5th Ed) (1990:16)

53. Define Ethics. Discus the ethical approaches.

Ethics are the moral that govern the actions and decisions of an organisation or group. It therefore follows that values are fundamental to ethics

Ethics can also be defined as the process of clarifying what constitutes human welfare and the kinds of decisions and behaviours necessary to promote it.

ETHICAL APPROACHES:
There are three (3) approaches to personal managerial decision making

a) *The Utilitarian Approach.*

This approach judges the effect of decisions and behaviours on others, with the primary objective of providing the greatest number of people. It focuses on actions or behaviours as opposed to motives. In this case the manager should consider the effect of the alternative actions on those who will be affected, then select the alternative benefiting the greatest number of people.

The manager acknowledges that this alternative may help some but harm others, but for as long as potentially positive results outweigh negative results, the decision is considered ethical.

A good business example could be the merit pay system, whereby employees are paid different rates. The ethics lies in the fact that those who perform best receive the greatest reward.

The utilitarian approach is based on the following standards:

- Organisational goals e.g. managers should aim to satisfy customers, suppliers, leaders, employees, and stakeholders. Maximising profits provides the greatest good for the greatest number of people.
- Efficiency: Minimising input cost
- Conflict of Interest: The manager's personal interest should not conflict with those of the organisation.

THE STRENGTHS OF THE UTILITARIAN APPROACH

i. Encourages efficiency and productivity.
ii. It is consistent with profit maximisation and hence easier for management to understand.

WEAKNESSES

i. It is impossible to clarify all important variables.
ii. May result in biased resource allocation, especially when those affected are not represented.
iii. Can result in ignoring rights of some who are affected to achieve utilitarian outcomes.

b) *The Moral Rights Approach.*

This approach judges decisions and behaviours by their consistency with fundamental personal or group liberties and privileges.

This view maintains that managerial decisions should be consistent with fundamental liberties and privileges (e.g. life, freedom, health, privacy, property). These privileges are usually governed by the constitution or the bill of rights.

The following are some of the moral rights that should be taken into cognisance in managerial decision making.

Life and Safety, truthfulness, privacy, freedom of conscience, private property etc.

THE STRENGTHS OF THE MORAL RIGHTS APPROACH

a) Protects the individual from injury consistent with freedom and privacy.

WEAKNESSES

a) Can imply individualistic or selfish behaviour that may result in anarchy
b) Can foster personal liberties that may create obstacles to productivity and efficiency.

c) ***The Justice Approach.***

This judges decisions and behaviours by their consistency with an equitable, fair and impartial distribution of benefits (rewards) and cost among individuals and groups.

The justice approach is subdivided into the following:

a) ***Distributive Justice Principle:*** Individuals who are similar in relevant respects should be treated equitably. Conversely, individuals who differ in respects should be treated differently in proportion to the differences between them.
b) ***Fairness Principle:*** This principle holds that the employee should follow the rules of the organisation, provided two conditions are met.
c) ***Natural Duty Principle:*** This, on the other hand, requires management to base their decisions on a variety of universal obligations, entitling.

THE STRENGTHS OF THE JUSTICE APPROACH

a) Attempts to allocate resources and costs fairly.
b) Is the democratic principle.
c) Protects interests of those affected but having less representation or lacking power.

WEAKNESS

a) It could encourage a sense of entitlement that reduces risk, innovation, and productivity.
b) Can result in reducing rights of some to accommodate rules of justice.

54. Define Corporate Social Responsibility (CSR) and state the stakeholders in corporate social responsibility.

Organisations and individuals dealing with a company expect certain standards of ethical behaviour from the company representatives they deal with, but they also expect similar standards from the company as a whole. There is a view that the best managed companies are those that are aware of their responsibilities towards all stakeholders and society as a whole. In other words, the best-managed companies show a large degree of **corporate social responsibility** (CSR).

'While there is no single, commonly-accepted definition of corporate social responsibility, or CSR, it generally refers to business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment.'

In 'leadership companies', CSR is viewed as 'a comprehensive set of policies, practices and programmes that are integrated throughout business operations, and decision making processes that are supported and rewarded by top management'. Whereas a code of corporate ethics is addressed primarily to a company's employees, CSR is about how a company implements its policies on social, ethical and environmental issues, and how it presents those policies to stakeholders and the general public. Major issues of CSR vary from one company to another according to its particular circumstances, but include:

- minimising damage to the environment and promoting 'sustainable' business development, i.e. business growth that does not have adverse long-term consequences for the environment and the earth's resources;
- having liberal employment policies;
- investing money in local communities;
- Helping in the fight against crime.

Business in the Community, a voluntary group of UK companies working for the application of responsible business practices, has set out five principles that companies should apply:

a) to treat employees fairly and with respect;
b) to operate in an ethical way and with integrity;
c) to respect basic human rights;
d) to sustain the environment for future generations;
e) To be a responsible neighbour in their communities.

Examples of corporate activities that might be prompted by an awareness of social responsibility and the need to sustain the company's reputation include: giving scholarship awards for environmental studies, or giving money or resources to aid the victims of a hurricane or major flood. A multinational mining company operating in less-developed economies might give money to local tribal communities for the purpose of preserving them. A holiday company with centres on 'paradise islands' has developed environmentally and culturally sustainable practices at its resorts to prevent them from being overrun by damaging aspects of commercialism. At least one US company sets aside one day each year for its employees to do voluntary work in their local community.

The purpose of CSR policies

CSR policies are linked to ethical behaviour and the view that companies should act as corporate citizens'. However, there are differing views about the significance of CSR for companies. The National Association of Pension Funds, in a document on the NAPF and CSR/SRI (2005), suggested that corporate social responsibility relates to the idea that companies, in addition to their responsibilities to shareholders, have responsibilities to other stakeholder groups and to society at large. The document then comments, interestingly, that these responsibilities can be divided into two distinct elements:

1. generally accepted responsibilities that a board of directors must fulfil in order to succeed in business or comply with legislation or regulations; and
2. functions considered by some parties, including some investors, to be responsibilities that go beyond compliance with the law and regulations, and beyond the measures necessary for achieving commercial success. Whereas it would be widely accepted by company directors that companies should comply with the law and should give serious attention to the company's reputation risk, there are differences of opinion about the extent to which companies need to go beyond legal, regulatory and commercial requirements in pursuing CSR policies.

The potential benefits of CSR for companies

There are differing views about the extent to which companies benefit commercially from CSR policies. In 2004, the ABI published a research report on CSR and its impact on company performance and investor relations. The key findings of the report were as follows:

Some studies have found that companies with active CSR policies benefited financially. The evidence is not conclusive but it points to benefits in areas such as corporate reputation, consumer acceptance, employee loyalty and environmental management.

a) The benefits of CSR for companies are not uniform across all companies or sectors.
b) Strategic risk aspects of CSR are as important as the effect on short-term profitability.

55. What are the views of Corporate Social Responsibility? Give four dimensions of corporate social responsibility.

There are two views to Corporate Social Responsibility which are the classical view and the socio economic view.

a) ***The Classical View.***

It proposed that the only social responsibility of an organisation is to maximise profits. It argues that managers are the owners of the business therefore they should not be socially responsible for the costs of social responsibility. Is it the consumers in raised prices, is it the employees in lower wages or is it the shareholders in lower returns.

In most cases it is the owners who lose out therefore managers would not be socially responsible.

b) ***The Socio Economic View.***

It argues that business has an obligation towards the society that creates and supports it. If the business is socially responsible, it maximises profits in the long run as a result of a good image and acceptance by the society. Business should therefore play an activist role by supporting charitable organisations, creating employment, and protecting the environment.

There are four dimensions of corporate social responsibility which are economic, legal, ethical, and philanthropic (humanitarian / charitable).

a) ***Economic Dimension.***

This refers to the business' primary function as a producer of goods and services which consumers need and want whilst making an acceptable profit. It also looks at how resources for the production services are distributed in the system.

The responsibility is said to be primary because without financial viability the other responsibilities will not be there. Some issues of concern here are economic development, technological progress, profits generation, employment, wages and benefits, pollution and maintaining competition.

b) ***Legal Dimension.***

Legal dimension refers to obeying laws and regulations established by government to set minimum standards of acceptable behaviour. Laws are passed because society does not always trust business to act in societies' best interest.

Civil laws - defines the rights of individuals and organisations. The laws are enforced by individuals generally in courts.

Criminal laws – prohibits specific actions and imposes penalty. Criminal laws are enforced by the state.

Most laws affecting businesses fall into one of the following categories.

(i) Laws that regulate competition e.g. prevention of restraint of trade...
(ii) Laws protecting consumers e.g. safety of the product. The right to have information.
(iii) Laws protecting employees – non discrimination rights of association. Work place safety.
(iv) Laws protecting investors – disclosure of financial statements, financial fraud etc.
(v) Laws protecting the environment – protecting air, water pollution.

c) ***Ethical Dimension.***

This encompasses the more general responsibility to do what is right and avoid harm. These are behaviours and activities that are expected or prohibited by the organisation members, the community and society. These are not codified into law. They include serving stakeholder interest and addressing social concerns.

The ethical dimension interacts with the law category pushing expansion of legal responsibilities and placing expectations on business persons to function at a level above the law.

d) ***Philanthropic Dimension (also known as Humanitarian or Charitable Dimension).***

Philanthropic means intervening in the lives of others for their benefit not merely for own. The dimension involves active involvement in activities that promote human welfare and goodwill in other words it refers to business contribution to society by making the local community a better place to leave and addressing sound concerns and problems. Since this is voluntary, failure to be philanthropic is considered to be ethical.

56. What are the arguments for and arguments against Corporate Social Responsibility (CSR)

ARGUMENTS FOR SOCIAL RESPONSIBILITY

a) ***Public Expectations.*** Public opinion now supports businesses pursuing economic and social goals.
b) ***Long-run profits.*** Socially responsible companies tend to have more secured long term profits.
c) ***Ethical obligation.*** Businesses should be socially responsible because responsible actions are the right thing to do.
d) ***Public Image.*** Businesses can create a favourable public image by pursuing social goals.
e) ***Better Environment.*** Business involvement can help solve difficult social problems.
f) ***Discouragement of further government regulation.*** By becoming socially responsible, businesses can expect less government regulation.
g) ***Balance of responsibility and power.*** Businesses have a lot of power and equally large amount of responsibility is needed to balance against that power.
h) ***Stockholder interest.*** Social responsibility will improve a business's stock price in the long run.
i) ***Possession of resources.*** Businesses have the resources to support public and charitable projects that need assistance.
j) ***Superiority of prevention over cures.*** Businesses should address social problems before they become serious and costly to correct.

ARGUMENTS AGAINST CORPORATE SOCIAL RESPONSIBILITY
a) ***Violation of profit maximisation.*** Business is being socially responsible only when it pursues its economic interests.
b) ***Dilution of purpose.*** Pursuing social goals dilutes business's primary purpose – economic productivity.
c) ***Costs.*** Many socially responsible actions do not cover their costs and someone must pay those costs.
d) ***Too much power.*** Businesses have a lot of power already and if they pursue social goals they will have even more.
e) ***Lack of accountability.*** There are no direct lines of accountability for social actors.

THE OTHER SIDE OF ARGUMENTS AGAINST CORPORATE SOCIAL RESPONSIBILITY

If the arguments for a socially responsible approach were widely accepted, nobody would even using the label "CSR" because everyone would be doing it. Those of us who spend our time marshalling the case for would do well to spend a little time hearing the case against, and considering what should be the response.

Of course, one of the challenges in considering cases "for" and "against" CSR is the wide variety of definitions of CSR that people use. We assume here we are talking about responsibility in how the company carries out its core function - not simply about companies giving money away to charity.

Below are some of the key arguments most often used against CSR and some responses.
1) Businesses are owned by their shareholders - money spent on CSR by managers is theft of the rightful property of the owners
2) The leading companies who report on their social responsibility are basket cases - the most effective business leaders don't waste time with this stuff
3) Our company is too busy surviving hard times to do this. We can't afford to take our eye off the ball - we have to focus on core business
4) It's the responsibility of the politicians to deal with all this stuff. It's not our role to get involved
5) I have no time for this. I've got to get out and sell more to make our profit line.

Corporations don't really care - they're just out to screw the poor and the environment to make their obscene profits

1) ***Businesses are owned by their shareholders - money spent on CSR by managers is theft of the rightful property of the owners***

This is the voice of the laisser-faire 1980s, still being given powerful voice by advocates such as Elaine Sternberg. Sternberg argues that there is a human rights case against CSR, which is that a stakeholder approach to management deprives shareholders of their property rights. She states that the objectives sought by conventional views of social responsibility are absurd. Not all aspects of CSR are guilty of this, however. Sternberg states that ordinary decency, honesty and fairness should be expected of any corporation.

Response: In the first instance, this case strongly depends on the model of social responsibility adopted by the business being a philanthropic one. The starting point assumption is that, through CSR, corporations simply get to "give away" money which rightfully belongs to other people. If CSR is seen as a process by which the business manages its relationships with a variety of influential stakeholders who can have a real influence on its licence to operate, the business case becomes immediately apparent. CSR is about building relationships with customers, about attracting and retaining talented staff, about managing risk, and about assuring reputation.

The market capitalisation of a company often far exceeds the "property" value of the company. For instance, as much as 96% of Coca Cola is made up of "intangibles" - a major part of which rests on the reputation of the company. Only a fool would run risks with a company's reputation when it is so large a part of what the shares represent.

In any case, if shareholders are to be accorded full property rights one would expect to see the balancing feature of responsibility for the actions taken by the enterprises they often fleetingly own. Since most shareholders remain completely unaware of any such responsibility, it can only fall to the management - the "controlling mind" of the company, to take that responsibility on.

2) ***The leading companies who report on their social responsibility are basket cases - the most effective business leaders don't waste time with this stuff.***

When surveys are carried out of the "Most Respected Business Leaders" you will often find names there, such as Bill Gates of Microsoft, a few years ago Jack Welch of GE, who have not achieved their world class status by playing nice. Welch is still remembered for the brutal downsizing he led his business through, and for the environmental pollution incidents and prosecutions. Microsoft has had one of the highest profile cases of bullying market dominance of recent times - and Gates has been able to achieve the financial status where he can choose to give lots of money away by being ruthless in business. Doesn't that go to prove that "real men don't do CSR"?!

Response: There is no denying the force of this argument. We do not live in a Disney world where virtue is always seen to be rewarded, and that's a fact. Nevertheless, the picture is not as simple as the above argument makes out.

In the first instance, very few businesses operate in a black or white framework, where they are either wholly virtuous or wholly without redemption. There are many aspects in the way Jack Welch restructured General Electric which would play to the kind of agenda recognisable to advocates of social responsibility - in particular that of employee empowerment. Welch has gone on record as saying that he believes the time has passed when making a profit and paying taxes was all that a company had to worry about. And since Welch moved on, General Electric has been busy catching up big time with its EcoMagination initiative.

Also, many of the leading companies with regard to their social responsibility are equally successful companies. The same "Most Respected" surveys will usually provide other names at, or near, the top such as IBM and Motorola - and these are companies that have been much more strongly associated with the CSR movement. Coca Cola achieved its place partially because of its profile in social responsibility. When still in charge, Sir John Browne of BP was widely respected as having led BP into a strong position as one of the world's leading companies whilst also showing environmental leadership. The events that latterly tarnished that reputation simply show that skill in execution is key to success - but even those events don't disprove the fact that success in business and commitment to responsibility can go hand in hand.

3) ***Our company is too busy surviving hard times to do this. We can't afford to take our eye off the ball - we have to focus on core business.***

It's all very well for the very big companies with lots of resources at their disposal. For those fighting for survival, it's a very different picture. You can't go spending money on unnecessary frills when you're laying people off and morale is rock bottom. And the odd bit of employee volunteering won't make any difference to our people when they feel cynical and negative about how the company operates.

Response: Managing your social responsibility is like any other aspect of managing your business. You can do it well, or you can do it badly. If the process of managing social responsibility leads you to take your eye off the ball and stop paying attention to core business, the problem is not that you're doing it at all - it's that you're doing it badly. Well managed CSR supports the business objectives of the company, builds relationships with key stakeholders whose opinion will be most valuable when times are hard, and should reduce business costs and maximise its effectiveness.

If you don't believe me, ask yourself if the following statements make sense:

- **Times are hard**, therefore it is in my interest to pollute more and run an increased risk of prosecutions and fines, not to mention attracting the attention of environmental pressure groups
- **Times are hard**; therefore I can afford to lose some of my most talented people - serving or potential - by erecting barriers on the basis of race, gender, age or sexual orientation. And it doesn't matter if employment tribunals occur as a result of my poor employment practices.
- **Times are hard**; therefore I need to ignore changing values in my customer base towards socially responsible goods and services. I can keep making things just the way I always have.
- **Times are hard**, so I can ignore the fact that the local communities around my plant are poor living environments with low education achievement, meaning that my best staff won't want to live in them and our future staff will need supplementary training in basic skills such as literacy which they should be getting at school. Our company can be an island of prosperity in a sea of deprivation.

4) It's the responsibility of the politicians to deal with all this stuff. It's not our role to get involved

Business has traditionally been beyond morality and public policy. We will do what we're allowed to do. We expect governments to provide the legal framework that says what society will put up with. There's no point, for instance, allowing smoking to remain legal - even making large tax receipt from it - and then acting as though tobacco companies are all immediately beyond the pale. If you think it's so dreadful, you should make it illegal. If not, then let us get on with the job of meeting the demand out there of adults who can choose for themselves.

Response: In some areas, this is right - albeit that it is getting increasingly difficult to sustain. If you consider that of all the institutions which are currently getting more powerful in the world, they are essentially the global players - the multinational corporations and the non-governmental organisations. The institutions which are decreasing in power and influence are those tied to the jurisdiction of the nation state - governments first and foremost. It is tempting therefore to look towards the multinationals to take a lead in creating solutions for global problems where the governments seem incapable of achieving co-operative solutions. The interest of Unilever in sustainable fisheries comes to mind. However, there is a strong case that says that the democratic deficit created by such a process is too important to ignore. To whom are the multinational corporations accountable?
Outside of that "macro" scale, the argument holds up less well. Many companies actually spend considerable time and money seeking to influence the formation of public policy in their area of interest. And since that area of interest can range far and wide - from international treaties on climate change, through to domestic policy on health (such as that relating to smoking) or transport - the fact is the lobbying activities of companies show that they have a role like it or not. And if that lobbying has involved blocking legislation that serves a social end purely in order to continue to profit in the short term, then the company is on very dodgy ground.

If CSR is simply about obeying the law and paying taxes, then perhaps the above statement is fair comment. If it is about managing the demands and expectations of opinion formers, customers, shareholders, local communities, governments and environmental NGOs - if it is about managing risk and reputation, and investing in community resources on which you later depend - then the argument is a nonsense.

5) I have no time for this. I've got to get out and sell more to make our profit line.

Response: I have spoken to a lot of business managers about environmental performance, and it always struck me how difficult a sell waste minimisation was to managers who really needed to save money. Study after study after study has shown that just about any business you can think of, if it undertakes waste minimisation for the first time, can shift 1% of its overall turnover straight onto its bottom line. That is not an insignificant figure. And yet, getting out and selling more products somehow remains more attractive for business managers than making more profit through wasting less. It will take a long time and a change in fundamental attitudes towards doing business before this one shifts. In the mean time, keep looking at the evidence.

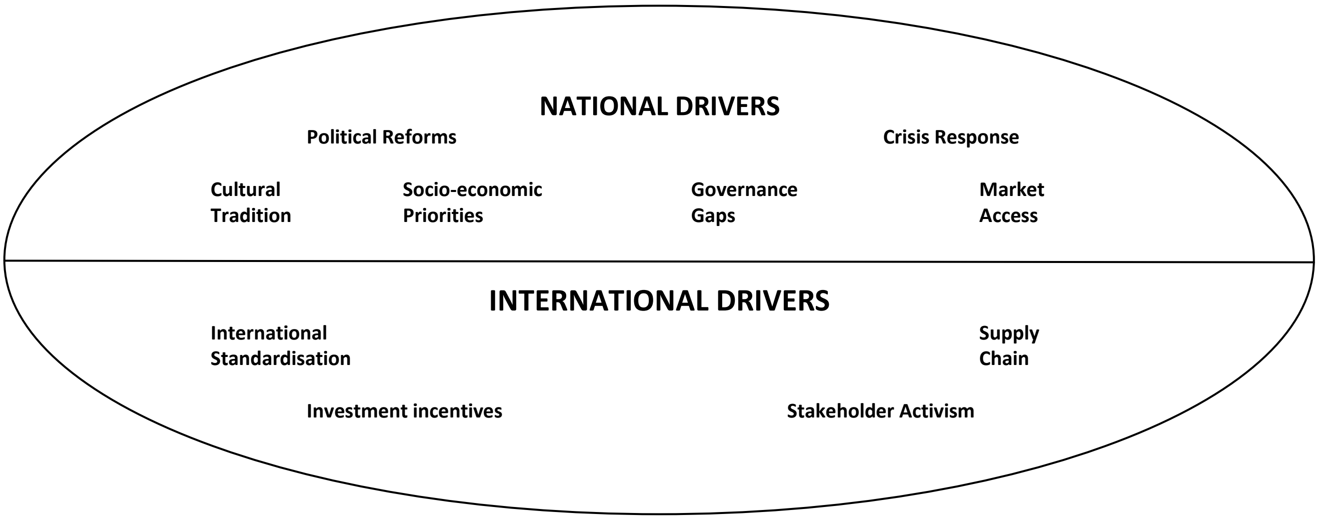
Corporations don't really care - they're just out to screw the poor and the environment to make their obscene profits.
Corporations have their share of things to answer for - but I simply don't recognise the cynical caricature of business leaders in many of the people I deal with in business today. The fact is that if you're interested in the real solutions to

world poverty or environmental degradation, you have to have some kind of view about how solutions will be found. I haven't yet seen the vision described by the anti-corporatist movement that shows how the problems will be solved by "us" somehow triumphing over "them" - big business.

The solutions to these common problems will either be common solutions or they won't be solutions. By all means give careful scrutiny to those who wield the most power. But recognise CSR as a business framework which enables the common solution of wealth creation as if people and the environment mattered.

57. What are the forces shaping Corporate Social Responsibility (CSR Drivers)?

The forces shaping Corporate Social Responsibility ***(CSR Drivers)*** as researched by Wayne Visser was divided into two, thus (1) The National Drivers, and (2) The International Drivers.



NATIONAL DRIVERS	DESCRIPTION
Cultural Tradition	Corporate Social Responsibility draws strongly on deep-rooted indigenous cultural traditions and of philanthropy, business ethics and community embeddedness.
Political Reforms	CSR cannot be divorced from the socio-political policy reform process, which often drives business behaviour towards integrating social and ethical issues.
Socio-economic Priorities	CSR is often most directly shaped by the socio-economic environment in which firms operate and the development priorities this creates.
Governance Gaps	CSR is often seen as a way to plug the ***'governance gaps'*** left by weak, corrupt, or under-resourced governments that fail to adequately provide various social services.
Crisis Response	CSR responses can be catalysed by economic, social, environment, health-related or industrial crisis.
Market access	CSR may be seen as an enabler for companies in developing countries trying to access markets in the developed world

INTERNATIONAL DRIVERS	DESCRIPTION
International Standardisation	CSR codes, guidelines and standards are a key driver for companies wishing to operate as global players.
Investment Incentives	CSR is given an incentive by the trend of social responsible investment **(SRI)**, where funds are screened on ethical, social, and environmental criteria.
Stakeholder Activism	CSR is encouraged through the activism of stakeholder or pressure groups, often acting to address the perceived failure of the market and government policy.
Governance Gaps	CSR activities among small and medium-sized companies are boosted by requirements imposed by multinationals on their supply chains.
Supply Chain	CSR responses can be catalysed by economic, social, environment, health-related or industrial crisis.
Market access	CSR may be seen as an enabler for companies in developing countries trying to access markets in the developed world

58. Case Study on Corporate Social Responsibility: Toyota (Are companies using CSR to hide unsavoury business activities?)

No longer limited to philanthropist (humanitarian) and those generous – and slightly eccentric – CEOs, Corporate Social Responsibility has become somewhat of a Public Relations exercise for corporations, as consumers and investors alike become more conscious of where they put their money. Japan has been practicing CSR since the 1970s, but the term has generally been either a demonstration of sustainability of a major corporation, or a convenient means of damage control after an accident or scandal. These professional window dressers and green-washers have perfected the art of making proverbial lemonade, but consumers are becoming increasingly aware of just how much mileage well-known companies are getting out of their CSR.

Advertising heavyweight Dentsu knows a thing or two about Public Relations (PR). On their website, Dentsu details their CSR commitments including meeting International Standards of Business, Government and Society ***(ISO)***, protecting human rights (a broad umbrella) and participating in community involvement, as well as a commitment towards their employees ***'work-life balance'***, a hot key phrase in the Japan media. The company asserts that a healthy balance between a ***'satisfying professional life and rich and rewarding private life'*** breeds employees that help Dentsu add value to their service.

A reasonable proposition, but what may sound like typical corporate banter translate into a much harsher reality at Dentsu. The company is infamous for having extremely high rates of ***'karoshi',*** a Japanese word for death by overwork, as well as suicides.

Employees are often known as ***'Dentsu-man'*** because of the harsh working conditions they put up with and the hefty overtime pay it' often thought they receive. Incidents had occurred on and off for years, and the company built a reputation for itself as slave drivers. The suicide of one employee in the mid 1990s garnered significant attention when the family of the victim sued the company for damages, a case that was carried all the way to the Supreme Court.

A labour union investigation found out that 49.2% of male and 58.7% of female employees were under-reporting the number of overtime hours worked. Repeated overnight stays at the company were not uncommon, and the company had made no efforts to curb these problems. Court proceedings found the healthy facility at Dentsu to be insufficient, but there were no detailed reports of changes that were made subsequently. Mistreatment of employees continued.

The turning point was in 2005, when a freelance television director working on a project, planned in part by Dentsu, returned to his home one night and collapsed, later dying due to brain haemorrhaging. The man's parents sued the three companies responsible for the project, winning the damages totalling **Ten Million yen.** An investigation found that the director had not been given appropriate time for rest or sleep during the course of the project, and the death was labelled ***'karoshi'***

To address, or perhaps camouflage accusations of employee mistreatment, Dentsu has been pushing employee health and ***'work-life balance'*** programs since 2006. This includes encouraging staff to take yearly paid vacations and creating a summer holiday period. Japan's top advertising agent reminds its employees to keep things in check with posters of clay animation-like characters in the shape of a **W (work)** and an **L (life)**, posted throughout their offices. But it's clear that the company's fraternity-like corporate culture still remains masked behind slogans such as ***'increasing the value of our human resources'*** and ***'satisfying work leads to satisfying life'.***

Toyota prides itself as heading the pack of ecological conscious companies, garnering a reputation internationally for its ***'zero emissions'*** goal and aggressive sustainability practices. But as much as the company touts slogans of green responsibility, some of their best efforts have been attacked by the environmentally conscious for being ***misleading faux-eco propaganda.***

In May this year, Toyota launched their ***'eco-gae'*** advertising campaign, pushing consumers to trade-in their current vehicles for the company's (slightly) more fuel-efficient new line-up, using the almost childish logic that ***fuel efficiency equals less gas used, which in turn means less CO2s generated, equalling a car that is good for the environment***. The commercial features a woman exchanging an incandescent light bulb for company's fluorescent lamp, and a man holding a steering wheel claiming he did the same with his car. The commercial chirps cheerful, ***'There was nothing wrong with my car, but exchanged it for one that's more energy efficient!'*** Unfortunately, for Toyota, this backfired.

Internet messages boards lit up with complains. Eiji Kosaka, a politician in Tokyo proclaimed publicly on his blog, ***'Toyota is consumers for fools'***. One video on **YouTube** overlaid videos of the commercials with direct inquiries made to the company doubting the campaign's message and then the company's insufficient reply. ***'We made this commercial with the goal of informing long-time owners of the same vehicle that changing to the newer vehicle will use less gasoline, therefore reducing CO2s emissions'*** said Toyota.

The company has since changed its website to include that ***'about 55-58% of the CO2s released by a vehicle come from the actual operation'*** while only about a quarter is produced during actual manufacturing process. This does not, however, change the fact that a new car has, by default, a significant carbon deficit while used cars, even those of minimal fuel efficiency, have either already paid or are closer to paying off their debts.

Making one Toyota Prius hybrid car, according to sustainability engineer Pablo Paster, consumes 113 million **British thermal units (BTU – a unit of energy used to measure fuels).** That makes Toyota's new plan to produce up to 480,000 Prius units this year a huge carbon creator. This is a significant jump from their 2007 numbers of about 279,000 units, and still only slightly higher than the number of their popular SUV RAV4s produced last year.

In 2007, Toyota rolled out plans for the 2008 model popular SUV, the Highlander. According to the press release, ***'The 2008 Highlander is significantly larger, roomier and more powerful than the vehicle it replaces. Yet its fuel efficiency will be virtually unchanged.'*** And it's no secret that gas guzzlers are amongst Toyota's most profitable products; the company's ***Toyota in the World Databook 2008'*** list three SUVs in their top five models produced during 2007.

Regardless, Toyota manages to maintain its image as head eco-hancho through PR focusing on sustainability and social contribution. Well-publicised conservation and ISO compliance activities make Toyota seem a model of social responsibility, far from above ***'green-guilting'*** consumers into pushing sales figures.

'They must think we're idiots,' commented one poster on a popular Internet message board after learning of the automaker's misleading campaign. While on the surface CSR remains an exercise in good PR for businesses around the world, as the playing field changes and social responsibility becomes incorporated into corporate strategy, it may also be the newest – and most difficult to discern – method of taking advantage of consumers. Toyota and Dentsu may have lost a few rounds, but in the long run they may have learned some valuable lessons in how to play the philanthropist (humanitarian) card.

MANAGEMENT BY OBJECTIVES (MBO)

59. Define management By Objectives (MBO). What are its advantages and disadvantages (weaknesses)?

Management by Objectives is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of organisational and individual activities. (Weihrich and Koontz)

The term Management by Objective (MBO) was popularised by peter Drucker in his book, ***The Practice of Management,*** and may also be defined as the process whereby the superiors and subordinates jointly and mutually set the subordinates' goals as well as how such performance will be measured, and how often it should be reviewed

THE USE OF MBO AND ADVANTAGES ACCRUING TO MBO

MBO is a modern tool that assists management in mutually setting goals with subordinates, thus yielding the following uses.

a) It provides a basis for objective performance appraisal – use mutually agreed standards.
b) It results in improvements of management and managing through better planning – and the results-oriented emphasis of goals.
c) ***Clarification of the organisation:*** it forces managers to clarify organisational members' roles. Roles are built around Key Result Areas.
d) ***Encouragement of personal commitment:*** It encourages people to commit themselves to the goals – the arguments being that they will have participated in setting them.
e) ***Development of Effective Control:*** It aids in control by providing the basis of evaluation of actual results with expected (***mutually set)*** goals. Ensures focus is on specific accomplishments.
f) ***Results in congruency*** through the mutual setting of goals that suit both the individual and the organisation's requirements.
g) ***It improves communication*** between managers and subordinates.
h) ***Makes individuals more aware of organisational goals.***
i) ***Helps develop managers:*** Managerial talent can easily be scouted via the MBO system.

DISADVANTAGES (WEAKNESS) OF MBO:

Most of the weaknesses of the MBO centre on the fact that it is not conducive under autocratic management styles etc.

a) Is not effective under autocratic management style.
b) It necessitates changes and thus may have drawbacks where there is resistance to change thus inflexibility may compromise MBO
c) There is high requirement for interpersonal communication especially at the goal setting stage.
d) MBO is time-consuming especially at the goal setting stage.
e) Setting and co-ordinating objectives is a difficult task, especially if the goals have to be specific and quantifiable.
f) Managers need to understand MBO in order to make it effective.
g) This may be worse if he fails to derive guidelines to goal-setting. There may be a tendency to set short-run objectives at the expense of long-run goal congruency may be compromised.

MANAGEMENT BY EXCEPTIONS (MBE)

60. What do you understand by the term Management by Exceptions (MBE)

MANAGEMENT BY EXCEPTION (MBE) is the focusing by management of its attention upon those items or processes etc, which are deviating from budget, on the principle that matters conforming to budget need no management attention. Computers may be programmed to report on matters deviating from plans.

MANAGEMENT BY WORKING AROUND (MBWA)

61. What is Management by Walking around (MBWA)?

Robins Coulter describes Management by Walking Around as a control technique in which an entrepreneur or manager is out in the work area, interacting directly with employees and exchanging information about what is going on.

When managers use this method of control they can find out what is happening in their workplace by talking directly and informally with their employees. This method enables managers to be well informed about what is taking place on the ground. It reduces the need for detailed reports.

GLOBALISATION

62. Why companies globalise?

There are at least four reasons why companies go international: **(1)** to gain access to more reliable or cheaper resources, **(2)** to increase return on investment, **(3)** to increase market share, **(4)** to avoid foreign tariffs and import quotas.

a) To gain access to more reliable or cheaper resources.
Most companies globalise in order for them to get a more reliable and / or cheaper supply of raw materials than they can find at home; others can venture into globalisation in order to get less- expensive labour.

Companies may also invest in foreign facilities as a way to escape political instability at home or to gain access to a larger pool of technological know-how.

b) To increase return on investment.
Businesses, like individuals, shift their funds ***'from areas where return on capital is lower to those where they are high.'***

By globalising, companies also increase their chances for achieving a certain return on investment and stable or growing profits.

c) To increase market share.
According to Steven Hymer, companies that expand internationally tend to be ***'oligopolistic'***; that is, they tend to dominate their domestic market, either because their products are highly desirable or because their size lets them reap economies of scale. To continue growing, though, they have to expand globally.

d) To avoid foreign tariffs and import quotas.
Governments often use tariffs or import quotas to protect domestic business concerns. Therefore direct investment in the foreign country is a more secure solution to the threat of foreign tariffs and import quotas.

63. How can companies globalise?

Companies can go international by **(1)**, **(2)**, **(3)**, and **(4)**

a) Licensing
Licensing is the selling of rights to market brand name products or to use patented processes or copyright materials.

b) Franchising
Franchise is a type of licensing arrangement in which a company sells a package containing a trademark, equipment, materials, and managerial guidelines.

c) Joint ventures / Strategic Alliances.

A joint venture is a business undertaking in which foreign companies and domestic companies share the costs of building production or research facilities in foreign countries. Joint ventures may be the only way to enter certain countries, where, by law, foreigners cannot own businesses. In other situations, joint venture let companies pool technological knowledge and shares the expenses and risk of research that may not produce marketable goods.

d) Exports.

In this instance, a firm does not even have to set up a plant in the foreign markets, but simply continues to produce from home and sell abroad. The obvious advantage of such an approach is that the firm will not need any significant investment outlays consistent with other modes of entry.

e) Setting up Production Operations.

Most manufacturing firms have set up production facilities in foreign markets for a variety of reasons, one of which would be to take advantage of cheaper raw materials, most notably labour. Yet another reason why this may be a preferred option is that it will often enable a firm to circumvent (by-pass) tariffs and other forms of restrictions on imports as their product will be considered local.

f) Management Contracts.

The Hotel industry, with a high requirement for minimum international standards, would be ideal for the above approach. Specifically, international hotel firms will access other markets throughout the world by offering management services. This approach could also be combined with other options discussed earlier, such as strategic alliances/joint ventures

g) Global strategic partnerships

Global strategic partnership is an alliance formed by an organisation with one or more foreign countries generally with an eye towards exploiting the other countries' opportunities and towards assuming leadership in either supply or production.

64. What factors do a company wishing to globalise has to research before when venturing into the global markets?

When a firm wants to plant a flag in a new country, it has to be especially aware of the political, economic, social, technological, legal and government variables ***(PESTLG)*** that shape the business environment.

a) *Political*

Firms that want to expand into a foreign country must also analyse its political stability; the business attitudes of its government, ruling and opposition parties (legal and illegal), and the effectiveness of its government bureaucracy. Both a country's internal and foreign policies can powerfully influence the business environment. For this reason, companies must assess political risks, the possibility that political changes, either in the short or the long run, will affect its activities abroad.

b) *Economic*

To reduce the risk of any international venture, organisations must pay particular attention to such economic variables as, foreign patterns of economic growth, investment, and inflation. Besides assessing current economic conditions, they need to forecast future conditions in any country they operate in, sell to, or purchase from.

Organisations must also concern themselves with various aspects of international trade, such as, the value of a country's currency relative to other currencies. ***(The foreign exchange rate)*** and its balance of payments, as well as the type of controls placed on imports, exports, and foreign investors.

Managers of a company wishing to globalise must also evaluate a country's ***infrastructure***, the facilities needed to support economic activity. Infrastructure includes transport systems, communication systems, schools, hospitals, power plants and sanitary facilities. The state of a nation's infrastructure often reflects the strength of a nation's economic and government's priorities.

c) *Social*

Analysing the demographics and lifestyles of people in different companies is vital to the successful marketing of products that will appeal to foreign customers. The ultimate success of companies expanding globally hinges on its skill in fitting into the social fabric created by another country's values and culture. This is especially important for managers who must motivate and lead employees from different cultures with varying concepts of formality and courtesy.

d) *Technological*

Multinational managers must be sensitive in introducing new technology to foreign cultures and adapt to the fact that levels of technology vary among countries. Production technologies that work well in the USA, with its fairly high technological level, might not work well in Zimbabwe. Moreover Zimbabweans and their governments might resent being forced to adapt to new technology, a change that is often traumatic. Any technological change is difficult, and support of the host government may be nearly essential.

e) *Legal*

Companies wishing to enter into other countries must do some research on the legal requirements of the countries in which they want to invest in. For example companies who want to invest in Zimbabwe must know what is stated in the indigenisation Act in this country. This is essential as companies should know the legal side of the country they want to enter.

f) *Government*

Firms must also be in the know of the government involvement in economic development. Policies they craft and how they are implemented.

ACCOUNTING RATIOS

65. What the purpose of financial controls in an organisation?

One of the primary purposes of every business is to earn profit. To achieve this goal, managers need financial control. Managers might for instance, carefully analyse quarterly income statements for excessive expenses. They might also perform several financial ratio tests to ensure that sufficient cash is available to pay ongoing expenses, that debt level haven not become too high, or that assets are being used productively. Or they might look at some newer financial control tools such as Economic Value Added (EVA) to see if the company is creating economic value. The following are some groups of accounting ratios used in organisations

a) ***Liquidity ratios.*** They measure an organisation's ability to meet current debt obligations.

b) ***Leverage ratios.*** They examine the organisation's use of debt to finance its assets and whether it is able to meet the interest payments on the debt.

c) ***Activity ratios.*** They assess how efficiently the organisation is using its assets

d) ***Profitability Ratios.*** These measure how efficiently and effectively the firm is using its assets to generate profits.

All these ratios are calculated using information from the organisation's two financial statements – statement of financial position and statement of comprehensive.

Illustrate the ratios under each category given above.

LIQUIDITY RATIOS

Liquidity of a firm is measured by its ability to satisfy its long-term obligations as they come due. ***Liquidity*** refers to the **solvency** of the firm's **overall** financial position – the ease with which it can pay its bills. ***Liquidity is measured by dividing the firm's current assets by its current liabilities.*** The two basic measures of liquidity are the current ratio and the acid-test (quick) ratio.

a) ***CURRENT RATIO***

The ***Current ratio***, one of the most commonly cited financial ratios, measures the firm's ability to meet its short-term obligations

$$\textbf{Current ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

Generally, the higher the ratio, the more liquid the firm is considered to be. A current ratio of **2.0** is occasionally cited as acceptable but a value's acceptability depends on the industry in which the firm operates

b) ***ACID-TEST RATIO (QUICK RATIO)***

The **acid-test (quick) ratio** is similar to current ratio except that ***it excludes inventory***, which is generally the least liquid asset. The generally low liquidity of inventory results from two primary factors: **(1)** many types of inventory cannot be easily sold because they are partially completed items, special purpose items etc, and **(2)** inventory is typically sold on credit, which means that it becomes an **account receivable** before being converted to cash

$$\textbf{Acid-test ratio} = \frac{\textbf{Current assets – Inventory}}{\textbf{Current Liabilities}}$$

A **Quick Ratio** of 1.0 or greater is occasionally recommended, but also the acceptability depends largely on the industry in which the firm is operating in.

LEVERAGE RATIOS (ALSO KNOWN AS DEBT RATIOS)

Leverage ratios of a firm indicate the amount of other people's money being used to generate profits. In general, the financial analysts are most concerned with long-term debts, because these commit the firm to a stream of payments over the long run.

Generally, the more debt a firm uses in relation to its assets, the greater its financial leverage. ***Financial Leverage*** is the magnification of risk and return introduced through the use of fixed cost financing, such as debt and preferred stock. The more fixed-cost debt a firm uses, the greater will be its expected risk and return.

a) ***DEBT RATIO***

The ***debt ratio*** measures the proportion of total assets financed by the firm's creditors. The higher this ratio, the greater the amount of other people's money being used to generate profits.

$$\textbf{Debt ratio} = \frac{\textbf{Total Liabilities}}{\textbf{Total Assets}}$$

The higher the ratio, the greater the firm's degree of indebtedness and the more financial leverage it has.

b) ***TIMES INTEREST EARNED RATIO***

The ***Times Interest Earned Ratio***, sometimes called the ***Interest Coverage Ratio***, measures the firm's ability to make contractual interest payments. The high its value, the better able the firm is to fulfil its interest obligations.

$$\textbf{Times Interest Earned Ratios} = \frac{\textbf{Earnings Before Interest and Taxes (EBIT)}}{\textbf{Interest}}$$

A value of at least 3.0 – **and preferably closer to 5.0 –** is often suggested.

c) ***FIXED PAYMENT COVERAGE RATIO***

The ***fixed-payment coverage ratio*** measures the firm's ability to meet all fixed payment obligations such as, loan interest and principal, lease payments, and preferred stock dividends. As is true of the times interest earned ratio, the higher this value the better.

Fixed Payment Coverage Ratio = <u>Earnings Before Interest and Taxes + Lease Payments</u>
.
Interest + Lease Payments + {(Principle Payments + Preferred Stock Dividends) X [1/ (1-T)]}

T - It is the corporate tax applicable to the firm's income.

ACTIVITY RATIOS

Activity ratios measures the speed with which various accounts are converted into sales or cash – inflows or outflows

a) INVENTORY TURNOVER

Inventory turnover commonly measures the activity, or liquidity, of a firm's inventory.

Inventory Turnover = <u>Cost of Goods Sold</u>
Inventory (closing)

The resulting turnover is meaningful only when it is compared with that of the other firms in the same industry or to the firm's past inventory turnover.

Inventory turnover can be easily converted into average age of inventory by dividing it into 360 days – the assumed number of days in the year.

b) AVERAGE COLLECTION PERIOD

The **average collection period**, or ***average age of accounts receivable,*** is useful in evaluating credit and collection policies. It is arrived at by dividing the average daily sales into the accounts receivable balance.

Average Collection Period = <u>Accounts Receivable .</u>
(Annual Sales / 360 days)

(Annual Sales / 360) is the average sales per day.

The average collection period is meaningful only in relation to the firm's credit terms. For example, if the company extends 30-day credit terms to its customers and if its average collection period is 50 days, this may indicate a poorly managed credit or collection department, or both.

c) AVERAGE PAYMENT PERIOD

The ***average payment period***, or ***average age of accounts payable***, is calculated in the same manner as average collection period.

Average Payment Period = <u>Accounts Payable .</u>
(Annual Purchases / 360 days)

(Annual Purchases / 360) is the average purchases per day.

The difficulty in calculating this ratio stems from the need to find annual purchases, a value not available in published financial statements.

d) TOTAL ASSETS TURNOVER

The ***Total Asset Turnover*** indicates the efficiency with which the firm uses its assets to generate sales.

Total Asset Turnover = $\dfrac{\textbf{Sales}}{\textbf{Totals Assets}}$

Generally, the higher a firm's total asset turnover, the more efficiently its assets have been used this measure is probably of greatest interest to management, because it indicates whether the firm's operations have been financially efficient.

PROFITABILITY RATIOS

Profitability Ratios measures the firm's profit in respect to a given level of sales, a certain level of assets, or the owner's investment. Without profits, a firm could not attract outside capital. Owners, creditors, and management pay close attention to boosting profits because of the great importance placed on earnings in the marketplace.

a) ***GROSS PROFIT MARGIN***

The ***gross profit margin*** measures the percentage of each sales dollar remaining after the firm has paid for its goods. The higher the gross profit margin, the better – that is, the lower the relative cost of merchandise sold.

Gross Profit Margin = $\dfrac{\textbf{Sales – Cost of Goods Sold}}{\textbf{Sales}}$ = $\dfrac{\textbf{Gross Profit}}{\textbf{Sales}}$

b) ***NET PROFIT MARGIN***

The ***net profit margin*** measures the percentage of each sales dollar remaining after all costs and expenses, including interest, taxes, and preferred stock dividends, have been deducted. The higher the firm's profit margin, the better

Net Profit Margin = $\dfrac{\textbf{Earnings available for Common Stockholders}}{\textbf{Sales}}$

The net profit margin is a commonly cited measure of the firm's success with respect to earnings on sales.

c) ***EARNINGS PER SHARE (EPS)***

The firm's ***earnings per share (EPS)*** is generally of interest to present or prospective stockholders and management. Earnings per share represent the number of dollars earned during the period on behalf of each outstanding share of common stock.

Earnings per Share = $\dfrac{\textbf{Earnings available for Common Stockholders}}{\textbf{Number of shares of Common Stock Outstanding}}$

Earnings per share is closely watched by the investing public and is considered an indicator of corporate success.

d) ***RETURN OF ASSETS (ROA) (RETURN ON INVESTMENT (ROI)***

The ***return on total assets*** often called the ***return on investment***; measures the overall effectiveness of management in generating profits with its available assets. The higher the **ROI,** the better.

Return on Investment (Total Assets) = $\dfrac{\textbf{Earnings available for Common Stockholders}}{\textbf{Total Assets}}$

e) ***RETURN OF EQUITY (ROE)***

The ***return on equity*** measures the return earned on the common stockholders' investment in the firm. Generally, the higher this return, the better off are the owners.

$$\textbf{Return on Equity} = \frac{\textbf{Earnings available for Common Stockholders}}{\textbf{Equity}}$$

GROUPS AND TEAMS

66. Define groups and state the types of groups. Also outline the functions of informal groups.

What is a group?

Two or more interacting and interdependent individuals who come together to achieve particular goals.
Groups can either be formal or informal.

Formal groups

Are work groups established by the organization that have designated work assignments and specific tasks. Appropriate behaviours are established by and directed towards organizational goals.

Informal Groups

These are social groups that occur naturally in the workplace in response to the need for social contact. They tend to form around friendships and common interest.

Types of Formal Groups

Command Group – these are the basic, traditional work groups determined by formal authority relationships and depicted on the organisational chart. They typically include a manager and those employees who report directly to him or her.

Cross Functional Teams – these bring together the knowledge and skills of individuals from various work areas, in order to come up with solutions to operational problems. They also include groups whose members have been trained to do each other's jobs.

Self Managed Teams – these are essentially independent groups that, in addition to doing their operating jobs take on traditional management responsibilities such as hiring, planning and scheduling and performance evaluations.

Task Forces – these are temporary groups created to accomplish a specific task. Once the task is complete the group is absorbed.

Functions of Informal Groups

They maintain and strengthen the norms (expected behaviour) and values their members hold in common.
They give members feelings of social satisfaction, status and security
They help their members communicate through developing informal channels of communication – grapevine.
They help solve problems at shop floor level.

67. What are the basic concepts of groups?

Basic Group concepts

Norms

These are a set of behaviour patterns expected of someone occupying a given position in a social unit. Individuals are expected to perform certain roles because of their position in the group. Roles tend to be oriented towards either task accomplishment or marinating group member satisfaction, both roles are important to the ability of the group to function effectively and efficiently.

A problem that arises is that of role conflict i.e. individuals play a number of different roles, adjusting their roles to the group to which they belong to and the tasks cause difficulty in understanding their role behaviour. They are confronted by different role expectations (from managers and what co-workers do in relation to a task).

Norms and Conformity

Norms – these are acceptable standards or expectations shared by group's members. They dictate factors such as work output levels, abseentism, promptness and the amount of socialization allowed on the job.

Norms may include dress code, language, loyalty, effort level and performance.

Because individuals are want to be accepted by groups they belong, they are susceptible to conformity pressures. Conformity puts pressure on the individual's judgment and attitudes towards group needs to avoid being different.

Conformity stifles creativity influencing members to clinch to attitudes that may be out of touch with organisational needs.

Status Systems Status

Status is a prestige grading, position, or rank within a group. Status is a significant motivator and has behavioural consequences when individual see a disparity between what they perceive their status to be and what others perceive it to be.

Status can be informally conferred by characteristics such as education, age, skill, or experience. Anything can have status value if others in the group evaluate it that way. Status can be formally conferred and its important for employees to believe that the organisation's formal status system is congruent i.e. there is equity between the perceived ranking of an individual and the status symbols he/she is given by the organisation.

For example status incongruence would occur when a supervisor earns less than his/her subordinates.

Group size

Group size affects the group's overall behaviour, small groups are faster at completing tasks that larger ones. However, in problem solving larger groups can get better results than smaller ones due to idea diversification.

Free Rider tendency/social loafing

This is a group phenomenon in which individual members reduce their individual efforts and contributions as the group increases in size.

Group think

This is where detrimental decisions are made despite evidence to the contrary – people seek unanimity and they are willing to realistically view alternatives. This normally happens in situations whereby group members are friendly, tightly knit and cohesive.

Group Cohesiveness

This is the degree to which group members are attracted to each other and a share the same group's goals (a chain is only as strong as its weakest link). Groups which are less cohesive (a lot of internal disagreement and lack of cooperation and trust) are less effective in task execution that cohesive groups.

But some group may become too powerful such that poor decisions may be endorsed due to unanimous support.

68. Compare groups and individuals.

Individual Vs Group Decision Making

a) In **establishing objectives,** groups are usually superior to individuals because of the greater amount on knowledge available to groups.
b) In **choosing an alternative**, group interaction and the achievement of consensus usually results in the acceptance of more risk than would be accepted by an individual decision maker.
c) In **identifying alternatives,** the individual efforts of group members encourage a broad search in various functional areas of the organization.
d) In **evaluating alternative,** the collective judgment of the group, with its wider range of view points, seems superior to those of an individual decision maker.

Assets of Group Decision Making

a) Groups can accumulate more knowledge and facts
b) Groups have a more broader perspective and consider more alternative solutions
c) Individuals who participate in the decision are more satisfied with the decision and are more likely to accept it.

d) Group decision making processes serve an important communication function.

Liabilities of Group Decision Making

a) Groups often work more slowly than individuals
b) Group's decisions involve a considerable amount of compromise that may lead to less than optimal decision.
c) Groups are often dominated by one individual or a small clique thereby negating many of the virtues of group processes.
d) Overreliance on group decision making can inhibit management's ability to act quickly and decisively when necessary.

69. Define teams and state the types of teams.

A team is a small group with complementary skills who hold themselves mutually accountable for a common purpose, goal and approach. Teams unlike groups are not formed on a random basis abut are carefully chosen by management.

Types of teams

Advice teams

These are created to broaden the information base for managerial decision making e.g. quality circles. They are created to facilitate suggestions for improvement from volunteer production or serves workers. They have low degree of specialisation, very little coordination and is done in discretion time.

Production teams

These are teams that are set up to perform day to day operations. They are involved in the production of goods and services. There is low specialization and high levels of coordination because the activities of one team affect activities of the other team (high dependence).

Project teams

These are teams that require problem solving skills and need for creativity, also the need to apply more specialized knowledge and they thrive on high levels of coordination. Such teams are mostly cross functional teams.

Action teams

Action teams must exhibit peak performance on demand. They also demand high levels of specialisation and coordination e.g. Surgery teams, labour negotiating teams etc.

Virtual teams

These are teams that use computer technology to link physically dispersed members in order to achieve a common goal.

70. What are the characteristics of effective teams?

Characteristics of Effective teams

a) **Clear Goals-** high performance teams have both a clear understanding of the goals to be achieved and a belief that the goals embody important results. Goals encourage individuals to redirect personal concerns to achieving team goals i.e. commitment to team goals, and know that they are expected to accomplish and understand how they will work together to achieve goals.
b) **Relevant skills –** effective teams are competent individuals which have the necessary skills (technical and interpersonal) to achieve desired goals while working well together.
c) **Mutual Trust –** effective teams are characterized by high mutual trust among members, i.e. members believe in the ability, character and integrity of each other.
d) **Unified commitment –** members should exhibit intense loyalty and dedication to the team. They should be willing to do whatever it takes to help their team succeed.
e) **Negotiating skills –** the need for flexibility of work processes and the redefining and redesigning of organisational rules, job descriptions, procedures and other types of organizational documentations that clarify employee roles

require good negotiating skills. Problems and relationships are regularly changing in teams and members need to be able to confront and reconcile difference.

f) **Appropriate leadership –** effective leadership can motivate a team to follow them through difficult times. They help clarify goals, demonstrate that change is possible to overcome inertia. Effective leadership increase the levels of self confidence in the tams, helping them to more fully realise their potential. Team leaders assume the roles of coaching, facilitating and mentoring and they help in guiding the team without controlling it.

g) **Good Communication –** not surprisingly effective teams are characterized by good communication. Members convey messages in ways that are readily and clearly defined and understood.

71. What are the characteristics of teams and the stages in team development

Stages of Team Development

B W Tuckman suggested the following stages in team development:

a) Forming

People join the group and define group's purpose, structure and leadership. During the initial stage, the group forms and learns what sort of behaviour is acceptable to the group. By exploring what does and doesn't work, the group sets implicit and explicit ground rules that cover the completion of specific tasks as well as general dynamics. This is a stage of orientation and acclimatization

b) Storming

This stage is characterized by intergroup conflict. As group members become more comfortable with one another, they may oppose the formation of a group structure as they begin to assert their individual personalities and thus resist the control the group imposes of individuality. Members often become hostile and even fight ground rules set during the forming stage. There may be conflict on who will control the group.

c) Norming

The norming stage is characterized by close relationship and cohesiveness. As this stage and time, the conflicts that arose in the previous stage are addressed and hopefully resolved. Group unity emerges as members establish common goals, norms, and ground rules. The group as whole participates, not merely a few vocal members. Members begin to voice personal opinions and develop close relationships.

d) Performing

In this stage the group is fully functional. When structural issues have been resolved, the group begins to operate as a unit. The structure of the group now supports and eases group dynamics and performance. The structure becomes a tool for the group's use instead of an issue to be fought over. Members can now redirect their efforts from the development of the group to suing groups' structure to complete the tasks at hand.

e) Adjourning

For temporary groups such as taskforces, this is the time when the group wraps up activities. With disbandment in mind, the group's focus shifts from high task performance to closure. Members' attitudes vary from excitement to depression.