



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**SCHOOL OF BUSINESS AND HUMAN ressource**

**COURSE CODE:BHM105**

**COURSE TITLE:PRINCIPLES AND PRACTICE OF  
MANAGEMENT II**

**COURSE  
GUIDE**

**BHM105  
PRINCIPLES AND PRACTICE OF MANAGEMENT II**

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<b>CONTENTS</b>	<b>PAGE</b>
Introduction .....	1
What You Will Learn in This Course .....	1
Course Aims .....	1
Course Objectives .....	1
Working through This Course.....	2
Course Materials.....	2
Study Units .....	2
Assignment File .....	3
Presentation Schedule .....	3
Assessments .....	3
Tutor-Marked Assignment (TMAs) .....	4
Final Examination and Grading .....	4
Course Marking Scheme .....	4
Course Overview .....	5
Facilitators/Tutors and Tutorials.....	5
Summary.....	6

## **Introduction**

BHM105....: Principles of Management is a two credit course for students offering programmes in the School of Business and Human Resources Management Programme.

The course will consist of fifteen (15) units i.e. three (3) modules at five (5) units per module. The material has been developed to suit undergraduate students in Management at the National Open University of Nigeria (NOUN) by adopting an approach that highlights the key areas of Management in private and public enterprises.

A student who successfully completes the course will surely be in a better position to manage different sections in private and public organisations.

The course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of

time you are likely to spend on each unit of the course in order to complete it successfully. It also gives you some guidance on your tutor-marked assignments. Detailed information on tutor-marked assignment is found in the separate assignment file which will be available in due course.

## **What You Will Learn in This Course**

This course will introduce you to the major aspects of hotel and catering as well as tourism management generally. During the course, you will learn about what research is all about:

## **Course Aims**

The course aims to give you an understanding of the techniques of managing private and public enterprises.

## **Course Objectives**

By the end of this Course, You should be able to:

1. Define the Concept of management
2. Discuss planning for the advancement and development of Employees, Satisfaction of the needs of the employees.
3. Highlight the Stages in decision making
4. Describe the relationship between leadership and power.

## **Working through This Course**

To complete this course, you are required to read the study units, read set books and read other materials provided by the National Open University of Nigeria (NOUN). You will also need to undertake practical exercises for which you need access to a personal computer running Windows 95. Each unit contains self-assessment exercises, and at certain points during the course, you will be expected to submit assignments. At the end of the course is a final examination. The course should take you about a total 17 weeks to complete. Below are the components of the course, what you have to do, and how you should allocate your time to each unit in order to complete the course successfully on time.

## **Course Materials**

Major components of the course are:

- (1) Course Guide

- (2) Study Units
- (3) Textbooks
- (4) Assignment file
- (5) Presentation Schedule.

## **Study Units**

The study units in this course are as follows:

### **Module 1**

Unit 1	Evolution of Management Theory
Unit 2	Management Functions and Behaviour
Unit 3	Decision making in Business
Unit 4	Planning
Unit 5	Controlling Function

### **Module 2**

Unit 1	Organizing
Unit 2	Communication
Unit 3	Directing and Leading Function
Unit 4	Staffing Function
Unit 5	Recruitment and Selection

### **Module 3**

Unit 1	Employee Training and Development
Unit 2	Motivation
Unit 3	Forecasting
Unit 4	Delegation and Decentralisation of Authority
Unit 5	Social Responsibility

## **Assignment File**

In this course, you will find all the details of the work you must submit to your tutor for marking. The marks you obtain for these assignments will count towards the final mark you obtain for this course. Further information on assignments will be found in the assignment file itself and later in the section on assessment in this course guide. There are 15 tutor-marked assignments in this course; the student should attempt all the 15.

## **Presentation Schedule**

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marked assignments (TMAs) and attending tutorials. Remember, you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

## **Assessments**

There are two aspects to the assessment of the course: first are the tutor-marked assignments; and second is a written examination.

In tackling the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal assessment in accordance with the deadlines stated in the ***Presentation Schedule*** and the ***Assignment File***. The work to be submitted to your tutor will count for 30% of your total course mark.

At the end of the course, you will need to sit for a final written examination of ‘three hours’ duration. This examination will also count for 70% of your total course mark.

## **Tutor-Marked Assignment (TMAs)**

There are fifteen tutor-marked assignments in this course and you are advised to attempt all. Aside from the course material provided, you are advised to read and research widely using other references which will give you a broader viewpoint and may provide a deeper understanding of the subject. Ensure all completed assignments are submitted on schedule before set deadlines. If for any reasons, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an extension. Unless in exceptional circumstances, extensions may not be granted after the due date.

## **Final Examination and Grading**

The final examination for this course will be of three hours’ duration and have a value of 70% of the total course grade. All areas of the course will be assessed and the examination will consist of questions, which reflect the type of self-testing, practice exercises and tutor-marked problems you have previously encountered. All areas of the course will be assessed.

Utilise the time between the conclusion of the last study unit and sitting for the examination to revise the entire course. You may find it useful

to review your self-assessment tests, tutor-marked assignments and comments on them before the examination.

### Course Marking Scheme

The work you submit will count for 30% of your total course mark. At the end of the course, you will be required to sit for a final examination, which will also count for 70% of your total mark. The table below shows how the actual course marking is broken down.

**Table 1: Course Marking Scheme**

ASSESSMENT	MARKS
Assignment 6 (TMAs)	4 assignments, best 3 will be used for C.A = $10 \times 3 = 30\%$
Final Examination	70% of overall course marks
<b>Total</b>	<b>100% of course marks</b>

### Course Overview

This table brings together the units and the number of weeks you should take to complete them and the assignment that follow them.

Unit	Title of work	Weeks Activity	Assessment (end of unit)
	Course Guide		
<b>Module 1</b>			
1	Evolution of Management Theory	1	
2	Management Functions and Behaviour	1	
3	Decision Making in Business	1	
4	Planning	1	
5	Controlling Function	1	
<b>Module 2</b>			
1	Organizing	1	
2	Communication	1	
3	Directing and Leading Function	1	



4	Staffing Function	1	
5	Recruitment and Selection	1	
<b>Module 3</b>			
1	Employee Training and Development	1	
2	Motivation	1	
3	Forecasting	1	
4	Delegation and Decentralisation of Authority	1	
5	Social Responsibility	1	
	Revision		
	<b>Total</b>	<b>15</b>	

### Facilitators/Tutors and Tutorials

There are 15 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the names and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter as they would provide assistance to you during the course. You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary: when

- (6) you do not understand any part of the study units or the assigned readings.
- (7) you have difficulty with the self-tests or exercises.
- (8) you have a question or problem with an assignment with your tutor's comment on an assignment or with the grading of an assignment.

You should try your possible best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will learn a lot from participations in discussions.

### Summary

BHM105...: Principles of Management intends to expose the graduate student to the nitty-gritty of managing enterprises, be it private or public, corporate or small business enterprises, government or non-governmental organisations. Upon completing the course, you will be equipped with the knowledge required to produce a good research work. You will be able to answer questions such as:

We hope you enjoy your acquaintances with the National Open University of Nigeria (NOUN). We wish you every success in the future.

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<b>CONTENTS</b>	<b>PAGE</b>
<b>Module 1</b> .....	<b>1</b>
Unit 1 Evolution of Management Theory .....	1
Unit 2 Management Functions and Behavior .....	10
Unit 3 Decision Making in Business .....	28
Unit 4 Planning .....	43
Unit 5 Controlling Functions .....	69
<b>Module 2</b> .....	<b>90</b>
Unit 1 Organizing .....	90
Unit 2 Communication .....	103
Unit 3 Directing and Leading Function .....	123
Unit 4 Staffing Functions .....	148
Unit 5 Recruitment and Selection .....	172
<b>Module 3</b> .....	<b>200</b>
Unit 1 Employee Training and Development.....	200
Unit 2 Motivation .....	221
Unit 3 Forecasting .....	234
Unit 4 Delegation and Decentralization of Authority.....	246
Unit 5 Social Responsibility.....	259



**MODULE 1**

Unit 1	Evolution of Management Theory
Unit 2	Management Functions and Behavior
Unit 3	Decision Making in Business
Unit 4	Planning
Unit 5	Controlling Functions

**UNIT 1      EVOLUTION OF MANAGEMENT THEORY****CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Evolution of Management Theory
3.2	Pre-Industrial Period
3.3	Industrial Revolution
3.3.1	The Scientific Management Movement
3.3.1.1	Frederick Winslow Taylor
3.3.1.2	Taylor's Principles of Management
3.3.1.3	Charles Babbage
3.3.1.4	Frank Gilbreth
3.3.1.5	Henri Fayol's Emphasis on Administration
3.4	Modern Approaches to Management
3.4.1	The Management Process
3.4.2	Empirical School
3.4.3	Human Relations School
3.4.4	Decision Theory School
3.4.5	Mathematical School
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

**1.0      INTRODUCTION**

Management is as old as human organization. There are several theories and principles under which the discipline operates. The principles guiding operations of managers evolved over time. In this unit, we shall be studying the evolutionary process of management as a discipline.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss the evolutionary process of management as a discipline from the pre-industrial period to the modern-day
- list and discuss the contributions of the various authors and authorities in management
- explain the modern approaches to management
- state and explain management process as propounded by the various schools.

## **3.0 MAIN CONTENT**

### **3.1 Evolution of Management Theory**

The evolutionary or development of management is divided into several periods.

### **3.2 Pre-Industrial Period**

In the pre-industrial period, management was practiced by various parts of the world including Africa. The well-known kingdom of Ghana, Mali and Songhai are known to have had a wonderful administrative system. Ghana's judicial system, for example, was well organised and managed and had both a lower court and a court of appeal. The army was very efficient and well disciplined that the King of Ghana put up 200,000 warriors in the field within a short notice. The importance attached to commerce and craftsmanship was evidenced by the lucrative trade between Ghana and other countries such as Spain, Morocco, and all North African countries. The shops of the local craftsmen dotted the market places. Cloth weavers, potters and shoemakers were abundant, and some employed more than two scores of men and apprentices. What is said of Ghana can be said of Mali. Taxes were very efficiently collected from businessmen and craftsmen, wood carvers, silversmiths, goldsmiths, copper smiths, weavers, tanners and dyers. The King's affairs were so well organised and so efficiently and effectively run that it was devoid of bureaucracy. The Kings planned, organised, and coordinated the international trade that existed between their kingdoms / countries and foreign countries.

Another well documented, properly organised management system was that of the Egyptians who carried out organised activities such as the construction of pyramids, irrigation projects and the building of canals. The Pharaohs and their viziers were the managers who planned, organised and directed and controlled the work of the subordinates.



Management of enterprises was also practiced by the Babylonians, the Romans and the Greeks who were engaged in commerce.

### **3.3 Industrial Revolution**

This was the period of intellectual awakening when the scientific and technological discoveries of Galileo, Watt, Gilbert and Harvey, and other prominent geniuses gave rise to the industrial revolution. One of the major advantages of the industrial revolution is that it gave birth to accelerated rate of resources accumulation and the growth of large scale enterprises. It brought under one roof hundreds of employees working together.

This created its own management problems for the entrepreneurs. It made the division of labour, specialization and delegation of responsibilities necessary as the owner-manager could no longer supervise all his operations alone. The entrepreneur was forced by competition to engage in crude performance of managerial functions. He still regarded his employees as part of his “tools”. Employees resented the factory conditions and the meager wages while employers fought back with “blacklist”, dismissal and threats. There were series of pools, mergers and trusts as a way of adapting to the environment.

With this, emerged different concepts and principles on how to manage a business effectively. These are conveniently divided here into four groups:

- (a) The scientific management movement;
- (b) The human relations school;
- (c) The administrative school, and
- (d) The modern approaches to management

#### **3.3.1 The Scientific Management Movement**

The scientific management school placed special emphasis upon production. Their main pre-occupation was what to do in order to increase employee productivity so that the entrepreneur could realize enough revenue. Scientific management was intended to bring about “a complete mental revolution”, which must occur in the minds of the workmen and management.

##### **3.3.1.1 Frederick Winston Taylor**

Frederick W. Taylor is often referred to as the father of Scientific Management. According to Taylor:

Scientific management is not any efficient device, nor a device of any kind for securing efficiency; it is not a new system of figuring cost; it is not a new scheme of paying men, it is not a piece work system, it is not a bonus system; it is not a premium system, it is not a scheme for paying men; it is not holding a stop watch on a man writing things down on him.

According to Taylor, the essence of scientific management was to:

- (a) increase the output of the average employee, and
- (b) improve the efficiency of management.

Taylor believed that each worker was motivated by financial need and that his tendency for restricting output was fear of replacement. To solve this, he advocated complete education of employees to the fact that their need for more money and job security could only be solved by increased output at a low cost. He advocated placing workers on a piece work in order to encourage them to earn more.

### **3.3.1.2 Taylor's Principles of Management**

Taylor's principles of management could be summarized thus:

- (a) the gathering, analysis and codification of all "rule of thumb" and data existing in business;
- (b) careful selection of employees and development of employees to enable them attain their optimum potential;
- (c) educating men to scientific method that has been tested and proved to be effective;
- (d) management should reorganize these in order to carry out their duties properly.

Thus, Taylor insisted that management should not rely on tradition or intuition, but rather should subject every job to a critical analysis, inventive experiments and a thorough objective evaluation which he applied in the machine shop in order to attain best results. Taylor was criticised for his lack of humanitarian concept.

### **3.3.1.3 Charles Babbage**

One of the fore-runners of Frederick Taylor was Babbage who spent his life working on the "Difference Engine", a project considered to be a fore-runner of our modern data processing equipment. His major contributions to the field of management include:

- (a) Division of labour and specialization. He stressed the need for dividing and assigning labour on the basis of skill. He used pin production to illustrate the benefits of division of labour pointing out the savings in time and the acquisition of skill within a relatively short time as a person concentrates on only one operation.
- (b) Automatic operation. He stressed the need for replacing manual operations by automatic machinery.

#### **3.3.1.4 Frank Gilbreth**

Gilbreth is known for his work on time and motion studies. His book **Cheaper by the Dozen**, made him very popular. Gilbreth believed that there was one best way which was believed to be the way that required the least motion.

He identified seventeen basic elements in on-the-job motions which he called “Therblings”. (Gilbreth spelt backwards):

- (1) Search
- (2) Find
- (3) Select
- (4) Grasp
- (5) Position
- (6) Assemble
- (7) Use
- (8) Disassemble
- (9) Inspect
- (10) Transport loaded, moving hand or body with a load
- (11) Pre-position
- (12) Release load
- (13) Transport empty
- (14) Wait-unavoidable
- (15) Wait-avoidable
- (16) Rest-necessary for overcoming fatigue, and
- (17) Plan.

His other contribution was the development of a flow chart which highlighted the need for breaking an operation into units and steps for different employees to perform.

#### **3.3.1.5 Henri Fayol’s Emphasis on Administration**

The first principles of management were advocated by a French engineer and geologist, Henri Fayol. He isolated a set of principles that

have been taught to other managers and students of management over the years. The fourteen (14) principles of management cover all aspects of management – human relations, scientific management as advocated by Babbage and Taylor. Fayol's principles of management are:

- (1) Division of labour
- (2) Authority
- (3) Discipline
- (4) Unity of command
- (5) Unity of direction
- (6) Subordination of the individual interest to the general interest
- (7) Remuneration
- (8) Centralisation
- (9) Scalar chain (line authority)
- (10) Order
- (11) Equity
- (12) Stability of tenure of personnel
- (13) Initiative
- (14) Espirit-de-corps.

In the development of management concept over the years, no nation appears to have a monopoly.

Charles Babbage and Frederick W. Taylor are from the United States of America, Robert Owen is a Scot, while George Elton Mayo is from Australia. They worked to find the best way of increasing the productivity of workers and improving their economic, social and psychological well being.

### **3.4 Modern Approaches to Management**

After a scholarly review of management concept over the years, Harold Koontz in his article "The Management Theory Jungle" has classified the major "schools" of management into six broad areas:

- (1) The Management Process
- (2) Empirical School
- (3) Human Relations School
- (4) Decision Theory School
- (5) Mathematical School

#### **3.4.1 The Management Process**

This school of thought perceives management as a process of getting things done through and with people operating in organized groups. The management process school attempts to establish a conceptual

framework, identify the principles and formulate a theory of management based on it. This group believes in the universality of management. He grouped Henri Fayol, and Frederick Taylor as belong to the same school. This school, he believes, looks to the function of managers.

### **3.4.2 Empirical School**

This is Koontz's second classification. He groups in this section those who studied management through the analysis of the experience of successful managers. An attempt was made by examining the successful operation to form generalization concerning the nature of management and be able to apply the best management techniques. Ernest Dale, the Great Organizers typify this group. The criticism for this school is the danger of using the past to judge the present or believing that what appeared to be right in the past may fit a situation in the present or future.

It could be argued that the empirical school is identical to the management process school. Taylor and Fayol were men with many years of practical experience on the job and what they postulated were based on their own experiences. Dale's Comparative Approach is based on structure less experience. Both aim at deriving concepts or principles to be used as a guide for the practice of management.

### **3.4.3 Human Relations School**

This group concentrates on the interpersonal relationship between management and workers. This group places emphasis on the understanding of employees by management. It stresses motivation, meeting workers needs and aspirations. The school believes that effective use of human relationship will aid management in realizing the organizational goals. The criticism for this school is that it tries to link management too loosely to the field of psychology and sociology. The study of group dynamics and interpersonal relationship is not limited to management.

### **3.4.4 Decision Theory School**

This group believes in rational decision making. They perceive management as engaged in constant selection of courses of action from available alternatives. The group engages in the analysis of decision from varying viewpoints – the economic rationale of the decision, decision makers and psychological aspects of decisions and decision making. Most of the members of this school are economists and they tailor their analysis to include utility maximization, indifference curve,

marginal curve and economic behaviour under uncertainty. They have broadened the area of decision making to include every aspect of the organisation and all the factors that influence the enterprise.

### **3.4.5 Mathematical School**

There is a class relationship between the mathematical school and the decision theory school. These people classify themselves as “Management Scientists”. They attempt to quantify some areas of management such as planning, decision making and control in the form of mathematical symbols and models. In recent times, this field is called operations research. With the advent of computers, this school has gained recognition and has extended its activities to include simulation and game theories requiring sophisticated algebraic symbols and equations.

It can be seen from this management jungle that this field is approached by many experts in different ways. As Scott points out, it is best to use the systems concept as a way of describing the total organization rather than emphasizing a specific function such as enunciated by the various schools.

## **4.0 CONCLUSION**

The discussion in this unit have taking us through the evolutionary process of management from the pre-industrial period through medieval, industrial revolution to the modern-day management. We also attempted to discuss the approaches to modern management and various schools of management.

## **5.0 SUMMARY**

In this unit, we treated the evolution of management theory touching on the contributions of the various management experts or practitioners to the development of management principles.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. What are the major contributions of scientific management movement?
2. Write short notes on the following and show their relationship:
  - (a) Division of labour
  - (b) Specialisation

## 7.0 REFERENCES/FURTHER READING

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## **UNIT 2      MANAGEMENT: FUNCTIONS AND BEHAVIOUR**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Management Functions and Behaviour
  - 3.2 Meaning of Management
    - 3.2.1 Management as Art
    - 3.2.2 Management as Science
  - 3.3 Principles of Management
  - 3.4 Concept and Theory of Management
  - 3.5 Management as a System
  - 3.6 Universality of Management
  - 3.7 Organisational Goals/Objectives
    - 3.7.1 Characteristics of Good Goals
    - 3.7.2 Advantages of Organisational Objectives
    - 3.7.3 Common Organisational Goals
    - 3.7.4 Personal and Organisational Objectives
  - 3.8 Nigerian Civil Service
  - 3.9 Objectives of Nigerian Businessmen
    - 3.9.1 Multiple Objectives
    - 3.9.2 Business and Ethics
    - 3.9.3 Conflict of Interest
  - 3.10 Unethical Business Practices in Nigeria
  - 3.11 Factors that determine Ethical Conduct–Socially Accepted Ethics
  - 3.12 Ethical Climate in the Industry
    - 3.12.1 A Man’s Personal Code of Behaviour
  - 3.13 The Behaviour of Management
    - 3.13.1 Factors Determining Ethical Decision
    - 3.13.2 Factors Determining Unethical Decisions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

There is no human endeavour that does not require proper management for its proper functioning. All types of organizations government establishments, business enterprises, hospitals, cooperatives, churches, whether profit making or non-profit making, require good management to function effectively.



Managing is one of the most important human activities that permeate all organizations. Whenever people work together for the attainment of a predetermined objective, there is a need for management that is charged with the responsibility of ensuring that the aims and objectives of the organization are realized. It is the manager's responsibility to ensure that every member of the group contributes his best. To get people put in their best efforts, the manager has to understand people, their emotional, physical and intellectual needs. He has to appreciate that each member of the group has his own personal needs and aspirations and that these are influenced by such factors as ethnic, social, political, economic and the technological environment which he is part of.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define management as a concept
- differentiate between management as an art and as science
- state and explain the principles of management
- state the concepts and theories of management
- describe the universality of management and management as a system
- discuss organisational goals and objectives.

### **SELF ASSESSMENT EXERCISE 1**

What are the major functions of management? Illustrate your answer with examples.

## **3.0 MAIN CONTENT**

### **3.1 Management Functions and Behaviour**

Not all people can manage effectively or aspire to management position. Whenever people work together, there is generally a need for the co-ordination of efforts in order to attain expected results in reasonable time, and with minimum amount of money, discomfort or energy. All people who oversee the function of other people who must work in subordinate position are managers. Managers are people who are primarily responsible for the achievement of organizational goals. Any organization that fails to realize its objective often blames it on management. In those enterprises that the stock-holders feel that they do not attain their objectives, there is a tendency to blame it. On those responsible for piloting the affairs of the organization management. Thus management is often accused of lack of initiative; ineptitude, misconduct or are said to be unqualified and are called upon to resign.

The manager is the individual to provide the dynamic force or direction. He is the person in charge or expected to attain results.

The manager does not spend all his time managing. He is like a football coach. He does not play the game but directs the players on how to play. Like a vice-chancellor of a university, he does not have to teach in the classroom but must plan admission, develop committees, represent the university, have budgets and reports prepared and ensure that students are properly housed. A manager that fails to achieve the objectives as expected, is either dismissed or asked to resign. In large organizations, such as the civil service or Government Corporation, there are often many instances of dismissals, transfers, demotions and promotions. A manager is expected to possess special talents or abilities, quite different from non-managers. In all countries, management has emerged as a leading group in our economic society. They are a class by themselves, distinct from ownership and labour. According to Peter Drucker, "rarely, if ever, has a new basic institution; or new lending group, a new central function, emerged as fast as has management since the turn of the century."

## **SELF ASSESSMENT EXERCISE 2**

Discuss the concept of management.

### **3.2 Meaning of Management**

Different meanings have been attributed to the word "Management". Some people see it as referring to a group of people. They think of a management team or a group of individuals in an organization. Management is also seen as a process demanding the performance of a specific function. Here management is a profession. To a student, management is an academic discipline. In this instance, people study the art of managing or management science. According to the American Institute of Management:

It is used to designate either a group of functions or the personnel who carry them out; to describe either an organization's official hierarchy or the activities of men who compose it: to provide antonym to either labour or ownership.

Management is defined as "getting things done through others." It can be more scientifically defined as the co-ordination of all the resources of an organization through the process of planning, organizing, directing, and controlling in order to attain organizational objectives. Management is the guidance or direction of people towards organizational goals or

objectives. It can also be seen as the supervising, controlling and co-ordinating of activity to attain optimum results with organizational resources.

### **3.3 Management as Art**

According to C.C NWACHUKWU (1992) Pages 4

Art is the imposition of a pattern, a vision of a whole, on many disparate parts so as to create a representation of that vision; art is an imposition of order on chaos. The artist has to have not only the vision that he or she wants to communicate, but also skills or craft with which to present the vision. This process entails choosing the correct art form, the correct techniques. In good art, the result is a blending of vision and craft that involves the viewer, reader, or listener without requiring that he separates the parts in order to appreciate the whole.

Art requires technical skill, and conceptual ability. An artist must possess the know-how in order to create a desired object. To be a successful or creative artist, one has to understand the fundamental principles governing it. In the same manner, to be a successful manager, or top flight executive, one has to master the art of managing. When one sees management as an art, one thinks of creative ability and special aptitude to design or effect a desired result.

There are special areas of management that are not subject to the rigours of science. The manager as a result has to depend on past experience and judgement instead of depending on any testable technical knowledge as is the case in engineering, physics or survey. In special areas as human behaviour, instances abound where the manager will rely on experience collected over the years through practical experience. The application of this knowledge to individual situation is seen as an art for the acquisition was not subject to the rigours of science.

#### **3.3.1 Management as Science**

Frederick W. Taylor is known as the father of scientific management. This title he earned by his pioneering efforts in attacking the traditional approach to management that tended to depend on intuition; past experiences or hunches. Scientific management uses the methods of science in making decisions and evaluating its consequences. Science attempts through systematic procedure to establish the relationships between variables and the underlying principles. Management is science, when it employs systematic procedure or scientific methods to

obtain complete information about a problem under consideration and the solution is subjected to rigorous control procedures to ensure the correctness and establish validity.

It must be observed that the two are not mutually exclusive but complementary. A good manager must know the concepts and principles of management (management science) and also how to apply them in unique situations. A successful manager blends experience with science in order to achieve a desired result. One decision could involve both science and art in order to attain total result desired. The ability to use both judiciously makes for a successful manager.

### **3.4 Principles of Management**

Principles are best seen as fundamental or general truth on which other truths depend. This implies a dependent and independent relationship. It is either descriptive, prescriptive or normative. Thus, a principle describes a relationship or what should be done if something else happens.

It is often difficult to formulate principles in management because of the difficulty in conducting controlled experiments. One of the most important variables – people, is not easy to control. Most of the principles of management in use today were developed by observation and deduction. The major reason being that management principles are subject to change and interpretation than are the laws in the physical sciences. One of the principles of management, “unity of command,” states that “each subordinate should be accountable to one, and only one superior.” Sometimes this principle is violated especially when an organization has established well-defined superior – subordinate relationships. There is a need for principles of management. It helps to increase efficiency since the manager uses established guidelines to help solve his everyday problems.

Principles of management help in subordinate development. Without these principles, development would depend on trial and error. A Course in management development stresses the time tested principles formulated over the years by experience and experimentation. Fayol, after more than 40 years of practical business experience drew up his principles of management. The same is true of Taylor, Chester Barnard and Alvin Brown. Without principles, the understanding and development of management would be an arduous task.

One of the most important impacts of principles is that it has helped to promote research in management. Management is not 'an exact science; it deals with people whose behaviour is unpredictable and complex.

Research is often difficult without some established principles. Most researches in management deal with tested facts to establish validity and reliability.

### **3.5 Concept and Theory of Management**

Concepts are abstractions formed from generalizations. Concepts are the corner stone for the development of principles and theory. In reality, a concept is a commonly agreed upon definition of an object, event or process. The importance of concept can be illustrated by the fact that unless a concept is very clear to those who must use them, knowledge cannot be effectively transferred to another person. The same word must mean the same thing to all the people. The words "management" and "organization" are typical examples. They do not appear to imply the same phenomena among various persons.

A scholarly grouping of concepts and principles creates a theory. A theory presents a framework of principles and concepts for the clarification of a theory. A theory presents in a formal manner interrelated principles. Thus the theory of management is the synthesis of the concepts and principles of management. We have as a result of this systematic synthesis many theories – organization theory, theories of leadership, theories X and Y, Graicunas theory and the like. Management theory attempts to present in a concerted manner loose facts about human behaviour in organisation.

### **3.6 Management as a System**

The systems approach to management encourages management to perceive the internal and external environmental factors as an integrated whole. As a result of this systems concept, the manager views the physical, human, environmental and psychological facets of the job as linking to form an integrated whole. An example of a system is the motor car. The parts are assembled in a manner to produce a unified whole. Every system is made up of subsystems. For the system to function effectively, the subsystems must function effectively. In a general sense, the human being is a complex system made up of sub-systems such as the circulatory system, the auditory system, the locomotive system, and so on. These sub-systems are inter-dependence. When any of them fails to function effectively, the entire system experiences a severe setback.

The systems concept is often used in business to highlight the interrelationship between the functional areas of management. These functional areas such as production, marketing, finance, procurement and personnel could be seen as the sub-systems. These functions must

be properly coordinated for the enterprise to attain its desired objectives. The functions of the manager could be perceived as managing the system. He is to create and define the objective of each sub-system and integrate the subsystems. The success of a manager goes beyond the "effective" management of any of the functional areas – (finance, marketing, or production). He must not only strive to achieve the objectives of each of the functional areas, but also attain integrated balanced company objectives. Failure to recognize this fact could make each system pull in the opposite direction and a common objective could not be attained. The interrelationship in a system could be demonstrated by a simple illustration. For the sales department to meet delivery dates promised to customers it has to rely on the production target, the purchases department must order enough raw materials. For the purchases department to order enough raw materials, the accounts department must make enough money available in time for the order to be placed and received on schedule.

The success of any system depends on the relationship between the system and its sub-systems. In a business organization, factors such as goal clarity authority relationships and the structuring of the sub-systems could affect the performance of the entire system.

The systems approach to management recognises that management system is a complex formal system organized to function effectively and efficiently to achieve a desired goal. Where the system does not function as expected as a result of poor communication, personality clashes, poor or lack of goal congruency, the entire organization suffers.

### **3.7 Universality of Management**

Management function is identical in all formal organizations whether it is a profit-making organization or a "non-profit-making organization. All people who occupy management positions perform the same type of functions. They plan, organize, staff, direct and control. They get things done through and with subordinate. Their principal responsibility is to achieve organizational objectives through group efforts. .

The concept of the universality of management implies that all managers irrespective of their position in the organizational hierarchy perform at one time or the other identical functions. The concept also connotes that management know-how is transferable from one organization to another. Managers seldom perform the actual activities themselves. Their functions are managerial, not technical.

What managers do in organizations are the same –

1. Managers make decisions.
2. Managers focus on objectives.
3. Managers plan and set policies.
4. They organize and staff.
5. They communicate with subordinates, colleagues and superiors.
6. They direct and supervise by secure actual performance from subordinates.
7. They control organizational activities.

It is as a result of all these multiple functions that management has grown into a big profession. The professional manager who occupies an important position in the organisation, who thinks about the corporation and its health and growth. The chief executive is, for example, a professional manager who owes no allegiance to a function or specialty for his function is to guide and direct the company as an integrated unit, not in managing its separate parts.

### **3.8 Organisational Goals/Objectives**

All organizations are purposive. They are established to accomplish an objective. Individuals in an organisation work in order to help accomplish these objectives. These individuals wish to accomplish their own goals through the organisation. When the goals of the individual and the goals of the organisations are the same, we have goal congruency. An organisation's goal could be implicit and require explicit formulation before they could be realised. Goals can be differentiated between official and operative goals. The official goals are mainly for "public consumption" while operative goals are those that are in fact pursued by the organisation and this influences its operation. It could be the official goal of the Nigerian National Petroleum Corporation to protect the environment while the company dumps pollutants into rivers, streams and lakes. Here the official goal reflects societal expectations from it. In some instances, the official goal and operative goals could be the same and only differ by the degree of specificity.

#### **3.8.1 Characteristics of Good Goals**

Certain basic characteristics distinguish good goals from "wishes". Good goals must possess the following qualities:

- (a) They must be specific and clearly stated.
- (b) Their achievement must be measurable or verifiable.
- (c) They must be realistic.

- (d) They must specify period of achievement.
- (e) They must include intermediate targets or goals that will facilitate the attainment of the major objectives.
- (f) Objective must be modern and up to date.
- (g) They must be ranked according to relative importance.

Thus a good objective is measurable, specific, verifiable and attainable.

### 3.8.2 Advantages of Organizational Objectives

The importance of organizational objective in a developing country can hardly be overstated. As pointed out earlier, management personnel in developing countries are young, inexperienced and often have a shallow concept of organizational principle. It is not unusual for the owner not to have clearly stated objectives except "to maximize profit". In public corporations, for example, their objectives are general at best. Often one hears such phrases as "make profit," "be self supporting," etc. and these objectives move from profit making to social welfare redistribution. In civil service the situation is worse. There are no targets, no deadlines or definite expectations from management. It is important to highlight the need for goals.

- (i) **Organizational Goals help the Organization to orient itself to its environment:** A typical environment presents management with risks and opportunities. A good goal makes the organization while helping to exploit the opportunities to minimize the impact of the risks.
- (ii) **Good organizational goals help in policy formulation and administration:** All policy issues such as marketing policy, production and purchasing policy, personnel policy and financial policy are influenced by company objectives. If a pharmaceutical company wishes to be a leader in rheumatic muscular and neuralgic pain tablets and research, the personnel policies and practices must provide for the recruitment of quality scientists for its research work, production policies must be highly imaginative and flexible to adapt to the attainment of the objectives and the financial policy must be such as to allow adequate funds for creative research and liberal remuneration to attract seasoned researchers and salesmen.
- (iii) **Clearly stated objectives** help all sub-systems to pull in the same direction thus making for easy co-ordination of activities. Sales department and production department will complement each other. Production will insist on quality products to reduce rejects and returns and allowances, the sales department will not



promise unrealistic delivery dates, or insist on allowing discounts on high quality items. Advertising will stress quality and service and not price.

- (iv) Clear objectives make for **consistency and unity of purpose and direction**. It prevents management from stressing short-run gains at the expense of long-run company objectives. Objectives serve as motivators and provide a definite direction.

### 3.8.3 Common Organizational Goals

There was a time economists believed that 'the sole purpose of any business was to maximize profit'. This concept is still shared by in many people developing countries. These organizations stress short-run objectives. In their recruitment policy, they will hire poorly qualified employees who use their companies as a training ground to gain experience; they insist on high mark-up, and low-rent stores. In the long-run, they lose business to bigger organizations that insist on well trained, experienced employees with its attendant low cost as a result of reduction in the number of rejects and returns, customers loyalty, and the advantages that accrue from high volume turnover of products.

The major organizational goals include:

- (a) Profitability
- (b) Survival
- (c) Growth
- (d) Market-share
- (e) Productivity
- (f) Innovation
- (g) Employee welfare
- (h) Service to customers and
- (i) Social responsibility.

It must be emphasized that objectives must be set for every department, for each supervisor and for every employee. "It is important that every human being has one or more goals towards which he is striving. It is supreme in his thoughts and serves as the pinnacle of this hopes and ambition".

### 3.8.4 Personal and Organizational Objectives

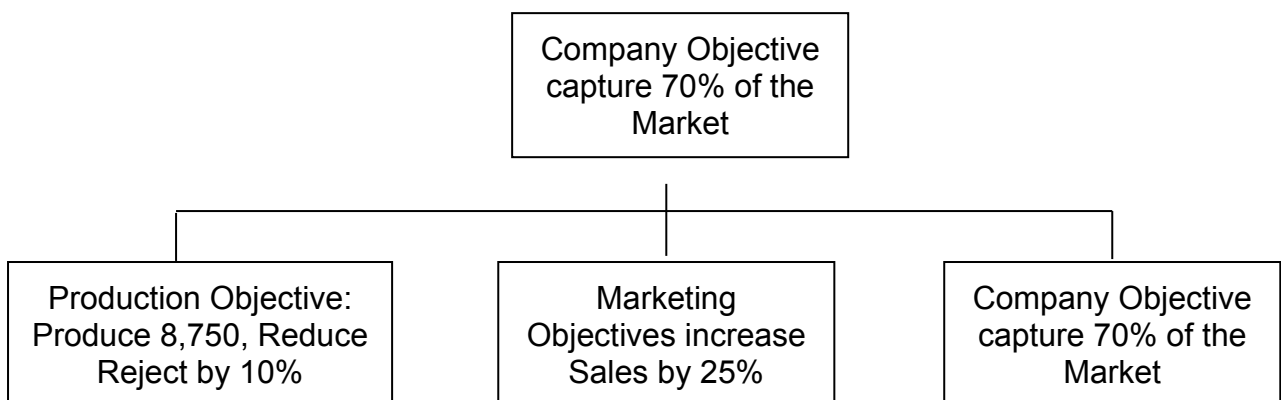
As pointed out, all individuals have personal objectives which they plan to achieve through the organization. People act in a manner that will help them to attain the desired objectives. A. typical employee goals can be divided into two main groups. There are certain objectives that he

aims at achieving in the short-run and those that he looks forward to achieving sometimes in the future. Some of these objectives could include money, excitement, security, happy life, leadership position, recognition in the society and many other broad objectives. Sometimes no clear-cut distinction is made as to the best way to attain them and no real priority is placed on them. Somehow, in his head, even if not properly articulated, there is some form of hierarchy of objectives. As a rational being, he will behave in a way that will lead to the attainment of valued goals.

An employee is consistently evaluating whether the organization is the instrument through which he can attain his own goals, and trying to determine whether his objectives are consistent with the goals of the organization and others in the organization. Where these differ remarkably, there is a conflict. The degree of this disparity in objectives determines the intensity of the conflict. If the individual discovers that the objectives are diametrically opposed, he may elect to withdraw his services if he has an alternative opportunity. If he has none, he may decide to reorient his objectives to arrive at a reasonable compromise between his objectives and organizational goals. Every person has zones of indifference. This zone is said to be narrow if a person is relatively intolerant of disagreements between his goals and those of the organization, or wide if the person remains a loyal irrespective of disagreements.

Individual objectives should be incorporated in organizational objectives, and sincere efforts should be made in order to realize both. An individual who finds his objectives in serious conflict with organizational objectives should withdraw his services from the organization. Organizations and individuals function better when there is goal congruency. Each then works toward the realization of the common objective for his survival depends on it.

**Figure 15.1 CHART OF OBJECTIVES**



**SOURCE .C. C NWACHUKWU (1988) PAGE 13**

From the chart, one has to conclude that every department in the organisation should have well spelt out goals. This should layout the contribution expected from each department. It should also spell out what contributions each unit expects from other departments towards the achievement of its goals.

As According to C.C NWACHUKWU (1992) Pages 13 summarized it:

To obtain balanced efforts the objectives of all managers on all levels and in all areas should also be keyed to both short-range and long-range considerations. And, of course all objectives should always contain both the tangible business objectives and the intangible objectives for manager, organization and development, worker performance and attitude, and public responsibility. Anything else is short sighted and impracticable.

Well articulated organization objective eliminates management by "crisis" and "drives". Many executives in Nigeria, 62%, claim that there are no well written .organizational objectives either for the entire organization or for the departments or units. The civil service is characterized by management by drive or crisis. Whenever a project is envisioned, employees are driven to accomplish the objective only to relax thereafter. Management by drive is an admission of lack of planning and betrays incompetency.

Organizations must make it possible for each unit to measure its performances quantitatively' or qualitatively. This acts as a feedback for the manager who periodically evaluates his own performance as a self-imposed appraisal.

### **3.9 Nigerian Civil Service**

One of the major problems as identified earlier confronting the Nigerian Civil Service is the lack of clear objectives. The objectives of the civil service are intangible so are their results. The aim of the civil service is "to serve the people". This sounds ambiguous and cannot easily be subjected to any quantitative or qualitative evaluation. To determine when a civil service has become result oriented entails having specific, limited, clearly defined targets to be accomplished within a given time. As Drucker puts it, "only if targets are defined can resources be allocated to their attainment, priorities and deadlines be set, and somebody be held accountable for results".

The Nigerian Civil Service does not have definite expectation from employees because the goals are at best hazy even to the key

management personnel who end up becoming "administrators" instead of managers. Lack of clear cut objectives and goals is in part responsible for the constant personality clashes, excessive red-tapism and bureaucracy. Many key executives, "push files" and lack initiative and ingenuity.

### 3.10 Objectives of Nigerian Businessmen

One of the' criticisms often voiced against Nigerian indigenous businessmen is their lack of clearly stated objectives and the fact that they adopt a very narrow concept of their function and often stress the wrong objectives in their enterprises. Below is given the business objectives of some Nigerian indigenous businessmen:

**Table 15.1 Objectives of Nigerian Businessmen**

<i><b>Factors</b></i>	<i><b>1<sup>st</sup> Choice</b></i>	<i><b>n = 108 n%</b></i>
<i>To make money or profit</i>	-	47
<i>To grow larger</i>	-	6
<i>To be very successful in business</i>	-	10
<i>To provide a good product</i>	-	5
<i>To contribute to community development</i>	-	10
<i>To provide jobs for relations and friends</i>	-	9
<i>To be independent</i>	-	5
<i>To leave something for my children</i>	-	4
<i>Others</i>	-	4
		<b>100</b>

The table above shows that in this study, 47% of the respondents gave the making of money or profit as their first choice whereas to grow larger and to be- successful in business come in with 6% and 10% respectively. The selection of good objective is an aid to the successful operation of an enterprise.

#### 3.10.1 Multiple Objectives

From the foregoing analysis, it could be inferred that each organization has multiple objectives. There should be no conflict in the various objectives. These objectives should form a logical network for the optimal attainment of organizational goals. One objective should be instrumental in the realization of another objective. The higher the company's share of the market, other things being equal, the higher the overall profit. The more qualified and aggressive the salesmen, the higher the volume of sales per salesman.

Below is a summary of the importance attached to each goal by company man's directors. The questionnaire was adapted from George E. England.

**Table 15.2 Responses for 365 Managers to Importance of Various Goals**

<i>Goals of Business Organisation</i>		<i>N = 365</i>
	<i>% of total group indicating</i>	<i>very important</i>
<i>High Productivity</i>	-	85
<i>Profit Maximization</i>	-	72
<i>Efficiency</i>	-	68
<hr/>		
<i>Organisational Stability</i>	-	65
<i>Organisational Growth</i>	-	60
<i>Industrial Leadership</i>	-	40
<hr/>		
<i>Employee Welfare</i>	-	52
<hr/>		
<i>Social Welfare</i>	-	10

### 3.10.2 Business and Ethics

The discussion on business and ethics is very important in Nigeria than in many other countries because of many instances of unethical business practices in the country. It is widely discussed in the news media and the press that there is corruption in all aspects of Nigerian life. You have to bribe a cashier to get paid, you have to offer money to a file clerk to make sure that your file is not wrongly filed, you have to bribe a doctor in a public hospital to receive treatment and you cannot renew your driving licence unless you offer a gift to the officer In charge.

In the government, the demand for 10% kickback of the contract sum is the accepted norm. Businessmen are not left out in the corrupt practices. Executives are known to have made some decisions in order to benefit them rather than to optimize government or enterprise interest. An executive in any decision to purchase equipment is expected to take such factors such as availability of parts, cost, quality, delivery time and operating cost into serious consideration before a decision to purchase is reached. Some executives ignore these important facts in order to receive "kickbacks" of 10 – 20% of the cost of the equipment.

### 3.10.3 Conflict of Interest

Conflict of interest arises when an executive deals with a company in which it has vested interest. An executive who is a majority shareholder in a company that is their major supplier of raw material is 'likely to' have a conflict of interest. The same fact is true when a manager is the owner of a company that contracts to construct roads, buildings, or offers any other contract for the organization. The manager will find it difficult to enforce quality or engage in hard bargaining. He will most likely supply inside information to his company on the lowest and highest bids already received. In order to avoid a conflict of interest, some companies have rules that state:

No member of management of the company is allowed to accept any gift or gratuities from third persons which might conceivably tend to induce him to violate his duties to the company or to have any appreciable interest in any business enterprise which is a supplier or has business relationships with the company.

The punishment for the violation of such rules is immediate dismissal.

### 3.11 Unethical Business Practices in Nigeria

The most common unethical business practices in Nigeria are presented below:

1. Outright bribe
2. Unfair practices in pricing
3. Price discrimination
4. Dishonest advertising
5. Price collusion by competitors
6. Unfair and prejudice in hiring
7. Cheating of customers
8. Dishonest advertising
9. Unfair credit practices
10. Overselling
11. Collusion by competitors
12. Dishonesty in making and keeping to contracts.

### 3.12 Factors that determine Ethical Conduct-Socially Accepted Ethics

An organization is an integral part of the society and is influenced by social, political, economic and technological factors prevailing in a society. The ethical conduct of an organization is in part determined by

the moral ethics prevailing in the society as a whole. If the society condones general laxity that will influence the organization, the society sets the ethical climate.

### **3.13 Ethical Climate in the Industry**

The ethical climate in an industry influences the behaviour of a company. As 10-20% commission appears to be the accepted bribe for an award of a contract in Nigeria, every company competing for a contract has to build in such a commission in its quotation if it has to obtain the contract. The general feeling shared by many company executives is "if you can't beat them, join them". Thus, garri sellers, and rice sellers have the "magic cup" to sell their commodities to a customer unless the customer is vigilant. The general attitude seems to be caveat emptor (let the buyer beware.)

#### **3.13.1 A Man's Personal Code of Behaviour**

There are many honest and sincere people in organizations who will eschew riches if the only way to be rich is through unethical practices. They are guided by their personal conviction and conscience. If they are company executives, they set the tone and get others to follow. In general, the ethical standard of an organization is dependent upon the ethical standard of each member of the group.

### **3.14 The Behaviour of Management**

The ethical standards of a company are determined by the ethical standards of the executive. They set the ethical behaviour patterns to be emulated by the subordinates. If they resent and firmly condemn unethical practices in the company, the subordinates will toe the line. The subordinates' ethical behaviour is reinforced and influenced by the behaviour of management. The two factors, individual personal code of conduct and the organization's ethical conduct determine the organization's code of conduct for each reinforces the other. In a company where management are men of integrity, ethical standards are likely to prevail. If management gets out good company policies governing the relationship with their customers, competitors and the general public, ethical behaviour will prevail.

Baumhart aptly summarized the factors determining ethical conduct and unethical conduct thus:

### 3.14.1 Factors Determining Ethical Decision

1. A man's personal code of behaviour
2. Behaviour of a man's superior in the company
3. Formal company policy
4. Ethical climate of the industry
5. Behaviour of a man's equals in the company

### 3.14.2 Factors Determining Unethical Decisions

1. The behaviour of a man's superior in a company
2. Ethical climate of the industry
3. Behaviour of a man's equals in the company
4. Lack of company policy
5. Personal financial needs.

## 4.0 CONCLUSION

We have tried to discuss in a comprehensive form management functions and behaviour, definition of and reasons for management.

## 5.0 SUMMARY

In this unit, we have defined management, differentiated between management and managing, explained the reasons for management, discussed the position of various authors on management as an art and as a science, highlighted the principles of management, listed and described the concepts and theory of management. We have also discussed the universality of management, listed organisational goals and objectives as well as the characteristics of good goals, etc.

## 6.0 TUTOR-MARKED ASSIGNMENT

Write short notes on the following:

- (a) Multiple goals objectives
- (b) Concept and Theory of management
- (c) Principles of management.



## 7.0 REFERENCES/FURTHER READING

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## **UNIT 3      DECISION MAKING**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Decision in Business
  - 3.2 Decision Making Process
  - 3.3 Nature of Decision Making
  - 3.4 Classification of Decision
    - 3.4.1 Decision Making Under Certainty
    - 3.4.2 Decision Making Under Risk
    - 3.4.3 Decision Making Under Uncertainty
  - 3.5 Stages in Decision Making
  - 3.6 Group Decision Making
    - 3.6.1 Committee Decision
    - 3.6.2 Selection of Committee Members
    - 3.6.3 Committee Chairman
    - 3.6.4 Benefits and Limitations of Committees
    - 3.6.5 Use of Committees in Nigerian Organisations
  - 3.7 Creativity in Decision Making
  - 3.8 Steps in Creative Thinking
  - 3.9 Qualitative Methods in Decision Making
    - 3.9.1 Operations Research (OR)
    - 3.9.2 Linear Programming
    - 3.9.3 Queuing Theory
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Decision making is one of the most crucial activities of management. The necessity to decide is the everyday preoccupation of management in all types of organisations, whether small enterprises or multi-national corporations. The decisions that management faces are sometimes simple and in other instances, complex and overwhelming. A decision to increase production in a particular industry could necessitate the employment of more labour, increase in plant capacity, acquisition of more equipment, borrowing of money and the mastering of new technological know-how. This decision could affect the entire economic climate resulting in full employment, with its attendant consequences – increase in money circulation and inflation.

In this unit, you will be introduced to decision making and all that is entailed in decision making.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define decision making
- identify the process involved in decision making
- classify decisions
- highlight the stages in decision making
- describe group decision making
- discuss creative thinking and steps involved in creative thinking.

## **3.0 MAIN CONTENT**

### **3.1 Decision in Business**

In business, there are absolutely no right or wrong decisions but intelligent choices. What one considers a right decision in a particular time frame may turn out to be an unintelligent decision if the circumstances change. This is particularly true in developing countries where most of the variables required for intelligent decision are lacking. In some industries, the total production is unknown, the consumption pattern is not clear, the total population is a guess work, supply of raw materials is influenced by political consideration and the lead time for the supply of raw material is most unpredictable.

An entrepreneur may decide to import large quantities of raw material because it is under licence. The restriction could be lifted within a month after the importation, purely on political grounds without giving consideration to its consequences on the successful operation of the businessmen in the industry.

### **3.2 Decision Making Process**

#### **Definition**

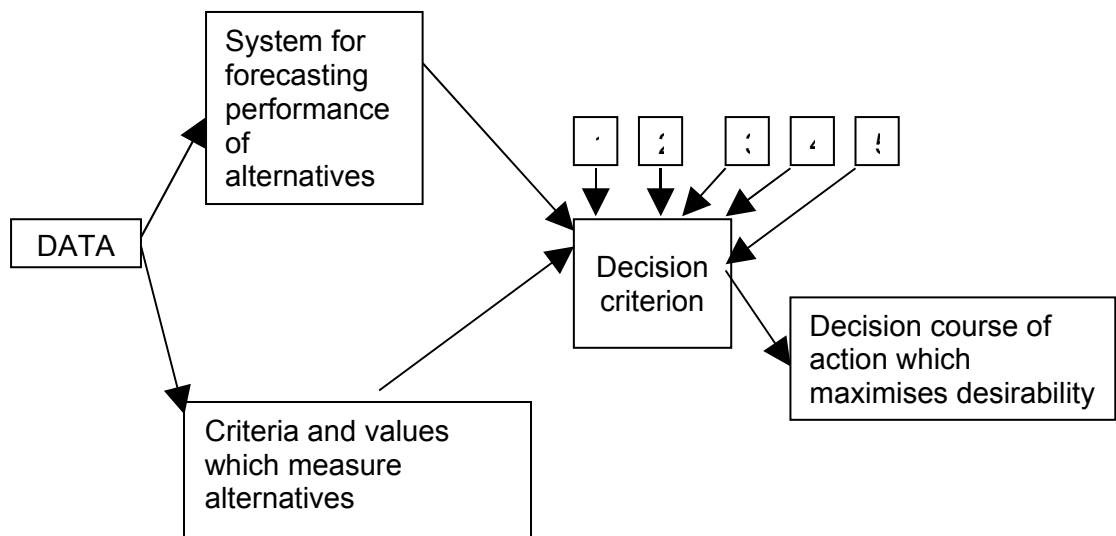
A decision is the selection of alternative course of action from available alternatives in order to achieve a given objective. The decision process is influenced by the unique environment of the decision maker, his organisational position, available knowledge and experience in decision making. A decision is a choice aimed at achieving optimum result in a given situation.

Decisions are made when a person finds himself in a situation where he must act and he is not quite sure of the choice that will give the best result. A decision could be seen as a mental process that forces us to analyse the situation in order to master it, or increase our knowledge on the area in which decision is to be made. An intelligent decision is one which yields the best intelligent response to a situation. Decisions aim at making things happen – in order to achieve an objective. Absence of a decision is a decision. A decision not to act or to postpone a major decision is a decision.

### 3.3 Nature of Decision Making

As pointed out earlier, decision making presupposes the existence of alternatives. From these alternatives, the decision maker selects the one that will yield the desired result. This entails the existence of some criteria for measuring or comparing the desirability of the alternatives in relation to the purpose. Figure 1.1 shows the structure of decision making. According to Buffa<sup>1</sup>, all decisions go through this process.

**Table 1.1 Structure of Decision Making**



Each alternative could have desirable and undesirable aspects. The alternative that appears to have the most desirable result based on our DECISION CRITERION is the one to be selected. Every decision is based on a probability that the anticipated event will occur. If a quantitative method is used, the value of each alternative is computed. The course of action that maximises the final desirability is the rational decision.

### 3.4 Classification of Decision

Decision making can be classified into three major groups:

- (1) Decision making under certainty
- (2) Decision making under risk
- (3) Decision making under uncertainty.

#### 3.4.1 Decision making under Certainty

Certainty – it is assumed that there is a single-space, complete and accurate knowledge of the consequence of each event.

A decision made with full knowledge of the occurrence of an event is said to be decision under certainty. In this situation, the decision maker knows what the stated value of the pay-off is expected to be. If for instance the value is 1.00, in making the decision one has to select the alternative that gives the expected pay-off of 1.00. Assuming that a service organisation wishes to determine the cheapest way of handling its security services and finds out that:

- (a) if it subcontracts security service, it would cost ₦7,000 per annum;
- (b) if it handles its own security by hiring 4 security-men, it would cost ₦10,000 per annum;
- (c) if it installs burglary proof and other security measures it would cost ₦12,000 per annum.

In this situation, it is easy to select plan (a) since it entails the lowest cost.

#### 3.4.2 Decision Making Under Risk

Uncertainty – the consequence of each choice cannot be defined by a correspondence relationship even within a probabilistic framework.

#### 3.4.3 Decision Making Under Uncertainty

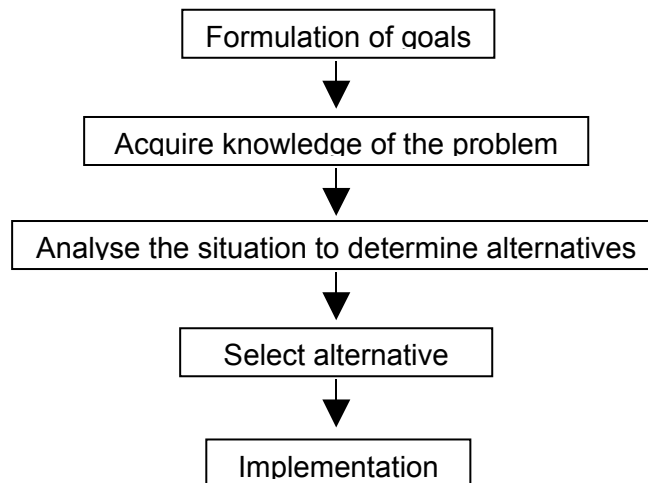
Risk – it is assumed that accurate knowledge about the probability distribution of the consequence of each alternative exists.<sup>2</sup>

### 3.5 Stages in Decision Making

Every decision making process has some basic elements in order to be effective. They include:

- (1) the formulation of goal or goals
- (2) mental process to acquire knowledge on the situation
- (3) analysis to determine alternative course of action
- (4) choice procedure
- (5) implementation.

**Table 1.2 Elements in Decision Making**



### 3.5.1 Formulation of Goals

For one to make a decision, one must have goals that one expects to achieve. The goals to be achieved may be determined by the organisation and could aim at minimizing cost or maximizing profit. In the case of the production manager, the decision at that level could be to reduce rejects by 20 percent or increase average output by 10 percent.

### 3.5.2 Acquire Knowledge

A rational decision requires the decision maker to acquire a thorough understanding of the problem in order to make an intelligent choice. This demands that the decision maker saturates himself with facts about the situation. At this stage he seeks information from employees who have expert knowledge about the situation under study. When vital decisions are to be made, “brainstorming” is encouraged in order to avoid costly, hasty decisions. It is advisable to hear both from those who are interested in the problem and those who are opposed to it. The step is likened to a situation where a “car won’t start” in the morning. Why? What is the cause of the problem?

### 3.5.3 Analysis to Determine Alternatives

The essence of analysis at this stage is to determine possible courses of action – the search for alternatives. The number of alternative ways of solving the problem that could be thought out depends on the effort expended by the decision maker in the search for alternatives. This is one of the crucial steps in rational decision making. It involves the utilisation of the vital information gathered through the process of defining the problem. The decision maker could tap the brain of experts and engage in creative logical reasoning. This will help to achieve the objective with cost effectiveness in mind.

### 3.5.4 Decision

Decision is the selection of the course of action believed by the decision maker to yield the best result under the circumstances. The final selection is influenced by the decision maker's past experience, his value judgement, the logical process that has been established and followed in the previous steps 1 – 4 above.

It has to be pointed out that the selected solution may not necessarily be the most satisfactory solution but the most intelligent decision under the circumstance. This has often been called SATISFICING. An entrepreneur may decide in the circumstance to select the alternative that “minimises his risk or involves “minimum regret” or gives him optimum result in the short-run. There is a tendency for Nigerian entrepreneurs to seek short-run instead of long-run growth.

It is important at this stage to ask four vital questions:

- (a) Did I consider all possible alternatives that bear on the question?
- (b) Does the selected alternative contribute to the realisation of the intended objective?
- (c) Will the decision lead to the attainment of the preferred solution?
- (d) Is this alternative capable of implementation?

### 3.5.5 Implementation

A decision process is not completed until it is implemented. The essence of any decision is to secure action. If this stage is not properly carried out, the entire process is a waste of time and resources. For some important decision to be implemented effectively, the decision maker has to seek and obtain the willingness of operation of all involved. He has to “sell” the decision to the workforce. Factors involved in securing acceptance include effective communication, motivating the employees into accepting the decision and pointing out

the advantages to be achieved, effective control of the process for the implementation of the decision and, promote timing of events to aid coordination.

### **3.6 Group Decision Making**

An organisation is not better than the people that make it up. The success or failure of an organisation depends on the creativity of its human resources. Efficient and effective utilisation of these people to make use of their intellectual abilities, in part, helps the growth of the organisation. There is a popular saying that “two heads are better than one, even if they are ‘coconut’ heads”. This illustrates the importance of participative decision making.

One of the major problems encountered in retaining young university graduates in many indigenous enterprises is the absence of participative decision making. The entrepreneur is reluctant to involve the young graduates in areas they believe they could contribute their best in the organisation. Thus, only 20 percent of the graduating class of the professional schools of the University of Nigeria would elect to work for indigenous enterprises. 65.8 percent of the graduates who left their employment with small businessmen gave lack of participation as one of the key reasons why they gave lack of participation as one of the key reasons why they changed employment. Other key reasons include lack of future prospect, lack of prestige and inability to use their expertise. Employees like to be involved in decisions that affect the organisation especially those that affect them directly.

Decisions are expected to be made in a social environment. It is a situation in which each participant contributes his ideas towards the realisation of a predetermined goal. No idea is useless no matter how stupid it sounds. In many instances, what some people call “stupid” or “crazy” ideas are those that disagree with their own. There is a popular saying that “where the people always agree, only one person is doing the thinking.” Group decision calls for varied views, some optimistic and some pessimistic.

In the final analysis, what determines whether a decision is to be made by an individual or group is the type of decision to be made, and the importance of the decision to the immediate attainment of organisational objectives.

#### **3.6.1 Committee Decision**

In modern organisations, committees are increasingly being used as effective administrative tools. In large and small organisations,



committees are used for a variety of reasons. In large decentralized organisations, a committee is the device for achieving coordination of activities and sharing information among the various departments and divisions of a company.

A committee could be seen as a group of people assembled together to take action on an administrative task. In some organisations, there are committees for each key functional area such as finance, production, sales, auditing, purchasing, and engineering. These are generally permanent committees. These committees often meet regularly once or twice a month to discuss general problems affecting their operation. There are instances where committees are appointed to study and offer solution to a specified organisational problem. They stop functioning as soon as the assignment is completed. This is generally called an ad hoc committee. Committees such as salary adjustment committee, tenders board committee, employee grievance committee or question box committee could be ad hoc committees. They could also be permanent committees. The government makes use of some committees in dealing with specific assignments. In Imo State, the government appointed the University Planning Committee to help plan the State University. Anambra State appointed the Television Planning Committee, whereas the Federal Government appointed the Revenue Allocation Committee. These are ad hoc committees which fail to exist as soon as their functions are completed.

### **3.6.2 Selection of Committee Members**

The effective use of committees in the solution of organisational problems depends on the selection of the right people to serve in the committee. Most of the criticisms often voiced in the use of a committee as an effective device in decision making depend on the quality of people appointed to serve on them. Committees are often seen as “a group of people who keep minutes and waste time and money”. Hudson writing on this important issue observed that:

“Equally sad and costly are the “good” people who are untrained to the rigours of sound committee working – the people who debate on ideas, who lack a gift for negotiation, the people who are spineless, irrational, hyper-sensitive and over emotional people who are blindly devoted to an ideology, blindly loyal, or blindly combative.”<sup>3</sup>

The selection of members of a committee should be based on qualifications such as knowledge of the subject matter to be assigned to

the committee, interests, responsibility, availability and emotional maturity.

The number of people to serve in a committee is to be determined by the nature of the assignment. A large number is sometimes very cumbersome to manage and makes it often difficult to agree on a specific time and date for meetings.

### 3.6.3 Committee Chairman

The success or failure of a committee in most instances depends on the chairman. The chairman is expected to be a mature, intelligent, skillful, versatile person who is capable of accommodating varied opinions. A committee succeeds when the members believe that the chairman is equal to the task and is capable of leading the committee to arrive at mature conclusions. A capable chairman is in a position to help reduce some of the major disadvantages associated with committees such as cost, idle debates, danger of compromise and slow action.

### 3.6.4 Benefits and Limitations of Committees

Almost all formal organisations have committees because it has been very useful as one of the basic democratic ways of operation and the realisation that the concentration of tasks in one individual does not make for efficient and effective control. The following are the basic advantages:

- (a) **Makes different view points available.** The interaction between members brings out different viewpoints that could not have been considered or given due weight if the decision was made by one person. Collective views make for thorough and complete analysis. Thus it provides a forum whereby knowledge, experience and abilities of several experts are brought together.
- (b) **Better coordination.** Committee decision helps to promote better coordination in the company. In any type of organisation, there is often constant need for coordination in order for everyone to pull in the same direction. The coordination of sales department with production, purchases and advertising departments brought about by their being in the same committee will help to achieve optimum results.
- (c) **Committee as Advisers.** A committee could be advisory in nature. This type of committee is created to advise, counsel and make recommendations to the managing director to help him

make an intelligent decision. An administrative commission of inquiry is a typical example of an advisory committee.

- (d) **Collective responsibility for decision.** When the chairman of the committee takes a decision, it becomes a collective decision of the committee irrespective of whether a member likes it or not. The decision becomes the decision of the “group” who they cannot afford to disagree with. In some instances, there is an “overtone” which suggests to members that he would like them to “go along”. What he really demands from them is support.
- (e) **Lack of Accountability.** One of the major disadvantages of a committee decision is that many committees only recommend or advise. To advise is not to decide as the decision lies with the chief executive who is accountable for the outcome of the decision. In a committee decision, no one is held accountable or responsible for the decision because of the nature of the impersonality that characterises all committees. It has to be observed here that depending on the nature and authority a committee may serve in a service, advisory, coordinating information or final decision-making capacity.

### 3.6.5 Use of Committees in Nigerian Organisations

Committees, standing and ad hoc, are extensively used in Nigerian organisations. All organisations with more than 50 employees have one form of committee or the other. In a study of Nigerian establishments, 78 percent of the organisations reported the existence of one committee or the other with varying degrees of authority and life span. Interestingly, 58 percent of the respondents in industry, commerce and service organisations advocated the use of more committees while 28 percent of the respondents in the public service advocate for the use of more committees. Some managers, 68 percent, serve in more than four committees at a time. Only 2 percent serve in only one committee.

The most popular committees in Nigerian organisations are given on Table 1.3 below: 1987

**Table 1.3 Committees in Nigerian Organisations** N = 240

Functional Areas	No. of Companies with the Committee	Percentage of total frequency of mention
General Management	204	85
Finance	96	40
Marketing	156	65
Production	84	35
Labour and Personnel	132	55

R & D New Products	108	45
Public Relations	132	55
Others	60	25

It is interesting to observe that a large percentage (55 percent) have labour and personnel committees. It is equally revealing to note that 40 percent of the respondents believe that committees are very efficient and only 28 percent believe that they are not efficient. The summary is on the table 1.4 below:

**Table 1.4 Efficiency of Committees in Nigerian Organisations N = 240**

Degree of Efficiency	No. of Respondents	Percentage
Very efficient	48	20
Efficient	96	40
Not efficient	72	30
No opinion	24	10
<b>Total</b>		<b>100</b>

A cursory analysis of respondents by occupation shows that 55 percent of those in the public service reported that committees were very efficient as a device for decision making. The reasons given ranged from the inability of committees to implement their decisions to committees serving as “rubber stamp” for management, to the entrenchment of highly centralized structures that cannot accommodate the decision of committees. It is true that the potential benefits of group participation in decision making are seldom achieved in many instances. Nevertheless, this should not be seen as sufficient reason to underestimate the importance of committee decision. The quality of decision making by committee is a function of the environment for decision, the quality of leadership and the calibre of people in the committee.

### 3.7 Creativity in Decision Making

A good committee could be very creative. A creative committee is one that comes up with new ideas, new approaches, and new ways of doing old things, doing a common thing in an uncommon way, a new product, or new application or a combination of existing knowledge. Creative is one of the highly sought after talents in management. A creative manager seeks original solutions to existing problems. Creative thinking is necessary in business for the organisation is constantly in search of an imaginary solution to problems posed by its competitors and the total environment. Many organisations have in their midst individual great inventiveness, and the unusual ability to create new ideas is the

realisation that some people are more creative than others, that committees are often used in the solution of some of organisational problems.

An ideal environment that is supportive of and promoting creative thinking is necessary for individuals to challenge that imagination. The recruitment of people who are creative is a necessary precondition in encouraging creativity in an organisation.

### **3.8 Steps in Creative Thinking**

Studies have shown that certain steps are necessary in creative thinking. These can be summarised as follows:

- (1) Problem identification
- (2) Investigation
- (3) Incubation
- (4) Illumination
- (5) Verification

#### **3.8.1 Problem Identification**

The first step in creative thinking is the perception that a problem exists. This could be in production, sales, customer relations or advertising. The discovery of this problem launches the creative individual immediately to seek for suitable solution. No creative work has been achieved without dissatisfaction with the existing situation which forces the “genius” to seek new ways.

#### **3.8.2 Investigation**

Investigation is the second step in creative thinking. In this step, the individual examines the problem and analyses old ways of performing the task. This could call for intensive research into existing knowledge on the subject. There could be an exploration into all the possible avenues that will lead to the discovery of such things as the interrelationships, and associations. This step involves the accumulation of facts and figures that bear on the subject. A thorough examination which helps the individual to saturate himself with facts and figures on the problem will help to develop a creative solution.

#### **3.8.3 Incubation**

This is a very important stage in the process. Here, the entire mind reflects on the problem. Sometimes, a creative solution is not easily available and the individual leaves the subject for more reflection.

Creative thinking is not a choice of alternatives as in decision making. It is a process of mulling the problem over. It may involve the use of the unconscious mind. The creative person is at this time in a special state of mental “stress”, and detaches himself from things around him. He could go around the circles with a real solution arising and he could at this stage leave the problems for a while to avoid mental fatigue. This period is characterized by frustration and helplessness. This is often referred to as the gestation period. Rest is recommended. The rest period would refresh the mind.

#### **3.8.4 Illumination**

An ideal brainstorming session highlights the importance of new ideas. The rules for successful brainstorming session include:

- (1) Criticism of ideas must be withheld until after the session;
- (2) The group must welcome free-wheeling and encourage the wildest of ideas;
- (3) Developing a greater quality of ideas increases the likelihood of having one really useful idea;
- (4) Each member of the group should improve and relate his own ideas to the ideas of others.<sup>7</sup>

#### **3.8.5 Verification**

Some of the major criticisms of brainstorming are that it is time consuming. Many man-hours are spent in generating ideas and also in crystallizing them. It also produces many superficial ideas.

Nevertheless, its usefulness in creative thinking can hardly be overstated. In many organizations, it is indispensable in determining the name of a new product and determining a new advertising slogan. Political parties in Nigeria use it very extensively.

### **3.9 Qualitative Methods of Decision Making**

The use of qualitative methods as aid in the decision making is well recognized in large organizations in developing countries, and to a less extent, in small industries. One of the major reasons for this is the limited education of the owners of small businesses. With increased education and the separation of owner-manager, these techniques will be increasingly found useful by small businessmen.

### 3.9.1 Operations Research (OR)

The mathematical techniques used as aid to decision making are often called operations research. Churchman et al defined operations research as:

“an application of the scientific method to problems arising in the separation of a system which may be presented by means of a mathematical model and in solving of these problems by resolving the equation representing the system”.

Operations research has gained wide acceptance because of its use in modern high speed electronic computers. Basically, operations research is the application of scientific method in the solution to business problems; OR is applied in a variety of business problems which include:

- (1) Productive scheduling
- (2) New product development
- (3) Long-range planning
- (4) Warehouse location selection
- (5) Retail outlet selection
- (6) Product mix selection
- (7) Air and highway traffic control
- (8) Portfolio management.

The use of OR entails the building of models called equations to represent the system.

### 3.9.2 Linear Programming (LP)

Linear programming is a relatively new mathematical technique in situations requiring the optimum allocation of resources, money, capital equipment, raw material and personnel. It is useful in production management because allocation problem pose great complexity involving a large number of variables can equally be solved through linear programming techniques. If the Nigerian Bottling Company wishes to determine the best cost method of distributing its products from its four bottling plants to a number of warehouses located all over Nigeria, linear programming technique will be employed.

### 3.9.3 Queuing Theory

Queuing theory is often called waiting-line theory. The system is used in determining the optimal utilisation of a facility in an intermittent service. In the use of the queuing theory.

## **4.0 CONCLUSION**

We have discussed decision making as one of the most crucial activities of management. We have also emphasized that there is the need to make decisions in all types of organizations, whether small enterprises or multi-national corporations. The decisions that management faces are sometimes simple and in other instances, complex and overwhelming.

## **5.0 SUMMARY**

In this unit, we have defined decision making, identified the process involved in decision making and classification of various decisions. Also, we have highlighted the stages in decision making, described what is understood by group decision making and finally, we discussed creative thinking and the steps involved in creative thinking.

## **6.0 TUTOR-MARKED ASSIGNMENT**

What do you understand by the term decision making in management? List and discuss the process involved in decision making.

## **7.0 REFERENCES/FURTHER READING**

These Factors are Based upon and Adapted from Satya Saran Chatterjee, (1966). “An Introduction to Management: Its Principles and Techniques”, The World Press, pp. 184 – 186.

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## **UNIT 4      PLANNING ‘ORGANISATIONAL’**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Organizational Planning
  - 3.2 Planning Defined
  - 3.3 The Six P’s of Planning
  - 3.4 Reasons for Planning
  - 3.5 Characteristics of Good Planning
  - 3.6 Contributions and Benefits of Planning
  - 3.7 Steps in Formal Planning
  - 3.8 Problems and Limitations in Planning
  - 3.9 Resistance to Change
  - 3.10 Provision for Contingency Plans
  - 3.11 Principles of Effective Planning
  - 3.12 Levels of Planning
  - 3.13 Strategic Planning
  - 3.14 Strategic Planning Process
  - 3.15 Types of Strategies
  - 3.16 Policies Procedures and Rules
    - 3.16.1 Characteristics of Sound Policy
    - 3.16.2 Procedures
    - 3.16.3 Rules
  - 3.17 Organisational Objectives
  - 3.18 Hierarchy of Objectives
  - 3.19 Characteristics of Sound Goals
  - 3.20 Advantages of Objectives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Planning has been defined previously as one of the five major functions of management. However, since planning is a bridge between the present and the future, it has been called the primary management function. Planning is particularly important because of scarce resources and uncertain environment with a fierce competition for these resources. In this unit, you will be guided through to the rudiments of planning so as to be able understand and comprehend what the topic is all about. Happy reading.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define the concept planning, discuss the six P's of planning and reasons for planning
- list and explain the characteristics, contributions and benefits of planning as well as steps in formal planning
- explain the problems and limitations in planning, resistance to change and provision of contingency plans
- examine the principles of effective planning, levels of planning, strategic planning and strategic planning process
- state and explain types of strategies, policies, procedures and rules
- highlight the characteristics of sound policy, explain what we mean by procedures and rules and organisational objectives
- finally, discuss the characteristics of sound goals and advantages of objectives.

## 3.0 MAIN CONTENT

### 3.1 Organisational Planning

Planning is a decision making activity requiring the process of ascertaining objectives and deciding on activities to attain these objectives. It is also a process of preparing for change and coping with uncertainty by formulating future courses of action. The basic purpose of planning is to reduce the risk of uncertainties, and to initiate a coordinated effort within the organisation for the purpose of organisational success.

### SELF ASSESSMENT EXERCISE 1

Do you agree that “planning is a bridge between the present and the future”? if so, why?

### 3.2 Planning Defined

As such the planning process has three characteristics (Boone, 1981). These are:

1. **Planning is anticipatory in nature.** A decision must be made now as to what to do and how, before it is actually done.
2. **Planning is a system of decisions.** It involves a process of making decisions which will define what is to be achieved in the future and the formulation of action plans for achievement of goals.

3. **It is focused on desired future results.** Planning is a means of ensuring that the important organisational objectives are accomplished as and when desired.

The most comprehensive definition of planning is given by Cyril L. Hudson (1970), who states in the following terms:

To plan is to produce a scheme for future action; to bring about ..... a deliberate attempt to influence, exploit, bring about and control the nature, direction, extent, speed, and effects of change. It may even attempt deliberately to create change, remembering always that change (like decision) in any one sector will some way affect other sectors.

Since Peter Drucker is supposed to be a pioneer of modern management, it will be interesting to note how he defines it. His definition as quoted by George A. Steiner (1969) is:

Planning is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organising systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectation through organised, systematic feedback.

Peter Drucker thus encompasses the element of feedback that would ascertain the quality of decisions and the accuracy of planning.

### 3.3 The Six P's of Planning

They are as follows:

1. **Purpose.** An effective planning system requires a clear understanding of the organisation's purpose. What are the reasons for the organisation's existence? Is it to increase profit or increase market share or generate more employment or introduce more products, etc? This purpose must be clear and elaborate.
2. **Philosophy.** Philosophy incorporates the fundamental beliefs as to how the organisation's purpose is to be achieved. For long-term survival and growth, a philosophy of ethical conduct must be adopted. For example, General Motor's philosophy is based upon profitability through quality, service and ethical behaviour. IBM's philosophy was to elevate the level of the salesman to an executive, etc.

3. **Premise.** This involves the strengths and weaknesses of the organisation and its knowledge and assumptions about its environment. By forecasting and other methods, the management can make some conclusions about the environment trends and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.
4. **Policies.** Policies are general guidelines or constraints that aid in managerial thinking and action. In a typical organisation, there are production policies, financial policies, accounting policies, marketing policies, personnel policies, than the philosophy and form a basis for planning and necessary operational actions.
5. **Plans.** Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as to how to reach the objectives and also at what stage the progress is at a given time.
6. **Priorities.** A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, etc. must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources. Goal priorities would determine what is relatively more important. A goal of higher priority would receive more attention and more resources. For example, a research-oriented organisation will get different priorities and resources than a profit-oriented organisation. The priorities of goals would be established on the basis of philosophy and premises of the organisation as well as social, political, and economic measures and value conflicts. In any case, such priorities would affect the planning process.

## SELF ASSESSMENT EXERCISE 2

Explain some of the reasons for planning. Are there “good plans” and “bad plans”? Describe some of the characteristics of good planning.

### 3.4 Reasons for Planning

The reasons for planning are itemised below:

1. **Planning is essential in modern business.** The growing complexity of the modern business with rapid technological changes, rapid changes in consumer tastes and growing tough competition necessitates orderly operations not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.
2. **Planning is related to performance.** It can be expected and there is evidence to support the hypothesis that companies that engage in formal planning consistently performed better than those with no formal planning, and improved their own performance over a period of time. The performance was measured by such factors as return on investment, sales volume, growth in earnings per share, etc. (Thune et. al. 1972).
3. **Planning puts a focus on objectives.** The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. This ensures maximum utility of managerial time and efforts.
4. **Planning anticipates problems and helps in the smooth flow of operations.** Since planning is involved in forecasting the future, it needs of the organisation are anticipated in advance, the proper acquisition and allocation of resources can be planned thus minimizing wastage ensuring optimal utility of these resources.
5. **Planning is necessary to facilitate control.** Since plans are made to achieve objectives, periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in the following ways (Boone et. al 1981):
  - (a) Establish advanced warning of possible deviations from the expected performance. The deviations in production, sales, profits, etc. may come to light during periodic investigations and remedial action can be taken.
  - (b) Provide quantitative data. There may be provision in plans to compare the actual performance, in quantitative terms, concerning production of sales, with industry statistics or market forecasts.
6. **Planning helps in the process of decision-making.** Since planning specifies the actions and steps to be taken in order to

accomplish organisational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules, etc. are clearly laid down (Asthana and Misra, 1983).

### **3.5 Characteristics of Good Planning**

A good plan can be identified by certain characteristics. Some of these characteristics are given below:

1. A good plan is based upon clear, well-defined and easily understood objectives. General objectives like improving morale or increasing profits are ambiguous in nature and do not lend to specific steps and plans. If possible, objectives must be quantified for the sake of simplicity.
2. A good plan must be simple and comprehensive. It should be simple so that all employees can grasp its significance and it can be easily put into operation. It should be detailed enough so that it covers all aspects of the operations that are necessary to achieve objectives.
3. It should be well-balanced, but flexible. A good plan should be well-balanced so that the existing resources are properly utilised for all functions and that short-term gains are not at the cost of long-term gains and vice-versa. Similarly, it should be flexible enough to incorporate any changes in these resources, if necessary. Additionally, it should be responsive to changed conditions so that if future events do not follow the anticipation, the same plan can be modified and .....
4. Every plan should be time-bound. Even though planning is an attempt to anticipate the future, the time period allowed for achieving goals should be reasonable. Long-range planning has more uncertainties built into it due to difficulty in correctly anticipating events for a longer period of time. Hence, the time period covered should be reasonable and reasonably stable.
5. The plans should involve participation by subordinates. Planning should not be an exclusive responsibility of top management. Subordinates will not be responsible if a plan is imposed upon them. Also, subordinate participation generally ensures the sincere and serious effort on their part to make the plan successful.

6. Characteristics of unity, planning is initiated by different managers of different divisions at different times. It is necessary that a good plan should incorporate all these departments, maintaining consistency, and unity of purpose at all times and focusing on the overall objective.

A good plan strives for optimal utility of physical as well as human resources in unison and harmony. According to David W. Ewing (1967), “planning is a two-sided affair. Planners may think only of the formal, economic, physical and technical resources side when they develop a program. But if the human side is not attended to properly, then chances are that the planning will not be successful”.

### 3.6 Contributions and Benefits of Planning

The contributions or benefits of planning are as stated below:

1. **Planning gives managers some purpose and direction.** Since planning is future oriented, it forces managers to look beyond the present. Also it creates a unity of purpose, since the objectives are formally expressed and the methods and procedures to obtain these objectives clearly defined.
2. **Proper planning helps in the process of motivation.** If plans are properly communicated to all levels of the organisation, then everyone can feel involved in carrying them out. When people get involved, their sense of belonging increases and thus they are highly motivated.
3. **Planning provides a framework for decision making.** Knowing the organisational objectives and the methods to achieve these objectives eliminates ambiguity in the decision making process. Also planning provides for feedback, periodic evaluation of programs and indication for any deviation so that corrective action can be taken, hence making the decision making process a little easier. Also systematic planning requires an understanding and evaluation of many variables that influence events, hence it is highly unlikely that an important variable would be overlooked which could adversely affect either the decision process or the operation.
4. **Proper planning results in proper and effective utilisation of organisational resources.** Since planning involves the identification of such resources for optimum utility, there is no waste or minimum waste of resources. This will also reduce unproductive work, idle time for workers, downtime for

machines, which would logically result in minimum cost of operations.

5. **Since accurate forecasting of future events is an integral part of effective planning, it reduces the elements of risk and uncertainty.** Also, since planning is done in advance of actions, it prevents hasty judgements and haphazard decisions and results in disciplined thinking.
6. **It improves the competitive strength of the company in two ways.** First, since the operations are planned in advance, the company is able to take its time in shopping around for best and competitive rates for raw materials, equipment and parts and for human resources. Secondly, proper planning gives the company an advantageous edge if it decides to make changes in its line of products, or expansion in plant capacity or changes in methodology (McFarland) etc. Studies have shown companies with formal planning system have performed significantly better overall, than those with informal planning or no planning (Krager, 1973).
7. Formal planning forces managers to examine all areas of the organisation from all angles and efficiently coordinate the activities of all these areas. Without this process these managers may ignore or overlook some critical aspect due to time pressures or other factors thus affecting the outcome of the efforts negatively (Camilius, 1975).
8. Planning provides performance standards and standards for measuring the progress of the organisations. Well developed plans can aid the controlling process. By establishing advanced warning of possible plan deviation, remedial action can be taken if these deviations occur. Performance standards and performance appraisal methods assist in the development of human potential and an equitable reward system. Thus it can be a good training ground for future managers and career-oriented executives.

### 3.7 Steps in Planning

Planning can be considered as a series of sequential steps. These steps are:



- Steps (1):** Establish and define clearly the central and overall objectives of the organisation. A well-defined objective can make the difference between success and failure of an enterprise. It clearly defines the product or service as well as the purpose of the company. Along with the overall mission of the company, it is also necessary to establish the specific objectives and goals. For example, the overall objective of a hospital is to provide quality healthcare.
- Step (2):** Determine your current position relative to your objectives. Make an assessment of your strengths and weaknesses. This will show the distance the company has to cover before reaching its goals. The analysis of current strengths and weaknesses would determine if the goals are realistic and achievable and whether they need to re-evaluated and modified.
- Step (3):** Develop forecasts and future conditions. In order to effectively plan, it is important and necessary to forecast as accurately as possible, the future trends that will affect the company's standing and operations. The factors of forecast will include general economic conditions, changes in consumer attributes, new technological and product developments, possible competitive strategies and any adverse legal developments.
- Step (4):** Preparation of derivative plans. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company, to support the formal plan. Derivative or sectional plans are developed in each area of the business, but within the framework of the primary plan in order to coordinate and integrate programs and policies of all sections of the enterprise.
- Step (5):** Implement plan and evaluate its results. The success of the plan would depend upon how effectively the plan is implemented. This implementation is going to require a combination of all skills and coordination of all factors. Also in this ever-changing dynamic environment, it is necessary to keep the plan open to evaluation and modification. The plans should be periodically re-evaluated to measure its progress and effectiveness so that any deviations can be corrected and any adjustments can be made.

### SELF ASSESSMENT EXERCISE 3

What are some of the problems encountered in the process of planning? Which of these problems generally contribute heavily towards failure of some plans?

### 3.8 Problems and Limitations in Planning

There are situations in which sometimes even well-designed plans fail to bring the desired results. There are some established reasons as to why plans fail. Some of these reasons are based upon K.A. Ringbakk (1970). These are:

1. **Corporate planning is not integrated into the total management system.** The top management fails to identify and associate properly the formal planning with the central concept of the organisation's mission.
2. **There is a lack of understanding of the different steps of the planning process.** The management may not be knowledgeable or skilled in understanding all steps of the planning requirements.
3. **Management at different levels in the organisation has not properly contributed to planning activities.** Since all strategic planning is generally formulated and conducted at top management level, the middle management and lower management which is closer to the operations may not understand all aspects of planning and thus may not be able to contribute some necessary key factors as inputs.
4. **Poor information and inadequate inputs may have formed the basis for planning.** Since reliable data and information is the backbone of formal planning, such information may not be available or procurable. Poor information may also be due to faulty forecasting or poor judgements.
5. **In starting formal planning, too much is attempted at once.** Due to excitement and emotional expectations, the plans may be implanted too quickly and with too high expectations.
6. **The management is not always willing to cancel or modify poor plans.** A poor plan may adversely reflect on management's ability and understanding, and hence they may be unwilling to accept that the plan was poorly formulated, thus their unwillingness to modify it.

7. **Management fails to operate by the plans.** This may be because of lack of full understanding of all the aspects of the plan or it may be due to some inherent resistance to the plan, or it could be due to some effect of unforeseen events and circumstances which could disrupt the effectiveness of the plans.
8. **Resistance to change by organisational members.**
9. **Lack of contingency plans.**

While all these factors contribute to the failure of otherwise well-developed plans, the *resistance to change* by the management and the *absence of contingency plans* contribute heavily and hence require further *abortions*.

#### SELF ASSESSMENT EXERCISE 4

Resistance to change is considered to be one of the major problems in implementing any innovative plans. What are the possible causes for this resistance and how can these be remedied?

### 3.9 Resistance to Change

Even though planning and plans are so important to organisational success, a study in the 1970's revealed that about 50 percent of the line managers were very reluctant to actively participate in the planning process (Martin, 1979). Sometimes, even top managers show lukewarm support for the process thus serving as poor role models for the junior management.

Resistance to change is often emotionally based and is not easily overcome by rational argument. The resistance may be based upon such feelings as loss of status, implied criticism of present competence, fear of failure in the new situation, annoyance at not being consulted, lack of understanding of need for change or insecurity in changing from well-known and fixed methods.

Since most of the resistance is emotionally oriented, it is necessary to take steps that would build confidence in the management's ability to work as a team under a participative management system. Renato Targiuri (1979) has suggested some steps which would inspire that confidence in the management. These steps are:

1. All managers must be made aware of the benefits derived both at individual as well as the organisational level.

2. Communication lines among all level managers and any staff specialists should be kept open and accessible.
3. Set up a system of recognition and rewards to encourage all to participate in the planning process and contribute uniquely to its success.
4. Perhaps, a seminar and a lecture by a trained industrial psychologist in an informal, small group session would assist in positive thinking.
5. An honest discussion among the participants about the reasons for resistance and suggestions to overcome it, would be helpful.
6. The lower management should not be left to implement the plan, but should be encouraged to join in the design of the plan as well.
7. All managers should be trained in the mechanics and techniques of planning.

### **3.10 Provision for Contingency Plans**

Contingency plans are alternative methods to either take over the earlier plans if they seem to fail due to unexpected circumstances or modify them as the situation demands. Contingency plans help the management to respond quickly to unpredicted changes thus avoiding panic in crisis situations (Linneman, 1981).

The contingency plans should also be consistent with the general mission and policies of the organisation and should be as simple as possible. However, it is very important to keep a close watch on the development and progress of the original plans, so that if there are any early signals of the possibility of failure of the original plans, then the contingency plans can be put into practice without delay. For example, when the aviation controllers in America went on strike affecting the operations of the airlines, such contingency measures were effectively taken. A new force of controllers was already ready to take their place immediately and many went through a quick and concentrated form of training.

In addition to the reasons that contribute to the failure of some planning processes, there are some other limitations that inhibit the successful formulation of formal plans. These are:

1. **Planning is expensive.** A good deal of time, energy, and money is involved in setting up the planning machinery for the purpose of

gathering and analysis of data and testing of various alternatives in about long-range planning. Accordingly, the cost of planning and the benefit derived from it must be adequately balanced.

2. **Planning is time-consuming.** Planning is time-bound and sometimes advanced planning might delay immediate action that may be necessary and hence lose a valuable opportunity. Certain situations do pop up where prompt action is so urgent and unavoidable that no time could be devoted to advance planning. This is especially true in sudden and unexpected emergencies.
3. **Planning is a hindrance to innovation.** In a planned set-up, everything is pre-conceived and every operation pre-planned. This means simply proceeding according to plans and following the rules mechanically. This does not leave any ground for a manager's initiative and innovation. This is a big handicap for imaginative and creative managers. This problem can be overcome, however, by making the plans less rigid and more flexible in order to accommodate any new and relevant suggestions.
4. **Mental ability.** Planning can be highly frustrating sometimes, because it requires an extremely detailed, careful and analytical thought process. Accordingly, it is more of an intellectual exercise. The conceptual skill required in planning is in short supply. According to George Steiner (1969), "Planning is hardwork. It requires a high level of imagination, analytical ability, creativity and fortitude to choose and become committed. The management must exert pressure to demand the best efforts in managers and staff. Both the talents required and the maintenance of high quality planning is difficult to achieve".

### 3.11 Principles of Effective Planning

These principles are primarily based upon Gary Dressler (1985). They are as follows:

1. **Keep aims crystallised (Hudson, 1967).** These aims must be clear, unambiguous, solid, reasonable and attainable. Badly defined objectives do not lend to accurate planning.

2. **Develop accurate forecasts.** Accurate events and trends are the most important input into planning. Accordingly, the managers making the forecasts must be highly skilled and must use forecasting methods that are suitable.
3. **Involve subordinates in the planning process.** This will ensure the acceptance of the plans by those who are going to implement it. Studies have indicated that the people who put the plan into operation, do it much better when they participate in the formulation of the plan, than when the plans are assigned to them (Bass, 1970).
4. **The plan must be a sound one.** The plan must be a sound one in order to be effective. There are many examples of companies who spent large amounts of money on plans that turned out to be unsound ones and hence less effective. Mitroff and Emshoff (1979) suggest a *devil's advocate* approach, in which someone deliberately criticises the plan in order to eliminate any bugs in the plan and further refine it.
5. **Assign planning responsibility to the right people (Lorange and Vancil, 1976).** Basically, the right people are those who are directly involved with the operation and who will be implementing the plan. These are primarily the “line” people, even though the “staff” specialists are encouraged to assist in the formulation of plan.
6. **Don't be over-optimistic.** Objectivity is an essential ingredient of effective planning. Over-optimism is based on feelings and intuition. Don't see what you want to see but see what there is.
7. **Decide in advance the criteria for abandoning a project (Paul et. al, 1978).** There is no need to continue to stick to the plan if it is not working out as expected. However, the criteria for abandoning a particular project should be established at the beginning. For example, if a particular advertisement commercial does not increase sales by 10 percent in 6 months, it will be replaced.
8. **Keep your plan flexible (Pau, et. al.).** Keep the progress of your plan under constant review so that it can be revised and modified as the situation demands. The future trends should also be assessed by continuously monitoring economic, social, political, technological, and competitive trends. Any changes in these variables may require changes in the original plans.

9. **Review long-range plans on a short-range basis.** Long range plans are more risky due to dynamic environment. Accordingly, long-range strategic plans should be split up into manageable periods and the basic assumptions underlying the strategic plan as well as its progress be measured and reviewed at such set intervals and identify reasons for under-performance or over-performance as the case may be, and new decisions be made about the plans.
10. **Fit the plan to the environment. Assess the environment –** current as well as future. If the environment is comparatively stable, a plan can be more rigid. However, if the environment is volatile, the plan must remain highly flexible to accommodate for change.

### 3.12 Levels of Planning

There are basically three levels of planning associated with the different managerial levels. These levels are:

1. **Strategic planning.** The strategic planning is conducted by the top management which includes Chief Executive Officer, President, Vice-Presidents, General Managers, etc. and is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objectives. It is a long-range planning and may cover a time period of up to 10 years. It basically deals with the total assessment of the organisation's capabilities, its strengths and its weaknesses and an objective evaluation of the dynamic environment. The planning also determines the direction the company will be taking in achieving these goals.
2. **Intermediate planning.** This planning covers a time frame of about 6 months to 2 years and is contemplated by middle management who includes functional managers, department heads and product-line managers. They also have the task of polishing the top management's strategic plans. The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial, and material factors. They refine the broad strategic plans into more workable and realistic plans.
3. **Operational planning.** These plans are the responsibility of lower management and are conducted by unit supervisors, foremen, etc. These are short-range plans covering a time span

from one week to one year. These are more specific and they determine how a specific job is to be completed in the best possible way. Most operational plans are divided into functional areas such as production, finance, marketing, personnel, etc. For example, the production plans would require an analysis and decisions covering inventory levels of raw materials as well as finished product; flexibility of current production facilities, how to cope with changing technology, etc. These plans are relatively stable and are linked with the planning objectives of the middle management levels and the top management levels.

Even though planning at all levels is important, since all levels are integrated into one, the strategic planning requires closer observation since it establishes the direction of the organisation.

### 3.13 Strategic Planning

Strategic planning, as defined earlier, is the process of planning as to how to achieve the organisational goals with the available resources and is undertaken by the central management of the organisation. Strategic planning is necessary and important for the following reasons (Herkhuis, 1979):

1. **First, there are a large number of external variables** – whose values do not remain constant – that affect the operations of the organisation. These variables include: changing international environment, political and governmental policies and forces, economic trends, competition tactics, technological changes and social dynamism. Strategic plans must have provisions to cope with these situations.
2. **Secondly, all natural resources are becoming scarce.** The management must decide on how to compete for these resources and how to allocate them properly. The human resources are constantly changing in nature. There is more and more of an educated workforce and most of the routine and repetitious work is being taken over by computers and robotics. Hence a proper redistribution of human resources must be properly put into focus.
3. Thirdly, there has been an information explosion which has necessitated increase in knowledge and ability to plan effectively. Since, effective strategic planning ensures success; all competitive forces are contributing a lot of their energies in perfecting these plans thus generating an absolute necessity to introduce strategic planning in most companies.



### 3.14 Strategic Planning Process

Similar to the formal planning process, the process of strategic planning can be considered to constitute the following steps:

1. **Define and express clearly the mission of the organisation.** The mission must be clearly understood. It could be high quality product at low cost. It could be high quality product at high cost to have and keep a quality-oriented image like Rolls Royce or Mercedes Benz automobiles.
2. **Determine long-range goals and objectives.** These would be more specific in nature, but in accordance with the general mission of the organisation. These could include the types of products the company wants to produce and promote and the long-term profit potential.
3. **Make predictions about the economic environment in the future.** This would involve the use of some forecasting techniques to predict the growth of the company's market share.
4. **Develop a long-range plan.** This may extend to 10 years in time. This strategic plan would involve the definition and description of all actions that would be taken in order to achieve the company objectives.
5. **Develop short-range plans.** Within the structure of strategic plans, it is important to break it up into short periods, e.g., a plan for a period of one year. These plans would also provide for periodic evaluation of the strategic plans so that corrective action can be taken if there are any deviations. Such a revised long-range strategic plan would reflect the effect of current conditions on the plan.

### 3.15 Types of Strategies

A strategy is an action plan which sets the direction that a company will be taking. A strategy is a decision making choice and would involve consideration for external environment affecting the company as well as the internal environment of strengths and weaknesses of the company. According to William F. Guelick (1972), there are four strategies: stability, growth, retrenchment or a combination of approach.

1. **Stability strategy.** Stability strategy implies, “to leave the well enough alone”. If the environment is stable and the organisation is doing well, then it is better to make no changes. This strategy is exercised most often and is less risky as a course of action. An example of stability strategy would be an organisation that would be satisfied with the same product, serving the same consumer groups and maintaining the same market share. The organisation may not be motivated and adventurous to try new strategies to change the status quo.
2. **Growth strategy.** Growth means expansion of the operations of the company and addition of new areas of operations. Growth strategy can be risky and involves forecasting and analysis of many factors that affect expansion, like resource availability and market availability. However, growth is necessary due to volatility of businesses and industries. Growth must be properly planned and controlled, otherwise organisation can fail. This is evident from failures of Laker Airways and W.T. Grant Company. However, growth is not only necessary but also desirable since growth is an indication of effective management and it attracts quality employees as a result. The growth can come due to expansion or diversification or merger with similar firms.

A classic example of growth of existing services is that of McDonald's Hamburger chain. Starting from scratch in the 1950's, it developed into a franchise chain of 6,000 outlets in 1979 with a sale of over 5 billion dollars per year (Rowan, 1979).

Diversification of services or products is another example of growth and strategy. Banks are going into stocks brokerage. Potamkin Cadillac car dealer in New York City is also dealing in Japanese imported cars. Avon products, primarily a cosmetics company, have gone into the jewellery business. Similarly, General Motors acquired Electronic Data Systems (EDS), a computer company and Philips Morris, a company producing tobacco products acquired Miller Brewing Company producing beer and also acquired a soft drink, Seven-Up.

3. **Retrenchment strategy.** Retrenchment primarily means reduction in product, services, and personnel. This strategy is many times useful in the face of tough competition, scarcity of resources and reorganisation of the company to reduce waste. Most airlines have streamlined their operations. Most automobile manufacturers had closed down many plants and retrenched personnel during the economically difficult period of 1979 – 1980. The City University of New York (CUNY) had a major cutback on faculty during the financial crisis of the late 1960's.

Retrenchment strategy, though reflecting failure of the company to some degree, becomes highly necessary for the very survival of the company.

4. **Combination strategy.** Combination strategy means using a combination of other strategies and is primarily used by large complex organisations who may want to cut back in some areas and expand in others. Also, in time of financial difficulties, a company may employ Retrenchment Strategy and resort to Growth Strategy, if the economic situation improves. In order to make Strategic Planning effective, it is necessary to have the right people involved who would objectively and intelligently look at all angles and all factors involved in the success of these plans and strategies. It is important to draw correct conclusions about the following:

- (a) The mission and the goal of the organisation.
- (b) The environment, both external and internal.
- (c) The strengths and weaknesses of the organisation.
- (d) Management ethics and values.

### 3.16 Policies Procedures and Rules

#### 3.16.1 Policies

It is necessary to frame some policies for successful planning. A policy is a statement and a predetermined guideline that provides direction for decision making and taking action. Policies are usually general enough to give the manager sufficient freedom to make judgements, while at the same time they are specific enough to establish constraining boundaries. For example, regarding employment, a company policy may be to employ personnel without regard to race, religion, sex, or age and within the bounds of this policy, a manager can make decisions. Policies must be based upon a thorough analysis of objectives and should be consistent with the company's mission and philosophy.

Policies, being formal statements, serve as ready guides for answering numerous questions, and making many routine day-to-day decisions, especially about recurring problems, thus freeing management's time for more important and unique decisions. This helps improve the efficiency of operations. If the policies are clearly understood and adhered to by all, there will be fewer problems and fewer complaints to start with. There may be separate policies for separate functions, but they must be all coordinated around a common theme, serving a consistency of purpose.

Appropriate policy guidance enables managers to anticipate and predict action for a given set of situation variables. There are organisational policies formulated for all types of situations and functions. There may be sales policies, production policies, personnel policies, accounting policies, etc. These policies cover all aspects of these functions. For example, personnel policies would specify decisions regarding selection, training, remuneration, labour relations, firing and promotion of personnel, etc.

According to Newman Sumener, and Warren (1970), a policy may:

- (i) Be specific or broad in nature.
- (ii) Deal with one or many aspects of a problem or situation.
- (iii) Place wider or narrow limits within which action is to be taken.
- (iv) Specify the steps to be taken when a decision is to be made.

### **Characteristics of Sound Policy**

The characteristics of sound policy are that:

- (1) It should be subject to one interpretation and the intent and the content of the policy must be clearly expressed and preferably in writing.
- (2) It should be stable but sufficiently flexible. Stability implies that no changes in the policy are to be made except in response to fundamental and basic identifiable changes in the conditions. Flexibility provides enough room for the manager to use his own discretion within the broad boundaries of the policy.
- (3) It should be comprehensive in scope. It should be capable of being applied to different situations in a given area, so that most cases can be handled at lower levels of the management, and only some exceptional cases, which are unique and are not covered by the policy, are referred to the higher management. For example, personnel policies should cover guidance for answering all questions that may arise in that area. These may be in reference to hiring, firing, promotions, transfers, training, remuneration, etc.
- (4) A sound policy should be related to the objectives of the company and be in harmony with the economic, political and social environment for the company. Policies are instruments for moving towards the objectives. Sound policies, understood by all, will leave little room for discontent and grievance, hence assisting in smooth operations necessary for achieving objectives.

Additionally, if the law demands equal opportunities for all and the society expects it, then the policy should be consistent with these requirements.

- (5) A sound policy should help coordinate multiple activities. Even though different work groups and divisions will have different functional policies, they must be bonded together with the common theme of the organisational goals. These sub-policies should not contradict each other.
- (6) A sound policy, not only prescribes general guidelines for conduct, but also establishes criteria for current and future action for a given set of circumstances and given decision variables, and methods and procedures for accomplishment.
- (7) It must be based on known principles, facts and truth. For example, a policy, “The customer is always right”, may be a good policy, but it is not based on truth. Similarly, a policy based on assumption that older people are less efficient, may not be based on facts and hence will not be a sound one.
- (8) A sound policy should establish the desired image of the company. Policies are useful indicators of the conduct and philosophy of the company and about what the company stands for. These policies being formal statements can easily be communicated to the organisational members as well as the outside public.

### 3.16.2 Procedures

While policies cover a broad area of action, procedures prescribe the exact manner in which an activity is to be completed. It is a series of steps established to accomplish a specific project. They generally indicate how a policy is to be implemented and carried out. They are more precise guidelines permitting little or no individual discretion. George R. Terry (1961) has defined a procedure, “as a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished”.

As an example, let us assume that a company *policy* is to promote from within whenever possible. It must lay down procedures for such promotion as to the type of position to be filled, credentials required, method of interviewing, etc.

### 3.16.3 Rules

Whereas procedures specify a chronological sequence of steps to be performed, a rule is very specific and narrow guide to action. For example, a company may prescribe a number of safety rules, such as “no smoking on company premises”. Wearing safety belts in cars and airplanes is another of safety rules. “No eating in the classroom” is a rule in all schools and colleges, etc.

A rule is meant to be strictly followed and is generally reinforced by invoking penalties. For example, if it is a rule to report on duty at 9.00 a.m., then any person who consistently breaks this rule can be fired. A recent New York State law requires that all car drivers not wearing the safety belt while driving are subject to fine.

All policies, procedures, rules and regulations, methods and strategies are designed to implement and support the planning process so that the goals and objectives of the organisation are achieved in an orderly way. Planning is a very important and critical ingredient of organisational operations and decision making. It is not a panacea for all ills. Perhaps the following observation made by George Steiner is a good indication of the significance of planning.

“Planning will not solve all the problems of a manager. Nor will planning *per se* guarantee business success. For some companies, a continuous flow of imaginative ideas is the only thing that can bring success. For some companies, completely unexpected and unpredictable events will bring failure despite sophisticated corporate planning. Some companies will succeed without planning, largely through a benevolent environment. But what has been said here is that, other things being equal, comprehensive corporate planning will bring much better results than if it is not done. It will provide a useful framework for better innovations, creativity, vision and decision making. All things considered, managers will be considerably better off with comprehensive planning than without it”

### **3.17 Organisational Objectives**

Planning, plans and strategies are all means to an end. Accordingly, the end or the objective must be very clear. These objectives are “those ends which the organisation seeks to achieve by its existence and operations” (Glueck, 1976).

Objectives, which are desired outcomes and goals which are more concrete aims, both provide direction for the organisation. They direct the efforts of the management towards the end. They also provide a

standard against which the organisation can measure its performance and results. Accordingly, these objectives must be specific, clear, precise, easy to understand, and goals should be consistent with the long-range mission of the organisation, and should be established with the following considerations:

- (a) **Environmental conditions.** These conditions include the availability of raw materials, skilled labour, energy and other resources. The long-range objectives must ensure that these resources will not become scarce. Additionally, the objectives must keep abreast with the new technological developments.
- (b) **Economic conditions.** The current economic conditions and economic trends must be seriously considered while setting objectives. The objective of expansion during recession may not be advisable. The economic fluctuations must be assessed and predicted accurately.
- (c) **Internal resources.** There is no point in establishing an objective if we do not have the means to achieve it. Accordingly, the objectives should be set relative to the company's resources of capital, skilled personnel, physical equipment, etc.
- (d) **Anticipating the future.** Future events, being most unpredictable, have a major impact on the realisation of objectives. Future opportunities and threats must be identified and as far as possible, they must be incorporated in the organisational plans (Klein, 1980).

### 3.18 Hierarchy of Objectives

The organisational objectives typically exist in a hierarchy. The broader aims of the company are broken down into hierarchical segments of divisional objectives, work group objectives and individual employee objectives. Each higher level objective is supported by one or more lower level objectives. This process enables each member of the organisation to relate his contribution to the overall objectives (Granger, 1963). This helps the proper alignment of all organisational levels with the central aim of the organisation.

### 3.19 Characteristics of Sound Goals

The characteristics of sound goals are:

1. **Goals and objectives should be realistic and attainable.** Overly optimistic but unrealistic goals serve as morale-deflators

and hence ineffective. Realistic goals provide a sense of accomplishment and thus act as motivators.

2. **Goals should be specific and measurable.** General goals are difficult to interpret and difficult to measure. For example, “improving employee safety” is more difficult to define and measure than, “reducing work accident by 20 percent”. Similarly, morale can be measured in terms of employee tardiness and absenteeism which are quantifiable. Similarly, a goal of increasing the market share of the company by 5 percent allows a manager to measure the progress as the time passes.
3. **Goals should be time-bound.** The goals can be set on a daily, weekly, monthly, or yearly basis. In many situations, there are five-year plans and ten-year plans. The time frame in which the given goals and objectives are to be achieved must be realistically established.
4. **Goals should be result-oriented.** The focus should always be on ends and not on means. The means must be modified, if necessary, by retraining employees or changes in methods or equipment, but the end must remain in focus.
5. **Goals should be set in a participative manner.** Goals should not be imposed upon the employees. The people who are responsible for accomplishing these goals should be encouraged to participate in formulating them.

### 3.20 Advantages of Objectives

Peter Drucker (1954) has identified eight areas where objectives are necessary and useful. These are: market standing, innovations, productivity, physical and financial resources, profitability, managerial performance and development, workers’ performance and attitudes and public responsibilities. Thus, objectives contribute to every area of management and operations. Specially, objectives are beneficial in the following ways (Prasad, 1979):

1. **They make the integration of activities possible.** It encourages unified planning. Thus the operations of the organisation are not disoriented and haphazard but are unidirectional towards a common goal. This helps in coordination of different departments and activities resulting in a sense of unity and harmony.
2. **Objectives serve as guides for decision making.** A clear understanding of organisational objectives gives managers the



direction as well as the tools for effective decision making. They no longer grope in the dark but have a clear-cut basis for problem solving and making pertinent decisions.

3. **Well-defined and clearly understood objectives are motivating elements.** Very often when the individuals participate in goal setting or accept them as desirable, then achieving them presents a challenge and becomes a source of satisfaction to the employee. This is especially true if the individual goals are integrated with the organisational goals.
4. **Objectives act as standards for control.** Organisational goals serve as a criteria or standards against which the progress can be measured. Any deviations can be corrected in a timely manner. This reduces costly waste of human efforts and resources, thus increasing the organisational efficiency.
5. **Sound objectives serve as a basis for decentralization.** If the objectives and the process and policies to achieve them are clearly identified, then the decision making authority can be delegated and assigned to lower level operational management. This would free the top management for policy making and growth decisions.

#### 4.0 CONCLUSION

Planning is the first in the management functions and precedes all other functions. Planning is particularly important because of scarce resources and uncertain environment with a fierce competition for these resources. We have in this unit taken you through the subject matter from the concept through to the reasons, levels, steps, and types of planning. We also mentioned and discussed strategic planning and the different levels of strategies, etc.

#### 5.0 SUMMARY

In this unit, we defined planning, discussed the six P's of planning and reasons for planning. We listed and explained the characteristics, contributions and benefits of planning as well as steps in formal planning. We examined the principles of effective planning, levels of planning, strategic planning and strategic planning process. Also explained are the problems and limitations in planning, resistance to change and provision of contingency plans. We stated and explained types of strategies, policies, procedures and rules, highlighted the characteristics of sound policy, explained what is meant by

organisational objectives and finally discussed the characteristics of sound goals and advantages of objectives.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Explain in detail the concept of “policies, procedures and rules”

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 5 FUNCTION OF CONTROLLING**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Control
  - 3.2 Managerial Control
  - 3.3 Requirements and Characteristics of an Effective Control System

- 3.4 The Control Process
- 3.5 Types of Managerial Controls
- 3.6 Types of Control Methods
- 3.7 Behavioural Guidelines for Effective Control
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

## 1.0 INTRODUCTION

Control is very important both in organised living as well as “living” organisation. When things go smoothly and as planned, they are under control. “Self-control” is a word we are all very familiar with which simply means that we discipline ourselves in such a manner that we strictly adhere to our plans for our lives and do not deviate from it. “Diet control” means control our input of food to a prescribed level in order to achieve a goal of physical fitness. Any deviations would make the process out of control affecting the goal achievement.

Control has very broad applications both in the personal as well as the industrial world. Controls are there to ensure that events turn out the way they are intended to. Control is a powerful force if applied properly. Controlling your emotions sometimes can save your life: Nuclear power is both useful and destructive. Its usefulness will depend upon our skill in controlling it. Controlled air and controlled water run machines and industries.

In this unit, we shall examine this important aspect of management functions.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define control
- describe managerial control
- list the requirements and characteristics for an effective control
- discuss the control process
- highlight and discuss the types of managerial control
- list and describe types of control methods
- discuss the behavioural guidelines for effective control.

### 3.0 MAIN CONTENT

#### 3.1 Control

Control is one of the most important functions of management, second perhaps, only to the function of decision making. There is more to control than mere measurement and reporting of activities. It is a dynamic process, requiring deliberate and purposeful actions in order to ensure compliance with the plans and policies previously developed.

#### SELF ASSESSMENT EXERCISE 1

Explain the basic meaning and necessity for control.

#### 3.2 Managerial Control

The best known definition of management control is given by Anthony (1965) who says:

“It is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation’s objectives”.

Basically, the definition stresses that the function of control is to accomplish organisational goals by implementing previously determined strategies and policies so that whatever needs to be done, is done properly. In other words, control maintains an equilibrium between means and ends or between efforts and output. It makes sure that the actual performance is in conformity with the intended and planned performance leading towards achievement of objectives. The process of controlling ensures that right things happen at the right time in the right way and by the right people.

The importance of control function cannot be overemphasised. Its significance is heightened specially because of the following factors which are common to all organisational situations:

1. **Size of business:** As the organisations grow in size and diversity, they become increasingly complex to manage and hence the need for an efficient system of controls which is required to coordinate activities and accomplish integration.
2. **Uncertainty:** Control forms a basis for future action. Today’s world of rapid and sometimes unpredictable changes makes the future very uncertain. This makes planning very difficult. Hence

control points are necessary to check the progress of activities and plans and make the necessary and constructive adjustments so as to accommodate any environmental changes.

3. ***Decentralization trends:*** The current trends in decentralization have brought the decision making authority at lower level management while accountability for results remains with the upper management. Controls serve the purpose of monitoring and ensuring performance results while delegating authority to subordinates.
4. ***Control is vital for morale.*** Workers are happier when things are under control. People make mistakes. Intuitive decisions can result in errors of judgement, especially when there are so many variables involved. Such wrong decisions can result in lowering of morale. Control techniques reduce the chances of errors in judgement thus making the organisational environment more stable which is morale-boosting.

### **3.3 Requirements and Characteristics for an Effective Control System**

Effective controls have certain common characteristics. Some of these requirements and characteristics are discussed below:

1. Controls must provide useful and understandable information. Misunderstood controls will not be applied properly. The control system format must be simple, clear, unambiguous so that irrelevant information is excluded and only useful and necessary data is utilised. This would make it easier for the people who are responsible for monitoring operations. Furthermore, the information must be accurate in order for control systems to work properly. Additionally, information should cover all aspects of business so that no aspect that needs to be controlled is overlooked.
2. Controls should report deviations quickly so as to minimise the ill effects of these deviations. A well designed control system should be capable of identifying potential problem areas before they arise so that corrective action can be taken before the problem becomes serious and unmanageable. The system should be sufficiently efficient, so that any deviations or control information is relayed to the management immediately after any significant event occurs, so that decisions on this information can be taken without delay.

## II

3. Controls must be designed so that the right people monitor the activities of their own fields. The sales manager, for example, should be concerned with only sales activities including output of sales representatives, product sales by territories, any price changes that would affect sales and any new products introduced. Similarly, the production manager must control the output as well as the quality of the output etc. However, the total control system of the organisation must be delicately balanced. The control program must be set up by individuals who have a total view of the organisation so that the program does not reflect the biases of one group over the other. For example, the financial reports may be excellent but still the company may be facing a strike because the feedback about personnel satisfaction was inadequate.
4. The focus should be on strategic control points. The control system must reflect and support the organisation's established overall priorities so that the activities of strategic significance where deviations would lead to greatest harm, receive the immediate corrective action and minor activities get lower priority for control purposes.
5. Control should focus on results. The ultimate aim of the control process is to attain objectives. Gathering information, setting standards, identifying problems, measuring deviations and reports are simply means to the end. The controls must not fail to work. Whether it is the fault of measuring mechanisms or the authority structure it must be modified and corrected.
6. Controls should be economically realistic. A control system must be worth the expense. The cost of implementing the control system must be less than the benefits derived from the control system. A control is not desirable, if an increment in improvement involves a disproportionate increase in cost and effort. For example, checking every unit in mass produced items would be costly and ineffective. A small percentage of these units can be taken at random, inspected and decisions made about the entire lot of that item. On the other hand, each part that goes into a space capsule must be thoroughly examined and tested.
7. Controls should be flexible enough to absorb change. Since most organisations operate under dynamic and changing environment, a rigid set of controls would not be appropriate. Flexible controls can adjust for the uncertainties of the situation. The value of flexible control can be readily seen in the use of flexible budgets which expand or contract on the basis of volume of business.

8. Controls should not only indicate deviations, but should also lead to corrective action. Simply uncovering and measuring deviations is not enough, so the control system must lead to corrective action quickly. The system must also disclose where the problem areas are and what factors are responsible for them so that the management can take immediate action.
9. Controls should be simple, but difficult to manipulate. Simple controls absorb less effort and are more economical. Excessive complexity leads to confusion. It must be designed in accordance with the needs and the abilities of the people who implement it, but it should not be subject to misrepresentation or distortions which can be manipulated to suit somebody's purpose, or to sabotage the operations.
10. Controls should be acceptable to organisation's members. Too rigid controls might cause resentment resulting in lower morale and inefficient performance. Effective controls require:
  - (a) Support of top management.
  - (b) Participation of all managers in setting up the control system.
  - (c) Acceptance and understanding of the control process by all workers.
  - (d) Information and feedback on actual performance must be timely and accurate.
  - (e) The control system must be well communicated.
11. Control system must have outside support. The system should facilitate the organisation's dealings with its customers and suppliers. It will be helpful to acquire commitment and support from the people who deal with the organisation.
12. Control system should be designed by a mix of individuals with specialisation in various and diversified fields of accounting, organisational analysis, strategic planning, management information systems and other related areas. This would ensure balance and eliminate over-domination by any one area.
13. *The exception principle.* A good system of control should work on the exception principle, so that only important deviations are brought to the attention of management. In other words, the management does not have to bother with activities that are running smoothly. This will ensure that the managerial attention is directed towards error and not towards conformity. This would eliminate unnecessary and uneconomic supervision, reporting and a waste of managerial time.

### 3.4 The Control Process

Control is a process that measures current performance on a continuous basis and ensures that the performance leads to some pre-determined goal. The desired results are established through the planning process and the performance is measured by established standards.

The elements of the control system are universal in nature. These elements basically fall under four distinct steps. These are:

- (a) Pre-determined goals,
- (b) Measuring performance,
- (c) Comparing actual performance with expected performance, and
- (d) Taking correction action.

#### (a) Predetermined Goals

It is a part of the planning process and involves setting a standard of expected performance. The goal must be clearly specified and understood without ambiguity. General goals like “better education” or “high profits” are difficult to interpret and hence lead to confusion and conflict. The goals should be specific as well as meaningful. For example, the goal of a real estate broker may be to sell four houses per month. He can then plan the month and monitor his performance. A Vice-President in charge of production may have a goal of keeping the production costs within assigned budget over a period of time. He will be able to monitor the costs and take corrective action wherever it is necessary. Similarly, a college professor may have the goal of covering ten chapters from a book over a period of one semester. He will plan his schedule of teaching accordingly to meet that goal.

The goals and objectives should be defined in measurable terms, wherever possible. These should be expressed in quantitative terms, such as physical units produced per period of time, profit to be made per unit etc. Where it is not possible to quantify goals such as in the case of high morale, community relations, discipline or creativity, all efforts should be made to fully understand these qualitative goals and design control mechanisms that would be useful in measuring performance in these situations. Most of these control mechanisms that would be subjective in nature and the decisions would be made on the basis of personal judgements.

**Quantitative Standards:** Some of the quantitative standards against which performance can be measured are:



1. **Time standards.** The goal will be set on the basis of time lapse in performing a particular task. It could be units produced per hour, number of pages typed per hour or number of telephone calls made per day.
2. **Cost standards.** These indicate the financial expenditures involved per unit of activity. These could be material cost per unit, cost per person, cost of distribution per unit etc.
3. **Income standards.** These relate to financial rewards received due to a particular activity. Examples would be sales volume per month or sales generated by a salesperson per year etc.
4. **Market share standard.** This goal would be oriented towards the percentage of the total market that a company wants to retain or further acquire. A company may want to increase its share of the market by 4 percent next year.
5. **Productivity.** Productivity goals are the key to operational efficiency and should be set on the basis of past performance, degree of mechanisation, employee skills and training required, and achieved motivation of employees. The productivity can be measured on the basis of units produced per man hour etc.
6. **Profitability.** Profitability can be expressed as a ratio of net profits to sales. These goals will be set with the consideration of cost per unit, market share, volume of business etc.
7. **Return on investment (ROI).** Return on investment is much more comprehensive and useful standard as it involves all facets of the business such as turnover, sales, working capital, invested capital, inventory levels at given times, production costs, marketing cost, transportation costs etc. It is a ratio of net income to invested capital. It is superior to market share as standard because a large share of market does not necessarily mean higher profits.
8. **Quantitative personnel standards.** The worker morale and dedication can be measured to some degree by some quantitative standards. The standards may be the extent of employee turnover, number of work related accidents, absenteeism, number of grievances and quality of work.

#### **(b) Measuring Performance**

Once the standards and goals have been established, the second step in the controlling process is to monitor and measure the actual

performance. Monitoring and measurement is a continuous activity and involves collection of the data that represents the actual performance of the activity so that a comparison can be made between what is accomplished and what was intended to be accomplished. The measurement of actual performance must be in the units similar to those of predetermined criterion. The unit or the yardstick thus chosen should be clear, well defined and easily identified and should be uniform and homogenous throughout the measurement process. The choice of the unit would also depend upon the speed with which the control information is required; otherwise delay in measurement would delay the corrective action.

*What to Evaluate?* According to Suchman (1967), there are five types of evaluations. These are:

- (i) **Effort.** Effort reveals the extent of input and the idea is to measure input to see if it is adequate in meeting objectives. For example, the number of courses offered in the Business Division at the college would indicate the extent of the business program. Similarly, the number of patient beds in a hospital would be a measure of input for providing health care. A salesman's performance may be measured by the number of calls he makes per day. Blau (1956) gives an example of an employment agency where performance was evaluated by the number of applicants interviewed and counseled. However, the measurement of input is a poor indicator of results since simply counselling applicants does not mean that they all get jobs. Similarly, the number of beds in a hospital does not means quality health care which is the ultimate.
- (ii) **Effectiveness.** As we have seen above, the evaluation of input elements does not adequately convey the degree of effectiveness and results. This problem can be eliminated by measuring outputs, such as the number of clients placed in jobs, in the case of the employment agency. However, the degree of effectiveness is relative in nature, since there is no definite value attached to effectiveness. For example, any number of clients placed in jobs could be considered as output.
- (iii) **Adequacy.** Adequacy is the ratio of output to need and is a useful measure if the need and the output can be clearly identified and related. If the needs are satisfied then the performance is adequate. However, defining specific needs is a difficult job. What the need is for a specific product would be very difficult to evaluate.

- (iv) **Efficiency.** Efficiency relates output to input. According to Euske (1984), “in terms of efficiency, it is better, if more can be done with the same amount of input or same output can be generated with less input. Efficiency measures are useful for comparing the same process at two points in time or two different processes with the same output”.
- (v) **Process.** It relates to the underlying processes which convert effort into outcome or input into output. It treats output as a function of input so that the focus is on evaluation of mechanisms that convert efforts into results, rather than the effort itself. This understanding of mechanism will assist in predicting the output of the organisation for a given input. However, the process must be well understood and be mechanistic in nature in order to be effective. For example, a salesperson cannot know if his presentation, even though it is well understood, will result in a sale. Hence, the output can be a direct function of input, if the process involved is fully understood and measured.

**Steps in Measuring Performance:** The performance can be measured by the following steps:

2. Since it is not possible to check everything that is being done, it is necessary to pick strategic control points for measurement. Some of these control points are:
  - (a) **Income.** It is a significant control point and must be as much per unit of time as it was planned and expected. If the income is significantly off from the expectation, then the reason should be investigated and a corrective action taken.
  - (b) **Expenses.** Total and operational cost per unit must be computed and must be adhered to. Key expense data must be reviewed periodically.
  - (c) **Inventory.** Some minimum inventory of both the finished product as well as raw materials must be kept in stock as a buffer. Any changes in inventory level would determine whether the production is to be increased or decreased. This is especially true about the airline and hotel industry. They are always concerned about empty rooms and empty seats. Steps must be taken to reduce these unused facilities.
  - (d) **Quality of the product.** Standards of established quality must be maintained especially in food processing, drug manufacturing, automobiles etc. The process should be continuously observed for any deviations.

- (e) **Absenteeism.** Excessive absenteeism of personnel is a serious reflection on the social environment and the working conditions. This is especially effective in the airline industry and construction projects, where absenteeism can cause delay and severe problems. Absenteeism in excess of chance expectations must be seriously investigated.
3. **Mechanised Measuring Devices.** This involves a wide variety of technical instruments used for measurement of machine operations, product quality for size and ingredients and for production processes. These instruments may be mechanical, electronic or chemical in nature. Some electronic devices are used to check passengers at the airport for carrying prohibited items; some others are used to detect shoplifting and unchecked books from the library. Polygraph tests are used to check people's explanations for certain acts.
4. **Ratio Analysis.** Ratio analysis is one of the most important management tools. It describes the relationship of one business variable to another. The following are some of the more important ratios:
- (a) **Net sales to working capital.** The working capital must be utilised adequately. If the inventory turnover is rapid, then the same working capital can be used again and again. Hence, for perishable goods, this ratio is high. Any change in ratio will signal a deviation from the norm.
  - (b) **Net sales to inventory.** The greater the turnover of inventory, generally, the higher the profit on investment.
  - (c) **Current ratio.** This is the ratio of current assets (cash, receivables etc.) to current liabilities and is used to determine a company's ability to pay its short term debts.
  - (d) **Net profits to tangible net worth.** Net worth is the difference between tangible assets (not goodwill etc.) and total liabilities. This ratio of net profits to net worth is used to measure profitability over a long period of time.
  - (e) **Net profits to sales.** This ratio measures the short run profitability of a business.
  - (f) **Net profits to net working capital.** The net working capital is the operating capital on hand. This ratio would determine the ability of the business to finance day-to-day operations.

- (g) **Collection period on credit sales.** The collection period should be as short as possible. Any deviation from established collection period should be promptly investigated.
  - (h) **Inventory to net working capital.** This ratio is to determine the extent of working capital tied up in inventory. Generally, this ratio should be less than 80 percent.
  - (i) **Total debt to tangible net worth.** This ratio would determine the financial soundness of the business. This ratio should remain as low as possible.
5. **Comparative Statistical Analysis.** The operations of one company can be usefully compared with similar operations of another company or with industry averages. It is very useful performance measuring device. For example, farmers can compare output per acre with farmers of other locations. Any differences can be investigated and the reasons ascertained. Similarly, hospitals at one location can measure their medical costs against those of other hospitals. Similarly, the performance of police departments can be measured by comparison of crime rates in their locality as compared to other localities.
6. **Personal Observation.** Personal observation both formal and informal can be used in certain situations as a measuring device for performances, especially the performances of personnel. The informal observation is generally day-to-day routine type. A manager may walk through a store to have a general idea about how people are working. An airline officer may fly incognito to evaluate the performance of in-flight attendants.

Formal observation is properly planned and requires preparation. For example, professors are periodically evaluated by their peers and their students. The in-flight performance of commercial airline pilots is regularly measured by representatives of Federal Aviation Agency.

(c) **Comparing Actual Performance with expected Performance**

This comparison is the active principle of the process. The previous two – setting the goals and the measurement format – are the preparatory parts of the process. It is the responsibility of the management to compare the actual performance against the standards established. This comparison is less complicated if the measurement units for the standards set and the performance measured are same and quantified.

The comparison becomes more difficult when these require subjective evaluations.

This comparison tells us if anything has gone wrong, if there is any deviation; negative or positive, and what must be done as a restorative process for correcting the deviation. Also, this comparison not only results in the correction of the divergence, but also ensures the application of the preventive steps guiding the conduct in the future.

*Evaluation of deviation.* Before a deviation is corrected, a thorough investigation should be undertaken as to the reasons of such deviations, for not only the symptoms but also the roots of the problem are to be examined. Were these deviations due to unrealistic standards set, or were these due to lack of efficient performance? There are many instances where projects went over budget and over time. These projects should be examined in their entirety and from all angles.

- (a) **Negative deviation.** Negative deviations are those that have negative repercussions as a result and may be in the form of cost overruns or the project being behind schedule or the quality or the quantity being below the expected levels. This underperformance must be evaluated to determine whether goals should be changed or any other corrective action is needed. For example, if there has been a delay in completing the project, the reason may be the morale of the workers which may be evident by excessive absenteeism, resignations or inefficient performances. Or it could be due to untrained personnel. A cost overrun could be price increase initiated by outside vendors, or excessive machinery breakdown. These deviations must be detected and evaluated.
- (b) **Positive deviations.** Positive deviations indicate that the performance was better than expected and the goals achieved were either sooner than anticipated or less costly than planned. These deviations should also be fully investigated as to why underestimations were made and new revised estimations should be made.

### **Method of Presentation of Comparison and Results**

There are four methods and techniques for presenting the results of these comparisons for managerial attention and action. These are:

- (i) The narrative method
- (ii) The tabulation method
- (ii) The graphical method

(iii) Mathematical model presentation with relationships of interactive variables clearly defined.

(i) **The narrative method.** This method of comparison is more desirable and useful where subjective evaluations and assessments are necessary. This is in the form of a written report and an assessment of affecting variables such as morale, dedication and effectiveness of human resources. The variables are difficult to quantify and an objective evaluation is difficult to obtain. The narrative method is also unavoidable when measuring and controlling the environmental variables, such as general economic conditions, governmental policies and their effects on strategically planned business policies. These written reports may include visual diagrams and other supporting illustrations.

These written reports are very common when recommending a subordinate for promotion or when recommending a student for admission into graduate studies. The letters of reference that most companies demand from new employees are primarily in the form of written reports from previous employer or other acceptable persons.

(ii) **The tabulation method.** This method is the simplest and the most common in which the measures of the goal and the performance evaluations, both in terms of chosen unit are exhibited side-by-side and the deviations between the two may be represented as percentages. This method is specifically useful when the number of variables affecting are limited and their effects can be measured in simple manner. For example, if we are measuring waste per unit produced, we can easily make a table of exact waste experienced as against what was expected as a goal.

(iii) **The graphical method of comparison.** This method portrays the relationship between the variables under comparison, which are primarily the aimed and actual values. Trends over time and certain relationships are better portrayed when assimilated and presented in the form of charts, graphs or diagrams.

(iv) **Mathematical representation.** Mathematical models are highly effective and useful when the variables of comparison are related by complex and non-linear relationships. These models are helpful in reducing the complex relationships among many variables into manageable equations that can be measured and solved.

(d) **Taking Corrective Action**

Once the deviations have been established and presented, the decisions must be taken as to what corrective actions are needed or necessary to remedy the situation and to force events to prescribed or prearranged plans. However, these corrective actions must be taken within the constraints of acceptable tolerance levels, outside environmental constraints (such as those imposed by custom, organisational guidelines, labour unions, political and economic considerations) and internal constraints of costs and personnel. Since the actual results do not always conform to the desired results, some deviations may be expected and provided for and hence no corrective action may be needed. However, when the deviations are of sufficiently serious considerations, the following guidelines may be adopted and looked into.

- (i) The management must deal with the roots of the problems and not the symptoms.
- (ii) Any corrective action should be taken promptly in order to make it most effective.
- (iii) Whenever and wherever possible, the corrective action should be built into the existing plans and these controls should be automatic and self-monitoring like a thermostat in controlling the heat. (This field is known as *cybernetics*).
- (iv) It must be understood that the goal itself is not a static phenomenon, but is a function of the dynamic environment, hence a look into the need for altering the target itself caused by shifts in the environments may be necessary.

### 3.5 Types of Managerial Controls

The following classifications may result from the different uses of the concepts of control:

- (1) **Controls used to standardise performance in order to increase efficiency, lower costs and optimize performance.** The standards for performance can be set by using time and motion studies. This would standardise the time utilised for a particular operation and the best method of completing that operation with minimum number of movements.
- (2) **Controls devised to safeguard company assets.** These are partly performance controls which reduce losses due to waste and misuse of raw materials. Some controls may be exercised to reduce losses due to thefts. This would require strong supervisory and accounting procedures.



- (3) **Controls used to standardise quality.** The quality of products may be in terms of size, weight, colour, finish or ingredients. These must be as prescribed. Statistical quality control methods can be used for testing purposes. Some characteristics may be judged by visual observations and inspections.
- (4) **Controls designed to set limits for the delegated authority.** Some decisions and actions must be taken by the central management and some operational decisions can be delegated to lower management levels. However, the extent of the use of this authority must be fully described and communicated. These limits are specified through directions and policy manuals.
- (5) **Controls designed to measure the worker performance.** This is to ensure that the workers are performing according to standardised performance. Performance standards set may be output per hour or output per employee and these standards may be evaluated against set quotas of production.
- (6) **Controls designed to measure and enhance worker attitudes.** Some of the areas considered are absenteeism, labour turnover and safety records. The contentment of workers can be gauged by using attitude surveys and close friendly supervision and participative management wherever possible.
- (7) **Controls used to monitor total performance and operations.** Some of the factors included are sales and production forecasts, profitability and market position, personnel development and work environment, etc.
- (8) **Controls designed to synchronise all operational activities of the enterprise.** This would allow the central management to keep a balance among various aspects of the company. This could be achieved by prescribing and using master plans, organisational manuals and procedures.

### 3.6 Types of Control Methods

Most methods of control can be grouped into four basic types which may be applied individually or in combination with each other. These are:

1. **Pre-controls.** These are sometimes called “Feed-forward” controls and are preventive in nature. They are designed to eliminate the cause of any deviation that might occur later and are

established before the activity takes place. For example, if a student is doing poorly in a course at the beginning of the semester, he should not wait until the end of the term to make changes in his study habits. He must make adjustments before it is too late. These controls are meant to make sure that performance objectives are clear and all resources are available, at the time when needed, to attain these objectives. Most often, deviations occur because proper planning was not initiated and enforced and proper resources were not available. An example of “feed-forward” controls would be the use of capital budgeting techniques for evaluating capital investments.

2. **Steering controls.** The key feature of this control is the capability to take corrective action when the deviation has taken place but the task has not been completed. Some of the examples are in-flight corrections of off-course airplanes and guided missiles or steering the car into the lane when it is off the lane.

The great advantage of steering control is that corrective actions can be taken early. An early start with steering controls increases the chances that we will achieve a favourable outcome. The sooner the failing student gets tutoring in his course, the better are his chances of passing the course.

Steering a course in business is like steering an ocean-liner where several adjustments enroute are necessary. These steering controls are based on forecasts about where one course of action will land as compared to another course of action. The corrective actions are based on the prediction of results. Of course, the longer the time span between action and results and higher the volatility of the environment, the more uncertain these predictions can be.

Since effective steering controls require prediction of outcomes, it is necessary to find some indicators that will assist in correctly predicting the results. Some of the indicators are:

- (a) **Input indicators.** The level of some key inputs may predict the response to them. For example, inquiries from customers can result in actual orders to a predictable degree. Similarly, orders received would be a good indicator of future shipments.
- (b) **Success of early steps.** The early attempts and successful results of those attempts can indicate the degree of success of the final project. For example, early receptions of a new product give strong clues to the long run success of the product. Same idea goes for early reviews of a new book or a new play.

- (c) **The skill and sophistication of the process.** The skill and precision with which an operation is completed can predict the success of the outcome. For that reason, a Rolls Royce car lasts much longer than other mass produced assembly line cars. Similarly, the number of good contacts an insurance agent makes is an indication of how many policies he will sell later etc.
  - (d) **Symptoms.** Some symptoms are clear indications of necessity for steering. For example tardiness and absenteeism is a good indicator of low morale which could affect labour efficiency and hence requires some steering to be done. Similarly, traffic conditions are good symptoms of whether you will reach your destination on time or not.
  - (e) **Unexpected events.** Most processes and expectations of results are based upon certain key assumptions about the environment such as economic conditions, social environment, governmental actions etc. These factors should be carefully monitored so that any unexpected changes can be dealt with carefully and in time.
3. **Yes/No controls.** These controls are designed to check at each checkpoint whether the activity should be allowed to proceed further or not. These controls are necessary and useful where a product passes sequentially from one point to another with improvements added at each step, along the way. These controls stop errors from being compounded. Quality control checkpoints where inspection would determine whether the activity should continue or not is an example. Safety checks and legal approvals of contracts before they are immediately noticeable and traceable so that immediate and effective remedial action can be undertaken. There are other types of symptoms that reflect the inadequacy of control process which requires indepth analysis and reorganisation and re-evaluation of the system. These symptoms of inadequate control are generally due to organisational defects, rather than mechanical defects and can be traced to morale problems.

Some of the symptoms of inadequate controls are:

- (1) **An unexpected decline in revenues or profits.** This may be an accounting problem or unaccountable responsibility or simply that the quality, quantity and promotional elements have not been adhered to, resulting in low sales.

- (2) **A degradation of service and customer complaints.** Excessive customer complaints either about the quality of the product or the service are hardly conducive to the company's survival and growth. How the company handles the customer complaints is further indication of whether the control process is working or not. That is one reason why some companies have a policy of "The customer is always right" and attend to their complaints in immediate and satisfactory manner. A personalized service is always welcome.
- (3) **Employee dissatisfaction.** This may be evident by increase in turnover, number of grievances filed and rate of absenteeism. While the secret of life is, "not to do what you like, but to like what you do", it is important to create an environment, both physically and conceptually, which will be conducive to worker's dedication to work.
- (4) **Unnecessary working capital shortages.** These are the shortages that are caused by excessive and unused inventories and accounts receivable delinquencies. These symptoms indicate that things are getting out of control and the reasons for these symptoms must be carefully examined. Is the excessive inventory a quality oriented problem or a sales oriented problem? Why are the receivable accounts not received in the prescribed time? Is it a bad choice of credit customers or is it a negligence on the part of the accounting people in the organisation? These problems must be investigated and solved so that the working capital is optimally used.
- (5) **Idle facilities or personnel.** These symptoms are also tied in with other symptoms. For example, idle facilities may be due to already excessive inventory which ties up the working capital that is required to operate the facilities. Similarly, idle personnel may be due to idle facilities or due to improper hiring policies of the organisation.
- (6) **Disorganized operations.** These may be evident by workflow bottlenecks, lack of operational efficiency thus increasing the cost and time of production. Proper control checkpoints must be established. Excessive paperwork reduces clarity of instructions and operations so that paperwork should be minimum and to the point.
- (7) **Evidence of waste, inefficiency and excessive costs.** These symptoms may partly be the result of mechanical obsolescence but perhaps, these may primarily be due to lack of worker

commitment and low morale which may have deeper roots in the whole organisational control system.

All these symptoms signify a deviation from what the system should be and all efforts should be directed to the creation of work environment in which these symptoms should disappear.

### 3.7 Behavioral Guidelines for Managerial Controls

Some of the basic means to make the control process more effective and acceptable are:

1. **Set meaningful, acceptable and attainable standards.** The control system would work effectively, if there has been an appropriate input from workers who are expected to meet these standards, in setting up these standards. Also, control standards should be relevant to the job and the reasons for a particular control system should appear justifiable to those who must comply. The workers work harder, for example, to produce a better quality unit (a control process), if such improvement would get future contracts for the company which would mean more profits for all. Also, while administering controls, management should recognize and take into account feelings and attitudes of individual employees. Management should humanize administration of control.
2. **Establish an effective, accurate and timely two-way communication.** For any control system to be effective, information regarding deviations must be communicated to management and workers as quickly as possible. This information and feedback must be accurate, for the outcome is dependent upon the accuracy of informational input. The information about the deviation should be gathered quickly because some time elapses between the occurrence of the deviation and taking of a corrective action since managers gather control related information, make an investigative analysis, develop necessary reports, choose a course of corrective action and actually employ this correct decision. This entire time period should be minimised as much as possible.
3. **Reward attainment of standards.** The control system would work much better, if the employees directly responsible for attaining the set standards are recognised for their contribution, for this recognition would boost the employee morale and induce them to move even more positively towards attainment of higher

goals. This recognition could be in the form of financial rewards or other forms of status improvement.

4. The best means of effective managerial controls are the development of voluntary cooperation, participation, sense of responsibility, self-control and self-discipline. Self-control adds higher value to a person's self, resulting in higher internal satisfaction and self-actualisation induces personal involvement in work and the employee becomes interested in effective work performance.

#### **4.0 CONCLUSION**

In this unit, we have discussed the importance of control as a management function. We emphasized the need to embark on control in order to determine whether prescribed procedures were followed or that the set target had been achieved. Where deviation is observed, effort could be made to investigate the cause and institute measures to correct the anomaly.

#### **5.0 SUMMARY**

In this unit, we have defined control as a function of management, described management control, and listed the requirements and characteristics for an effective control. We have also discussed the control process, highlighted and discussed the types of managerial control, listed and described types of control methods and discussed the behavioral guidelines for effective control.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. What part should the employees play in setting up the requirements for an effective control system?
2. What are some of the symptoms of inadequate control? Are all these symptoms traceable to certain well defined causes? Explain.

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## **MODULE 2**

Unit 1	Organizing
Unit 2	Communication
Unit 3	Directing and Leading Function
Unit 4	Staffing Functions
Unit 5	Recruitment and Selection

### **UNIT 1 ORGANISING**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content

## II

- 3.1 Organising
- 3.2 Meaning of Organisation
- 3.3 Kinds of Organisation
  - 3.3.1 Formal Organisation
  - 3.3.2 Informal Organisation
- 3.4 Organisation Charts
- 3.5 Organisation Structure
  - 3.5.1 Types of Organisation
  - 3.5.2 Line Organisation
  - 3.5.3 Staff Organisation
- 3.6 Authority Relationships
  - 3.6.1 Functional Authority
  - 3.6.2 Line Authority
- 3.7 Authority and Responsibility
- 3.8 Power and Influence
- 3.9 Source of Authority
- 3.10 Limits of Authority
- 3.11 Level in Organisation
- 3.12 Superior Authority
- 3.13 Subordinate Acceptance
- 3.14 Responsibility
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

## 1.0 INTRODUCTION

Every organisation is made up of human and physical resources. These resources are brought together in order to accomplish a predetermined goal. In order to accomplish these objectives, tasks must be identified, the tools and technology required must be provided and a structure of relationships must be identified. It is the function of management to determine the best structure that will optimize the utilisation of resources. Management organises these resources. The organisation is a means of achieving the best result from concerted effort. Organisation deals with people and their relationship in an enterprise. It is the organisation that determines the types of people required and their relationships. Thus the type of personnel and structure required in a hospital different from the personnel and structure required in a weaving enterprise or a university. In this unit, efforts would be made to take you through this topic with the sole aim of giving you a complete overview of this important and the first management function.

## 2.0 OBJECTIVES



At the end of this unit, you should be able to:

- define the concept organisation
- list the kinds of organisation and differentiate between formal and informal organisation
- describe organisation charts, structure, line and staff organisation
- explain what is meant by authority and relationship, power and influence and sources and limits of authority
- state and discuss levels in organisation, superior authority, subordinate acceptance and responsibility.

### **3.0 MAIN CONTENT**

#### **3.1 Organising**

#### **3.2 Meaning of Organisation**

An organisation can be seen as an entity. This is true of all business enterprises, churches, hospitals, or clubs. It can be as a process of coordinating individuals' efforts to accomplish a common objective. An organisation is a group of people bound together to provide unity of action for the achievement of a predetermined objective. All management theorists – Fayol, Follet, etc., recognise this important management function. Organisation is very fundamental to human nature. Man is a social animal and shares relationship with his neighbours. The subject of organisation is central to sociology, psychology and even anthropology.

#### **3.3 Kinds of Organisation**

Organisations can be classified into two broad headings :(a) formal and (b) informal organisations.

##### **3.3.1 Formal Organisation**

Formal organisation can be seen as a direct opposite of informal organisation. It is a planned pattern of group behaviour designed to achieve an objective.

Most relationships found in many business enterprises are formal. The main reasons for formal organisations are:

1. to establish logical patterns of interrelationships among members of the group;

2. to secure advantages of specialisation or division of labour whereby the optimum utilisation of talents can be realised;
3. to coordinate activities of the component parts in order to facilitate the realisation of the goals of the organisation (Massie and Douglas, 1977).

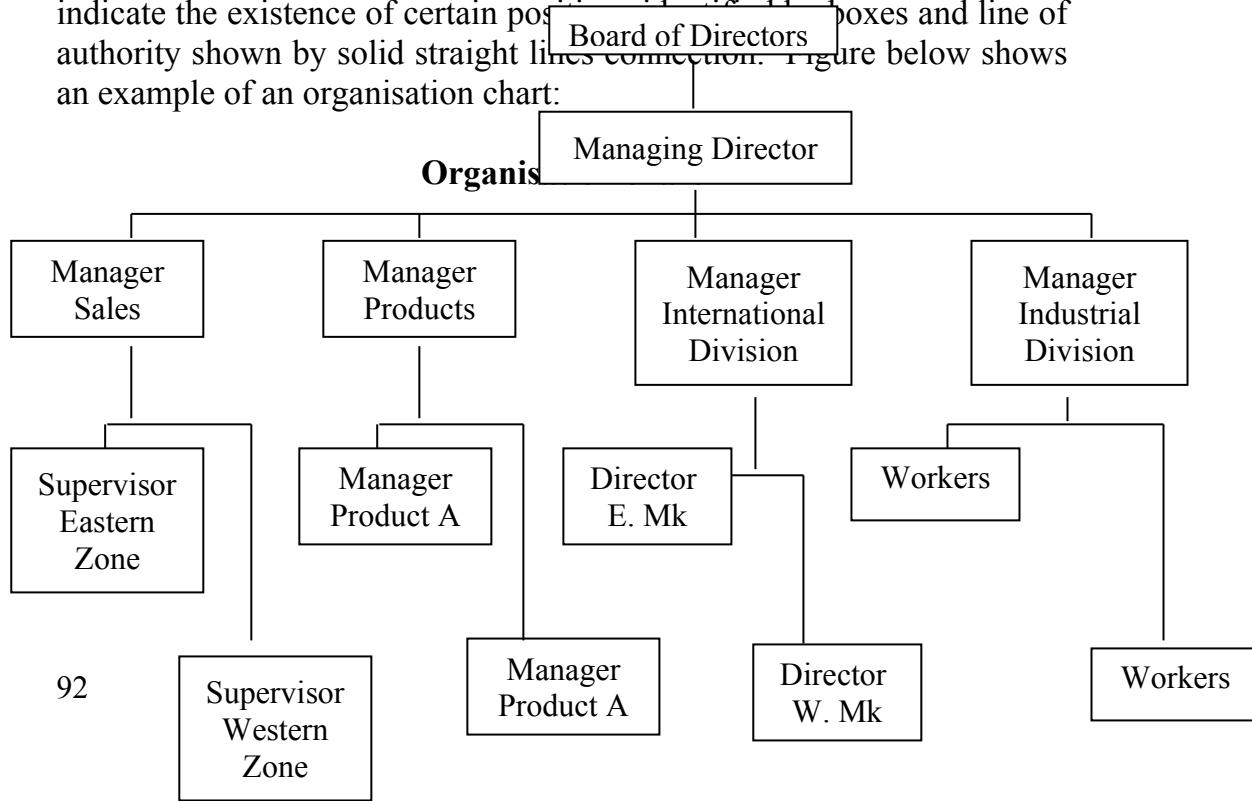
In Nigeria, the problem of formal organisation is not so acute because of the nature of Nigerian businesses. As an organisation grows, the component parts become more complex, the technology changes and requires special expertise and consequently, more attention. Small enterprises do not require the same magnitude of tasks as large ones and are therefore easier to design.

### 3.3.2 Informal Organisation

The informal organisation can be described as the human interaction that occurs simultaneously and naturally without overt influence.

### 3.4 Organisation Charts

An organisational chart is a visual device that shows the various departments and how they relate to one another. The organisation chart helps the employees, the board of directors and stockholders to see at a glance, the division of responsibility and lines of authority. One of the major advantages of an organisation chart is that it helps in studying how to modify or improve the relationships and areas of responsibilities within the organisational structure. An organisation can operate without a formal, drawn organisation chart, but the presence of the chart gives evidence of a thoughtful planned structure. The chart does in no way indicate the existence of certain positions, titles, boxes and line of authority shown by solid straight lines connection. Figure below shows an example of an organisation chart:



### 3.5 Organisation Structure

Sound organisation structure involves dividing activities into departments, divisions, units and sub-units, defining relationships between the heads and members that make up the units. A good structure:

- (a) identifies the operating departments (sales department, production department and finance department).
- (b) isolates the service department (Personnel, Research).
- (c) places emphasis on balancing the structure.
- (d) shows the role of committees in the organisation.

One of the major problems confronting management is to decide the organizational structure to be adopted. Important questions relating to duties and role of each department and line executive have to be clearly defined. A decision has to be made if the organisation is to be decentralised or centralised and the number of staff required for each task has to be determined. As experts succinctly summarised, it, the important features of an organisation to be designed include:

- (a) division into sections and units, number of levels, locations of decision-making authority, distribution of and access to information, physical layout of building, type of people recruited, what behaviours are rewarded and so on (Robert, Simon, 1960).

A good organisation design is one that leads to the attainment of organisational objectives. A good organisational design is one that is fixed and will never require a change. The system is created to change

when the environment in which it operates contracts or when the company is expanding its operations or reduces; its objectives or during the process of re-organisation. A good organisation is judged by its economic performance, ability to operate in a dynamic environment and the growth and satisfaction of the members.

## Types of Organisation

Organisation structure could be subdivided into two: namely, line organisation and staff organisation. This is described further below.

### Line organisation

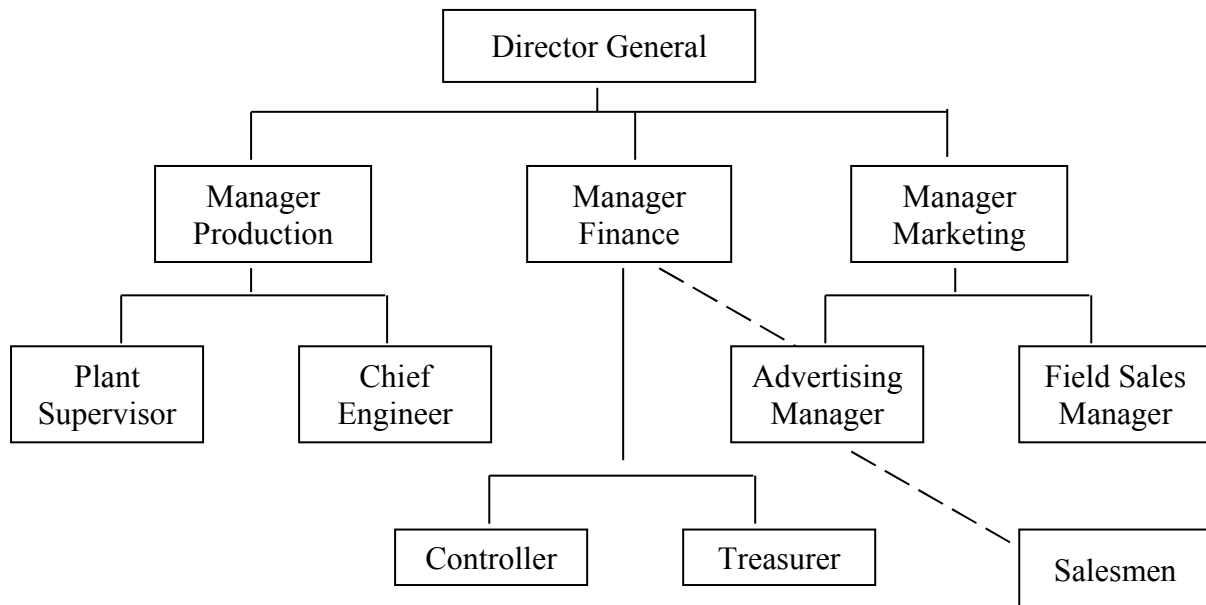
In a typical line organisation, authority is divested downward in a straight line from the Board of Directors to the Managing Director and to lower management levels. Every line executive has assigned responsibilities and authority assigned to him and has its supporting staff to execute the functions. A manager with line authority is answerable for the performance of his subordinates. The employees with line function are responsible for the immediate attainment of organisation's objective. The flow of authority and responsibility is usually straight or direct and accountability is established. There are three basic advantages:

- (1) This structure is simple and easily understandable by all, accountability is easily established. Conflict of authority is reduced to a minimum.
- (2) It lends itself to quick decision-making. Decision making is vested in one person who is in charge of the department.
- (3) Expenses related to overhead are reduced to a minimum as the role of executive specialists is eliminated.

### Line and Staff Organisation

This form of structure resembles the line structure only that specialists are included in the organisational arrangements. Decisions are made by line executives with the advice of staff executives. Staff executives are experts in their fields – (accountants, lawyers, personnel specialists, engineers etc.) they advise the line executives who are directly responsible for the immediate attainment of the organisational goals. Figure below shows the line and staff structure.

Figure            Line and Staff Organisation Structure



In this chart, the solid lines represent the flow of authority and dashed or broken lines indicate a staff or advisory relationship. The advertising manager can advise salesmen but he has no direct control over them. Authority relationships are discussed in full below. Line and staff structure is best used when the organisation is relatively large and serving a big market.

### 3.6 Authority Relationships

This is further divided in three namely: line authority, staff authority and functional authority.

#### 3.6.1 Line Authority

As pointed out, line authority connotes “command” relationship. This is the authority that makes one expect obedience from subordinates. Line authority has been described as the chain of command as it flows from the stockholders to the Board of Directors, to the Managing Director all the way to the operative employees. As Fox observed, “line positions in an organisation are those concerned directly with the creation and distribution of salable utilities or with the management of such activity

#### 3.6.2 Staff Authority

This position is advisory in nature. Generally, staff executives are specialists who study a problem, identify the alternatives and make recommendations to the chief executive for decision. He advises, and to advise is not to decide – only the line executive is vested with that authority unless this power is delegated to him.

### 3.6.3 Functional Authority

This process allows a staff executive (engineers, lawyers, accountants, advertising managers) to make decisions and implement them within clearly defined guidelines. This process reduces the workload of line executive by taking advantage of the expertise of the staff executive. The staff authority aims at supplementing the activities of line authority. This process helps to reduce the usual conflict between line and staff executives.

Table Summary of Line, Staff and Functional Authority

S/N	ADVANTAGES	DISADVANTAGES
	LINE AUTHORITY	
1.	Maintains simplicity.	Neglects specialists in planning.
2.	Makes clear division of authority.	Over-works key men.
3.	Encourages speedy action.	Depends on retention of a few key men.
	STAFF AUTHORITY	
1.	Enables specialists to give expert advice.	Confuses organisation if functions are not clear.
2.	Frees the line executive of detailed analysis.	Reduces power of experts to place recommendations into action.
3.	Affords young specialists a means of training.	Tends towards centralization of organisation.
	FUNCTIONAL AUTHORITY	
1.	Relieves line executives of routine specialised decisions.	Makes relationships more complex.
2.	Provides framework for applying expert knowledge.	Makes limits of authority of each specialist a difficult cooperation problem.
3.	Relieves pressure of need for large numbers of well rounded executives.	Tends towards centralization of organisation.

### 3.7 Authority and Responsibility

Authority as used in the text is the right to act or decide. It describes the relationship between and among people or groups. A person has authority if he has the right to command and expect obedience from the subordinate.

No organisation could survive if authority had not been vested in some people. In fact, an organisation is nothing but a structure of authority

relationships. In business organisations, authority flows from the top downward. In designing an organisation, the authority relationship is clearly defined. It is the responsibility of those in whom authority is vested to coordinate the activities of the organisation in order to accomplish organisational goals.

Organisational authority is vested in the position not on individuals. The authority is given to an employee because he needs the degree of authority in order to achieve a given level of productivity or sales. When the individual resigns, the authority is inherited by another employee who occupies the position. In this case, we speak of the authority of the manager, the powers of the president or the governor.

### **3.8 Power and Influence**

At this juncture, it is necessary to distinguish between power and influence in order to contrast them with authority. Power is the ability an individual has to compel another to do something against his will despite any resistance. A man who holds a businessman at gunpoint demanding that the businessman should surrender his goods has power to take possession of the goods. Power is evident in a situation when A has control over B or can force B to do something he does not want to do despite resistance.

Influence, unlike authority, is not vested in an individual. A has influence over B if he can modify or affect B's behaviour. Thus influence is a very moderate form of power. A person influences his friend because of the rapport they have established over the years. One, who influences, uses persuasion and suggestion to achieve a desired end. Influence takes place in all interpersonal relationships. Unlike power which implies a fear of punishment, harm or loss of status, influence does not.

In an organisation, the interpersonal relationship sometimes dictates the use of authority, power or influence. A supervisor has power over an employee because he has authority to use reward or punishment. A supervisor can also influence an employee to accept a position. Authority is a source of influence and a potential source of power.

A physician may persuade a patient to submit himself to operation. He has in this instance knowledge-based influence just as personal characteristics such as self-confidence, honesty, appearance, or dynamism can give one charisma-based influence. In Nigeria, a person's appearance influences the receptionist to decide whether the visitor will see a manager without waiting or not. So it is in service

establishments such as the post-office, banks, and even restaurants and hotels.

### **3.9 Sources of Authority**

As pointed out, organisational authority is a right to act, to punish and to reward. A person who possesses this authority has number of steps into it:

#### **1. Positional Source**

It is often said that authority is derived from the ownership of property. This is the case because, in Nigeria, the constitution allows the ownership of private property and its management. An entrepreneur has been given a licence to operate a business, he has authority from the country to own and manage the enterprise. This authority he can delegate to his agents or sub-agents as he deems fit. Any person who accepts employment with the organisation is subject to the authority of the owner or his representatives.

In organisations, people often refer to responsibility being used instead of authority because authority and responsibility go hands-in-gloves. One cannot operate without the other. An entrepreneur cannot operate his business without authority to use it. In the use of this labour he owes them a reasonable wage and has authority to enforce compliance with the rules and regulations that govern interpersonal relationships. The origin of authority, whether in economic institution or in social institution where private property is non-existent – may be traced to the rules of basic group behaviour. As these elements change, the position must change.

This authority transmitted from the basic social institution to entrepreneurs and managers is aptly called formal authority. This authority so granted could be called institutional or private.

#### **2. Subordinate Acceptance Source**

The acceptance of authority theory postulates that the source of managerial authority emanates from the subordinate acceptance of authority that the manager holds over them. One of the authorities in the field of management, Chester I. Barnard made the following observation on the acceptance of theory:

..... Disobedience of such a communication is a denial of its authority for him. Therefore, under this definition the decision as to whether an order has authority



or not lies with the person to whom it is addressed, and does not reside in “person of authority” or those who issue these orders.

The acceptance theory places great emphasis on subordinate acceptance of the authority of the superior. Generally, a subordinate will recognise and accept his supervisor’s authority if he perceives that his directives are in keeping with organisational purposes and will lead to the attainment of his own objectives. The authority an individual has to effect compliance could be reinforced by other means such as persuasion, coercion, use of power, economic or special sanctions. A manager does not depend on acceptance for the execution of his functions; if he did, there would be conflicts and organisational objectives would suffer.

The basic error of acceptance theorists consists not only in conceiving authority, without sanctions, but also in overlooking the powerful effect of social institutions, which confer powers that supersede individual desires.

The effectiveness of one’s authority could be influenced by acceptance but may not necessarily be nullified by the accepting agent’s attitude. Acceptance theory appears to place emphasis on leadership which deals with the ability to influence others’ behaviour in order to achieve a given objective. Management has authority and if this authority is not fully accepted by subordinates, it could use power or sanctions to secure compliance. The acceptance of employment in an organisation implies the acceptance of authority in the establishment.

The acceptance of authority is enhanced by the personal qualities of the manager, such as technical competence, supportive behaviour and dynamism. These qualities of leadership are fundamental to the effectiveness of management and not necessarily in the source of authority.

### **3.10 Limits of Authority**

Formal authority is very fundamental to the attainment of organisational objectives. All managers who occupy positions of responsibility are vested with it. Effective utilisation of authority promotes organisational harmony and consequently the realisation of intended goals. Certain factors limit the amount of authority a particular executive possesses. These factors include one’s level in the organisation, superior authority and subordinate acceptance.

### **3.11 Levels in Organisation**

As discussed previously, authority is delegated from top to bottom. The higher a manager is within the organisational hierarchy, the more authority he possesses. The managing director has more authority than his deputy and the deputy possesses more authority than the managers and supervisors. The higher the functions a manager has, the more the authority that is vested in him for the effective execution of these functions.

### **3.12 Superior Authority**

The authority an executive has is influenced by the authority of those above him. A superior authority influences the authority delegated to lower executives in any organisation. The production manager's authority to produce is influenced by the organisation's established policies and procedures. He cannot recruit employees in order to achieve production quota without following the guidelines for recruitments. He could also be asked by a superior authority to stop production until certain conditions are fulfilled.

Closely allied to the influence of the superior authority that limit his authority, is overlapping authority. Where authority overlaps, authority is held in abeyance until it is resolved. Situations arise in an organisation where two executives engage in a dispute as to who has the authority to approve expenditure, to authorise the purchase of equipment or to hire employees. A labour union on strike has the ability to frustrate the efforts of management to function effectively. It has to be noted that authority is not cancelled by power conflict between executives, management or labour unions, or government and entrepreneurs. When conflicts arise, authority is held in abeyance until the conflict is resolved.

### **3.13 Subordinate Acceptance**

The acceptance of authority by subordinates helps in the expeditious attainment of desired goals. Failure to accept one's authority produces the opposite effect. Refusal to accept one's authority does not cancel one's authority; it only reduces one's effectiveness in the given situation. The degree to which the manager is rendered ineffective depends on the amount of power he has to evoke penalties to effect compliance. Ability to evoke punishment and to reward is implicit in all formal authority.

A good executive does not have to punish all the time but when the need arises, it is reassuring to know that tone could exact compliance. Four conditions must be met before a message is accepted as authoritative:

1. It must be understood by the recipient.
2. It must be consistent with the purpose of the organisation.
3. It is not incompatible with the personal interests of the recipient.
4. It is within the mental and physical abilities of the recipient.

Many experts have stressed the fact that the acceptance theory could be misleading as the manager could be tempted to manipulate the situation in order to obtain acceptance from subordinates.

Other factors that limit effectiveness of authority include technological constraints, economic limitations, social limitations and organisational constraints.

### **3.14 Responsibility**

People in authority are answerable to somebody for their use of authority. This is responsibility. Responsibility implies obligation. A person to whom one delegates authority is obliged to execute satisfactorily the assigned duty. Responsibility originates from a superior – subordinate relationship. A subordinate must answer to his boss for the use of formal authority just as a man answers to his friends for informal authority. In organisations, responsibility is shared. When a manager authorises an employee to execute a task, the obligation created by this delegation from the supervisor to subordinate is shared.

## **4.0 CONCLUSION**

Organising is the second in the hierarchy of functions exercised by management after planning. In this unit 6, we gave a complete overview of organisation as it affects mobilisation of human and material resources and structuring of relationships within an organisational set up.

## **5.0 SUMMARY**

In this unit, we defined the concept organisation, listed the kinds of organisation and differentiate between formal and informal organisation; described organisation charts, structure, line and staff organisation; explained what is meant by authority and relationship, power and influence and sources and limits of authority; stated and discussed levels in organisation, superior authority, subordinate acceptance and responsibility.

## 6.0 TUTOR-MARKED ASSIGNMENT

The questions are in tardy form, so could not make any sense out of the photocopies matter.

## 7.0 REFERENCES/FURTHER READING

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## UNIT 2 COMMUNICATION

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Communication
  - 3.2 Objectives of Communication
  - 3.3 Communication Process Model
  - 3.4 Superior-Subordinate Communication
  - 3.5 Oral and Written Communication
  - 3.6 Communication Grapevines
  - 3.7 Barriers to Effective Communication
  - 3.8 Overcoming Communication Barriers
  - 3.9 Guidelines for Effective Communication
- 4.0 Conclusion

- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

## **1.0 INTRODUCTION**

Communication is considered to be the most important and most effective ingredient of the management process. Interpersonal communication is fundamental to all managerial activities. All other functions involve some form of directions and feedback. Effective management is a function of effective communication. Many operations have failed because of poor communication, misunderstood messages and unclear instructions. Even in life, in general, communication plays a very important role among friends, within the family and in all social circles. “Failure to communicate” is many times the cause for lost friendships, divorces and distances between parents and children. “My father does not understand me” is the common cry of a teenager. Accordingly, communication plays an important role in all walks of human life as well as organisational life.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define the concept communication
- state the objectives of communication
- examine communication process model
- describe superior-subordinate communication
- discuss oral and written communication
- explain communication grapevines
- state and discuss the barriers to effective communication
- highlight and explain how to overcome communication barriers
- discuss the guidelines for effective communication.

## **SELF ASSESSMENT EXERCISE 1**

Define communication and explain each of the objectives of communication.

## **3.0 MAIN CONTENT**

### **3.1 Communication**

Communication is defined as “the process of passing information and understanding from one person to another” (Kazmier, 1977). It means transmitting and sharing of ideas, opinions, facts and information in a

manner that is perceived and understood by the receiver of the communication. It is a meaningful interaction among people where the thoughts are transferred from one person to another in a manner such that the meaning and value of such thoughts is same in the minds of both the sender as well as the receiver of the communication.

Effective communication is every essential for management to successfully perform its functions. It is an essential ingredient in management-employee relations. According to W.R. Spriegal, “most of the conflicts in business are not basic but are caused by misunderstood motives and ignorance of facts. Proper communications between interested parties reduce the points of friction and minimise those that inevitably arise”. Accordingly, by proper communication and sharing of information, the management takes the employees into confidence and makes them more knowledgeable about problems and policies of the enterprise. According to Prof. A. Dasgupta (1968), the scope for a two-way means of consulting and changing facts, opinions and ideas between management and employees pertain to:

- knowledge of policies and objectives of an enterprise;
- knowledge of results and achievements from these policies;
- knowledge of plans and prospects for the future;
- knowledge of conditions of service;
- knowledge of ways and means of improving efficiency and productivity;
- knowledge of all aspects of industrial safety, health and welfare.

Information and knowledge about all these aspects makes the operations of the organisation comparatively trouble free and it is the management's responsibility to ensure that employees have obtained all the necessary feedback relative to it. According to Peter Drucker (1954), a manager does not handle people; he motivates guides and organises people to accomplish their goals. His effectiveness depends upon his ability to communicate well with the employees. Good communication is the foundation of sound management. It is through communication that workers become aware of their own duties and responsibilities as well as the instructions and orders from the upper levels of management hierarchy and also their own suggestions, misunderstanding, confusion, distortions and bottlenecks and improves coordination and control. It improves productivity by developing and maintaining good human relations in the organisation. It is a basic tool for motivation and improved morale. Supervision and leadership are impossible without it.

It was largely the work of Chester Barnard in the late 1930s which highlighted communication as a dynamic force in shaping the

organisational behaviour. He considered it as one of the three important elements of an organisation along with common purpose and willingness to serve. He also linked communication with his concept of authority. The authority flows down through the channel of communication. The authority can lose its meaning if the channels of communication are blocked or if the communication is misunderstood or if the strength of communication is diluted. Accordingly, he proposed seven communication factors which are a function of objective authority. These are (Barnard, 1938):

1. The channels of communication must be clearly set and be known to all.
2. Every member of the organisation should be reached by some channel of communication.
3. The line of communication should be as direct as possible.
4. There should be no blockage in the line of communication and the complete formal line should be used.
5. The communicator should be highly skilled in the art of communication.
6. The line of communication should be constantly kept open.
7. Every communication should be authenticated.

### **3.2 Objectives of Communication (Mamoria, 1982)**

The objectives of communication are as stated below:

1. To develop information and understanding among all workers.
2. To foster any attitude which is necessary for motivation, cooperation and job satisfaction.
3. To discourage misinformation, ambiguity and rumours.
4. To prepare workers for a change in methods or environment by giving them the necessary information in advance.
5. To encourage subordinates to supply ideas and suggestions for improving upon the product or work environment, and taking these suggestions seriously.
6. To improve labour-management relations by keeping the communication channels open.
7. To encourage social relations among workers by encouraging inter-communication.

### **3.3 Communication Process Model**

A simple communication model which reflects communication as a dynamic interactive process has been proposed by David Berdo (1960). His approach is based upon the following idea:

## II

If we accept the concept of process, we view events and relationships as dynamic, ongoing, ever-changing, continuous. When we label something as a process, we also mean that it does not have a beginning, an end, a fixed sequence of events. It is not static, at rest. It is moving. The ingredients within a process interact, each affects all the others.

This model described as a series of steps, consists of the following components:

1. **Message sender.** This is the source of information or the initiator of communication. This source may want to communicate his ideas, needs, intentions or other pieces of information.
2. **Encoder.** This is the process inside the human mind in the form of motor skills, muscle system or sensory skills that encode the ideas to be conveyed into a series of symbols or gestures or some other format of expression.
3. **The message.** The message is a physical form of the thought which can be experienced and understood by one or more senses of the receiver. It could be in the form of hearing, reading or other physical gestures.
4. **Channel of Communication.** It is a vehicle used for the transmission of the message. It is a medium carrier and bridges the gap between the sender and the receiver. It may be a face-to-face conversation, telephone conversation, in written form or through any form of gesture.
5. **Perception of the message.** The message is received by the person for whom it was meant and he becomes the receiver of the message.
6. **Decoding process.** Decoding is also done in the same manner as encoding by motor skills, muscle system or sensory skills and the receiver decodes the message for the purpose of interpreting and understanding the meaning of the message. The more the receiver's intended message the more effective the communication is.
7. **Action.** This is a response from the receiver who has received and accepted the communication. This may be compliance with an instruction or simply filing of the message for future references.



8. **Feedback.** A feedback determines whether the message was clearly understood and the required action taken. The feedback to the sender completes the process of communication.

### 3.3 Superior-Subordinate Communication

One of the basic foundations of the organisational operations is the communication between superiors and subordinates in the hierarchical system. Traditionally, the dominant theme in this type of organisational communication has been the “downward” communication as far as the directions are concerned and “upward” communication as far as operational reports and other feedback is concerned.

The downward communication is from the superior to the subordinate or from the top management filtered down to workers through the various hierarchical communication centres in between and may include such standard managerial tools as statement of the organisational philosophy and organisational objectives, standard operating and other relevant material. Downward channels are used to give employees work instructions and other information needed to exercise the delegated authority.

In order for this communication to be effective, the workers should not only be told what to do but also why they are doing it and why their jobs are important. This increases a feeling of acceptance on the part of workers. It is also important that the communication be transmitted to workers in the language that they can understand. For example, a machine operator may not understand much about the organisational philosophy or any specialised terminology about strategic planning or technological dynamics. They must be communicated in their own words and perceptions. Also most workers are conditioned to accept communication from their immediate superiors and hence the message must be filtered down through normal channels and edited on the way down wherever necessary without losing the content or intent of the message. It is important, however, that there is no communication breakdown at any level or from any source. This breakdown may occur due to failure of the message to get through, failure to deliver the message at the proper time or proper place or improper coding of the message (Schneider, et. al., 1976). The message must be coded in the language of the receiver, rather than the language of the sender.

The “upward” communication moves in the opposite direction and is based upon the communication demand system, designed by the management to receive information from operational levels. This information may consist of standard reporting items such as production

reports, sales reports, customer complaints, quality control reports etc. According to Ester R. Becker, upward communication provides a clear channel for funnelling information, opinion and attitudes up through the organisation. The organisation must provide a climate and an incentive system which is necessary to encourage such communication. This climate can be generated by an “open door” policy where the workers know that their superiors are always available for discussion of problems. The system must ensure that the superiors have developed listening skills as well as a sincere and sympathetic attitude towards workers problems. This opportunity for upward communication encourages employees to contribute valuable ideas for improving organisational efficiency (Dooher and Vivienne, 1957).

In addition to upward and downward communication, there is horizontal or lateral communication between equals. This is more informal in nature and is necessary in promoting a supportive organisational climate. For example, supervisors at the same level but from different departments, having lunch together or coffee together can discuss and organise their activities in such a manner that they complement each other and the process is beneficial to the company as a whole.

Wenburg and Wilmont (1973) suggest that instead of communication being “upward” or “downward” which is inter-communication, it should be “transactional” communication which is mutual and reciprocal because, “All persons are engaged in sending (encoding) and receiving (decoding) messages simultaneously. Each person is constantly sharing in the encoding and decoding process and each person is affecting the other”. In the transactional process, the communication is not simply flow of information, but it develops a personal linkage between the superior and the subordinate.

According to Katz and Kahn (1966), there are five purposes served by superior-subordinate communication process. These are:

1. To give specific job instructions and directions.
2. To give information about organisational procedures and practices.
3. To educate employees as to why their jobs are important.
4. To give feedback to subordinates about their performance, as to how well they are doing and how they can improve.
5. To provide ideological type information to facilitate the indoctrination of goals.

It has been found that in most classical types of organisations only the first two of these five purposes are generally accomplished. Attention to the other three purposes has a very positive impact upon the

organisational climate. As Katz and Kahn point out, “If the man knows the reasons for his assignment, this would often ensure his carrying out the job more effectively; and if he has an understanding of what his job is about in relation to his sub-system, he is more likely to identify with organisational goals.

In order to achieve these five communication purposes effectively, it is necessary to have effective superior-subordinate communication, which requires a careful attention to the needs and the psychology of the receiver. The importance of the receiver should not be ignored. Donald Roberts has suggested the following ways in which the downward flow of communication can affect the receiver:

1. People’s interpretations of communications coincide with the already held beliefs and attitudes.
2. People usually resist messages and communications that require sudden changes because most people follow the path of least resistance.
3. Messages that require some kind of change are more easily acceptable if the entire surrounding environment is also changing alongside.
4. Messages that conflict with values of the receivers will not be acceptable even if these messages are rational and logically desirable.
5. Messages that fulfill some needs of the receiver will be more easily acceptable.

Based on these observations, it is important that the superior and subordinate work together and have a personal linkage along with professional relationship so that they can discuss the problems more amicably and arrive at solutions.

### **3.4 Oral and Written Communication**

Communication may be divided into two, namely: oral and written. They are discussed below.

#### **3.4.1 Oral Communication**

An oral communication is known as face-to-face communication and may be in the form of direct talk and conversation or the public address. It also includes telephone calls or talking on the intercom system. It is most effective when settling a dispute among employees or reprimanding a worker. In one-way form of communication, it is very effective for leaders to address the followers via public address system

or audio-visual media. The human voice can impart the message much more forcefully and effectively than written words and is an effective way of changing attitudes, beliefs and feelings, since faith, trust and sincerity can be much better measured in a face-to-face conversation rather than in written words.

**Advantages:**

1. It is direct, simple, time saving and least expensive form of communication.
2. It allows for feedback and spontaneous thinking.
3. It helps in avoiding delays, red tape and other formalities.
4. It conveys personal warmth and friendliness and it develops a sense of belonging because of personalized contacts.
5. Any misunderstanding can be cleared immediately.

**Disadvantages:**

1. There is no formal record of transaction.
2. If the verbal message is passed on along the hierarchical chain of command then some distortions can occur during the process.
3. Lengthy and distant communications cannot be effectively conveyed verbally.
4. The receiver may receive the message in his own perception and thus misunderstand the intent of the message.
5. Spontaneous responses may not be carefully thought about.
6. The spirit of authority cannot be transmitted effectively in verbal transactions.

**3.4.2 Written Communication**

A written communication is put in writing and is generally in the form of instructions, letters, memos, formal reports, rules and regulations, policy manuals, information bulletins etc. These areas have to be covered in writing for efficient functioning of an organisation. It is most effective when it is required to communicate information that requires action in the future and where the communication is that of general informational nature. It also ensures that every one concerned has the same information.

**Advantages:**

1. It serves as evidence of events and proceedings.
2. It provides a permanency of record for future references.
3. It reduces the possibility of misunderstanding and misinterpretation.

4. It can save time when many persons must be contacted at the same time.
5. It is reliable for transmitting lengthy statistical data.
6. It appears formal and authoritative for action.
7. It can be checked for accuracy, which may not be always possible in verbal communication.

**Disadvantages:**

1. It can be very time-consuming for lengthy reports.
2. There is no feedback opportunity to be sure that the receiver has understood the message.
3. Written material may leak out before time, causing disruption in its effectiveness.
4. It leads to excessive formality in personal relations.

**SELF ASSESSMENT EXERCISE 2**

What is communication grapevine?

**3.5 Communication Grapevines**

While it is necessary to have a formal organisational structure for communication channels, since an effective network and flow of communication may, “regulate behaviour, encourage innovation, integrate or coordinate activities and inform or instruct employees, (Leavitt, 1951), it is also very beneficial to attend to informal channels of communication, commonly known as grapevine which can communicate important operational matters to the management, that would not be feasible through formal channels.

This type of communication is more lateral in nature and is built around the social relationship and social interaction among the members of the organisation. This informal communication can be considered as a beneficial safety valve capable of carrying important information quickly and accurately. It can also be considered as destructive, focusing on its capacity to spread rumours, destroy morale, misinform and create interpersonal problems. Such consideration will depend upon the type of climate that exists in the organisation (Davis, 1953).

There are some problems with the hierarchical channels of communication that can be minimised through informal channels of communication. According to Mazumdar (1970), such problems are as follows:

1. The mass of information that is generated every day, if communicated through formal channels, will create a bottleneck in the speedy flow of information at any level in the hierarchical structure.
2. Due to several levels in the hierarchical process, much of the information is lost or distorted at each step, since each person at each level may perceive the information in a different perspective. According to Nichols (1962), “There is a tremendous loss of information – 37 percent between the Board of Directors and the Vice Presidential level. General supervisors got 56 percent of the information, plant managers and general foremen received only 30 percent of what had been transmitted downward to them. An average of only 20 percent of the communication sent downwards through the five levels of management finally gets to the worker level”.
3. There can be some distortion in information to be communicated in what is known as “protective screening”. A subordinate is likely to report to his superior only that portion of the information which is favourable and either ignores or distorts the information that is unfavourable to him. Keth Davis (1960) has suggested that grapevine channel of information should complement the formal channel of communication so that they both have a synergetic effect for the benefit of the organisation.

### **3.6 Barriers to Effective Communication**

The communication must be interpreted and understood in the same manner as it was meant to be sent by the sender, otherwise it will not achieve the desired results and a communication breakdown will occur. There are certain external roadblocks to effective communication like noise, poor timing, incomplete, inadequate or unclear information, poor choice of channel of transmission of information, etc. which can affect the proper reception of the communication. In addition, there are personal factors which may interpret the communication not in the same manner as it was intended by the sender but in a way that the receiver wants to receive, depending upon the stimuli present, emotions or prejudices for or against a concept or ideology or personal conflicts so that instead of interpreting the content of the communication, the intent of the sender may be interpreted.

According to Rogers and Roethlisberger (1952), the communication effectiveness is always influenced by “our very natural tendency to judge, to evaluate, to approve or disapprove the statement of the other person or other group”. This evaluation tendency may alter the meaning of the entire communication. Accordingly, the management should not only attempt to eliminate all external barriers so that the communication is clear and to the point, but also try to understand the perceptions and attitudes of the receiver. Only then can the communication have its maximum effect.

Some of the organisational barriers and some of the interpersonal barriers to effective communication are discussed below:

1. **Noise Barriers.** Noise is any external factor which interferes with the effectiveness of communication. The term is derived from noise or static effects in telephone conversions or radio wave transmission. It may cause interference in the process of communication by distracting or by blocking a part of the message or by diluting the strength of the communication. Some of the sources contributing towards noise factors are:
  - (a) **Poor timing.** The manager must know when to communicate. A message that requires action in the distant future may be forgotten by the time action is to be taken. Similarly, a last minute communication with a deadline may put too much pressure on the receiver and may result in resentment. A message must be sent at an appropriate time to avoid these problems.
  - (b) **Inappropriate channel.** Poor choice of channel of communication can also be contributory to the misunderstanding of the message. The manager must decide whether the communication would be most effective if it is written or by a telephone call or a face-to-face conversation or a combination of these modes. If the communication has been initiated through a telephone call, then it may be necessary to confirm the message of the call by putting it in writing. The face-to-face communication generally emphasises the strength of the message because it is supported by non-verbal gestures of eye contact, hand gestures, facial expressions, tone of voice etc.
  - (c) **Improper or inadequate information.** The information must be meaningful to the employee. It must be precise and to the point. Too little or too much information endangers effective

communication. Ambiguity or use of words that can lead to different interpretations should be avoided.

- (d) **Physical distractions.** The manager must recognise that in the case of face-to-face communications, any distractions can interfere with the process. Telephone interruptions, walk-in visitors or attending to other matters can interfere with the effective communication process. These external disturbances must be avoided.
  - (e) **Organisational structure.** The organisational structure should be such that the chain of command and channels of communication are clearly established and the responsibility and authority are clearly assigned. Communication may be blocked, chaotic or distorted if the channels are not clear and if the passages are blocked or if there are bottlenecks or dead ends.
  - (f) **Information overloads.** As dynamic changes are continuously occurring in our life, in our society and in our organisations, they create a mass of information to be processed (O'Reilley, 1980). Overload occurs when individuals receive more information than they are capable of processing. The result could be confusion in processing of information or some important information may be laid aside for the purpose of convenience (Bacharach and Aikeu, 1977).
  - (g) **Network breakdown.** Network breakdown may be intentional or due to information overload and time pressures under which a communication has to be acted upon. Some factors contributing to such disruptions are:
    - Important negative information may be withheld by the managers.
    - The secretary may forget to forward a memo.
    - There may be professional jealousy resulting in closed channels etc.
2. **Semantic Barriers.** These barriers occur due to differences in individual the words interpretations of words and symbols. The words and paragraphs must be interpreted with the same meaning as was intended. The choice of a wrong word or a comma at a wrong place in a sentence can some times alter the meaning of the intended message. Many times, we have to explain that “it was not what I meant” or “you misunderstood my message” etc. due to poor choice of words. For example, a night club advertisement sign, “clean and decent dancing every night except Sunday”, could lead to two interpretations. First, that there is no dancing on Sundays and second, that there is dancing on



Sundays, but it is not clean and decent (Haney, 1979). Accordingly, it is advised that if there is any ground for misunderstanding in a message, that it be reconfirmed with the sender. For example, if you are giving your address to someone on the telephone, it is advisable that the receiver repeat this address so that the sender can verify it right away to reassure its effectiveness.

3. **Feedback Barriers.** Feedback is the only way to ascertain as to how the message was interpreted. Feedback closes the communication loop and is important for effective communication. It is equally important to pay attention to the feedback. The feedback may be for the purpose of communicating the results of an action or it may be for asking questions about the communication for further clarifications. A student who misunderstands a question in the exam, but does not have the provision to ask for clarification may end up giving the wrong answer.
4. **Cultural Barriers.** The cultural differences can adversely affect the communication effectiveness, especially for multinational companies and enterprises with multi-ethnic workforce. Some examples are as follows:
  - (a) Advertisement about Action Man Soldier toys, where toy soldiers were in tanks holding machine guns, were not permitted in West Germany where they were interpreted as promoting violence (Alsop, 1984).
  - (b) In Austria and France, the children are not permitted to television commercials.
  - (c) Most Jewish people will not work on Saturdays and most Muslims will not work on Friday afternoons.
  - (d) Establishing deadlines to accomplish work assignment is considered rude in most Middle East countries.
  - (e) Punctuality in some countries is not considered important.
  - (f) Many important meetings and actions are contemplated after consultations with astrologers in India.
  - (g) "Coke adds life" may be misinterpreted as a device for long life.

Accordingly, management must recognise these barriers as culturally oriented and identify these cultural differences and attempt to minimise any adverse effects on communication effectiveness due to these differences.

**5. Perception.** Perception relates to the process through which we receive and interpret information from our environment and create a meaningful word out of it. Different people may perceive the same situation differently. Hearing what we want to hear and ignoring information that conflicts with what we know can totally distort the intent or content of the message. Some of the perceptual situations that may distort a manager's assessment of people resulting in reduced effectiveness of the communication are:

- (a) A manager may perceive people to belong to one category or another as stereotypes, rather than individuals. For example he may perceive women to be less efficient managers or old people less hard working or lacking drive and creativity.
- (b) A manager may make a total assessment of a person based on a single trait. A pleasant smile may make a positive first impression. Punctuality alone or loyalty alone may cause a favourable perception in the mind of the manager. This is known as the halo effect.
- (c) A manager may assume that his subordinate's perception about things may be similar to his own. A manager who accepts added responsibility and challenges with enthusiasm may expect the same from his subordinates. This perception limits the manager's ability to effectively respond to and deal with individual differences and differing views of work situations.

The management must realise these differences in perceptions and take steps to understand the environment. A successful manager must be aware of the impact of factors that affect perception by interaction with others and should also possess the ability to influence or change the perceptions of others where necessary so that events and situations are interpreted as accurately and objectively as possible. For example, an employee may resist a message simply because the employee has not developed a trust in the manager due to past experiences. If the employee was promised a bonus or promotion on certain accomplishments and did not receive the promised rewards, he may tend to ignore the communication wherever possible. Accordingly, the manager must take steps to eliminate such negative perceptions among the employee.

6. **Sender Credibility.** When the sender of the communication has high credibility in the eyes of the receiver, the message is taken much more seriously and accepted at face value. If the receiver has confidence, trust and respect for the sender, then the decoding and the interpretation of the message will lead to a meaning that would be closer to the intended meaning of the sender. Conversely, if the sender is not trusted, then the receiver will scrutinise the message heavily and deliberately look for hidden meanings or tricks and may end up distorting the entire message.
7. **Multi-meaning words.** Many words in English language have different meaning when used in different situations. Accordingly, a manager must not assume that a particular word means the same thing to all people who use it (Pancrazio and Pancrazio, 1981). A study by Lydia Strong (1956) concluded that for the 500 most common words in English, there are 4,070 different dictionary definitions. For example, the word “run” can be used in 15 different ways. Some of the examples are:

- Babe Ruth scored a *run*.
- I have a *run* in my stocking.
- Did you see him *run*?
- What headline do you want to *run* today?
- There was a *run* on the bank today.
- Who will *run* for President this year?
- Please *run* my bath water etc. etc.

Accordingly, the managers must make sure that they use the word in the same manner as the receiver is expected to understand it, otherwise it will create a barrier to proper understanding of the message.

### 3.7 Overcoming Communication Barriers

It is very important for the management to recognise and overcome barriers to effective communication for operational optimization and this would involve diagnosing and analysing situations, designing proper messages, selecting appropriate channels for communicating these messages, assisting receivers in decoding and interpreting and providing an efficient and effective feedback system. Some of the steps taken are as follows:

1. **Feedback and upward communication.** Feedback helps to reduce misunderstandings. The information is transferred more accurately when the receiver is given the opportunity to ask for clarifications and answers to any questions about the message. Two-way communication even though more time consuming,

avoids distrust and leads to trust and openness which builds a healthy relationship contributing to communication effectiveness.

Upward communication is strengthened by keeping an open-door policy and providing opportunities for workers to give suggestions which should be taken seriously by the management by acknowledging them and taking appropriate action.

**2. Improve listening skills.** According to Stuart Chase (1954), “listening is the other half of talking” and is a very important part of the total communication process. Listening is an active mental process and goes beyond simply hearing. Good listening habits lead to better understanding and good relationships with each other. Some guidelines for effective listening are:

- (a) Listening requires full attention to the speaker. Do not let your mind wander or be preoccupied with something else, otherwise you would not grasp the meaning of the message in its entirety.
- (b) The language used tone of voice, expression and emotions content and respond positively to these feelings.
- (c) Ask questions to clarify any point that you do not understand clearly and reflect back to the speaker your understanding of what has been said.
- (d) Make sure that there are no outside interruptions and interferences during the course of conversation.
- (e) Do not prejudge or value the importance of the message due to your previous dealings and experiences with the sender or your perceptions about him, positive or negative.
- (f) Don't jump to conclusions before the message is over and is clearly understood.
- (g) Summarise and restate the message after it is over to doubly make sure about the content and the intent of the message.

**3. Develop writing skills.** Clearly written messages can help avoid semantic and perception barriers. A well written communication eliminates the possibility of misunderstanding and misinterpretation. In writing messages, it is necessary to be precise, making the meaning as clear as possible so that it accomplishes the desired purpose. Some helpful hints in written

communications are suggested by Robert DeGise (1976) as follows:

- (a) *Keep words simple.* This will reduce your thoughts to essentials and will be easier to understand by the receiver. The message will be lost if the words are complex and do not lend to clear single meaning.
- (b) *Do not be bogged down by rules of composition.* While the rules of grammar and composition must be respected, they should not take priority over the ultimate purpose of the communication.
- (c) *Write concisely.* Use as few words as possible. Do not be brief at the cost of completeness, but express your thoughts, opinions and ideas in the fewest number of words.
- (d) *Be specific.* Vagueness destroys accuracy which leads to misunderstanding of the meaning or intent of the message. Accordingly be *T* and to the point.
- (e) *Avoid credibility gaps.* Communication is a continuing process and the goal of the communication is complete understanding and trust. Accordingly, the management must be sincere and earn the trust of the subordinates. Management should not only be sensitive to the needs and the feelings of the workers, but also its promises should be supported by actions. The word of the management should be as good as a bond. Only then would an atmosphere of congeniality accrue, which would enhance the communication process. According to studies conducted by J. Luft (1969), openness and an atmosphere of trust builds healthy relationship and closes any credibility gaps, thus contributing to communication effectiveness.

### SELF ASSESSMENT EXERCISE 3

Is the upward communication and improvement or a hindrance to effective organisational operations? List and explain some general guidelines that will help improve general communication.

### 3.8 Guidelines for Effective Communication

These guidelines are designed to help management improve their skills in communicating so as not only to avoid any barriers to effective communication but also to strengthen the basis for optimum results which depend upon the clear understanding of the desired communication. These guidelines are partially based upon the principles proposed by American Management Association. These are:

1. **The ideas and messages should be clear, brief and precise.** The ideas to be communicated must be well planned and clearly identified. This will eliminate ambiguity so that the message subject to more than one interpretation. The message must be clear, precise and to the point and free from distortions and noise. It should also be brief so that it is just necessary and sufficient and should avoid loose ends or meaningless and unnecessary words.
2. **Sense of timing.** The message should not only be timely so that the decisions and actions can be taken in time and when necessary, but also the timing of the message and the environmental setting in which the message is delivered and received is equally important. An important message delivered at the wrong time or in a non-conducive environment may lose its effectiveness. The environment involves physical setting, i.e., whether the communication is conveyed in private, and also it involves the social climate which determines the work setting as well as interpersonal relationships.
3. **Integrity.** The communication must pass through the proper channels to reach the intended receiver. The communication flow and its spread must avoid by-passing levels or people. When these concerned levels are omitted or by-passed, it creates bickering, distrust, confusion and conflict. Accordingly, the established channels must be used as required.
4. **Consult with others who are involved in planning the communication.** If people have participated in the planning process, they would be highly motivated to give active support to such communication and carry it through. Also such participation would widen the scope and the objectivity of communication. The people who are concerned must know; know exactly what they need and when they need the communication. The purpose of the communication must be clearly known by all as to what is to be achieved and how.
5. **Be prepared to help the receiver.** Take the receiver's interests into account, and then the receiver will be more responsive to the communication. The management must clarify any part of the communication that may be necessary and must encourage comments, questions and feedback the management must always be helpful in carrying out the intended message of communication.

6. **Mode of delivery.** Not only the clarity on intent and the content of the message is important and necessary, but also the method of delivery. Avoid negative statements like, “I am not sure, it will work” but be confident and definitive. The success of the communication also depends upon the tone of voice if the communication is verbal, expressions and emotions exhibited attentiveness to the receiver etc. The written communication should be polite and unambiguous.
7. **Use proper follow-up.** Unless it is a one-way communication, which is simply meant to inform, all communications need a follow up to ensure that it was properly understood and carried out. A verbal communication may need to be followed up by written confirmation. The response and feedback to the communication would determine whether the action to the communication has been prompt, appropriate and accurate. Inappropriate or delayed responses should be immediately investigated and corrective measures instituted.
8. **Communication should be comprehensive.** Communication should be complete so as not only to meet the demands of today but should also be based on the future need of the organisation as well as individuals. A reasonable projection and assessment of future needs and environments – both work and social – should be incorporated, when planning and executing communication.

#### 4.0 CONCLUSION

We have discussed communication in its entirety in this unit defining it, and emphasising its importance in management process. We have listed and discussed the types of communication, barriers to effective communication and how to overcome these barriers.

#### 5.0 SUMMARY

In this unit, we have defined the concept communication, stated the objectives of communication examined communication process model and described superior-subordinate communication. Also, we discussed types of communication, explained what is known as communication grapevines, stated and discussed the barriers to effective communication. Finally, we highlighted and explained how to overcome communication barriers while we have also discussed the guidelines for effective communication.

#### 6.0 TUTOR-MARKED ASSIGNMENT

In what way does the horizontal communication help in creating team spirit and organisational integration?

## 7.0 REFERENCES/FURTHER READING

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## UNIT 3 THE DIRECTING AND LEADING FUNCTION

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Directing and Leading
    - 3.1.1 Organisational Climate
    - 3.1.2 Human Relations
    - 3.1.3 Principles of Direction
  - 3.2 Leadership
  - 3.3 Types of Leadership
    - 3.3.1 Formal Leadership
    - 3.3.2 Informal Leadership
  - 3.4 Traits of Leadership
  - 3.5 Theories of Leadership
  - 3.6 Leadership Styles
  - 3.7 Personal Characteristics of Leaders
  - 3.8 Leadership and Power



- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

## **1.0 INTRODUCTION**

Direction is concerned with directing the human efforts towards organisational goal achievement. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organisation. Accordingly, the directing function is the action function that tests the managerial capability in running the organisation.

The satisfactory performance of workers is going to be partly dependent upon the “directional” ability of the management, but primarily it is a function of the organisational environment. If the environment is not conducive to optimum performance, the managerial directing in itself cannot bring in the optimum results. Accordingly, favourable conditions must exist which would provide for enthusiastic cooperation among all people to work together to achieve both individual and group goals.

Since the purpose of directing is to make effective use of employees, it is usually initiated by the higher echelons of management. However, the employee input into directing decisions would be highly useful, thus creating an organisational climate where workers enhance the quality of working life.

In this unit, you will be guided through the functions and roles of directing and leading in management and how these functions relate to the attainment of organisational goals or objectives.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- describe the factors that enhance the quality of performance in an organisation
- define and discuss what leadership is all about
- list and describe the types and traits of leadership
- highlight and discuss the theories of leadership
- describe leadership styles and personal characteristics of a leader
- determine the relationship between leadership and power.

### **SELF ASSESSMENT EXERCISE 1**

Explain the directing function of management in a critical sense and analyse some of the principles of the directing function.

### 3.0 MAIN CONTENT

#### 3.1 Directing and Leading

Directing and leading comprise the managerial function of guiding, overseeing and leading people. The primary element in this function is the human element and deals in personal relationships. This area is primarily geared towards leadership, motivation, and communication. Since human element is the central element in the art and science of managing, the study of human relations has been of major interest to management.

##### 3.1.1 Organisational Climate

Schneider (1975) refers to organisational climate as the entire internal environment of the organisation. What is the organisational climate or the internal environment? Does it have any physical characteristics or is it primarily the way it is perceived by its members? The climate reflects the needs, desires and aspirations of the people who form the environment. In that context, an environment has about it a set of characteristics that are perceived by the organisational members. According to Litwin and Stringer (1966), some of these characteristics include:

- (a) The extent of individual autonomy allowed to members.
- (b) The degree to which superiors establish and communicate objectives, rules and methods to their subordinates.
- (c) The types of behaviours rewarded by the organisation and the types of rewards offered.
- (d) The consideration, warmth and support expressed by superiors to their subordinates.
- (e) The extent of conflict and how it is managed.
- (f) The extent to which the members are allowed to participate in the decision making process.

Each organisation will be different in the climate as well as in the direction style. The directional style will depend upon the philosophy, culture and outlook of the manager. Similarly, the organisational climate is also identified by its culture, its traditions, history of the organisation (Gellerman, 1959) etc. There are a number of categories that define the climate of many organisations. According to Harrison (1972), there are four broad categories. These are:

1. *Power-oriented climate.* These are organisations that are dominated by autocratic leadership. These may be family

dominated businesses or an organisation which was started by one person who is still influential in organisational policy decisions. The power structure is highly visible and the subordinates are highly dependent upon their superiors for job security and job advancement. Decisions are made at the top and the instructions for implementing such decisions pass down along the chain of command.

2. *Role-oriented climate.* In this type of organisation, all managerial and worker roles are clearly defined. The operative rules and procedures regulate actions and operations resulting in order and rationality. These organisations are highly stable and changes are difficult to implement. Responsibility and accountability are adequately traceable. Individual judgements are influenced by established rules and regulations.
3. *Task-oriented climate.* In a task-oriented organisation, all efforts are directed towards goal achievement. For example, if the goal is quality healthcare in a hospital, all decisions and efforts are directed towards that goal. All performances are measured relative to the goal standards. All rewards are based on the degree of contribution towards that goal. All activities, all rules and regulations are designed with only the goal in mind. All unskilled people relative to that particular goal are replaced or retrained. Any deviations are taken very seriously. The goals are highlighted. These goals may be profit-making, capturing a market share, imparting high quality education in a university etc. Some innovative business companies who hire only the most professional workers would fall into this category.
4. *People-oriented climate.* These are organisations where people are given a lot of freedom to be their own bosses. The primary purpose of such organisations is to serve the needs of its members. Within the general guidelines of the organisations, the rules and regulations are flexible and consistent with the values as well as the aspirations of the employees. For example, a person associated with a consulting firm takes up only those jobs that he likes to do. Similarly, voluntary work with some civic groups is directed towards self-satisfaction and self-actualisation.

While all organisations may not necessarily fit into any one of these categories and some organisations may have an integration of more than one type of climate, the specific directing process is highly dependent upon the organisational environment. For example, in an organisation with power-oriented climate, the directing function is highly important and visible, where workers are continuously directed towards certain

functions. On the other hand, the people-oriented climate needs minimum of direction from the top.

### 3.1.2 Human Relations

Direction is concerned with securing the cooperation of workers for the realisation of organisational objectives. Such operation is easier to obtain, if personal objectives are integrated with organisational objectives. While organisational objectives are well established and defined for a given organisation, the individual objectives are highly diversified and depend upon the workers' beliefs, perceptions and emotions. Hence, the characteristics of human behaviour as well as the field of human relations must be fully realised by the management.

Human relation is a highly diverse field. Human beings can interact with each other in a number of ways – everything from helping and cooperation on one extreme to conflict and aggression on the other (Baron, 1984). Studies by psychologists and cultural anthropologists have provided important insights into the patterns of human behaviour. Some of the factors affecting the human behaviour are (Chatterjee, 1966):

1. *Cultural influences.* Culture is a learned phenomenon from the very childhood and is influenced by the family environment as well as the external environment. It consists of a common way in which people live, think and work in a society and interact with each other. It is a shared set of beliefs, customs and habits within a group. It is crystallised in the institutions that people have built together with grassroots in religion, family, community, education, etc (Hofstede, 1980).

Business operations and managerial actions are always affected by the cultural setting of its organisational members. Some cultures expect participative style of managerial leadership, while members of other cultures believe in personality cult thus expecting authoritarian style of leadership. Accordingly, the function of directing must ensure that all directions are in accordance with the cultural values of the people and any possible conflicts are minimised.

2. *Role and status.* Status implies standing in the community and is determined by the role of a person. A police commissioner or a judge has a high status in the society because of the role he plays. For example, a police commissioner who is fired from the job loses his status because he is no longer in the role of the police commissioner.

Similar status differences exist within the organisation. These differences may be due to the positions in the scalar chain of the hierarchical structure or these may be due to performance of different functions, where respect is earned due to skill in a given function. Chatterjee (op.cit) suggests that these status differences serve four purposes in a formal organisation.

First, the status system in a hierarchical chain of command influences the directing function of management by facilitating effective and authoritative communication from the top management down to workers.

Secondly, the position of higher status is in itself a motivation to persons of lower status who expects to move up through their contributions towards the organisational goal.

Thirdly, it infuses a sense of responsibility among people of all statuses who want to continue to prove that they deserve that status.

Fourthly, it identifies and differentiates between persons of superior ability from persons of inferior ability but similar positional status.

Care must be taken, however, that these status differences do not become the cause of conflicts among people.

3. *Informal social groups.* Informal social groups develop and emerge due to spontaneous informal relationships among people and workers who work together as a unit in a given environment. For example, people of similar nature eat together, and take a break together. This results in opportunities for friendship and internally rewarding relationships on the job. Members of these informal groups assist each other and get satisfaction from it. They also supplement the formal channels of communication and are a good source of information about the psychological set up of the group and its behaviour, which the formal communication route may not uncover. Accordingly, management must seek out these groups, come to understand them, recognise their importance, and utilise them constructively.
4. *Perception.* There is an old saying, “that everyone sees the world through different eyes”. Also there is a poem that suggests something like, “As in cloud and fire, a man sees the image of his own desire”. Even when exposed to the same situation or information, different persons react differently, each person believing himself to be correct. The process through which we

interpret the meaning of the world around us is termed “perception” and it plays a very important role in behaviour (Martlin, 1983).

Accordingly, the management must understand that how the worker views and interprets the environment around him is very important. It will aid the function of directing, if the management directs its efforts in accordance with the worker’s view of the organisational climate and in addition tries to modify the worker behaviour so that the worker viewpoint coincides with the management’s viewpoint regarding organisational operations.

5. *Logic and emotions.* Man is logical to a point but he is much more emotional in nature. Even his logic, sometimes, is directed towards justifying what his emotions believe in. If a man loves a woman he would not listen or believe anything said against her. The logical aspect of human beings provides for economic rationality or utilitarian concept, which forms the basis for decisions and actions in choosing careers and work conditions and exercising many other responsibilities and duties of life. However, emotions play a greater part in shaping up the behaviour, especially when the feelings are affected.

The measure of success of the directing function would depend upon, not only the logical aspect of the human thought process, but also on how it harnesses the emotions of the worker in a positive manner, favourable to organisational objectives. This will create loyalty – sometimes blind loyalty – and dedication among workers.

### 3.1.3 Principles of Direction

Some of the principles of direction are:

1. *Integrated objectives.* Effective directing requires that the goals of the organisation and the individuals in the organisation should be integrated so that all subordinates develop a sense of belonging to the organisation and hence the contributions of the subordinates to the company goals will be maximum.
2. *Direct supervision.* The superiors should maintain direct contact with subordinates. Informal relationships facilitate the function of directing. It also makes communication easier, encourages feedback and faster decisions. Also, when the direction and communication is properly understood and comprehended, there would be fewer misunderstandings and mistakes leading to efficiency in quality and productivity.

3. *Participative managerial style.* The subordinates' morale will be higher when their views are seriously incorporated into the managerial decision making. This will assist the formation of democratic management. The democratic process makes the direction process easier since the direction, then, is not taken as a command but as a form of guidance for improvements.
4. *Unity of direction.* The direction must be clear and unambiguous and from a single chain of command, otherwise the authority will be undermined resulting in disorder and confusion.
5. *Follow-through.* Effective direction demands achievement of results. The results can only be achieved by being constantly in touch with the developments. This requires continuous supervision, guidance, advice and coaching of subordinates in their activities to attain the desired goals.

The directing function can be conceived as a vector with two dimensions, namely: (1) magnitude, and (2) aim or direction. Hence, there must be a goal to be reached a movement towards that goal. The management must steer the organisation towards that goal by directing the efforts of the subordinates in the right direction with magnitude or efficiency.

Since handling people is central to directing and leading, some of the major factors that contribute towards effective leadership are discussed in detail.

### 3.2 Leadership

Leadership is an integral part of management and plays a vital role in managerial operations. If there is any single factor that differentiates between successful and unsuccessful organisations, it could be considered as dynamic and effective leadership. Peter Drucker (1954)pp 34 points out that "managers (business leaders) are the basic and scarcest resources of any business enterprise". George Terry (1960) Page 78 points out that, "off every one hundred new business establishments started, approximately 50 or one half go out of business within two years. By the end of 5 years, only one-third of the original one hundred will still be in business". Perhaps it would be a valid assumption to state that the major cause of these failures would be ineffective leadership.

Leadership is not an attribute of business alone. In the army, in the government, in universities, in hospitals, etc. and any where, where

people work in groups, the leadership function emerges. There must be somebody to guide that group.

Leadership may be defined as the art of influencing and inspiring subordinates to perform their duties willingly, competently and enthusiastically for achievement of group objectives. Most management writers agree that, “leadership is the process of influencing the activities of an individual or a group in efforts towards goal achievement in a given situation” (Hersey and Blanchard, 1982).

It is important to add the element of “willingness” in the above definition. This element differentiates successful and effective leaders from the “common run of the managers”. Motivating and influencing people to move towards a common goal, are all essential elements of management, but the “willingness” of the followers to be led highlights a special quality that puts a leader high above others.

Based on these elements of a leadership function, the leadership may be defined as:

$$L = F(f, g, w, s)$$

where leadership (L) is a function (F) of:

f	=	followers
g	=	goal
w	=	a measure of willingness on the part of subordinates, and
s	=	a given situation.

### 3.3 Types of Leadership

There are mainly two types of leadership, namely: formal and informal leadership.

#### 3.3.1 Formal Leadership

The formal leadership occurs when a person is appointed or elected as an authority figure. For example, anyone who is appointed to the job of a manager is also given the authority to exercise formal leadership in relationship to his subordinates. Similarly, a formally elected leader of a country or a state, acquires the authority of leadership and giving direction to the country or state.

#### 3.3.2 Informal Leadership



The informal leadership emerges when a person uses interpersonal influence in a group without designated authority or power. These leaders emerge in certain situations, because of their charm, intelligence, skills or other traits, and to whom other people turn to for advice, direction and guidance. Religious and civic leaders fit into this category. Successful managers, who exercise their given authority in a formal way, are also capable of exercising informal leadership relationships with people both within as well as outside the organisation.

### **3.4 Traits of Leadership**

A leader has certain inherent qualities and traits which assist him in playing a directing role and wielding commanding influence over others. Some of these traits according to Jago (1982) are:

1. Energy, drive
2. Appearance, presentability
3. A sense of cooperativeness
4. Enthusiasm
5. Personality – height and weight
6. Initiative
7. Intelligence
8. Judgement
9. Self-confidence
10. Sociability
11. Tact and diplomacy
12. Moral courage and integrity
13. Willpower and flexibility
14. Emotional stability
15. Knowledge of human relations.

These traits are not universal in nature. Not all leaders have these traits. Not all of these traits work at all times. While some of these traits differentiate successful managers and leaders from unsuccessful ones, it is the behaviour of leaders, either as a result of these traits or otherwise, which is more tangible and obvious and less abstract than traits. The leadership behaviour is directly related to individual worker activity and group activity, absences, turnover, and employee morale. These are indicators, to some degree, of the effectiveness of leadership behaviour.

Many studies have been conducted in order to identify and separate such characteristics and personal traits that reflect the behaviour of successful leaders. These traits then could be set up as standards against which the profiles of leaders could be matched and judged. However, such attempts have not been successful. According to Staggill (1957), who studied the subject of leadership most extensively, “a person does not

become a leader by virtue of the possession of some combination of the traits, but the pattern of personal characteristics of the leader must bear some relevant relationship to the characteristics, activities and goals of the followers.

Some of the approaches to the study of leadership including trait theory and behaviour are explained in detail.

### 3.5 Theories of Leadership

1. *The Trait Theory.* The traditional approach has been to describe leadership in terms of personal traits and special characteristics of leaders. These traits are not acquired, but are inherent personal qualities. The trait theory emphasises that leaders are born and not made. This theory proposes that leadership is a function of these inborn traits. Some of these traits include intelligence, understanding, perception, high motivation, socio-economic status, initiative, maturity, need for self-actualisation, self-assurance and understanding of interpersonal human relations. The existence of these traits becomes a measure of leadership. It holds that the possession of certain traits permits certain individuals to gain position of leadership. This relationship between successful leadership and traits was extensively studied by Stogdill (1948). Stogdill (1974) believed that the pattern of leadership trait is different from situation to situation. A person who becomes a leader in one situation may not become one in a different situation. There is no single personality trait that would typify a leader and be applicable in all situations.

Leadership implies activity movement and getting the work done. The leader is a person who occupies a position of responsibility in coordinating the activities of the members of a group. Hence, leadership must be conceived of in terms of interactions – for one to lead – and others who want to be led.

The trait theory of leadership has suffered from lack of conclusiveness and over-simplifications. The critics have charged that the theory focuses attention only on the leader and disregards the dynamics of the leadership process. Also, the theory ignores the situational characteristics which may result in the emergence of a leader. Some of the other weaknesses and failures of the trait theory are:

1. All the traits are not identical with regard to the essential characteristics of a leader.
2. Some traits can be acquired by training and may not be inherited.

## II

3. It does not identify the traits that are most important and those that are least important in identifying a successful leader.
  4. The traits required to *attain* leadership may not be the same that are required to *sustain* leadership.
  5. It fails to explain the many leadership failures in spite of the required traits.
  6. It has been found that many traits exhibited by leaders are also found among followers without explaining as to why followers could not become leaders.
  7. It ignores the environmental factors, which may differ from situation to situation.
2. *Behaviour Theory*. This theory studies leadership by looking at leaders in terms of what they do. The leader effectiveness is judged in terms of individual subordinate outcome. Research studies conducted by Katz, Maccoby and Morse (1957) suggested that leadership behaviour be defined along employee-centred dimension and production centred dimension, both complementing each other. This style is expected to show improvements in productivity.

Further in-depth investigations into this approach have been conducted at Ohio State University (Stogdill and Coons (1957). These studies isolate two particular factors affecting the leadership dimension. These are:

- (a) Consideration (of employees)
- (b) Initiating structure (giving directions and orders).

*Consideration* connotes rapport between the leader and the group, a mutual warmth and trust, a concern for the needs of the members of the work group, an attitude that encourages participative management, two-way communication and respect for the feedback of the followers.

*Initiating structure* involves creating a work environment, so that the work of the group is organised, coordinated, sequential, organizationally relevant so that people know exactly what is to be done and how it is to be done. The structure involves having the leader organise and define the role each member is to assume, assign tasks to them and push for the realisation of organisational goals. An important discovery made by the Ohio studies was that the leader does not necessarily have to rate high both on consideration as well as structure element. He could be high on one and low on the other and still lead the group successfully.

Studies conducted by House, Filley and Kerr (1971) concluded that both structure and consideration were related to satisfaction and they affect grievances and employee turnover. Groups with medium and high considerations and low structure are lowest in grievances and turnover.

One advantage of this theory is that these two dimensions of leadership behaviour are tangible and observable and do account for a major part of the leader behaviour. Even though a causal connection of these two dimensions has not been demonstrated, their relationship to leadership effectiveness has been quite obvious.

3. *Contingency Theory.* This theory states, that an analysis of leadership involves not only the individual traits and behaviour but also a focus on the situation. The leadership behaviour is used in combination with work group contingencies to predict outcomes. The effectiveness of the leader behaviour is contingent upon the demands imposed by situation. There are three major components that are significant for leadership effectiveness. These include individual differences among leaders, differences among situations and the manner in which these two variables are related.

- (a) *Fiedler's contingency theory.* Fiedler conducted extensive studies in this area and developed a scale to identify different types of leaders. This scale is called Least Preferred Co-worker Scale (LPC). The LPC reflects primarily the style of leadership. The scale assesses how favourably or unfavourably the leader describes his least preferred co-worker. A high LPC score leader is the one who sees even the least preferred co-worker in relatively favourable terms and is more relationship-oriented and a low LPC leader is more task-oriented.

Fiedler selected three components that affect the situation and also could be manipulated to bring about the changes. First was the leader-group relationship which examines the degree of trust that the group members place in the leader. The second was task structure that focused upon the number of steps needed to complete the task. The third was the leader's positional power involving the extent of legitimate power the leader possesses.

The most favourable situation for a leader then would be where the leader-group relations are positive, the task is highly structured and the leader has substantial authority to take decisive actions.

- (b) *The situational leadership approach.* Similar to Fiedler's contingency model, the situational approach, developed by Hersey and Blanchard, is based upon the premise that different types of situations demand different types of leadership. The focus is on the situation in which the leadership is exercised and not upon the leader. A successful leader under one set of circumstances may be a failure under a different set of

circumstances. For example, Winston Churchill was considered a successful Prime Minister and a leader of England during World War II. However, he turned out to be much less successful after the war when the situation changed.

The situational approach defines leadership in terms of his ability to handle a given situation and is based on his skill in that given area. Hersey and Blanchard define the major situation variable as “task maturity”, which is the ability and willingness to perform the task. This approach can best be described by a hypothetical example developed by Robert A. Baron (1985). Imagine the following scene:

The top executives of a large corporation are going in their limousine to meet the president of another large company at a distance. On the way, their limousine breaks down many miles from any town. Who takes charge of the situation? Who becomes the situational leader? Not the president or the vice-president of the company, but the driver of the car who knows enough about the motor to get the car started again. As he does or oversees the repairs, he gives direct orders to these top echelons of the organisation, who comply. But once they arrive at the meeting, the driver surrenders his authority and becomes a subordinate again.

This example suggests that in a given situation, the person most likely to act as a leader is the one who is most competent for that situation or for a given group as the case may be. Thus in defiance of the trait theory, some shy and introvert person may take command of leadership, if he meets the group's requirements under given circumstances. However, it must be understood that it would require the leaders to change their behaviour to fit the changed situation, if necessary, rather than having to change the situation to suit the leadership behavioural style. This means that the leaders must remain flexible and sensitive to the changing needs of the given group (Graef, 1983).

While this approach emphasises that external pressures and situational characteristics determine the emergence and success of leaders in performing a given role, it is probably a combination of both types of characteristics that sustains a leader over a long period of time. A leader is more successful when his personal traits complement the situational characteristics.

4. *The Path-Goal Theory.* The Path-Goal model of leadership behaviour has been propounded by House and Mitchell (1974). This model emphasises that the leader behaviour be such as to complement the group work setting and aspirations. This approach is based upon the expectancy theory of motivation and reflects the worker's beliefs that efforts will lead to successful

## II

results. The leader sets up clear path and clear guidelines through which the subordinates can achieve both personal and work-related goals and assists them in achieving these goals. This will make the leader behaviour acceptable and satisfying to subordinates since they see the behaviour of the leader as an immediate source of satisfaction or as a source of obtaining future satisfaction.

This approach is largely derived from the path-goal approach to motivation (Hellreigel and Slocum, 1974). To motivate workers, the leaders should:

- (a) Recognise the subordinate's needs.
- (b) Arrange for appropriate rewards to his followers for goal achievement.
- (c) Help subordinates in clearly establishing their expectations.
- (d) Demolish, as far as possible, the barriers in their path of goal achievement.
- (e) Increase opportunities for personal satisfaction which are contingent upon satisfactory performance.

The path-goal model takes into consideration the different types of leadership behaviour. There are four such types of behaviour that would support this approach, depending upon the nature of the situation. These are:

- (a) *Directive*. When the demands of a task on hand are ambiguous, directive leadership is needed. But when the task is inherently clear or clarification is otherwise available, then a high level of directive leadership is not required and may, in fact, impede effective performance.
- (b) *Supportive*. Supportive leadership is friendly and approachable and has the most positive effect on the satisfaction of the followers working on unpleasant, stressful or frustrating tasks that are highly repetitive.
- (c) *Achievement oriented*. This type of support helps the subordinates to strive for higher performance standards and increases confidence in their ability to meet challenging goals. This is especially true for followers who have clear cut, non-repetitive assignments.
- (d) *Participative*. This leadership approach encourages subordinate's participation in the decision making process. The leader solicits subordinate's suggestions and takes the suggestions seriously into consideration before making decisions.

In addition to the various patterns of leadership, certain characteristics of subordinates themselves such as their ability, experience, motives, dedication etc. and various aspects of the situation such as the structure of the work tasks, openness of communication, extent of feedback provided etc., form important ingredients of the path-goal model.

5. *Vroom-Yetton Model* (1974). This is a normative theory for it simply tells the leaders how they should behave in decision making. The focus is on the premise that different problems have different characteristics and should therefore be solved by different decision techniques. The effectiveness of the decision is a function of leadership which ranges from the leader making decisions himself to a totally democratic process in which the subordinates fully participate and the contingencies which describe the attributes of the problem to be dealt with. For a successful leader, it is imperative to know the best approach to solving the problem at hand and to know how to implement each decision making method well when required.

The model dictates that the decision reached should be high in quality, should be accepted by the people who have to implement it and should be time efficient. The leader, while choosing a strategy, decides which element he will focus on and which may be neglected to some extent. Studies performed to test the validity of this theory concluded that the participative and democratic style of leadership was more appropriate and successful at higher levels of an organisation, whereas directive decision making style were utilised at lower levels.

6. *The Managerial Grid*. The managerial grid was developed by Robert Blake and Jane Mouton (1978) and plays an important part in managerial behaviour in organisational development. It is built on two axes, one representing the “people” and the other the “task”. Both the horizontal as well as the vertical axis are treated as a scale from 1 to 9 where 1 represents the least involvement and 9 the most involvement, so that the coordinates (1, 1) would indicate minimum standards and coordinates (9, 9) would indicate maximum dedication of the workers and highly structured operations. Such an involvement would reflect upon the managerial orientation towards task and towards workers who are expected to perform such tasks. Blake and Mouton have identified five coordinates that reflect various styles of leader behaviour. The managerial grid figure and these styles are shown in the figure below:

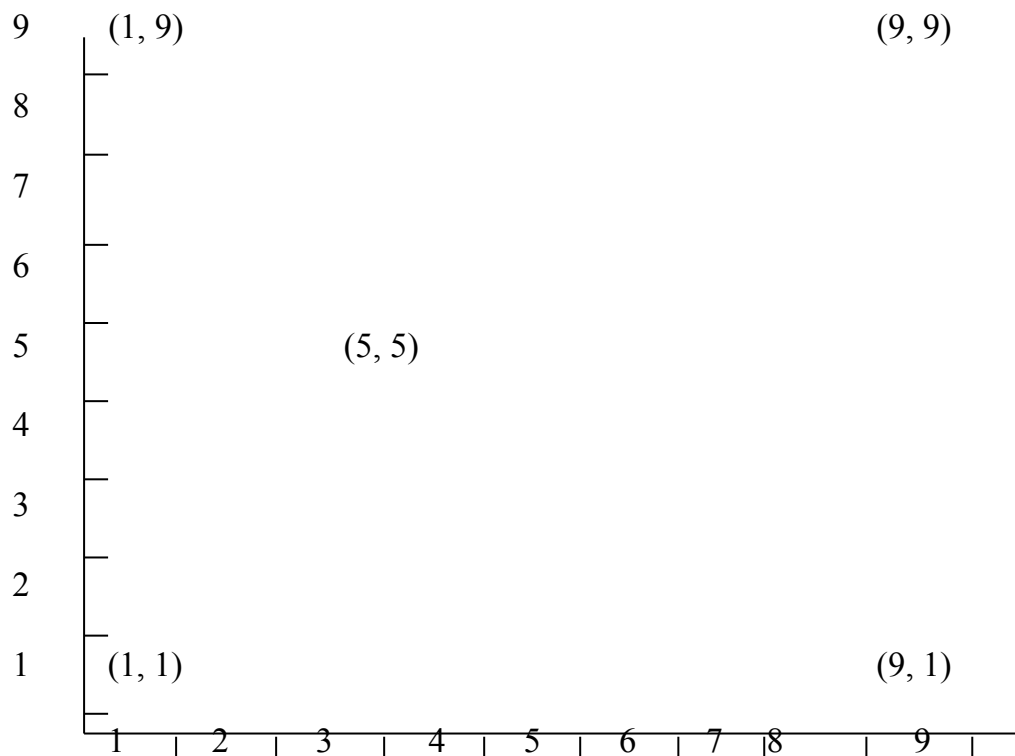
## II

*Coordinates (1, 1).* The manager makes minimum efforts to get work done. Minimal standards of performance and minimum worker dedication.

*Coordinates (9, 1).* Excellent work design. Well established procedures. Minimum worker interference. Orderly performance and efficient operation.

*Coordinates (1, 9).* Personal and meaningful relationships with people. Friendly atmosphere and high morale. Loosely structured work design.

*Coordinates (5, 5).* Satisfactory performance achieved by equating the necessity for performance and reasonable morale.





*Coordinates (9, 9).* Ultimate in managerial efficiency. Thoroughly dedicated people. Trustworthy and respectable atmosphere. Highly organised task performances.

This grid provides a reasonable indication of the health of the organisation as well as the ability of the managers. It is the objective of all management to move as close to coordinates (9, 9) as possible. Accordingly, managers should be carefully selected on the basis of their ability to coordinate people and tasks for optimum benefit.

## SELF ASSESSMENT EXERCISE 2

Under what circumstances are the following types of leadership more desirable and why?

- (a) Autocratic leadership
- (b) Participative leadership
- (c) Free-reign leadership.

### 3.6 Leadership Styles

The leadership styles can be classified according to the philosophy of the leaders. What the leader does determines how well he leads. A style leadership is a “relatively enduring set of behaviours which is a characteristic of the individuals, regardless of the situation” (Fiedler, et. al). Some of such styles are discussed below:

#### 1. Autocratic or Dictatorial Leadership

Autocratic leaders keep the decision making authority and control in their own hands and assume full responsibility for all actions. Also, they structure the entire work situation in their own way and expect the workers to follow their orders and ..... from their orders. The autocrat ranges from tough to paternalistic, depending upon whether his motivational approach is threat and punishment or rewards. The autocratic leader believes that his leadership is based upon the authority conferred upon him by some source, such as his position, knowledge, strength or the power to punish and reward.

#### Advantages:

- (a) Autocratic leadership is useful when the subordinates are new on the job and have had no experience either in the managerial

## II

decision making process or performing without active supervision.

- (b) It can increase efficiency, when appropriate, and get quicker results, especially in a crisis or emergency situation when the decision must be taken immediately.
- (c) The paternalistic autocrat is useful when the subordinates are not interested in seeking responsibility or when they feel insecure at the job or when they work better under clear and detailed directives.
- (d) It is useful when the chain of command and the division of work is clear and understood by all.

**Disadvantages:**

- (a) One way communication without feedback leads to misunderstanding and communication breakdown.
- (b) An autocratic leader makes his own decisions which can be very dangerous in this age of technological and sociological complexity.
- (c) Since it inhibits the worker's freedom, it fails to develop his commitment to the objectives of the organisation.
- (d) Since it provides for worker resentment, it creates problems with their morale resulting in poor productivity in the long run.
- (e) It is unsuitable when the work-force is knowledgeable about their jobs and the job calls for team work and cooperative spirit.

**2. Participative or Democratic Leadership**

In this type of leadership, the subordinates are consulted and their feedback is taken into decision making process. The leader's job is primarily of a moderator, even though he makes the final decision and he alone is responsible for the results. The group members are encouraged to demonstrate initiative and creativity and take intelligent interest in setting plans and policies and have maximum participation in decision making. This ensures better management-labour relations, higher morale and greater job satisfaction. This type of leadership is especially effective when the workforce is experienced and dedicated and is able to work independently with least directives.

**Advantages:**

- (a) Active participation in the management by labour assures rising productivity and satisfaction.
- (b) Workers develop a greater sense of self-esteem, due to importance given to their ideas and their contribution.
- (c) They become more committed to changes that may be brought about by policy changes, since they themselves participated in bringing about these changes.
- (d) The leadership induces confidence, cooperation and loyalty among workers.
- (e) It results in higher employee morale.

**Disadvantages:**

- (a) The democratic leadership requires some favourable conditions in that the labour must be literate, informed and organised. This is not always possible.
- (b) This approach assumes that all workers are genuinely interested in the organisation and that their individual goals are successfully fused with the organisation goals. This assumption may not always be valid.
- (c) There must be a total trust on the part of management as well as employees. Some employees may consider this approach simply as an attempt to manipulate them. Accordingly, the employees must be fully receptive to this approach to make it meaningful.
- (d) Some group members may feel alienated if their ideas are not accepted for action. This may create a feeling of frustration and ill-will.
- (e) This approach is very time consuming and too many viewpoints and ideas may make the solid decision more difficult and may be a source of frustration to impatient management.
- (f) Some managers may be uncomfortable with this approach because they may fear an erosion of their power-base and their control over the labour.

- (g) This approach relies heavily on incentives and motivation of recognition, appreciation, status and prestige. The labour may be more interested in financial incentives instead of prestige.

### **3. Laissez-faire or Free-reign Leadership**

In this type of leadership, the leader is just a figurehead and does not give any direction. He acts principally as a liaison between the group and the outside elements and supplies necessary materials and provides information to group members. He lets the subordinates plan and organises and develops their own techniques for accomplishing goals within the generalised organisational policies and objectives. The leader participates very little and instead of leading and directing, he becomes just one of the members. He does not attempt to intervene or regulate or control and there is complete group or individual freedom in decision making. This type of leadership is highly effective when the group members are highly intelligent and are fully aware of their roles and responsibilities and have the knowledge and skills to accomplish these tasks without direct supervision.

This type of leadership is evident in research laboratories where the scientists are fairly free to conduct their research and make their decisions. Similarly, in a university or a college, the Chairperson does not interfere in the professor's teaching methods, but only assigns the courses to be taught. From then onwards, the professors are very much their own leaders.

#### **Advantages:**

- (a) It creates an environment of freedom, individuality as well as the team spirit.
- (b) It is highly creative, with a free and informal work environment.
- (c) This approach is very useful where people are highly motivated and achievement-oriented.

#### **Disadvantages:**

- (a) It may result in disorganized activities which may lead to inefficiency and chaos.
- (b) Insecurity and frustration may develop due to lack of specific decision making authority and guidance.

- (c) The team spirit may suffer due to possible presence of some uncooperative members.
- (d) Some members may put their own interests above the group and team interests.

### 3.7 Personal Characteristics of Leaders

Leadership is an intangible quality and its effectiveness can best be judged by the behaviour and attitudes of followers. Even though personal backgrounds and personalities differ widely, simply education, social status etc., are poor indicators of judgement of successful leaders. However, some behavioural characteristics may be common to most effective leaders. Some of these characteristics are:

- (1) *Ability to inspire others.* This may be an internal “charisma” which is an inborn trait and may not be a learnable factor.
- (2) *Problem solving skills.* An effective leader has developed the patience and ability to look at the problem from various angles and get down to the cause of the problem and tries to solve the problem rather than the symptoms of the problem.
- (3) *Emotional maturity.* They are self-confident, rational and emotionally mature. They do not lose temper quickly and are open hearted towards differences in opinions and opposing viewpoints. They are warm and sensitive and not vindictive in nature.
- (4) *Ability to understand human behaviour.* He must understand the needs, desires and behaviour of their subordinates and show respect for such desires. He is emotionally supportive and is careful enough to avoid ego threatening behaviour. He must give credit to subordinates when the efforts are successful.
- (5) *Verbal assertiveness.* A leader must be an effective orator and must be confident of his opinions and views. He must communicate his views honestly and in a straight forward manner without fear of consequences.
- (6) *Willingness to take risks.* Routine work, no matter how well done never makes a leader. Good leaders always charter the unknown. They must accept and seek new challenges. However, the risks must be calculated ones and the outcomes of actions be reasonably predicted. Should these risks result in failure, a leader must take full blame and responsibility and not shift blame on

others, even though they may be operative factors. He must be willing to tolerate frustration and defeat and learn from it.

- (7) *Dedication to organisational goals.* A leader must demonstrate his dedication and commitment to the organisation's mission, goals and objectives by hard work and self-reliance. He must make sure that his followers fully understand the organisational objectives and are equally dedicated and willing to work for these objectives.
- (8) *Skill in the art of compromise.* Settling differences is a vital part of leadership and genuine differences must be solved by compromise and consensus. This will induce faith in the fairness of the leader. He must be willing to give in where necessary and must be able to take criticism and defeat with grace. However, he must not compromise for the sake of compromising for smooth sailing only and must be willing to take a stand on controversial issues and accept the consequences.

### 3.8 Leadership and Power

A formal leader cannot function without the authority and the power to make decisions and take actions. Some of the functions of the formal leaders that require the power and authority to perform are (Krech, et. al, 1962):

- (a) Setting of organisational goals within constraints of internal needs and external pressures.
- (b) Integrates the activities of his group and develops its team spirit cohesiveness.
- (c) Serves as a representative of group members and an official contact with other parts of the organisation and facilitates group interaction.
- (d) Gives out rewards and punishments or recommendations.
- (e) Serves as a father figure and sometimes has a major impact on the norms, beliefs and values of the group.
- (f) He is instrumental in resolving internal conflicts by bringing about a balance among conflicting interests.

- (g) Serves as a model of behaviour for other members. These functions can only be exercised with a power base. Some of the power bases classified by French and Raven (1960) are:
- (1) *Legitimate Power*. This is the power that is vested in the leadership to take certain actions. This power may be designated by a legitimizing agent, for example, the President of a company designating his assistant to make certain decisions. Similarly, the power may be given to a particular leader who has been elected by the populace. For example, the President of a country or an elected Mayor of a city has certain power and authority. This power may also be culturally specified. In many cultures, children simply “obey” their parents. In some other cultures, people of certain casts are highly respected. In India, old age brings with it the power to command respect.
  - (2) *Reward Power*. This power is based upon the ability to give or influence the rewards and incentives for the subordinates. These may be in the form of promotions, increase in pay, bonuses or other form of recognition for a job well done.
  - (3) *Coercive Power*. On the other end of the reward power is the coercive power which is the ability to influence punishment. This is the power to reprimand, demote or fire for unsatisfactory execution of duties.
  - (4) *Referent Power*. This power is more of personal nature than a positional nature, in the sense that this power is not designated or acquired because of a position, but because of personal “charisma”, leader. This is especially true in the case of film stars and celebrities whose followers and fans follow what the celebrities do.
  - (5) *Expert Power*. This is also a personal power acquired by expertise in a field or area. For example, we generally follow our doctor’s or our accountant’s instructions, because we believe in their ability and knowledge in those specified areas. If the subordinates view their leaders as competent, they would follow him (Organ and Hammer, 1982).
  - (6) *Connections*. Some people have a lot of influence over others simply because of their “connections” with the right people. A person knowing the manager of a company can get a job for somebody or recommend a promotion for somebody and hence commands considerable influence. Hence, this “connected”

person has “clout” via the resources of his friendship with the right people.

#### **4.0 CONCLUSION**

In this unit, you have been guided through the functions and roles of directing and leading in management and how these functions relate to the attainment of organisational goals or objectives.

#### **5.0 SUMMARY**

In this unit, we have described the factors that enhance the quality of performance in an organisation, listed and described the types and traits of leadership, highlighted and discussed the theories of leadership, described leadership styles and personal characteristics of a leader and determined the relationship between leadership and power.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. If you were asked to give a lecture on “how you become an effective leader” – what would you say?
2. Differentiate between Trait theory and Behavioural theory of leadership.
3. “Leaders are born, not made”. Comment on it.

#### **7.0 REFERENCES/FURTHER READING**

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## **UNIT 4 THE STAFFING FUNCTION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Staffing Function
  - 3.2 Human Resources Planning
  - 3.3 Staffing Process
  - 3.4 Selection
  - 3.5 Retention
  - 3.6 Training and Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment

## 7.0 References/Further Reading

### 1.0 INTRODUCTION

There are a number of factors that contribute towards the success of an enterprise. These factors include capital, equipment, manpower, etc. While all these factors are important, the human factor is the most significant one, since it is the people who have to use all other resources. Without the productive efforts of its workers, the materials and resources would be of no use. Also, if the people who are in charge of these resources are not sufficiently qualified, then the utilisation of these resources would not be optimum.

Accordingly, the staffing function of management is a very significant one, especially in the light of continuous and dynamic developments in the field of technology, increase in the size of organisations due to expansion, acquisitions, and mergers and due to changes in the social structure which makes the group behaviour of the workers more complicated.

In this unit, we shall focus on this aspect of management function.

### 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define staffing
- discuss human resources planning
- highlight the staffing process
- expatiate selection
- describe retention
- point out the importance of training and development in an organisation.

### 3.0 MAIN CONTENT

#### 3.1 Staffing Function

Staffing is the traditional management function of attraction and selection of the best people and putting them on jobs where their talents and skills can best be utilised, and retention of these people through incentives, job training and job enrichment programs in order to achieve both individual and organisational objectives. This emphasises managing human and not material or financial resources. This function is becoming extremely specialised due to unique importance and complexity of human nature and ever changing psychology, behaviour and attitudes.

The staffing function is generally handled by Personnel Department where the Personnel Management is concerned with “planning, organising, directing and controlling of the procurement, development, compensation and integration of people into the system for the purpose of contributing to organisational, individual and social goals”.

The Personnel Management is a continuous phenomenon and requires a constant alertness and awareness of the organisational needs and the personnel policies should be such that there is a continuous monitoring of the system, since the unanticipated shortages or excess of qualified people in any organisation signal a defect in the planning system. Also, personnel policies and decisions are constantly changing due to the following considerations:

- (1) The social and legal pressure is high to increase the proportion of minority workers. This may sometimes results in less than optimal compatibility of job and the worker.
- (2) Affirmative action. Some organisations are obliged to give special considerations to minorities including women workers in order to compensate for past discriminations against them. This has been a result of special upheaval against a male-dominated society and businesses where women and minorities were not treated at equal level. This affirmative action may require more pre-assigned jobs for minorities and women, faster promotions for them and lowering of performance appraisal standards for them. In India, for example, the scheduled caste people have been allotted some reserved places in most medical colleges and other professional universities and in many government jobs to compensate for the discrimination that these minorities have suffered over many years.
- (3) The workers are shifting their idea of success. Where success always meant a job with good pay, now it is more and more measured by the degree of challenge at the job, new opportunities and job enrichment and self-fulfillment.
- (4) The number of people who prefer to work only part-time is increasing. Even the full-time workers are trying to get fewer work week hours so that they can have more leisure time.
- (5) Education level of the total workforce is rising. This also implies to blue collar workers due to compulsory education to a certain age as well as social awareness about the benefits of a good education.
- (6) There is a shift towards more skilled jobs. Due to advent of mechanisation and specialisation and technological innovations, the

number of unskilled jobs have been steadily decreasing giving rise to more skilled jobs requiring training and adaptation.

- (7) Labour unions are becoming stronger and highly protective of the workforce. The objectives of the unions are to protect their workers from discriminatory treatment, increase their pay and fringe benefits, improve their working conditions and help all employees in general. Accordingly, Personnel Management policies are affected by union's objectives and goals.
- (8) There are continuous social and technological changes. The social values are constantly changing due to amalgamation of many cultures and ideologies and emphasis on rationalisation and objective thinking rather than adherence to traditional social values. Similarly, automation and computerisation of industries have changed the requirements of jobs and employees requiring continuous monitoring of job descriptions and policies about personnel requirements.

Since a number of factors affect the formulation and execution of personnel policies, it is important that these policies be based upon sound principles which would ensure that equity and justice are accorded to all employees, "a fair day's pay for a fair day's work" is adopted and opportunities are offered to all employees for job satisfaction and job enrichment. Some of the essential characteristics of a sound personnel policy programme are given below:

- (1) The policy statement should be clear and easily understood so that what it proposes to achieve is evident.
- (2) It should be formulated after careful consideration, discussion and review and preserved in writing in order to provide a definitive meaning to policies and procedures.
- (3) It should be reasonably stable and should be continuously monitored and periodically reviewed and revised so as to adjust to changing social, legal and technical environment and changing constitution of the workforce.
- (4) It must be consistent with the missions and general goals of the organisation without violating the individual goals and objectives so that due regard is given to all concerned parties – the employers, the employees, the government and the community.
- (5) The policies should have the full support of all employees and be preferably evolved after full consultations with the trade unions

so that the interests of the union members are inherently protected.

- (6) It should provide for two-way communications so that the employees are continuously informed of any developments in the organisation and the management gets the necessary feedback.
- (7) It must make a measurable impact on the process of recruitment, retention and retirement which can be evaluated and qualified.

### **3.2 Human Resource Planning**

Human resource planning involves objective and systematic assessment of present staffing needs of an organisation, identifying the available personnel to satisfy the current needs, forecasting the future demand and supply of employees, formulating staffing strategies with a view to both short range as well as long range strategic plans and continuously monitoring, evaluating and updating these needs and resources of supply.

In today's complex organisational structure, operating in highly involved and complex economic, political, socio-cultural and technical environment, the most suitable employees are becoming more and more crucial and indispensable assets for effective performance. As a result, the price of poor staffing will be very high requiring improved manpower planning as an economic necessity.

Human resource planning is important in providing the following direct benefits to the organisations:

- (1) It improves the utilisation of human resources by helping the management forecast the recruitment needs in terms of both numbers as well as the types of skills required and develop ways to avoid or correct problems before they become serious and disrupt operations.
- (2) It helps focus the recruitment efforts on the most likely sources of supply. This will cut down the total costs of hiring and training personnel and reduce costs associated with hiring mistakes.
- (3) It makes provisions for replacement or back-up staff from either inside or outside the organisation whenever the need arises either on a temporary or permanent basis. These available sources of supply are important to identify specially in the case of any emergencies that might occur.

- (4) It helps achieve an integration of personnel plans with other operating as well as strategic plans by making available the personnel management information base to other organisational activities.

### 3.2.1 Forecasting Manpower Needs

Manpower forecasting is defined as, “the process of collecting and analysing information to determine the future supply of, and demand for, any given skill or job category”. The primary purpose for manpower forecasting is to prepare for employment, training and development and proper use of human resources. Forecasting has become very important due to complexity of organisations requiring more skilled personnel which are in short supply.

In addition to assessing the current situation relevant to personnel, in the organisation, an effective human resource planning program takes into consideration the future needs and trends in both job and personnel availability. This would require reliable forecasting of both the demand and supply. The key to any forecasting procedure is to determine what causes things to happen the way they do. If we could know what determines the supply and demand for people, we can predict the needs, making the planning for changes in personnel easier.

1. **Opinion of expert forecasters.** The expert forecasters are those who are knowledgeable to estimate future human resource needs. These may be the personnel managers or the outside consultants who are asked to assess the future needs. These forecasts can be further sophisticated by using the “Delphi Technique”, where the experts are anonymously surveyed, their opinions refined, and these opinions sent back to experts for further evaluation. The process is repeated until a consensus is reached.
2. **Trend projection forecasts.** The past trends in the employee needs can be projected into the future. One method used is known as extrapolation where, if the past trend is linear in nature, it can simply be extended into the future. For example, if in the past the company has been consistently growing, requiring on the average 10 additional workers per month, then by extrapolation, our future needs will be 120 workers per year.

Another method of trend projection is known as “Indexation”. This method relies upon matching employment growth with some index. For example, the growth in the number of employees in the production area may be tied in with the volume of sales, so that for a certain increase in

sales, there is a corresponding increase in the number of employees in production.

Both these methods of extrapolation and indexation are simple and appropriate. However, in long range human resources projection, more sophisticated statistical analysis techniques are available and employed, taking into consideration external, organisational and workforce factors, which may not remain constant from time to time.

**3. Other forecasting techniques.** Some of the other forecasting methods include:

- (a) **Budget and planning analysis.** The short term human resource needs can be estimated by looking into the departmental budgets and financial allocations for more employees as well as any anticipated changes in the workforce like terminations, resignations, promotions, transfers, etc.
- (b) **New ventures analysis.** The human resources needs for new ventures or organisational expansion can be calculated by comparison with similar operating functions. The growth of the new venture can also be established by past trends of similar operating companies.
- (c) **Computer models.** These are most sophisticated approaches involving solutions of mathematical formulae and equations, taking into consideration the relationship and effect of all relevant variables are extrapolation, indexation, survey results and other estimates.

The factors to be considered for forecasting demand and supply are as follows:

**(a) Forecasting Demand**

- (2) *Anticipated growth of the organisation.* This growth rate can be calculated from the past trends on the assumption that all variables affecting this growth will remain constant.
- (3) *Budget constraints and allocations.* The budget allocation specifically for the purpose of new employees will determine the number of new workers that can be hired, thus putting a ceiling on the maximum number.
- (4) *Anticipated turnover in personnel due to retirement, death, transfers, termination of service, promotions etc.* Some of these can be

anticipated or calculated to some extent accurately in advance by taking information about individuals, especially the loss due to retirement and promotion can be calculated quite accurately by preparing a retirement and promotion or transfer profile. This makes the projection of future demand easier and more accurate.

- (5) *Introduction of new technology.* With continuous technological developments, innovation and automation, the personnel needs are constantly changing. At many places, computers are either replacing workers or reducing their numbers. The type of new technology introduced would determine the number as well as qualifications of the people that may be hired or transferred.
- (6) *Minority hiring goals.* The goals established by the organisation about hiring minorities or the handicapped, as a part of the affirmative action policies may affect the demand for the total number of employees, especially when it is difficult to match the skilled, semi-skilled or unskilled minority workers to the specific job requirements.

#### **(b) Forecasting Supply**

- (a) Promotions of employees from within the organisation.** Promotions are a good and a reliable source of supply of experienced and skilled personnel, who do not need to be extensively trained and who are also familiar with the organisational goals, policies, and philosophy.
- (b) Availability of required talent in the external labour market.** This may be assessed by unemployment figures, a survey of private and public employment agencies and other sources.
- (c) Competition for talent within the industry.** If the competition is very tough then it will be more difficult to tap the supply and the cost of additional workers will become very high. Conversely, if the need for a particular talent is not very high in the competitive industry, then the supply will remain flexible.
- (d) Population movement trends.** The demographical changes will also affect the sources of supply. For example, if there is a tendency for people to move from rural areas to urban areas then the supply in the rural areas will dry up. Similarly, most new immigrants from outside have a tendency to settle in cities, thus increase the supply in the urban areas.



- (e) **Enrolment trends in vocational schools and colleges and universities.** If there is a marked increase in the number of students in training programmes as well as colleges, this will improve the supply of skilled personnel and personnel with specialised educational backgrounds. On the other hand, due to high cost of education, there may be a decline in college enrolment, signifying a trend in scarcity of educated people.

This forecasting of supply and demand of human resources should result in the preparation of a detailed file on future staffing needs.

### 3.3 The Staffing Process

The staffing function consists of the following sequential steps:

- Step 1:** Analyze the job by preparing job description, job specification and job analysis.
- Step 2:** Actual recruitment. This would explore all the internal and external sources from where the required personnel can be recruited.
- Step 3:** Employee selection. This crucial step involves using such techniques as would identify and isolate the suitable people who would eventually be selected.
- Step 4:** Retention. When the right people have been hired, they must be retained so that they stay with the organisation for a long time. This step discusses such factors that are influential in maintaining the workforce.
- Step 5:** Training and development. This consists of all such programmes that assist in continuous growth and development of the employees.
- Step 6:** Performance appraisal and career development. This step involves devising methods that would judge an employee's performance over a period of time and providing opportunities to employees to develop their careers and managerial talents.

All these steps are discussed in detail below.

#### 3.3.1 Job Analysis

Job analysis is an orderly study of job requirements and involves systematic investigation relating to the operations and responsibilities including knowledge, skills and abilities required for the successful performance of a job. The process of job analysis provides the following information:

- (a) Work activities. Exactly what is being done and achieved including processes and procedures being used.
- (b) Job context. This specifies the working conditions, including physical setting, supervision, work schedule, incentives and motivations, social environment of workplace, job hazards or any other discomforts.
- (c) What equipment, tools or machines are used. Is it dealing with plastics, metals etc? Is using milling machines, punch presses etc?
- (d) Performance expected. This may be expected output in quantity or quality. The performance may also be measured in terms of error analysis, as to the percentage of errors (as in typing, for example), work standards, time required to complete each unit of the job, knowledge used or services performed.
- (e) Required personal attributes. This involves required educational background, skills, training, experience, physical strength coordination or dexterity, aptitude and any other attributes required for the job.
- (f) Job analysis. It is the process for obtaining all pertinent facts about the job and forms a basis for creating job description and job specification.

### 3.3.2 Job Description

Job specification is a systematic, organised and written statement of “who does what, when, where, how and why,” and is a tangible outcome of job analysis. It describes the work to be performed, the responsibilities and duties involved, conditions under which the work is performed, the relationship of one job with other similar or dissimilar jobs and the skill, education, and experience required. A job description is used for a variety of purposes such as recruitment and selection, job evaluation etc. A job description generally contains the following data:

- (a) *Job Specification.* It includes job title, code number of the job if any, the department or division to which the job belongs etc.

- (b) *Job summary.* It is a brief summary, in a sentence or two, explaining the contents of the job, its hazards or any other specific aspects.
- (c) *Duties performed.* It is a comprehensive listing of the duties together with the importance of each duty and the percentage of time devoted to each major duty. Included are any other additional responsibilities like custody of money, training of subordinates etc.
- (d) *Supervision.* If supervision is required, then it gives the number of persons to be supervised along with their job titles and the extent of supervision involved and whether it is general supervision or close supervision.
- (e) *Machines, tools and equipment used.* This will include the type of machinery handled and the type of raw materials used.
- (f) *Working conditions.* It gives us the working environment in which the job holder must work. Here are listed any special working conditions in terms of cold, heat, noise levels, dust, fumes and any other hazards that might pose a risk to life and the probability of such a hazard occurring.

Job descriptions are freely used in educating the new employees about their duties and responsibilities. According to Burack and Smith:

- Job descriptions reduce confusions and misunderstandings. They communicate to workers in clear terms as to what they are required to do.
- Since it gives a clear picture of duties and responsibilities, it gives a greater job satisfaction as the worker knows what is expected of him.
- Good job descriptions are effectively used in recruiting, training and placement of right workers to the right jobs.
- They reduce discrimination and assist in objective performance appraisal.

### **Job Description Guidelines**

Although there is no set way of writing a job description or any specific principles for developing a job description, some general guidelines are proposed by Cascio. These are:

- (a) Give a clear, concise and readily understandable picture of the whole job with clearly defined duties to be performed.
- (b) Brevity is usually considered to be important depending upon the type of job being analyzed, specifying simplicity and accuracy.
- (c) Select the most specific words to show, (1) the kind of work; (2) degree of complexity; (3) degree of skills required; (4) specific

assigned responsibility to a particular worker and its accountability. Use action words like “types letter” or “collecting, sorting out, routing and distribution mail” etc.

- (d) When job descriptions are written for supervisory jobs, the main factors should be identified and listed. Included along with this is a description as to whether the supervisor delegates any of his responsibilities or not and to what extent.

The job description should be such that even a new employee would clearly understand the job and his duties and responsibilities by reading the job description.

### 3.3.3 Job Specification

Job specification specifies personality requirements and lists qualifications both physical and mental, necessary to perform the job properly. It is used in informing the prospective employees about minimum acceptable qualities required to get the job and perform it well. It may be a specific period of experience, a specific educational degree or specific physical requirements such as height, weight etc. These specifications specifically relate to:

- (a) *Physical characteristics.* These include general health, height, endurance level, vision, hearing, colour discrimination, motor coordination, reflexes etc.
- (b) *Psychological characteristics.* These include mental dexterity, analytical ability, intuitive judgement, alertness and ability to concentrate.
- (c) *Personal characteristics.* These include personal appearance, emotional stability, maturity, patience, aggressiveness, outgoing nature, poise, initiative and drive, leadership qualities, cooperative spirit, conversational ability etc.
- (d) *Responsibilities.* These include supervision of others, responsibility for safety of others etc.
- (e) *Other characteristics.* These may include age, sex, education, experience, training required, fluency in languages and other sensory demands such as sense of sight, smell or hearing etc.

### 3.3.4 Recruitment

After manpower needs have been determined, the next step in the staffing function is recruitment of candidates for the jobs to be filled. Recruitment is the process of attracting qualified personnel, matching them with specific and suitable jobs, and assigning them to these jobs. Its aim is to develop and maintain adequate manpower resources upon which an organisation can depend, when it needs additional employees.

There are basically two sources of supply from where the potential employees can be drawn, both at managerial as well as operative levels. These are:

- (iv) Internal sources
- (v) External sources.

To what extent the internal sources or the external sources would be used would depend upon the specific environment of the organisation as well as its philosophy of operations. Some companies prefer to promote from within for key positions because these personnel know the company well. Others prefer to hire from outside, because these personnel do not know the company at all so that they can bring some new and fresh ideas into the company. Both of these sources are explained below.

#### **(i) Internal Sources**

Internal sources are the most obvious sources and are primarily within the organisation itself, and include its present working force. Most organisations have procedures for announcing vacancies through bulletin boards, newsletters or word of mouth or personal recommendations. Some promotions may be built in the hierarchical structure and take place automatically on the basis of seniority or when a position at the upper level becomes available. Whenever a vacancy occurs, someone from within the organisation is upgraded, promoted or transferred to another department or location.

Occasionally, a person may be demoted to fill a job. The internal recruitment process can be very encouraging and motivating to employees; since they are assured that they will be preferred over outsiders when the opportunities occur. This reinforces a sense of loyalty among employees, for it provides them an opportunity for advancement. This also helps the management to be assured of the quality of performance of employees since the organisation generally keeps a record of the employees' performance and progress. Also, internal recruitment is economical in terms of time and money, since all the energies expended in the process of hiring new candidates from outside are avoided. Additionally, the new employees from outside

always have to go through a period of indoctrination during which the contribution of the employee to the organisation is limited. This problem can be avoided through internal recruitment.

One of the drawbacks of the internal source of recruitment is that the promotions may be biased in nature and may be based on seniority rather than merit, resulting sometimes in unqualified personnel in more responsible jobs. Also it discourages new blood from entering the organisation which may be more innovative and creative.

## **(ii) External Sources**

The external sources are varied and many. Most organisations cannot fill their manpower needs from sources within and hence they must look for outside sources, especially for lower entry jobs, for expansion and for positions whose specific requirements cannot be met by people within the organisation. This outside pool of potential candidates includes:

- (a) *New entrants to the workforce.* These may be college student who ha just finished studies and are entering the job market.
- (b) *The employed.* These are the people who may be temporarily out of a job. These may be people with skills and abilities. These may be people who are currently at jobs that are unsuitable to them and who may be looking for better opportunities.
- (c) *Retired experienced persons.* These may be accountants, mechanics, security guards etc. They have the necessary experience and may be hired as consultants or supervisors.

Some of the sources of external recruitment include:

- (1) *Active files of potential candidates kept at the organisation.* These are the resumes of the candidates who had earlier applied but not selected. Similarly, unsolicited applications may constitute a much used source of personnel. Such records can prove to be a good source if they are kept up to date.
- (2) *Walk-ins and gate hiring.* These are potential candidates, generally for lower level jobs who simply walk into the office and ask for a job. This method is especially useful for mass hiring of unskilled and semi-skilled workers.
- (3) *Employment agencies.* These employment agencies may be public or private. The public employment agencies are subsidized by the local governments and may provide a variety of services. These services include:

- (i) Placement services;
- (ii) Employment counselling on occupational choices;
- (iii) Services to special groups, such as war veterans, handicapped personnel, released criminals in order to rehabilitate them etc.

These agencies are a major source of hourly blue collar workers. The major reason for this is that the unemployed workers are generally required to register with these agencies and be available for work, in order to collect the unemployment insurance.

Private employment agencies have a pool of applicants, specializing in different areas and supply them to the organisations for a fee charged either to the applicant or to the organisation. Some agencies specialise in temporary help, others in executive recruitment. They supply general office help, secretaries, sales people, technical workers, accountants, computer personnel, engineers etc. They generally interview and screen the candidates and match their skills with the job requirements on file, before sending them to the organisations. This makes it easier and time saving device for the organisations who would otherwise be spending a lot of energy in the recruiting and the selection process.

- (4) *Advertising.* Advertising is a powerful technique reaching a wide audience and generally a potential target market. It is a most frequently used method and consists of a brief statement of the nature of the job and its requirements and the compensation paid. Want ads in the newspapers may be for ordinary jobs or for highly skilled and executive positions. More highly specialised recruiting ads that are not immediate in nature, are placed in the technical and professional journals which reach a targeted market. One of the disadvantages of this method of recruitment is that there may be a large number of applicants for a few jobs, making the screening process very costly.
- (5) *Colleges, universities, and other educational institutions.* These include the technical and trade schools as well as alumni placement offices at colleges and universities. Some colleges have work study programs which provide an opportunity for students to work part-time while they finish college, after which, most often, these students are absorbed by the companies. These sources are specifically useful for recruiting into middle management positions like accountants, financial analysts, systems analysts etc. Many colleges have career day forums at least once every semester where representatives of recruiting companies visit the campus to discuss matters of employment with potential graduates.

## II

College recruitment is one of the least expensive techniques of attracting white collar employees into junior level managerial and executive positions and other technical and career oriented jobs, because a lot of potential candidates can be interviewed in a short period of time. Colleges are also a target market where it is possible to narrow in on the potential candidates, thus saving a lot of time that would otherwise be spent in screening out the unsuitable candidates.

- (6) *Professional associations.* Professional associations keep their members informed about job opportunities through their technical newsletters and professional journals. Some of them have their own time and especially at the time of their annual meetings, conventions and conferences.
- (7) *Labour unions.* Labour and trade unions are a useful source, especially for manual workers, including unskilled, semi-skilled and skilled workers. These workers may be plumbers or electricians. In the construction industry, many contractors get their labour force from the local labour unions.
- (8) *Military processing centres.* This is an excellent source for highly disciplined veterans who have been trained as mechanics, welders, pilots etc. These veterans may be retired officers or personnel who want to leave the army for civilian jobs. Many of the technicians and pilots for commercial jetliners were initially trained in the armed forces.
- (9) *Employees' referrals.* These are friends and relatives of the present employees of the company. It is a useful source of recruitment, since the employees, for the sake of their own reputation, would only recommend people who they believe to be adequately qualified. If the current employees are highly satisfied in their jobs with an organisation, they generally convey their feelings to many persons in the community, which will make it easier to attract employees from the community when the need arises. One drawback of the referral technique is that it encourages nepotism which may be at the cost of quality.
- (10) *Billboards at social and community centres.* These are primarily for non-professional lower level jobs, sometimes of temporary nature. These may be for babysitters, typists, waitresses etc.
- (11) *Scouting.* Some company representatives are continuously out in search for talent. Some recruiting firms have head hunters who specialise in pirating executives from one organisation to another.



- (12) *Foreign consulates.* Many multinational companies, which are starting to operate in another country, advertise in that country's consulate here to recruit native personnel who could be trained and sent to their own country. For example, a company in India which is looking for an American trained executive may advertise through the Indian Embassy, here in America, either through a bulletin board at the Embassy or through the Embassy newsletter.
- (13) *Open house.* It is relatively a new technique of recruitment, where a company has an open house and it invites the members of the community to see the company facilities in an informal and social manner. This helps create a positive image of the company for any future personnel needs.

### 3.3.5 Pros and Cons of various Recruiting Sources

Which of these sources, as discussed above, provide the best candidates? While some sources are identifiably more suitable for certain types of jobs, for example, walk-ins for hourly paid workers, other sources must be studied for their contribution as economically and technically the "best" sources. It has been found that employee referrals are perhaps the best source of employees while newspaper ads and employment agencies among the worst.

A study conducted by James A. Breaugh, focusing on research scientists, showed that on the basis of quality and dependability factors, the applicants recruited through college placement offices and newspaper ads were inferior in performance to those recruited directly or through professional journals. Accordingly, it is very important that companies study all the different sources for the purpose of optimizing the recruitment process and get the best candidates with minimum costs.

### 3.4 Selection

Selection is a process of choosing the right candidate from a pool of applicants. This process is established to achieve a good match between the job requirements and the candidate's skills and motives. A good match results in increased productivity and quality performance. A bad match is extremely costly to the company due to cost of training the candidates, the cost of mistakes made by the candidate and the cost of replacement.

McMurray has listed some comprehensive steps that can be taken in the selection process.

The first step for the management is to be thoroughly familiar with the requirements of the job as well as the qualifications and expectations of the candidate. This would include any leadership qualities or decision making authority inherent in the job. After looking at the resumes of the candidates, those candidates whose qualifications do not adequately match the requirements of the job are rejected outright. This leaves a pool of more suitable candidates.

The second step is to conduct a preliminary screening interview, before a more comprehensive interview is conducted, to have an initial assessment of the candidate's abilities and motives. This interview would generally establish a candidate's goals and aspirations and general attitudes towards the organisation

The third step is the completion of a formal application form which summarily lists a person's background, education, experience and any special abilities. The data submitted in the application form determines the suitability of the candidate, as well as predicting his chances of success at the job. The information asked for and provided should be relevant to the selection, factual, legal and not unduly sensitive or personal.

The fourth step is to check the candidate's references and seek opinion from his previous employers or instructors if he is fresh out of college. This should be done prior to the comprehensive interview so as to have a better idea about the candidate, especially in the area of those characteristics that do not show up on application forms. These characteristics include leadership qualities, ability to act assertively and decisively, ability to communicate well and attitude towards subordinates as well as superiors.

The fifth step is to give certain tests to the candidate, if necessary, to make judgements about certain specific aspects of the candidate. These tests may be classified in many ways and the type of test would depend upon the type of job required to be **filled**. For example, "intelligence tests" are given to measure the mental ability, mental capacity, and general intelligence of the candidate. The test usually includes verbal comprehension, memory, inductive reasoning, perception etc. Most of these tests are framed by psychologists. Similarly, "aptitude tests" are meant to measure an individual's capacity to learn a given job, if the candidate is given proper training. IQ tests are one kind of an aptitude test. "Performance tests" are given to evaluate the candidate's ability to do a job. A typist may be asked to type a letter, for example. Similarly, the classroom examinations at the end of the semester are kind of performance tests. "Personality tests" are used to measure fundamental aspects of a candidate's personality such as self confidence, emotional

stability and behaviour under stress. “Ink blot tests” are a kind of personality tests.

The sixth step is the in-depth interview which is conducted to evaluate the applicant’s acceptability in terms of his ability to fit into the company’s culture and his “motives” in joining the company. An interview can be structured in which well designed questions are asked that are pertinent to the job and their answers analysed, or it could be unstructured which is a free thought flowing two-way communication. In order to make the best of an interview, it is essential that both the candidate and the interviewer be fully present. Good grooming, a choice of clothing, a firm handshake, the manner of sitting and general enthusiasm will give good initial impression. It is also important for the candidate to know about the company as much as possible and be prepared to answer questions thoroughly and precisely.

The seventh step is to establish the applicant’s physical health. This can be checked from his medical records as well as a thorough physical examination conducted by the company physician. This will ensure that the candidate is physically fit and capable to exercise his responsibilities.

The final step is the process of hiring itself. In some responsible executive positions, the management may want to get socially acquainted before the final decision is made.

### 3.5 Retention

The hiring process and the training process is very costly. It requires a lot of time, effort and money during the process of selecting the right person who would be most suited to the job. It would be even more costly if the right person once hired, leaves the organisation because the work environment was not such where his potential would be most utilised and recognised. Accordingly it is necessary to create a working environment which will be conducive to maintaining the workforce and keeping them in high morale. The employees should be fairly paid for their work and a conceptual environment created in which the employees feel a sense of belonging with the company. Some of the factors involved in retention of workforce are:

- (a) *Compensation administration.* This involves a fair compensation on the basis of time spent, units produced, hazards of the job, skills required etc. In addition, it is necessary to provide fringe benefits as well as incentive programs where fringe benefits include medical and life insurance, paid vacation, profit sharing, stock options, sick leave etc., and the incentive programs include opportunities for advancement, promotion, added responsibility, recognition for contribution etc.
- (b) *Labour relations.* Good labour relations and fair union representation provide for proper channels for processing grievances as well as mutually beneficial negotiations with the management which provide for job security and job advancement.
- (c) *Health and safety.* If there are any job related health and safety hazards, then it is necessary to provide safeguards against any such occurrences or the ill-effects of any such occurrences. This is especially important in the chemical and mining industries. All mechanical operating machinery must have protective shields, where necessary. Extra compensation should be paid to night shift workers because of the inconvenience caused due to night work. All efforts should be made to make the work environment physically and mentally safe and healthy.
- (d) *Auxiliary employee services.* These include recreational facilities, food services, company newspaper, athletic facilities for the employees and their families. Other factors such as common cafeteria for workers and managers, visiting worker homes occasionally and periodic company picnics and Christmas parties etc., would help to bring the employees closer to each other, creating a family environment.

### 3.6 Training and Development

Training, generally designed for non-managers refers to technical and mechanical skills. Training is defined as “a short term process utilising a systematic and organised procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose”. The term ‘development’ refers broadly to the nature and direction of change induced in the employees as a result of educational and training programs. The ‘development’ is managerial in nature and is career focused. According to National Industrial Conference Board, “Management development is all those activities and programs which, when recognised and controlled, have a substantial influence in changing the capacity of the individual to perform his present assignment better and in so doing, are likely to increase his potential for future management assignment”. In that respect, training and development seem to be a continuous phenomenon, training emphasising manual skills at one extreme and development emphasising philosophy at the other extreme.

According to Planty, McCord and Efferson, the training:

- (1) must be a continuous process;
- (2) must be planned systematically in order to accomplish the desired results efficiently;
- (3) must be aimed at all employees of the firms;
- (4) must result in benefits both to the organisation as well as the employees.

In order for the training programs to be most effective, the following principles must form the basis for training programs:

- (a) Training is most effective when the learning experience occurs under conditions that are identical to the actual conditions that occur at the job.
- (b) Training is most effective if the superior who is training the employee is made responsible for the progress of the candidate and overall results of the training program.
- (c) Training is most effective if the learner is given helpful, friendly and personal attention and instruction. This would create self-confidence in the employee and the desire to do better.

#### 3.6.1 The Need for Training

It is important that employees be inducted into training programs to improve their job knowledge; skills and future performance. The need for proper training is emphasised by the following factors:

1. *Increased productivity.* Adequate training increases skill which improves both the quality as well as the quantity of the product due to increase in the level of performance.
2. *Improvement in employee morale.* Training improves needed skills which build up confidence and satisfaction. This, in turn, develops enthusiasm and pride which are indicative of high morale.
3. *Availability for future personnel needs of the organisation.* Good training programs develop the employees and prepare them for future managerial and executive positions. Accordingly, when the need arises for personnel changes, the internal sources can be utilised more effectively. This will ensure the organisation's ability to sustain its effectiveness despite the loss of key personnel.
4. *Improvement in health and safety.* Proper training can help prevent industrial accidents and create a safer work environment. Accidents are generally caused either by deficiencies in machines and equipment or due to deficiencies in people who are not properly trained to handle and maintain such equipment. Skilled and knowledgeable workers are less prone to accidents due to training in job skills and safety attitudes.
5. *Reduced supervision.* A trained employee supervises himself. He accepts responsibility and expects more freedom and autonomy and less supervision. This creates a spirit of participation and teamwork. Additionally, it can result in crease of span of supervision, reducing the costs associated with supervision.
6. *Personal growth.* The training programs give the participants a wider awareness, a sense of self-satisfaction and fulfillment, an enlightened philosophy and a value system that are the apex of the personal growth.
7. *Organisational stability.* Training and development programs foster the initiative and creativity of employees which increases a sense of belonging, thus preventing manpower obsolescence.

### **3.6.2 Steps in the Training Program**

An effective training program consists of the following steps:

1. *Discover the training need.* Training needs can be identified by assessing the current and future business conditions and by matching with the skills and resources available and by

evaluation of the performance of the people with specific emphasis on areas of improvements.

2. *Establish objectives of the training programs.* A full assessment must be made of the potential achievements following the training program and those that are directly attributable to these programs.
3. *Getting ready for the job.* This step would specify the type of workers who need to be trained. Are they newcomers into the organisation? Are they older employees who need to be retrained? Are they supervisory staff who needs to be trained in the art of behaviour modification? As much as possible, the training programs should be custom-designed to fit individual needs.
4. *Presentation of operations.* This step involves the selection of qualified trainees and the identification of training methods. The trainer should build a rapport with the learner and clearly guide him into learning and digesting new knowledge and techniques. Instructions should be given completely, clearly and patiently and a free flow of communication and participation should be encouraged.
5. *Evaluating the effectiveness of the training program and follow up.* The effectiveness of the program can be appraised by written and oral tests, by observing the trainees when put on jobs independently and comparing the results after the training program were initiated. This should continue until the performance of the worker is up to the expectation of the trainee and then the trainer can be put on his own with reduced supervision.

### 3.6.3 Training Methods

There are basically two ways by which non-managerial workers including those in supervisory roles can be trained for a particular job. These are:

1. *On-the-job training.* This method is the most widely used method and it simply means putting the worker on the job under close supervision of a trained instructor. In support, there may be a variety of training aids, techniques, such as procedure charts, lecture manuals, sample problems, demonstrations etc. This training continues until the supervisor is satisfied that the employee can perform the job without supervision.

In order to train employees in a variety of jobs, some trainers will move employees from job to job. This process is known as job rotation. It helps the organisation to have a pool of multi-job trained workers in case of absences, vacations or resignations of some workers.

2. *Off-the-job training (vestibule training)*. This training is conducted in a company classroom with on-the-job situation to work with. Some companies prefer this technique, since it does not disrupt the normal operations. Training is generally given in the form of lectures, discussions, case studies and demonstrations.

#### **4.0 CONCLUSION**

Staffing function of management is a very significant one, especially in the light of continuous and dynamic developments in the field of technology, increase in the size of organisations due to expansion, acquisitions, and mergers and due to changes in the social structure which makes the group behaviour of the workers more complicated. In any organisation whether small or big management must under take staffing functions of recruitment, selection, training, and retention.

#### **5.0 SUMMARY**

In this unit, you have been taken through the process of staffing in an organisation. We have discussed recruitment, selection, placement, training and retention. Learners could do more research in order to properly get the gist of this topic.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Should staffing be considered as the most important function of management, since the other factors are automatically taken care of, if we hire the right people? Explain.
2. What are some of the considerations which are continually impacting the personnel policies and decision?

#### **7.0 REFERENCES/FURTHER READING**



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## UNIT 5 RECRUITMENT AND SELECTION

## CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Recruitment
    - 3.1.1 Definitions
    - 3.1.2 Subsystems of Recruitment
    - 3.1.3 Complexity of the Functions of Recruitment
    - 3.1.4 Recruitment Policy
  - 3.2 Impact of Personnel Policies on Recruitment
  - 3.3 Centralised versus Decentralised Recruitment
    - 3.3.1 Merits of Centralised Recruitment
  - 3.4 Sources of Recruitment
    - 3.4.1 Internal Sources
    - 3.4.2 Why Organisations prefer internal source?
    - 3.4.3 External Sources
  - 3.5 Recruitment Techniques
  - 3.6 Types of Recruitment Appeal
  - 3.7 Recruitment Practices
  - 3.8 Selection
    - 3.8.1 Meaning and Definition
    - 3.8.2 Essentials of Selection Procedure
  - 3.9 Organisational Relationships
  - 3.10 Using Selection Agencies/Consultants
  - 3.11 Factors Affecting Selection Decisions
  - 3.12 Need for Scientific Selection Systems
    - 3.12.1 Selection Procedure
    - 3.12.2 Steps in Scientific Selection Process
  - 3.13 Placement
  - 3.14 Induction
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

## 1.0 INTRODUCTION

### **Recruitment is Distinct from Employment and Selection:**

Once the required number and kind of human resources are determined, the management has to find the places where required human resources are/will be available and also find the means of attracting them towards the organisation before selecting suitable candidates for jobs. All this process is generally known as recruitment. Some people use the term 'recruitment' for employment. These two are not one and the same.

Recruitment is only one of the steps in the entire employment process. Some others used the term recruitment for selection. These two terms are not one and the same either. Technically speaking, the function of recruitment precedes the selection function and it includes only finding, developing the sources of prospective employees and attracting them to apply for job in an organisation, whereas the selection is the process of finding out the most suitable candidate to the job out of the candidates attracted (i.e., recruited). Formal definition of recruitment would give clear cut idea about the function of recruitment.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define the terms recruitment and selection, list the subsystems of recruitment, describe the complexity of the functions of recruitment and state what is meant by recruitment policy;
- discuss impact of Personnel Policies on Recruitment and differentiate between centralised and decentralised recruitment;
- highlight the main sources of recruitment and state reasons why different people or organisations prefer different sources;
- list and explain recruitment techniques, types of recruitment appeal, recruitment practices;
- define the term selection and state the essentials of selection procedure;
- discuss organisational relationships and factors that promotes the use of selection agencies/consultant as well as factors affecting selection decisions;
- the justification for scientific selection systems, the procedure and steps in selection process;
- define and discuss the terms placement and induction.

## **SELF ASSESSMENT EXERCISE 1**

What is recruitment? What is the most important source of recruitment for sons of the soil? Which of the sources is most appropriate in Nigeria?

## **3.0 MAIN CONTENT**

### 3.1 Definition of Recruitment

Recruiting refers to those sets of activities an organisation uses to attract job candidates possessing the appropriate characteristics to help the organisation reach its objectives (Glueck, 1978). According to Byars and Rues (1984), recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen. The basic purpose is to develop a group of potentially qualified people. These definitions can be analysed by discussing the processes of recruitment through systems approach:

#### 3.1.1 Subsystems of Recruitment

There are four subsystems in recruitment which can be divided into further subsystems as shown in the figure below.

- (a) Finding out and developing the sources where the required number and kind of employees are/will be available.
- (b) Developing suitable techniques to attract the desirable candidates.
- (c) Employing the techniques to attract candidates, and
- (d) Stimulating as many candidates as possible and making them to apply for jobs irrespective of number of candidates in order to increase selection ratio (i.e., number of applications per one job vacancy) in order to select the most suitable candidates out of the total candidates available and due to lower yield ratio. Recruitment is positive as it aims at increasing the number of applicants and selection is somewhat negative as it selects the suitable candidates in which process; the unsuitable candidates are automatically eliminated. Though, the function of recruitment seems to be easy, a number of factors make performance of recruitment a complex one.

#### 3.1.2 Complexity of the Function of Recruitment

Performing the function of recruitment, i.e., increasing the selection ratio is not as easy as it seems to be. This is because of the hurdles created by the internal factors and external factors which influence an organisation. The first activity of recruitment i.e., searching for prospective employees is affected by many factors like:

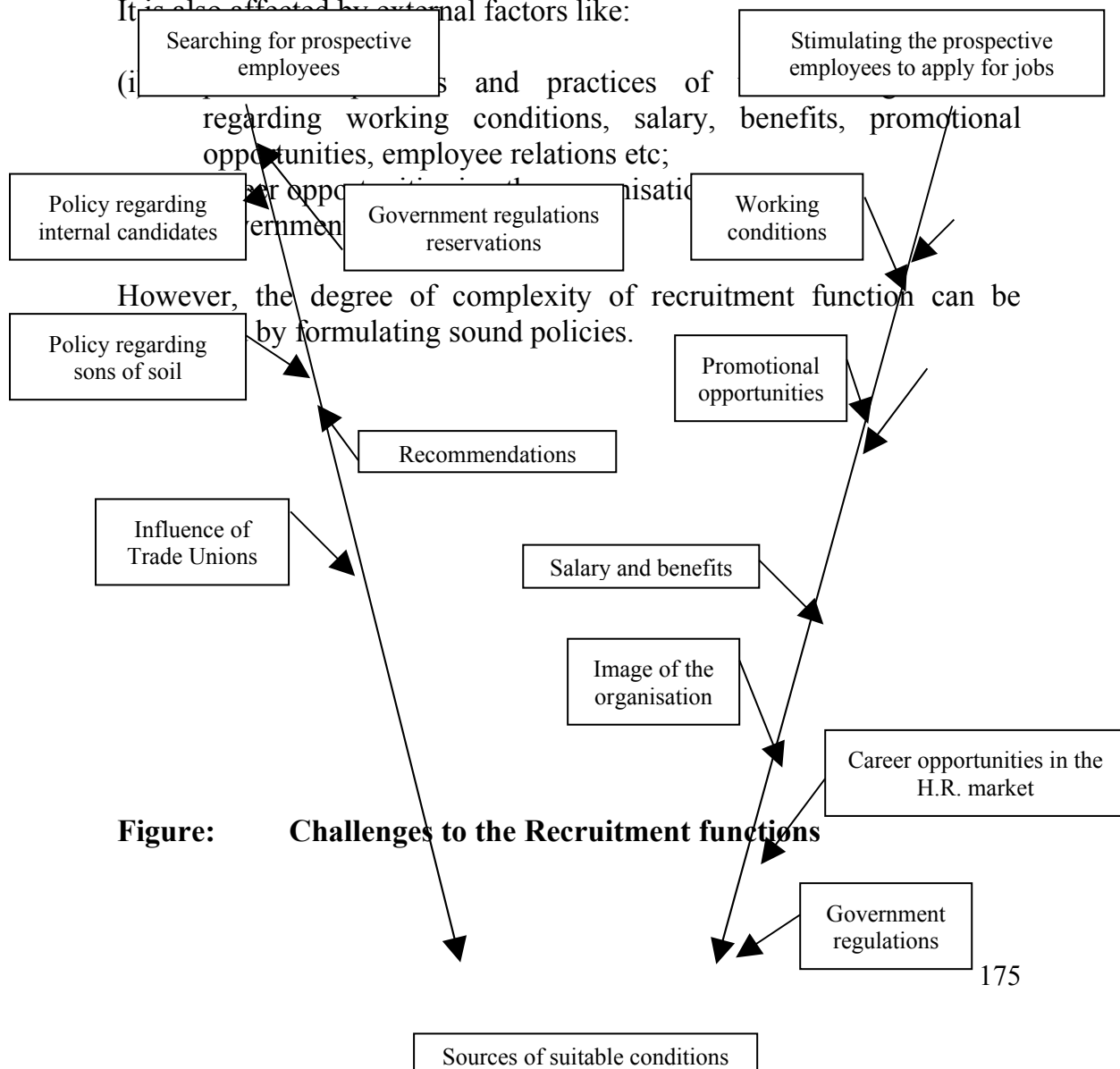
- (i) organisational policy regarding filling up of certain percentage of vacancies by internal candidates;

- (ii) local candidates (sons of soil);
- (iii) influence of trade unions;
- (iv) government regulations regarding reservations of certain number of vacancies to candidates based on community/region/caste/sex; and
- (v) influence or recommendations, nepotism etc.

As such, the management is not free to find out or develop the sources of desirable candidates and alternatively it has to divert its energies for developing the sources within the limits of those factors though it cannot find suitable candidates for the jobs as shown in the above figure. The other activity of recruitment is consequently affected by the internal factors such as:

- (i) working conditions;
- (ii) promotional opportunities;
- (iii) salary levels, type and extent of benefits;
- (iv) other personnel policies and practices;
- (v) image of the organisations; and
- (vi) ability and skill of the management to stimulate the candidates.

It is also affected by external factors like:



**Figure: Challenges to the Recruitment functions**

Ability and skill to  
stimulate

Personal policies and  
practices in completing  
organisations

## SELF ASSESSMENT EXERCISE 2

Suggest an ideal induction procedure for sales executives in an Electronic Organisation.

### 3.1.3 Recruitment Policy

Recruitment policy of any organisation is derived from the personnel policy of the same organisation. In other words, the former is a part of the latter. However, recruitment policy by itself should take into consideration the government's reservation policy, policy regarding sons of the soil etc. personnel policies of other organisations regarding merit, internal sources, social responsibility in absorbing minority sections, women etc. Recruitment policy should commit itself to the organisation's personnel like enriching the organisation's human

resources or serving the community by absorbing the worker sections and disadvantaged people of the society, motivating the employees through internal promotions, improving the employee loyalty to the organisation by absorbing the retrenched or laid off employees or casual / temporary employees or dependants of present/former employees etc.

The following factors should be taken into consideration in formulating recruitment policy. They are:

- (a) government policies;
- (b) personnel policies of other competing organisations;
- (c) organisation's personnel policies;
- (d) recruitment sources;
- (e) recruitment needs;
- (f) recruitment cost;
- (g) selection criteria and preference etc.

### **3.2 Impact of Personnel Policies on Recruitment**

Recruitment policies are mostly drawn from personnel policies of the organisation. According to Dale Yadar and Paul D. Standohar (1984), general personnel policies provide a variety of guidelines to be spelt out in the recruitment policy. Important among them are:

- (a) abiding by the public policy and relevant law on selection;
- (b) providing the employees the security and continuous employment;
- (c) integrating the organisational needs and individual needs;
- (d) providing the freedom and opportunity to employees to utilise their talents, skill and knowledge to the maximum extent;
- (e) treating all the employees fairly and equally in all employment relationships including salary, benefits, promotions and transfers;
- (f) protecting women and minority candidates;
- (g) providing suitable jobs which can be handled easily by physically-handicapped and to those employees who are partially disabled due to accidents during the course of duty and to those who cannot do their present jobs due to health reasons.

After formulation of the recruitment policies, the management has to decide whether to centralise or decentralise the recruitment function.

### **3.3 Centralised versus Decentralised Recruitment**

Recruitment practices vary from one organisation to another. Some organisations like commercial banks resort to centralised recruitment, while some organisations like the Indian Railways (for Group III and Group IV positions) resort to decentralised recruitment practices. Personnel department at the central office performs all the functions of recruitment in case of centralised recruitment and personnel departments at unit level (zonal level performs all the functions of recruitment concerning the jobs of the respective unit or zone).

### **3.3.1 Merits of Centralised Recruitment**

1. Average cost of recruitment per candidate/unit should be relatively less due to economies of scale.
2. It would have more expertise available to it.
3. It can ensure broad uniformity among human resources of various units/zones in respect of education, skill, knowledge, talent, etc.
4. It would generally be above malpractices, abuse of powers, favouritism, bias etc.
5. It would facilitate interchangeability of staff among various units/zones.
6. It enables the line managers of various units and zones to concentrate on their operational activities by relieving them from the recruitment functions.
7. It enables the organisation to have centralised selection procedure, promotional and transfer procedure etc.
8. It ensures the most effective and suitable placement to candidates.
9. It enables centralised training programmes which further brings uniformity and minimises average cost of staff.

Despite these advantages of centralised recruitment, some organisations resort to decentralised recruitment for the following reasons:

### **3.3.2 Merits of Decentralised Recruitment**



1. The unit concerned concentrates only on those sources/places where it normally gets the suitable candidates. As such, the cost of recruitment would be relatively less.
2. The unit gets most suitable candidates as it is well aware of the requirements of the jobs regarding cultural, traditional, family background aspects, local factors, social factors etc.
3. Units can recruit candidates, as and when they are required, without any delay.
4. The units would enjoy freedom in finding out, developing the sources, in selecting and employing the techniques to stimulate the candidates.
5. The unit would relatively enjoy advantage about the availability of information, control and feedback and various functions/processes of recruitment.
6. The unit would enjoy better familiarity and control over the employees it recruits rather than on employees selected by the central recruitment agency.

Both systems of recruitment have their own merits and demerits. Hence, the management has to weigh both the merits and demerits of each system before making a final decision about centralizing or decentralizing the recruitment. Alternatively, management may decentralise the recruitment of certain categories of employees, preferably middle and top level managerial personnel and centralise the recruitment of other categories of employees, preferably lower level positions, in view of the nature of the jobs and suitability of those systems for those categories of positions. The management has to find out and develop the sources of recruitment after deciding upon centralizing or decentralizing the recruitment function.

### **3.4 Sources of Recruitment**

Sources are distinct from techniques. Where are suitable candidates available in required number? How can they be informed about the availability of jobs and about the jobs and organisation? Now we deal with the first question as the answer to it deals with the sources of recruitment and answer to the second question deals with the techniques of stimulating the prospective candidates (or techniques of recruitment). Generally, the learners of human resource management may feel that sources and techniques of recruitment are one and the same. But they are different. Sources are those where prospective employees are

available like employment exchanges, while techniques are those which stimulate the prospective employees to apply for jobs like nomination by employees, advertising, promotion etc.

Now we propose to discuss about the sources of recruitment. When a person is needed to fill a vacant organisational position, this individual may come from inside or outside the company. Some companies prefer to recruit from within, since this aids employee morale, loyalty and motivation. Other companies prefer to recruit externally to prevent inbreeding and to encourage new ways of thinking. Although recruitment policies vary significantly from company to company, some authorities feel it is a good practice to promote from within whenever anyone in the company has the requisite qualifications needed to fill a vacancy (Menk, 1979).

### 3.4.1 Internal Sources

Internal sources include:

- (a) present permanent employees;
  - (b) present temporary/casual employees;
  - (c) retrenched or retired employees;
  - (d) dependents of deceased, disabled, retired and present employees.
- (a) ***Present permanent employees.*** Organisations consider the candidates from this source for higher level jobs due to:
- (i) availability of most suitable candidates for jobs relatively or equally to the external source;
  - (i) to meet the trade union demands;
  - (ii) to the policy of the organisation to motivate the present employees.
- (b) ***Present temporary or casual employees.*** Organisations find this source to fill vacancies relatively at the lower level owing to the availability of suitable candidates or trade union pressures or in order to motivate them on the present job.
- (c) ***Retrenched or retired employees.*** Generally, a particular organisation retrenches the employees due to lay off. The organisation takes the candidates for employment from the retrenched employees due to obligation, trade union pressure and the like. Sometimes the organisations prefer to re-employ their retired employees as a token of their loyalty to the organisation or to postpone some interpersonal conflicts for promotion etc.

- (d) ***Dependent or deceased, disabled, retired and present employees.***  
Some organisations, in an attempt to show their loyalty, provide employment to the dependant(s) of deceased, disabled and present employees. Such organisations find this source as an effective source of recruitment.

### **3.4.2 Why Organisations prefer internal source?**

Organisations prefer this source to external source, to some extent, for the following reasons:

- (i) Internal recruitment can be used as a technique of motivation;
- (ii) Morale of the employees can be improved;
- (iii) Suitability of the internal candidates can be judged better than the external candidates as “known devils are better than unknown angels”;
- (iv) Loyalty, commitment, a sense of belongingness, and security of the present employees can be enhanced;
- (v) Employees’ psychological needs can be met by providing an opportunity for advancement;
- (vi) Employees economic needs for promotion, higher income can be satisfied;
- (vii) Cost of selection can be minimised;
- (viii) Cost of training, induction, orientation, period of adaptability to the organisation can be minimised;
- (ix) Trade unions can be satisfied;
- (x) Social responsibility towards employees may be discharged;
- (xi) Stability of employment can be ensured;

But organisations do not excessively rely on internal source as too much consumption of even sugar tastes bitter. The excessive dependence on this source results in in-breeding, discourages flow of new blood into the organisation; organisation would become dull and back number without innovations, new ideas, excellence and expertise.

### **3.4.3 External Sources**

Organisations have at their disposal a wide range of external sources for recruiting personnel. External recruiting is often needed in organisations that are growing rapidly, or that have a large demand for technical, skilled, or managerial employees. External sources provide a larger pool of talent, and they prove to be cheaper, especially when dealing with technical or skilled personnel who need not be offered any training in the organisation, in the long run.

Organisations usually try to dig up external sources of recruitment for the following reasons:

- (i) The suitable candidates with skill, knowledge, talent, etc., are generally available;
- (ii) Candidates can be selected without any pre-conceived notion or reservations;
- (iii) Cost of employees can be minimised because employees selected from this source are generally placed in minimum pay scale;
- (iii) Expertise, excellence and experience in other organisations can be easily brought into the organisation;
- (iv) Human resources mix can be balanced with different background, experience, skill etc;
- (v) Latest knowledge, skill, innovations or creative talent can also be flowed into the organisation;
- (vi) Existing knowledge, skill and experience will also broadens their personality;
- (vii) Long-run benefit to the organisation in the sense that qualitative human resources can be brought.

External sources include:

- (a) Educational and Training Institutes;
- (b) Private Employment Agencies/Consultants;
- (c) Public Employment Exchanges;
- (d) Professional Associations;
- (e) Data Banks;
- (f) Casual Applicants;
- (g) Similar Organisations;
- (h) Trade Unions.

- (a) ***Educational and Training Institutes.*** Different types of organisations like industries, business firms, service organisations, social or religious organisations can get experienced candidates of different types from various educational institutions like Colleges and Universities imparting education in Science, Commerce, Arts, Engineering and Technology, Agriculture, Medicine, Management Studies etc., and trained candidates in different disciplines like vocational, engineering, medicine from the training institutes like Vocational Training Institutes of State Governments in various trades, National Industrial Training Institute for Engineers, etc. Most of the Universities and Institutes imparting technical education in various disciplines like engineering, technology, management studies provide facilities for campus recruitment and selection. They maintain the bio-data and performance required of the

candidates. Organisations seeking to recruit candidates from this source can directly contact the institutes either in person or by post and stimulate the candidates to apply for jobs. Most of the organisations using this source perform the function of selection after completing recruitment in the campus of the Institute itself with a view to minimizing time lapse and to securing the cream before it is attracted by some other organisations.

- (b) **Private Employment Agencies/Consultants.** Public employment agencies or consultants like ABC Consultants in India perform the recruitment functions on behalf of a client company by charging fee. Line managers are relieved from recruitment functions so that they can concentrate on their operational activities and recruitment function is entrusted to a private agency or consultants. But due to limitations of high cost, ineffectiveness in performance, confidential nature of this function, managements sometimes do not depend on this source. However, these agencies function effectively in the recruitment of executives. Hence, they are also called executive search agencies. Most of the organisations depend on this source for highly specialised positions and executive positions.
- (c) **Public Employment Exchanges.** The Government set up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organisations in finding out suitable candidates. The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 makes it obligatory for public-sector and private-sector enterprise in India to fill certain types of vacancies through public employment exchanges. These industries have to depend on public employment exchanges for the specified vacancies.
- (d) **Professional organisations.** Professional organisations or associations maintain complete bio-data of their members and provide the same to various organisations on requisition. They also act as an exchange between their members and recruiting firms in exchanging information, clarifying doubts etc. Organisations find this source more useful to recruit the experienced and professional employees like executives, managers and engineers.
- (e) **Data banks.** The management can collect the bio-data of the candidates from different sources like Employment Exchange, Educational Training Institutes, candidates etc. and feed them in the computer. It will become another source and the company can get the particulars as and when it needs to recruit.

- (f) **Casual applicants.** Depending upon the image of the organisation, its prompt response, participation of the organisation in the local activities, level of unemployment, candidates apply casually for jobs through mail or hand over of the applications in Personnel Department. This would be a suitable source for temporary and lower level jobs.
- (g) **Similar organisations.** Generally, experienced candidates are available in organisations producing similar products or are engaged in similar business. The management can get most suitable candidates from this source. This would be the most effective source for executive positions and for newly established organisation or diversified or expanded organisations.
- (h) **Trade unions.** Generally, unemployed or under-employed persons or employees seeking change in employment put a word to the trade union leaders with a view to getting suitable employment due to the latter's intimacy with management. As such, the trade union leaders are aware of the availability of candidates. In view of this fact and in order to satisfy the trade union leaders, management enquires trade unions for suitable candidates.

It is not necessary, however, to tap all these sources in order to recruit people. Usually, management decides about the sources to be exploited well in advance depending on the nature of the vacancy to be filled in, the time required to fill the vacancy, the availability of a larger pool of candidates etc. Immediately after this, management has to decide about the techniques to be followed while recruiting candidates for various organisational positions.

### 3.5 Recruitment Techniques

Recruitment techniques are the means or media by which management contacts prospective employees or provides necessary information or exchanges ideas or stimulates them to apply for jobs. Management uses different types of techniques to stimulate internal and external candidates. Techniques useful to stimulate internal candidates are:

- (1) **Promotion.** Most of the internal candidates would be stimulated to take up higher responsibilities and express their willingness to be engaged in the higher level jobs, if management gives them the assurance that they will be promoted to the next higher level.

- (2) **Transfers.** Employees will be stimulated to work in the new sections or places, if management wishes to transfer them to the places of their choice.
- (3) **Recommendations of the present employees.** Management can contact, persuade the outsiders to apply for job in the organisation through the recommendations to the candidates by the present employees, trade union leaders etc.
- (4) **Scouting.** Scouting means sending the representation of the organisations to various sources of recruitment with a view to persuading or stimulating the candidates to apply for jobs. The representatives provide information about the company and exchange information and ideas and clarify the doubts of the candidates.
- (5) **Advertising.** Advertising is a widely accepted technique of recruitment, though it mostly provides one way communication. It provides the candidates in different sources, the information about the job and company and stimulates them to apply for jobs. It includes advertising through different media like newspapers, magazines of all kinds, radio, television etc.

The technique of advertising should aim at (a) attracting attention of the prospective candidates, (b) creating and maintaining interest, (c) stimulating action by the candidates.

Management, in order to achieve these objectives of advertising, has to:

- (i) analyse job requirements;
- (ii) decide who does what;
- (iii) write the copy;
- (iv) design the advertisement;
- (v) plan and select the media, and
- (vi) evaluation response.

The management, after selecting the recruitment techniques, has to decide upon the type of appeal in order to make the recruitment efforts effective.

### SELF ASSESSMENT EXERCISE 3

Explain the importance and types of recruitment appeal.

#### 3.6 Types of Recruitment Appeal

The recruiter should know what his organisation can offer and what the potential candidate wants (Milton, 1970). Different candidates like young, old, women, men – have different needs. An appeal's effectiveness depends upon applicant's fundamental and immediate needs and those needs which are not met by his present job. Recruiters should have the talents of an advertising expert, the skills of a salesman and a market research specialist. They should also know that an organisation's appeal may be effective in hiring employees but not in retaining them. They should use those features in recruiting the candidates that are desired by the prospective candidates. Research studies show that male workers desire security, opportunity for advancement, self-determination, freedom in the job etc. whereas women employees desire personal relations with people at work, good supervision, pleasant working conditions etc.

### **SELF ASSESSMENT EXERCISE 3**

Do you think that recruitment practices in India differ from those of theoretical concepts? If yes, explain the context and reasons for such differences.

### **3.7 Recruitment Practices**

Findings of the various surveys conducted in foreign countries reveal that various organisations use the following sources of recruitment in the order of the relative practice – employee referrals, casual applicants, advertising, local educational institutions, public employment exchanges, private employment agencies and unions.

Industries in India depend on the following sources:

1. Internal sources;
2. Badli lists or a central pool of candidates from which vacancies are filled;
3. Public employment exchanges;
4. Casual labourers;
5. Labour contractors;
6. Candidates introduced by friends and relatives;
7. Private employment agencies/consultants;
8. Campus recruitment like Indian Institutes of Management, Indian Institutes of Technology, Indian Institute of Science, National Institute for Training Industrial Engineers.
9. Sons of the soil. Recently there has been a move in India that the vacancies at the lower level should be filled by local people (sons of soil). Some organisations, including public sector organisations, have started providing jobs to sons of soil on priority basis. The National Committee on Labour, in this



connection, recommended for providing employment to the local persons. Further, the Government of India issued directives to the public sector enterprises to recruit local candidates on priority basis.

10. Specified communities and categories. According to the Government directive, the organisations, particularly public sector have to recruit candidates to the specified extent from the scheduled castes, scheduled tribes, backward communities and from specified classes like physically handicapped, ex-servicemen and the like.

### **3.8 Selection**

After identifying the sources of manpower, searching for prospective employees and stimulating them to apply for jobs in an organization, the management has to perform the function of selecting the right employees at the right time. The obvious guiding policy in selection is the intention to choose the best qualified and suitable candidate for each unfilled spot and to avoid commitments to those who will not work well (Yoda and Standohar, 1984).

#### **3.8.1 Meaning and Definition**

The objective of the selection decision is to choose the individual who can most successfully perform the job from the pool of qualified candidates. The selection procedure is the system of functions and devices adopted in a given company to ascertain whether the candidates' specifications are matched with the jobs specifications and requirements or not. The selection procedure cannot be effective until and unless:

1. requirements of the job to be filled, have been clearly specified (job analysis, etc.);
2. employee specifications (physical, mental, social, behavioural, etc.) have been clearly specified;
3. candidates for screening have been attracted.

Thus the development of job analyses, human resource planning and recruitment are necessary prerequisites to the selection process. A breakdown in any of these processes can make even the best selection system ineffective.

#### **3.8.2 Essentials of Selection Procedure**

The selection process can be successful if the following preliminaries are satisfied:

1. Someone should have the authority to select. This authority comes from the employment requisition, as developed by an analysis of the workload and workforce.
2. There must be some standard of personnel with which a prospective employee may be compared, i.e., there should be available before hand, a comprehensive job description and job specification as developed by a job analysis.
3. There must be a sufficient number of applicants from whom the required number of employees may be selected.

### **3.8.3 Significance of Selection Process**

Selection of personnel to man the organisation is a crucial, complex and continuing function. The ability of an organisation to attain its goals effectively and to develop in a dynamic environment largely depends upon the effectiveness of its selection programme. If right people are selected, the remaining functions of personnel management become easier; the employee contribution and commitment will be at optimum level and employee-employer relations will be constructive, cooperative and congenial. In an opposite situation, where the right person is not selected, the remaining functions of personnel management, employee-employer relations will not be effective. If the right person is selected, he is a valuable asset to the organisation and if faulty selection is made, the employee will become a liability to the organisation.

### **3.9 Organisational Relationships**

Before designing a selection procedure, the manner in which tasks and responsibilities for accepting or rejecting candidates should be shared by line and staff executives, must be laid down. The personnel department should eliminate all unsuccessful candidates, so that the time of the line executives need not be spent on such people. Secondly, candidates who can meet job requirements should be made available promptly. Line executive is ultimately vested with the authority either to accept or to reject a candidate. However, the personnel officer has a duty to see that the right types of personnel are selected and placement done wisely. If he is not satisfied in this regard, he should give his views to the superior and should avoid involving himself in argument with departmental head on methods of selection.

### **3.10 Using Selection Agencies/Consultants**

Some private agencies/consultants in India perform the function of recruitment and selection so as to enable the organisations to concentrate on their main functions. They advertise, conduct tests and interview and provide a shortlist. Some companies have started using the services of these agencies as they provide expertise and reduce workload. The organisation has to take these following factors into consideration in selecting an agency or a consultant:

1. reputation, effectiveness, sincerity and punctuality of the organisation;
2. advertisement copy, design, media of various agencies;
3. amount of fee, payment period and mode;
4. objectivity, fair and justice in selection;
5. selection techniques to be adopted, particularly psychological tests, interview methods etc.
6. competence of the human resources of the agency/consulting firm.

The company has to do the following in case of using an agency or a consultant:

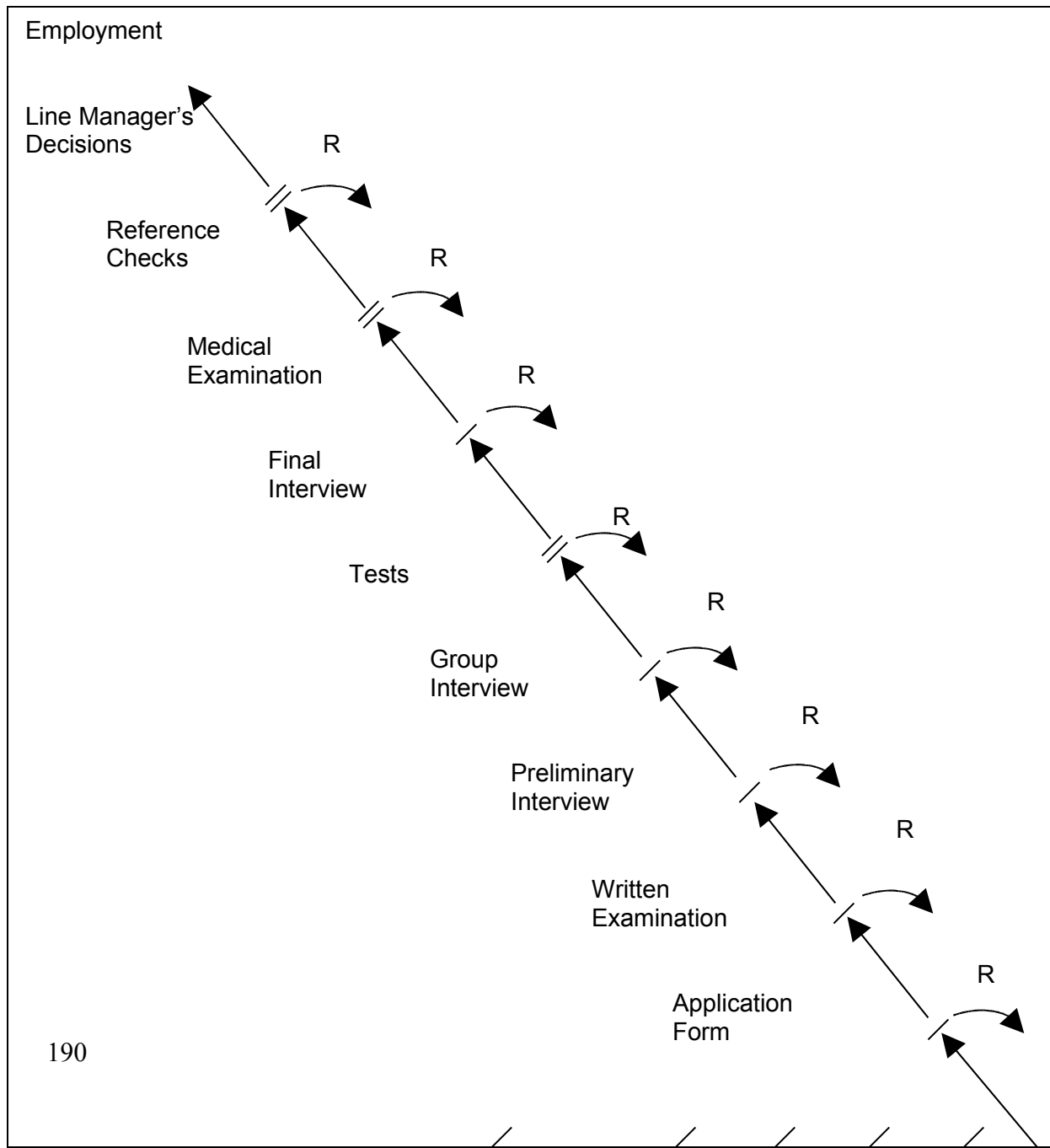
1. briefing the agency about the requirements, terms and conditions of employment;
2. providing job and employee specifications and helping the consultant in modifying them;
3. checking and reviewing the draft of the advertisement;
4. ensuring that all arrangements are made for conducting test and interview.

### 3.11 Factors Affecting Selection Decisions

The goal of selection is to sort out or eliminate those judged unqualified to meet the job and organisational requirements, whereas the goal of recruitment is to create a large pool of persons available and willing to work. Thus it is said that recruitment tends to be positive, while selection tends to be somewhat negative. A number of factors affect the selection decision of candidates. The important among them are:

1. **Profile matching.** Tentative decision regarding the selection of the candidates (who are known) is taken in advance. The scores secured by these known candidates in various tests are taken as a standard to decide the success or failure of other candidates at each stage. Normally the decision about the known candidates is selected at interview stage. Possible care is also taken to match the candidate's bio-data with the job specifications.

2. **Organisational and social environment.** Some candidates, who are eminently suitable for the job, may fail as successful employees due to varying organisational and social environment. Hence candidates' specifications must match with not only job specifications but also with organisational and social environmental requirements.
3. **Successive hurdles.** Multiple correlations are based on the assumption that a deficiency in one factor can be counter-balanced by an excess amount of another. A candidate is routed through all the selection steps before a decision is made. The composite test score index is taken into account in the selection tests. Hence for broader line cases, multiple correlation method is useful and for others, successive hurdles method is useful.



(R = Rejection)

**Figure: Successive Hurdles in Selection Process**

### **3.12 Need for Scientific Selection Systems**

Every organisation has to follow a systematic selection procedure, since problems with the employee start after his selection and employment. In other words, if an organisation selects a wrong person, it has to face a number of problems with him. In addition to the cost of selection, training and other areas will become a recurring expenditure to the company owing to employee turnover caused due to improper selection technique. Every organisation is influenced by the social factors as it is part and parcel of the society. Hence it has to do justice to all sections of the people in providing employment opportunities. To that extent,

organisations should have an objective system of selection that should be impartial and provide equal opportunity. Above all, the organisation should also follow the Government rules and regulations regarding filling up of certain number of vacancies by the candidates belonging to certain communities and certain regions.

### 3.12.1 Selection Procedure

There is no standard selection process that can be followed by all the companies in all the areas. Companies may follow different selection techniques or methods depending upon the size of the company, nature of the business, kind and number of persons to be employed, government regulations to be followed etc. Thus, each company may follow any one or the possible combinations of methods of selection in the order convenient or suitable to it. Following are the selection methods generally followed by the companies:

Selection procedure employs several methods of collecting information about the candidate's qualifications, experience, physical and mental ability, nature and behaviour, knowledge, aptitude and the like for judging whether a given applicant is or is not suitable for the job. Therefore, the selection procedure is not a single act but is essentially a series of methods or stages by which different types of information can be secured through various selection techniques. At each step, facts may come to light which are useful for comparison with the job requirement and employee specifications.

### 3.12.2 Steps in Scientific Selection Process

The steps are as follows:

1. **Job analysis.** Job analysis is the basis for selecting the right candidate. Every organisation should finalise the job analysis, job description, job specification and employee specifications before proceeding to the next step of selection.
2. **Recruitment.** Recruitment refers to the process of searching for prospective employees and stimulating them to apply for jobs in an organisation. Recruitment is the basis for the remaining techniques of the selection and the latter varies depending upon the former.
3. **Application form.** Application form is also known as application blank. The technique of application blank is traditional and widely accepted for securing information from the prospective candidates. It can also be used as a device to screen the

candidates at the preliminary level. many companies formulate their own style of application form depending upon the requirement of information based on the size of the company, nature of business activities, type and level of the job etc. They also formulate different application forms for different jobs, at different levels, so as to solicit the required information for each job. But a few companies in our country do not have prescribed application forms. But they ask the prospective applicant to apply on white paper giving particulars about his name, date of birth, mailing address, educational qualifications, experience etc. Applications of some of the organisations are brief, general and easily securable while those of others are quite elaborate, complex to answer and require detailed information about the applicant. Some firms ask the candidates to fill up the application forms in their own handwriting so as to draw tentative inferences about their suitability for employment. This is so particularly for the clerical positions.

4. **Written examination.** The organisations have to conduct written examination for the qualified candidates after they are screened on the basis of the application blanks so as to measure the candidate's ability in arithmetical calculations, to know the candidates' aptitude towards the job, to measure the candidates' aptitude, reasoning, knowledge in various disciplines, general knowledge and English language.
5. **Preliminary interview.** The preliminary interview is to solicit necessary information from the prospective applicants to assess the applicant's suitability to the job. This may be conducted by an assistant in the personnel department. The information thus provided by the candidate may be related to the job or personal specifications regarding education, experience, salary expected, aptitude towards the job, age, physical appearance and other physical requirements etc. If the information supplied by the candidate is below/above the requirements of the job, the candidate may be eliminated depending upon the availability of number of suitable candidates. Thus, preliminary interview is useful as a process of eliminating the undesirable and unsuitable candidates. If a candidate satisfies the job requirements regarding most of the areas, he may be selected for further process.

Preliminary interviews are short and known as stand-up interviews or sizing-up of the applicants or screening interviews. However, certain required amount of care is to be taken to ensure that the desirable

workers are not eliminated. This interview is also useful to provide the basic information about the company to the candidate.

6. **Group discussion.** The technique of group discussion is used in order to secure further information regarding the suitability of the candidate for the job. Group discussion is a method where groups of the successful applicants are brought around a conference table and are asked to discuss either a case study or a subject matter. The candidates in the group are required to analyse, discuss, find alternative solutions and select the sound solution. A selection panel thus observe the candidates in the areas of initiating the discussion, explaining the problem, soliciting unrevealing information based on the given information and using common sense, keenly observing the discussion of others, clarifying controversial issues, influencing others, speaking effectively, concealing and mediating arguments among the participants and summarizing or concluding aptly. The selection panel, basing on its observation, judges the candidates' skill and ability and ranks them according to their merit. In some cases, the selection panel may also ask the candidates to write the summary of the group discussion in order to know the candidates' writing ability as well.
7. **Tests.** The next stage in the selection process is conducting different tests as given below. The objective of tests is to solicit further information to assess the employee suitability to the job. The important tests are:
  - (i) *Intelligence test.* This test measures various factors like capacity for comprehension and reasoning, word-fluency, verbal comprehension, numbers, memory, space, picture arrangements etc.
  - (ii) *Aptitude test.* This test measure whether an individual has the capacity to learn a given job if he is given adequate training. Examples of specific aptitudes are mechanical, clerical, academic etc.
  - (iii) *Achievement test.* Aptitude is a capacity to learn in future, while achievement is what one has accomplished. When applicant's claim to know something on achievement test is administered to measure how well he knows it.
  - (iv) *Interest test and personality test.* The purpose of these tests is to find out the types of work in which a candidate is interest (likes and dislikes) personality tests are similar to interest tests, in that,



they involve a serious problem of obtaining honest answers. These tests probe deeply to discover clues to an individual's value system, his emotional reactions and maturity and characteristic mood. They are expressed in such traits as self-confidence, tact, emotional control, optimism, decisiveness, conformity, objectivity, patience, fear, distrust, initiative, judgement, dominance, impulsiveness, sympathy, integrity and stability.

- (v) *Judgement test.* These tests seek to evaluate the applicant's ability to apply knowledge judiciously in solving a problem.
  - (vi) *Projective test.* This test measures a candidate's ability to project his personality into free responses about ambiguous pictures shown to him. Administration of this test requires great skill.
8. **Final interview.** Final interview is usually followed by testing. This is the most essential step in the process of selection. In this step, the interviewer matches the information obtained about the candidate through various means to the job requirements and to the information obtained through his own observation during interview.

*Types of interviews.* The types of interviews are:

- (i) Informal interview;
  - (ii) Formal interview;
  - (iii) Planned interview;
  - (iv) Patterned interview;
  - (v) Non-directive interview;
  - (vi) Depth interview;
  - (vii) Stress interview;
  - (viii) Group interview; and
  - (ix) Panel interview.
9. **Medical examination.** Certain jobs require certain physical qualities like clear vision, perfect hearing, unusual stamina, tolerance of hard working conditions, clear tone, etc. Medical examination reveals whether or not a candidate possesses these qualities.
10. **Reference checks.** After completion of the final interview and medical examination, the personnel department will engage in checking references. Candidates are required to give the names of reference in their application forms. These references may be

from the individuals who are familiar with the candidate's academic achievement or from the applicant's previous employer, who is well versed with the applicant's job performance, and sometimes from co-workers. In case the reference check is from the previous employer, information for the following areas may be obtained. They are: job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidate again etc. Further, information regarding candidate's regularity at work, character, progress etc, can be obtained. Often a telephone call is much quicker. The method of mail provides detailed information about the candidate's performance, character and behaviour. However, a personal visit is superior to the mail and telephone methods and is used where it is highly essential to get the detailed, actual information which can also be secured by observation. Reference checks are taken as a matter of routine and treated casually or omitted entirely in many organisations. But a good reference check used sincerely will fetch useful and reliable information to the organisation.

11. **Final decision by the Line Manager.** The line manager concerned has to make the final decision whether to select or reject a candidate after soliciting the required information through different techniques discussed earlier. The line manager has to take much care in taking the final decision not only because of economic implications of the decisions but also because of behavioural and social implications. A careless decision of rejecting a candidate would impair the morale of the people and they suspect the selection procedure and the basis of selection of this organisation. A true understanding between line managers and personnel managers should be established to take proper final decisions.
12. **Employment.** Thus, after taking the final decision, the organisation has to intimate this decision to the successful as well as unsuccessful candidates. The organisation sends the appointment orders to the successful candidates, either immediately or after sometime, depending upon its time schedule. The model appointment order is given in the figure below. The organisation communicates the conditions of employment to the successful candidates along with appointment order. Sometimes some candidates may negotiate with the organisation for modification of the terms of employment. Organisations, sometimes, accept the request of the candidates. The candidates, who accept the conditions of employment of the

organisation (original or modified) report for duty. Organisations prepare contracts of employment and the organisation and the candidates enter into the contract, after giving their consent to various items of contract. Then the candidate is employed by the organisation by receiving the joining report from the candidate formally. After this stage, the candidate becomes the employee of the organisation.

The management places the new employee, preferably on probation, before placing on the right job.

### **3.13 Placement**

When once the candidate reports for duty, the organisation has to place him initially in that job, for which he is selected. Immediately the candidate will be trained in various related jobs during the period of probation of training or trial. The organisation, generally, decides the final placement after the initial training is over, on the basis of candidate's aptitude and performance during the training/probation period. Probation period generally ranges between six months and two years. If the performance is not satisfactory, the organisation may extend the probation or ask the candidate to quit the job. If the employee's performance during the probation period is satisfactory, his services will be regularized and he will be placed permanently on a job.

Placement is "the determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands (job requirements). It is a matching of what he imposes (in strain, working conditions) and what he offers in the form of payroll, companionship with others, promotional possibilities etc (Pigors and Myers, 1970). It is not easy to match all the factors to the new employee who is still unknown to many. So the new employee is placed as a probationer until the trial period is over.

### **3.14 Induction**

Introducing the new employee who is designated as a probationer to the job, job location, surroundings, organisation, organisational surroundings, various employees is the final step of employment process. Some of the companies do not lay emphasis on this function as they view that this function will be automatically performed by the colleagues of the new employees. This is more so in educational institutions. This process gains more significance as the rate of turnover is high among new employees compared to that among senior employees. This is mainly because of the problem of adjustment and

adaptability to the new surroundings and environment. Further, absence of information, lack of knowledge about the new environment, cultural gap, behavioural variations, different levels of technology, variations in the requirements of the job and the organisation also disturb the new employee. Further induction is essential as the newcomer may feel insecure, shy, nervousness and disturbing. This situation leads to instability and turnover. Hence, induction plays pivotal role in acquainting the new employee to the new environment, company rules and regulations.

Generally the newcomer may expect opportunities for advancement, social status and prestige, responsibility, opportunities to use special aptitudes and educational background, challenges and adventure, opportunity to be creative and original and lucrative salary. But jobs with low initial challenge, inadequate feedback, inadequate performance appraisal result in reality shock. Induction is necessary to reduce reality shock.

“Induction is the process of receiving and welcoming all employees when they first join a company and giving them the basic information they need to settle down quickly and happily and start work”.

Lecture, handbook, film, group seminar are used to impart the information to new employees about the environment of the job and the organisation in order to make the new employee acquaint himself with the new surroundings.

#### **4.0 CONCLUSION**

In this unit, we have defined recruitment, selection, placement and induction. We have also explained the procedures, methods and techniques of recruitment and selection. You have also learnt the various sources of recruitment, impact of personnel policies on recruitment, types of recruitment and factors to consider in recruitment, selection, placement, and induction process.

#### **5.0 SUMMARY**

This unit defines recruitment, selection, placement and induction. Also, we highlighted the subsystems of recruitment, listed the complexity of functions of recruitment, centralised and decentralised recruitment, internal and external sources of recruitment. We explained recruitment policy, impact of personnel policies on recruitment, discussed the sources of recruitment, why organisations prefer internal source, external source, recruitment techniques; types of recruitment appeal, recruitment practices, and essentials of selection procedure. We also

explained the steps in selection process, induction and placement of new employees in organisations.

## 6.0 TUTOR-MARKED ASSIGNMENT

What is interview? Explain its validity and reliability. What are different types of employment interview?

## 7.0 REFERENCES/FURTHER READING

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## MODULE 3

Unit 1	Employee Training and Development
Unit 2	Motivation

Unit 3	Forecasting
Unit 4	Delegation and Decentralization of Authority
Unit 5	Social Responsibility

## **UNIT 1      EMPLOYEE TRAINING AND DEVELOPMENT**

### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Employee Training and Development
3.2	Employee Training
3.3	Conditions Requiring Training
3.4	Objectives of Training
3.5	Determining Training Needs
3.5.1	Who Should Do the Training?
3.5.2	The Trainer
3.5.3	Methods and Techniques of Training
3.5.4	Evaluation
3.6	Employee Development
3.6.1	Importance of Qualified Manpower
3.7	Management Development
3.7.1	Human Asset Accounting
3.7.2	Nature of Management Development
3.7.3	Determination of Employee Development Needs
3.7.4	Problems Associated with Management Developments in Nigeria
3.7.5	Management Development Methods
3.8	Self Development
3.9	Performance Appraisals
3.9.5	Personal Characteristics in the Appraisal Form
3.9.6	Performance Appraisal Methods
3.9.7	Steps in Employee Performance Rating
3.9.8	Pitfalls in Performance Rating
3.9.9	Purposes of Performance Evaluation
3.9.10	Periodic Appraisal
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading
<b>1.0</b>	<b>INTRODUCTION</b>

In the previous units we discussed employee recruitment and selection. This unit will deal with employee training and development. Employee

training and development are at the heart of employee utilization, productivity, commitment, motivation and growth. Many employees have failed in organizations because their need for training was not identified and provided for as an indispensable part of management function. In this unit a distinction is made between training and development. Training is organizational effort aimed at helping an employee to acquire basic skills required for the efficient execution of the functions for which he was hired. Development deals with the activities undertaken to expose an employee to perform additional duties and assume positions of importance in the organizational hierarchy.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss employee training and development
- list and explain the conditions requiring training, objectives of training and how to determine training needs
- discuss the importance of qualified manpower and management development
- define self development and performance appraisals
- describe the personal characteristics in the appraisal form, performance appraisal methods, steps in employee performance rating, pitfalls in performance rating, purposes of performance evaluation and periodic appraisal.

### **SELF ASSESSMENT EXERCISE 1**

Distinguish between training and development. Why is this distinction important?

## **3.0 MAIN CONTENT**

### **3.1 Employee Training and Development**

Employee productivity is a function of ability, will and situational factors. An organization may have employees of ability and determination, with appropriate equipment and managerial support yet productivity falls below expected standards. The missing factor in many cases is the lack of adequate skills, and knowledge, which are acquired through training and development.

### **3.2 Conditions Requiring Training**

There are certain conditions that will serve as pointers for the need for training. These symptoms manifest themselves in a variety of ways. The most common ones are listed below:

- (1) Lack of interest in one's job;
- (2) Negative attitude to work;
- (3) Low productivity;
- (4) Tardiness;
- (5) Excessive absenteeism rate;
- (6) Excessive complaints;
- (7) High rejects or low quality output;
- (8) High incidence of accidents;
- (9) Insubordination.

When a company starts experiencing some of these warning signs, it should consider training. An employee will not complain to management that he requires training; instead he would hide his frustration and use money, for example, as it scapegoat by demanding more wages; he may complain of the lack of fringe benefits and use one or two isolated examples to justify his complaint.

### 3.3 Objectives of Training

Some of the main objectives of training employees include:

**Increased Productivity:** From the company's point of view, productivity is at the apex of all training programmes. A well trained employee is capable of producing more than an untrained employee of equal physical ability. The success or failure of an organization depends on employees' productivity. A well trained salesman produces more than his counterparts of lesser training (other things being equal).

**Lower Turnover Rate:** An employee who is incapable of producing is frustrated by failure and is more likely to abandon his work than those who are capable of producing. An untrained employee is like a dull school pupil; he hates school and likes to absent himself and is likely to be a school drop-out unlike other pupils who enjoy school because they are doing very well. The same situation applies to an unproductive employee. He hates his work and abandons it at the smallest provocation from any source.

**Higher Morale:** A man who is trained has confidence in his ability to perform. He believes that he has control of his environment and is equipped to tolerate occasional disappointments, frustrations and inconveniences. He learns to rationalize and to accept blame for his own failures instead of blaming the organization. A trained employee derives



intrinsic satisfaction from his work which promotes his morale. Organizations that have regular training programmes give employees the feeling of being wanted and something to look up to.

**Better coordination:** Training helps in the coordination of men and material. During the training programme, employees are taught company expectations and objectives. They are shown the ladder through which they can attain their own objectives. This gives rise to goal congruency and, consequently, everyone pulls in the same direction. Coordination becomes easy.

On the whole, training reduces cost as it increases productivity, reduces employee turnover and promotes goal congruency. Lack of training increases absenteeism rate, low output, poor quality and rejects and results in high cost.

### 3.4 Determining Training Needs

Before any training programme is undertaken, the need for training has to be identified. The need for training increases as a result of new technology, new products, variety of new customers and other factors such as competitive strategy of competitors. To mount a training programme requires systems analysis. The manager tries to identify the problems encountered by different employees-salesmen, production employees, accounting staff and others. It could be discovered that in sales, for example, the company is picking poor prospects which means that additional training on prospecting is required. Or, analysis could reveal that low productivity in the operations department is due to work scheduling. Training in techniques of scheduling would be ideal.

Training could be a waste of time and resources if the area of emphasis in training is not properly isolated. Nothing can be more frustrating and demoralizing as teaching a person what he already knows. Concerted effort must be made to clearly identify areas of stress in a training programme.

**PRAXEONOMY:** According to Gilbert (1967), the best common sense approach to identify areas of training is to use the formula

$$D = M - I$$

D = inefficiency in the employee

M = complete list of behaviour necessary for mastery of the job

I = for all the knowledge of behaviour necessary for the job which the employee already possesses. .

By identifying the behaviour or traits required to perform a job and finding out what an employee lacks, training can then be concentrated in areas of deficiency.

### **3.5 Who Should Do The Training?**

It is very important in all organizations to identify people who can carry out-training in the organization. The arrangement for training is generally the function of the personnel department. In the organization, training resource personnel could be drawn from:

- (1) company regular line executives
- (2) staff personnel in the organization
- (3) outside specialists or consultants.

Company line executives could be, in the case of sales, senior salesmen, field supervisors, territorial or area managers or sales managers who have proven knowledge of the subjects to be covered. Staff personnel could be used in their areas of expertise. The chief accountant, or accounts supervisors could mount training programme for production managers, salesmen, etc. on how to manage their budgets effectively. The personnel officer could give a lesson to all executives on employee motivation, participative management or on provisions of company labour contract to avoid constant management-labour conflict.

Outside specialists are used when the required expertise is not available in the organization. In some instances, in-plant programmes could be arranged and effectively executed by specialists from outside. Many institutions – universities, colleges and correspondence schools offer evening classes for the training of employees on specific skills.

#### **3.5.1 The Trainer**

It must be observed here that employee training should be seen as a right not a privilege and should start soon after employment. The selection of the trainers is very essential to ensure maximum result. A good trainer should be identified before training commences. A' good trainer is one who encourages maximum participation of employees, has a positive attitude, shows enthusiasm in what he is doing and has confidence in himself. Above all, he must have thorough knowledge of his subject. A good trainer judiciously combines the lecture method of instruction with discussions, role playing and demonstrations. A trainer can be likened to an actor. He conveys his message artistically utilising his entire person.

#### **3.5.2 Methods and Techniques of Training**

There is no hard and fast rule as to how to select methods and techniques of training. New training methods are constantly being experimented upon and each produces the desired effect. A manager can achieve his desired objective without knowing exactly what method has been employed. The most popular training methods in use are discussed below.

**On the Job Training:** -This is the most popular and in some cases, the only form of training programme used by some organizations. Of the 210 employers responding to the question of training, 90% use on the job training and believe that it is the most effective for their organizations. One of the advantages of on the job training is that it minimizes the problem of transfer of learning associated with other methods of training. On the job training could be an ongoing process that does, not excessively disrupt normal company operation.

The major disadvantage is that the trainee could pick up bad habits (Foreman, 1967).

**Apprenticeship Programmes:** - This method of training is employed when extensive practice or technical knowledge is required to perform a job. The training combines on the job training with classroom lectures.

**Job Rotation:** - This is a training device that makes it necessary to move the trainee from one department or unit to another to master what goes on in that section. The essence of this programme is to broaden his experience in different jobs.

**Vestibule Training:** - This is a training device that trains the employee off his regular work area but in an environment closely 'resembling his work place. He practices his skill with identical equipment that he uses at his regular workplace. One of the advantages is that costly mistakes are avoided and the problem of transfer of training is enhanced as the trainee practices with identical equipment and tools.

**Role Playing:** - Is a technique of training where the trainee plays the part of a certain character or acts in an event. He is taught to do a job or make decisions the way he thinks his boss could have made it. Role playing is very exciting as it challenges the imagination of the employee. Role playing promotes retention as it heightens imagination, ingenuity and resourcefulness.

Table 9.1 shows the most popularly used training methods in Nigeria.

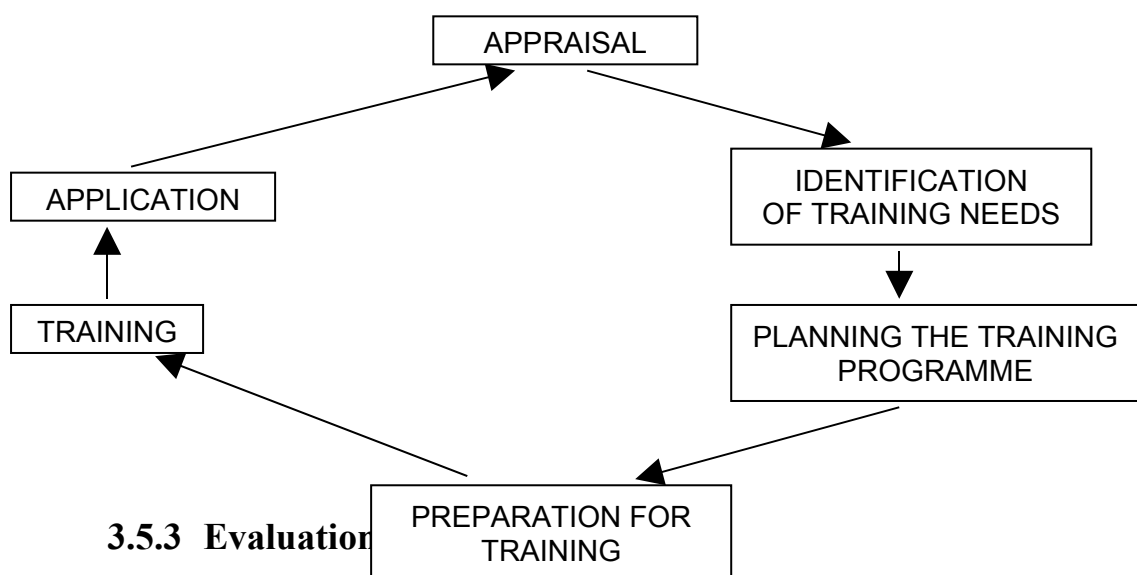
**Table 9.1**  
**Modes of Training in Selected Nigerian Organizations**

Type of Enterprise			
Training Techniques		Service	
Manufacturing			
% n = 75	% n = 62		
On-the-job Training	-	85	95
Job Rotation	-	87	82
Coaching	-	10	65
Lecture	-	75	85
Role Playing	-	68	45
Vestibule Training	-	40	68
Conference	-	72	61

As pointed out earlier, training should be an on-going affair. Training should not always be very formal. A good training can last for only a few hours or weeks; duration does not determine the quality of training. It is important to prepare the employee to be trained. He should be motivated to achieve mental preparedness, and he must exhibit the desire to learn, by being made to see the usefulness and applicability of the training. Every employee should know the training circle which should come after his performance appraisal. Figure 9.1 shows how training is an on-going process:

**Figure 9.1**

### The Training Circle



### 3.5.3 Evaluation

The purpose of evaluating a training programme is to determine its effectiveness. A training programme is effective if it has achieved the

purpose for which it was designed. The information collected in the evaluation process should enable the company to improve on the programme for future trainees, and enable the trainers appraise themselves in terms of method and content. The most objective way of evaluating a programme is to:

- (1) obtain the honest and unbiased assessment from the trainees;
- (2) determine if in fact learning occurred by administering tests – oral or written;
- (3) determine if the company has benefited by it through reduction in costs, better morale, increased productivity, reduced absenteeism rate or reduced rate of staff turnover.

Catalanello and Kirkpatrick (1968) have summarized the basic criteria of evaluation as:

- |                  |   |  |
|------------------|---|--|
| <b>Reaction</b>  | - | Do the trainees like the programme?  |
| <b>Learning</b>  | - | Did the trainees learn the facts, principles, techniques and concepts presented?                         |
| <b>Behaviour</b> | - | Did their job behaviour change because of the programme?   |
| <b>Result</b>    | - | What tangible results were achieved (reduction in staff turnover, better quality, increased production)? |

One of the major pitfalls of training programmes in Nigeria is the lack of positive reinforcement and the lack of opportunity for the trainee to actively practise what he has learnt. These have to be corrected. Above all, the objectives of the training programme must have been clearly articulated.

### 3.6 Employee Development

#### 3.6.1 Importance of Qualified Manpower

The importance of qualified manpower in the social, political and economic development of any nation can hardly be overstated. No nation is known to have attained sustained high level of economic growth and development without an ample supply of qualified manpower. Of all the factors that unlock the forces of economic growth and development, a country's human resources is the most vital, for without it, all the other factors have to wait. Changes in the quality of work force account for the rapid economic development that has taken place in the advanced countries than any other factor.

Kuznet once observed that:

The major capital stock of an industrially advanced country is not its physical equipment; it is the body of knowledge amassed from tested findings and discoveries of empirical science, and the capacity and training of its population to use this knowledge (Kuznet, 1955).

The essence of any manpower programme is to "enhance the welfare of workers by maximizing their skills and the quality and quantity of their employment opportunity and in so doing, add to the country's economic strength." (Manpower Report, 1969)

Thus all manpower programmes are aimed at human resources development and utilization. Professor Harbison saw human resources development as the process of increasing the knowledge, the skills, and the capacities of all the people in a society. "In economic terms, he states, "it is the accumulation of human capital and its effective investment in the development of an economy" (Harbison, 1964).

Countries such as Japan, Korea, W. Germany, Italy etc., are known to have attained high levels of development despite the absence of mineral wealth of any significance. Thus, the manpower programme of any nation is intricately interwoven with her economic and social development. The Nigerian government is cognisant of this fact and has overtly encouraged the establishment of many institutions and organizations for the training and development of her manpower. Over twenty universities have been founded and many more are planned. Many colleges of technology have been established for the training of intermediate level manpower.

The educational system of the lower levels is being re-oriented to give adequate emphasis to the acquisition of practical skills. There are over ten federal/state trade schools now in the nation with emphasis on the acquisition of rudimentary skills necessary for successful careers in many organizations.

The government has also set up many institutions to help in management education in the country. The National Manpower Board is responsible for the periodic appraisal of requirements for manpower in all occupations and the development of measures for in-service training of employed manpower both in the public and private sectors. The Administrative Staff College of Nigeria (ASCON) was established to provide diverse training facilities for senior managers of the economy. The Nigerian Institute of Management, the Centre for Management Development (C.M.D.), have also been established for manpower development, training and coordination. The Industrial Training Fund

(I.T.F.) was established to promote and encourage the acquisition of skills in industry and commerce with a view to generating a pool of indigenous trained manpower sufficient to meet the needs of the economy. The Nigerian government has also entered into bilateral agreements with some foreign countries for the training of Nigerians in practical skills. Each year, many scholarships are offered, to deserving Nigerians to study in foreign countries. All these notwithstanding, the manpower problems of this country are far from being contained.

### **3.7 Management Development**

A national survey reveals that promotion is the most valued organizational reward by senior staff. Management development gets an employee ready for a rise in the organizational hierarchy. Promotion gives a sense of self-fulfillment and its denial especially when one thinks one merit it deflects one's ego. Every organization should identify and encourage employees who have the potential to contribute their quota in the organization and the society as a whole. No organization can continue to survive and grow in our dynamic environment that forgets to develop its managerial cadre.

#### **3.7.2 Human Asset Accounting**

The importance of quality manpower in an organization has been sufficiently highlighted by Likert ( ) who is one of the greatest proponents of Human Asset Accounting. The postulate is that human asset should be quantified and placed on the balance sheet of the organization. This would imply that the value of the organization would improve as qualified employees are attracted, trained and developed in the organization. The asset value of the organization would decrease as skilled staff leave the organization or become irrelevant.

Likert pointed out that the following factors should be used in determining the value of human assets:

- (1) Intelligence and aptitude
- (2) Training
- (3) Level of performance
- (4) Motivation
- (5) Quality of leadership
- (6) Degree of team work
- (7) Communication system and
- (8) Coordination of efforts. "

While some of these items 'are difficult to be given cash value, one thing is certain: the concept shows the importance of quality personnel.

#### **3.7.2 Nature of Management Development**

One of the functions of management is self development and employee development. Before an organization starts an employee development programme, certain factors must be considered.

**Organizational Objective:** The development of objectives is the first step required in the preparation for management development. As discussed by Drucker, an objective is like a compass bearing by which a ship navigates. The compass bearing itself is firm, pointing in a straight line towards the desired post ( ). Objectives give a sense of purpose and direction. This will help the organization to analyse its long-range goals and strategic plans for the future.

### 3.7.3 Determination of Employee Development Needs

Based on the organizational objectives, the company can determine its high-level or other manpower needs by taking an inventory of the manpower at the present and finding out the skills and traits still required to achieve pre-determined goals. An objective analysis of this situation leads management to state what specific areas development has to concentrate on.

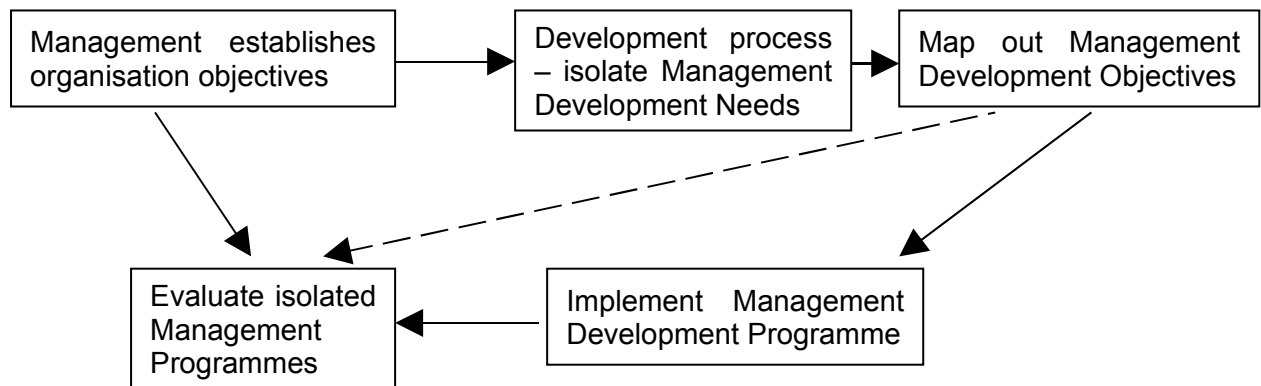
**Implementation** – Implementation involves a systematic procedure to develop the manpower required. This could take the form of job rotation, getting the staff to "assist" higher staff, attendance at University Executive Programmes, Conferences, promotions and role playing.

**Evaluation** – There is a need for constant evaluation to ensure that the needs are being met. Figure 9.2 illustrates this commonsense approach to Management Development Process.

**Figure 9.2**

***Commonsense Approach to Management Development Process***





One of the major purposes of management development is to avoid managerial obsolescence. Management development programmes are growing very rapidly in Nigeria. All major corporations and companies (with over 100 employees) have regular management development programmes especially for those in the upper and middle organizational hierarchy. A study of 102 companies indicated: that 85%% had annual management development programmes in one form or the other. The duration of the programmes varies from three days to one month. 40% of these have sent at least three employees overseas in the last two years for courses of three months to one year duration. The techniques used in management development programmes in Nigeria are lectures, role playing, attendance at conferences, short courses overseas, University evening programmes, in-plant training courses and workshops.

The selection of participants is determined by top management. All management development programmes in Nigeria are optional; nevertheless, pressure is exerted on some employees who show little or no interest in self development. Employees perceive the opportunity to attend short management development programmes overseas as a special recognition and nobody misses the opportunity except in very rare cases.

#### **3.7.4 Problems Associated with Management Development in Nigeria**

The following are some of the problems associated with management development in Nigeria as identified by organizations and employees: -

- (1) The objective of the training programme is not clearly stated to the participants. There is no mental preparedness.
- (2) Some employees see some development programmes as a few days off work that are meant for relaxation.
- (3) There is no positive reinforcement after the training.

- (4) Some of the programmes are not related to employee needs for self development and self actualization.
- (5) The company does not evaluate the outcome of the programmes. There are in many instances no examinations – written or oral or feedback.
- (6) The employee does not have the opportunity to put what he has learnt into practice.
- (7) Many management development programmes are boring as the lecturers speak in general terms.
- (8) There is the problem of transfer of learning. Some of the concepts and principles taught are too academic and very difficult to apply in real life situations.
- (9) Many management development programmes are not properly played and there are no sequences to the courses offered from year to year.
- (10) There is inadequate support from the executives.
- (11) The consultants are not properly selected and do not adapt their lectures to suit specific organizational needs.

### SELF ASSESSMENT EXERCISE 2

What are the different ways of developing managers? Which of these methods do you consider most effective and why?

#### 3.7.5 Management Development Methods

Some of the methods of management development have been discussed in the previous section on employee training. Some more techniques are mentioned below.

**Coaching:** This method is ideal for both employee training and management development. In this method employees are attached to a supervisor who coaches them on specific concepts. Instant feedback is given as to how well the employee performs. The advantage is that the employees are attached to experienced teachers.

**Assisting:** This is a method of developing subordinates aspiring for management positions. As "assistant" to a higher office, the employee

gets assigned duties that expose him to different management functions. He learns the procedure for handling, specific tasks assigned to him. He gets a feedback from the manager on how well he performs in his department or office.

**Special Assignments:** Special assignments have been used as successfully as a training technique. Management trainees are often assigned to special projects such as membership – of a taskforce, given special board or committee assignments, or asked to resolve problems originating in any departments – production, personnel or finance.

**Conferences, Seminars and Workshops:** These are effective method of development. Management personnel is allowed to attend well organized seminars, conferences or workshops organized by colleges and universities. In such conferences scholarly papers are presented by experts and discussions are centred on them. New techniques and concepts are examined and participants are encouraged to ask questions and express their views. Nigerian universities organize many national seminars, conferences and workshops every year for the enhancement of management.

Other useful methods in management development include case studies in which written descriptions of situations are analyzed, problems are identified and solutions are sought. Another is simulation in which simulators are used to represent the actual situation as is the case in training of pilots.

There are also executive games in which problems of top management are presented in the form of games. The executive game forces the participants to deal simultaneously with all factors in a business situation – production, marketing, finance, competition, inflation and so on.

Detailed discussion on these methods is found in any standard textbook on Personnel Administration.

### 3.8 Self Development

At the root of all organizational employee development is I self development. The desire for an individual to better his lot in an organization and attain self fulfillment is necessary for the success of any organizational or group effort. An executive owes I it to himself to ensure in self development. A manager must want to develop and grow in ability for any programmes to be successful. An executive does not have to wait for the organization to force him to grow; those who do, become obsolete. If a manager wishes to excel, especially in Nigeria, he

must engage in activities that will identify him as a potential candidate for success in the organization. Not all managers can reach the top nor can all be exposed to formal management development programmes given the limited facilities in Nigeria. It is therefore expected that management should use their own initiative to enroll in executive development programmes. As Levinson astutely put it, "Every person who pursues a career, as distinct from a job holder should expect to continue his education for the rest of his professional life". Levinson I advocated that every manager should establish alternative competence to increase his sense of independence.

Many indigenous organizations in Nigeria are comparatively small to offer more than moral support to an executive who wishes to better himself. Executive obsolescence is here to stay. New technology breakthroughs are eroding into several professions—making the conservative executive obsolete. An accounting executive who does not know that high speed electronic data processing procedures are about to make him obsolete needs to wake up. The physician who does not know the inroad that new medical technology is making in his profession is already obsolete. Whatever the excuse for inaction, the problem remains how to build in and maintain adaptive flexibility that will serve a lifetime.

### **3.9 Performance Appraisals**

One of the key responsibilities of the manager is to evaluate the performance of his subordinates. The: essence of the evaluation is to assess their character, attitude, potentials and past performance on the job. Employee evaluation has often been called performance appraisal, performance rating or performance evaluation. Whatever name it is called, the essence of the rating is to evaluate the employee's strength and weaknesses.

One of the major reasons for employee appraisal is to obtain information for promotion, demotion, transfer, pay increase, training and development and discharge. For the employee, an appraisal gives him a feedback as to how management perceives his contribution to the organization. If an employee perceives that he is poorly evaluated, it could affect his morale; increase his absenteeism rate and tardiness and, consequently, his overall production. This is why employee evaluation is expected to be done in the spirit of objectivity, honesty and fair play. When an official evaluates, he is in effect passing judgement that he has the competence to evaluate; he knows the employee and has observed him at work for a long time. Many employees are afraid of evaluation and have negative feelings about it. Everyday in an organization, employees informally evaluate one another; even the supervisor is not

left out. When the official evaluation comes out, employees compare opinions they hold with the formal evaluation result from their supervisors. A supervisor is said to be fair or unfair based on employees' preconceived opinion of themselves and one another.

### 3.9.1 Personal Characteristics in the Appraisal Form

There is a litany of personal characteristics that are evaluated during an appraisal exercise. Some of the major characteristics often included are:

Honesty	Judgement	Loyalty
Personality	Industriousness	Attitude
Dependability	Persistence	Tactfulness
Cooperativeness	Resourcefulness	Maturity
Adaptability	Imaginative ability	Motivation
Initiative	Enthusiasm	
Leadership	Aggressiveness	
Creativity	Skill competency	

Certain basic characteristics are emphasized more in certain jobs than in others. In a sales job, for example, traits such as aggressiveness, persistence, resourcefulness, creativity, etc. will be emphasized. Organizations should design their appraisal forms to suit their special needs.

### 3.9.2 Performance Appraisal Methods

The most common appraisal methods are discussed below.

***The Ranking Method:*** This is the oldest and the most common appraisal method in use. The supervisor ranks his subordinates from the most productive to the least productive.

***Graphic Rating Method:*** This is one of the most popular rating methods. This technique measures two major areas of employee work characteristics:

- (1) the basic work characteristics such as knowledge, initiative, dependability, leadership, loyalty, etc.
- (2) the employee's contribution to the organization such as quality and volume of work done.

***Paired Comparison Method:*** This closely resembles the ranking method. Two employees are compared at a time and the better one is noted; then those that are noted are paired again. This is not a popular method because there are usually many traits to be evaluated.

**Forced Choice Method:** The forced choice method forces the supervisors to make use of restraints. The rater is forced to select a pair of sentences that best describe the employee. The purpose of this technique is to minimize bias as his lack of knowledge or inconsistency is easy to detect from his choices.

**Critical Incident Method:** In this method the rater is expected to show incidents in the work situation in which the employee being evaluated has shown positive or negative influences in work situations. Factors such as initiative, judgment, creativity, etc. are to be shown.

**Field Review Technique:** This method allows outside specialists to evaluate the employee. Because of the cost involved, this technique is used very sparingly. One of its setbacks is that the outside specialist does not know the employee nor does he have the necessary information for an objective evaluation.

Other employee review techniques include peer rating where the employee's co-workers evaluate his performance. Surprisingly, peer rating does not differ a great deal from an objective supervisor's rating. An employee can also evaluate himself. Good motivation can make an employee to evaluate himself, bring out his strengths and weaknesses and even suggest ways of improvement.

Evaluation should, at least, be a yearly activity of management. It does not require a man of exceptional ability to evaluate another. Although Taft believes that people who make good raters are characteristically intelligent, emotionally stable and socially skilled, any objective supervisor who knows the employee and what is expected of him is capable of giving a valid employee evaluation.

### 3.9.3 Steps in Employee Performance Rating

The following steps are recommended as effective steps for an employee appraisal system:

- (1) Prepare the performance requirements. Determine how well you expect the employee to do his work.
- (2) Discuss the performance requirement with the employee and adjust them as needed.
- (3) Observe what the employee doing.
- (4) Evaluate his performance against requirements.
- (5) Discuss evaluation with employee.
- (6) Take appropriate action.

### 3.9.4 Pitfalls in Performance Rating

Some of the key pitfalls in performance rating are given below.

- (1) **Halo Effect** –The rater allows one outstanding negative or positive incident or trait to influence his rating of the employee.
- (2) **Rating the man and not the job** – Subjective evaluation of the employee based on the rater's likes and dislikes or whether he gets along with the subordinate or not, or whether he likes his tribe, religion or language
- (3) **Rating every employee average** –This is the error of central tendency where the rater sees every employee as average. This problem often is an escapist attitude. He believes it is the most convenient and least contestable way out.
- (4) **Pressure of Time** –This is associated with the lack of time that induces management to rush the appraisal.
- (5) **Not sharing the result** – Here the rater refuses to discuss the rating with the subordinate. In Nigeria, the open reporting system makes this a thing of the past.
- (6) **Recency** –Tendency to rate one positively or negatively because of latest events that took place before the rating.

An analysis of 402 respondents in Nigeria shows that on the average, 42% are victims of these pitfalls. 27% conceded that they often committed the error of rating the man and not the job. Only 42.5% of Nigerian employees responding to a questionnaire on the subject (n = 402) believe that employee appraisal is useful. A larger percentage, 57.5%, believes that it is useless. The reasons given range from its being superficial, the lack of knowledge on the part of the supervisor to give an informed opinion to "god-fatherism" in the organization.

### 3.9.5 Purposes of Performance Evaluation

Performance evaluation is not an end in itself; it is a means to an end. The end is, as pointed out, to help the employee know his weaknesses and strengths, and help the employer make some basic decisions on how to distribute organizational favours. Ordinarily, employees who contribute most to organizational efforts should benefit more than those who contribute little – that is equity. Perceived inequity forces an employee to withhold a measure of his efforts toward the attainment of organizational goal.

## Purpose 9.4

### *Purposes of Merit Rating Programmes*

Purpose	Blue Collar Employees Only		White Collar Employees only		Both Blue and White Collar Employees	
	No	%	No	%	No	%
Wage and Salary Administration	13	76	93	90	114	69
Promotion	10	59	82	80	112	73
Training and Development	7	41	72	70	102	61
To help supervisors know employees	4	41	67	65	101	61
Transfer	7	41	76	74	102	61
Follow-up Interview	5	29	50	49	57	34
Discharge	1	6	39	38	77	46
Layoff	4	24	26	25	44	27
Personnel Research	3	18	28	27	48	29
<b>Total company with merit rating Programmes</b>	<b>17</b>	<b>100</b>	<b>103</b>	<b>100</b>	<b>166</b>	<b>100</b>

**Source:** National Industrial Conference Board; Personnel Practices in factory and office manufacturing studies in personnel policy (New York, 1964).

### 3.9.6 Periodic Appraisal

Employees should be appraised periodically. Most organizations in Nigeria have annual appraisal systems. The formal annual evaluation should not be a substitute for periodic informal employee appraisal. The periodic appraisal gives the employee the opportunity to correct deficiencies before the formal annual evaluation. The main purpose of an evaluation is not punitive but corrective.

The "periodic" appraisal can assist the supervisor in judging the degree of trust he can place in his subordinate, and trust in his punctual and effective performance ( ). Employees have always held it against their supervisors if they were never told of their in-competency until the last appraisal. Periodic evaluation helps the supervisor to determine when an employee's task should be enlarged or diluted. Periodic evaluation makes the annual formal evaluation easy and predictable as the subordinate has been receiving feedbacks throughout the year on his performance. As pointed out, one of the objectives of employee evaluation is to enable the supervisor to know the employee better. The



more the number of times an employee is evaluated, the more the supervisor knows him and the more reliable will be his subordinate's evaluation. In the Nigerian civil service where it takes at least nine months to dismiss an employee because of the number of steps required in dismissal proceedings, in which the burden of proof seems to be on the supervisor to prove that the subordinate is in fact subject to dismissal, periodic evaluation is necessary to make the task easier for the supervisor.

#### **4.0 CONCLUSION**

In this unit, you have learnt about employee training and development, conditions requiring training, objectives of training and how to determine training needs. You also learnt about the importance of qualified manpower and management development, self development and performance appraisals, personal characteristics in the appraisal form, performance appraisal methods, steps in employee performance rating, pitfalls in performance rating, purposes of performance evaluation and periodic appraisal.

#### **5.0 SUMMARY**

In this unit, we have discussed employee training and development; listed and explained the conditions requiring training, objectives of training and how to determine training needs; discussed the importance of qualified manpower and management development. We have also defined self development and performance appraisals; described the personal characteristics in the appraisal form, performance appraisal methods, steps in employee performance rating, pitfalls in performance rating, purposes of performance evaluation and periodic appraisal.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Distinguish between:

- (a) Recruitment
- (b) Selection
- (c) Job design
- (d) Job specification
- (e) Job description and job analysis.

#### **7.0 REFERENCES/FURTHER READING**

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## **UNIT 2      MOTIVATION**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives

3.0	Main Content
3.1	Motivation
3.2	The Motivation Process
3.3	Maslow's Need Hierarchy
3.4	McGregor's Postulates
3.5	Need for Achievement
3.6	Herzberg's Two-factor Theory of Motivation
3.7	What Motivates Employees?
3.8	Herzberg's and Maslow's Compared
3.9	Management by Objectives (MBO)
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

## **1.0 INTRODUCTION**

One of the major problems confronting management is that of motivating workers to perform assigned tasks to meet or surpass predetermined standards. It is not easy to motivate an individual, for the success of any motivational effort depends on the extent to which the motivator meets the needs of the individual employees for whom it is intended.

In this unit, we shall be discussing motivation, its process, types of motivation as propounded by various authorities to enable learners to comprehend and understand the concept.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define motivation
- list and discuss the hierarchy of needs as propounded by Abraham Maslow; McClelland, Herzberg and McGregor
- explain Herzberg's two-factor theory of motivation
- distinguish between Maslow, McClelland and Herzberg's theories of motivation.

## **3.0 MAIN CONTENT**

### **3.1 Motivation**

Motivation is that energizing force that induces or compels and maintains behaviour. Human behaviour is motivated, it is goal directed.

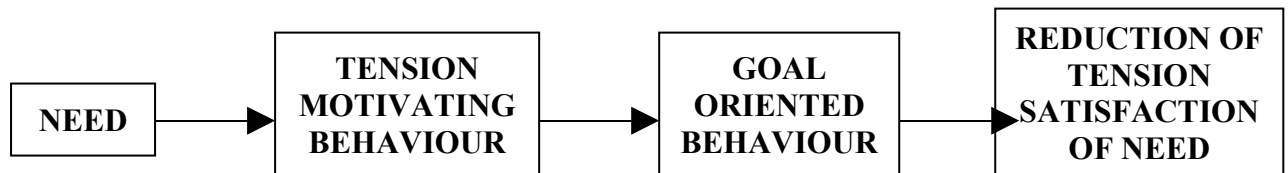
It can also be defined as an internal psychological process whose presence or absence is inferred from observed performance. Motivated behaviour has three basic characteristics, which are stated as follows:

- (1) It is sustained – it is maintained for along time until satisfied;
- (2) It is goal-directed – it seeks to achieve an objective;
- (3) It results from a felt need – an urge directed towards a need.

### 3.2 The Motivation Process

A need creates a tension in the individual who moves in a certain direction in order to achieve the desired objective which reduces the tension. A satisfied need does not motivate; conversely, an unsatisfied need motivates. Figure 11.1 below shows the process of motivation:

**Figure 11.1 The Process of Motivation**



The process starts with a perceived need, then a tension is created which starts the motivating behaviour; then there is a move towards the realisation of the need – a goal oriented behaviour. As soon as the need is satisfied, the tension relaxes. To motivate an employee, management must create real or imagined need for the employee to aspire. A real need could be a desire to achieve through promotion, increase in wages or enjoyment of increased organisational favours, such as company cars with a chauffeur. Imagined needs of a staff could be an aspiration to have coffee at 10.00 a.m. which is the entitlement of successful executives, to have a secretary, have someone to carry his brief-case upstairs, have someone to run the office at the sound of the bell or visitors fill papers before they enter into his office.

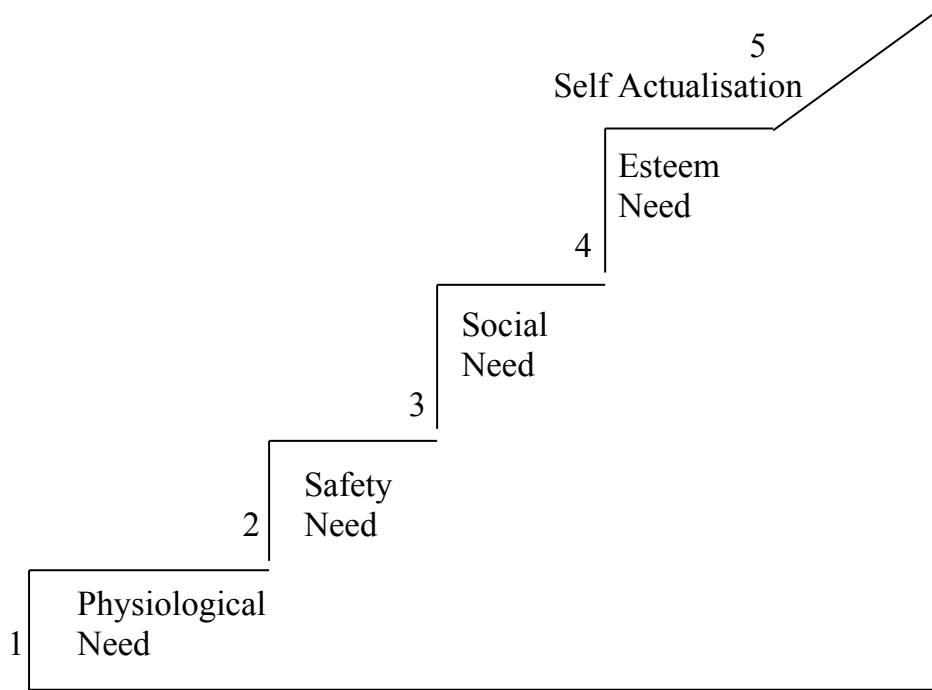
For the purposes of this course, terms such as need, desire, aspiration and drive are used interchangeably. Since every employee has needs, he is capable of being motivated. The task of management is to determine what are the valued needs that will make him react according to organisational desires – increased productivity.

### 3.3 Maslow's Need Hierarchy

A hierarchy of needs theory was advocated by Abraham H. Maslow. According to him, man always has needs to satisfy. These needs can be classified in a hierarchical order starting from the basic needs to the

higher order needs. Once a particular need is satisfied, it ceases to be a motivator of behaviours and another need emerges.

According to this psychologist, these needs can be classified into five as shown in figure 11.2 below. These are physiological need, safety need, social need, esteem need and self-actualisation need.



**Figure 11.2 Classification of Maslow's Hierarchy of Need**

**(a) Physiological Need**

This is the basic need of people – food, clothing and shelter. These needs are strongest in man's life and must be satisfied before other needs. This need can be satisfied with money. A man who is starting life needs money to obtain shelter, buy food and clothing. His major preoccupation will be to ensure that these basic needs are substantially satisfied. It appears to have a dominating influence than any other need at this stage of a person's career. At every stage in the organisation, management is to recognise that every kobo means much to the employee. He would trade some comfort for money.

**(b) Safety Need**

As soon as the physiological needs are satisfied, safety need appears. An individual's safety becomes very important to him. Question such as what happens to me when I get sick? How am I protected from organisational hazards?; becomes his major concern. Safety need is a

protection against bodily harm, danger, loss of employment, deprivation or threat. An employee likes to know that his employment is permanent. The loss of his job could induce him to seek ways of satisfying his physiological need. To encourage productivity, management may threaten him with the possibility of loss of employment. The organisation should help to solve a person's dependency need. The employee gets worried if he is not a confirmed staff or is subjected to discrimination or arbitrary managerial action. Safety need could indeed be very strong in an individual.

**(c) Social Need**

This need is often referred to as acceptance need. The individual has satisfied his two basic needs and wants acceptance, to love and be loved. He values friendship, affection and the sense of belonging. Affection need, esteem need and self-actualisation are secondary needs. They are seldom satisfied by money. At this stage, the individual belongs to small clubs or informal groups at the workplace.

**(d) Esteem Need**

This is the fourth need. At this stage, the individual has need for recognition, accomplishment, achievement and the need for self-respect. He loves to take responsibilities and prove himself. The esteem need is the "ego" need. He wants his contributions to be recognised and appreciated by management and co-workers.

The feeling of independence, professionalism and confidence is highest at this stage. It is important for management to recognise and reward him for his contribution to the organisational effort. When people who work with him, and management, appreciate him by helping to build up his ego, self-esteem, confidence, power and prestige need are satisfied.

**(e) Self-actualisation Need**

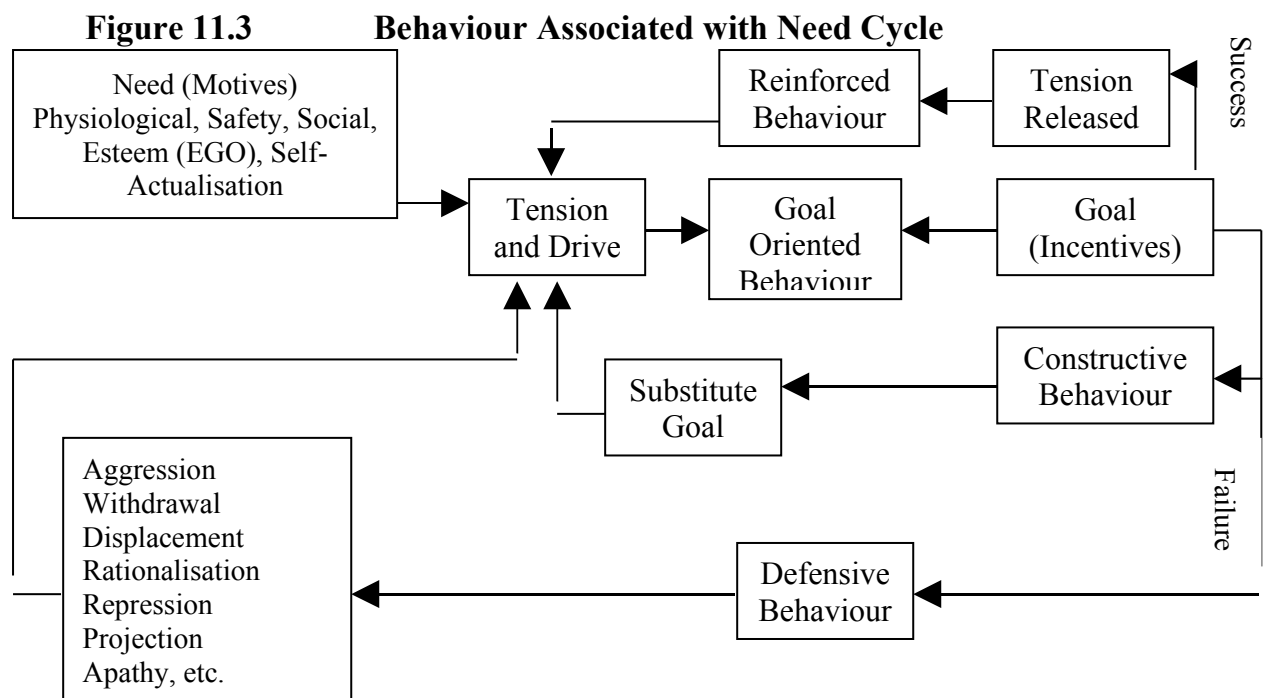
This is the last in Maslow's hierarchy of needs. This need is often called fulfillment need. This is the need for an employee to reach his highest potential at workplace or in conquering his environment. As Maslow succinctly puts it, "what a man can be, he must be". A man is actualised when he feels he has reached the highest he is capable of reaching in organisation or life. The feeling of competency, being the best or having achieved manifests itself.

Maslow believes that an average citizen satisfies perhaps 85 percent of his physiological needs, 70 percent of his safety needs, 50 percent of his love needs, 40 percent of his esteem needs, and 10 percent of his self-actualisation needs. This means that a majority of people do not satisfy their self-actualisation needs. The need for self-actualisation manifests itself in many ways in Nigeria. People like to be seen and referred to as

professionals. For example, many people who have achieved status through the accumulation of wealth like to be called Chiefs, or Alhajis, teachers who hold Ph.D like to be called “Doctor”, those who do not, become ashamed of being called “Mr” and opt for “Professor”, professionals like to be called Engineer...Architect...Barrister.... Even women who have earned these titles, like to be addressed as Dr., Mrs....; Barrister Mrs..., etc. These are because of the prestige that the titles carry.

Maslow has succeeded in classifying human needs at least as an aid in thinking for management. What is being disputed in Maslow’s theory is the issue of successive saturation. One can easily see the interrelatedness in human needs. In fact, by satisfying one need, the other needs are apparently receiving attention for the dignity of human beings is predicated on the satisfaction of all the needs.

Figure 11.3 shows the different behaviours associated with need cycles.



**Source:** Howard M. Carlisle: Management: Concepts and Situations, Chicago: Science Research Associates, Inc., 1976, p. 272

As shown in the table, the needs or goals are the drives that create the tension that are fulfilled by goal oriented behaviour. Should the need remain unfulfilled as the lower part of the loop shows, new tension is created and a new goal oriented behaviour is made to satisfy the need. If the need is satisfied as in the upper loop, tension is released, a new goal emerges and tension is created.

Failure to achieve an objective gives rise to a series of defensive behaviour such as aggression, withdrawal, depression and projection. These are discussed later.

### 3.4 Need for Achievement

Closely related to Maslow's hierarchy of needs is McClelland et. al's need for achievement postulate (n – achievement). According to McClelland, some people achieve more than others because they have a greater desire to achieve. McClelland and his colleagues discovered that those who had a greater need for achievement were neither high risk takers, nor low risk takers. They appeared to be realistic about their goals and set moderate challenges for themselves. They were motivated by achievement and saw money as a measure of their progress; so were status and power which were not by themselves needs but were socially accepted measures of success in the satisfaction of the need to achieve.

A supervisor who has a need for recognition among his peers or colleagues will strive for status and recognition. All people who have n-achievement are constantly interested in feedback as to the extent that they are realizing their objectives.

### 3.5 McGregor's Postulates

McGregor has some basic assumptions regarding human behaviour. An understanding of these assumptions are important for managers in directing human beings. These assumptions are classified into Theory X and Theory Y.

Theory X – The basic assumptions of this are:

1. Work, if not downright distasteful, is an onerous chore to be performed in order to survive;
2. The average human being has an inherent dislike of work, and will avoid it if he can;
3. Because of this human characteristic dislike of work, most people must be coerced, controlled, directed or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives;
4. The average human being prefers to be directed, wishes to avoid responsibility, has relative little ambition, wants security above all.



Theory Y – the postulates of this theory are:

1. The expenditure of physical energy and mental effort in work is as natural as play or rest;
2. External control and the threat of punishment are not only means for bringing about effort towards organisation's objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed;
3. Commitment to objectives is a function of the rewards associated with their achievement;
4. The average human being learns, under proper conditions, not only to accept but seek responsibility;
5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely, not narrowly distributed in the population;
6. Under the conditions of modern life, the intellectual potentialities of the average human being are only partially utilized.

As McGregor notes, behind every management action or decision are assumptions about human nature and human behavior. Those managers who subscribe to theory Y behave according to the postulates in theory Y. They believe that human beings like to take responsibilities and that commitment to an objective is a function of the rewards associated with it. These rewards are the needs that will motivate them to act. The rewards create the tension in the individual that subsides when realised. How we act or react to other people is influenced by our assumptions about those people. If we believe that an employee has special dislike for work and will avoid it if he can; if we believe that he is at work because he needs money to satisfy his physiological needs, we will attempt to motivate him with money and threaten him with loss of employment (security need) if he does not put in a measure of his effort. A person's attitude towards work is not inherent, it is a learned behaviour. Need appears to be universal; even people whose basic needs are satisfied, still have the need for achievement, status and acceptance. It is not surprising that people whose parents have amassed wealth for them and their entire lineage still struggle to achieve and gain individual recognition, status and power.

A motivated employee has adult characteristics. He enjoys independence, has longer, deeper and more consistent interest in what he

does. But a frustrated employee is forced to act like a child. He has dependency syndrome with erratic, casual or shallow interest.

### 3.6 Herzberg's Two-factor Theory of Motivation

Herzberg's two-dimensional theory of motivators and dissatisfiers has received enough publicity in the area of motivation. These two-factor theories have often been called "Motivation Maintenance Theory", "Motivation-hygiene Theory", or "Dual Factor Theory".

**Motivators:** According to Herzberg, the motivators are:

1. Achievements
2. Recognition
3. Responsibility
4. Advancement
5. Work itself.

These are factors that will induce an individual to put forth adequate effort in the accomplishment of organisational goals.

**Hygiene Factors or Dissatisfiers:** The dissatisfiers are:

1. Relationship with supervisors
2. Working condition
3. Relationship with peers
4. Personal life
5. Compensation (money).

Herzberg et. al, observed that an improvement in the hygiene factors, (company policies and administration, supervision, working condition, interpersonal relations, personal life, money, status and security) would serve to remove the impediments to positive work attitudes. When these factors deteriorate to levels below that which the employee considers acceptable, then job dissatisfaction ensues. However, the reverse does not hold true. When the job context can be characterised as optimal, we will not get dissatisfaction, but neither will we get much in the way of positive attitudes.

Herzberg did not advocate the elimination of hygiene factors; instead he feels that they are "housekeeping chores" that must be done. If they are absent, motivators will not work as employees will complain and find unnecessary faults.

To encourage motivation, it is advocated that employers must encourage job enrichment. This involves making job meaningful to the job holder

so as to enable him derive satisfaction from the work. Good job design helps the employee to derive recognition, a sense of achievement, growth, and responsibility.

### 3.7 What Motivates Employees?

Evidence from different empirical studies point to the fact that there is no single motivator for everyone. It is equally true that no single force motivates an individual every time. Needs differ and the importance attached to needs by different people also differ.

M. Scott Myers raised three important questions about motivation. These three questions and the answers are as follows:

(9) *What motivates employee to work effectively?*

A challenging job which allows a feeling of achievement, responsibility, growth, advancement, enjoyment of work itself and earned recognition.

(10) *What Dissatisfies Workers?*

Most factors peripheral to the job – work rules, lighting, coffee breaks, titles, seniority rights, wages, fringe benefits, and the like.

(11) *When do workers become dissatisfied?*

When opportunities for meaningful achievement are eliminated and they become sensitized to their environment and begin to find fault.

The study corresponds to Herzberg's study. The answers to his first question correspond with Herzberg's motivators while the answer to his second question corresponds to his dissatisfiers. Although Herzberg's theory is widely discussed, it has been seriously contested. For example, Herzberg listed money as a dissatisfier, evidence points to the fact that money can be either a motivator or a dissatisfier depending on the individual's pressing need to accept a job and work hard at it. As long as the need persists, it will continue to be a motivator of behaviour. If the individual works hard but does not receive what he considers as adequate remuneration for the effort expended, he could be dissatisfied. It is evident that management can motivate people by designing jobs so as to satisfy motivational needs. It is clear that any job that robs people of their needs for achievement, recognition, acceptance and self-fulfillment will tend to dissatisfy. Money, for example, is not an end itself. People need money to achieve independence, recognition from the society, status or privileges bestowed on people by society because of their wealth. When a person has special need for these, he works

hard to earn more money for the attendant blessing not for the money itself.

### **3.8 Herzberg's and Maslow's Compared**

Herzberg's two dimensional theory and Maslow's hierarchy of needs have much in common. A comparison of the two theories points out that the high order needs of Maslow (affection, esteem and self-actualisation needs) correspond with Herzberg's motivators while the dissatisfiers (Hygiene factors) correspond with Maslow's basic needs. A person who is in need of esteem will be motivated to achieve it which could be made possible by amassing wealth, and gaining recognition; success breeds success and reinforces a person's esteem of his capability to achieve greater success. When a person achieves, he develops a sense of importance and power and gets a feeling of self-actualisation as he perceives that he has full control of his destiny or environment and has perhaps achieved all that he is capable of achieving in life or a feeling of being "the greatest".

It is through the linkage of performance and reward that an individual achieves individual motivation. The identification of need and reward is a pre-condition for achieving sustained motivation and consequently increased productivity. Table 11.4 shows the relationship between the two theories.

**Figure 11.4 Comparison of Maslow's need Theory and Herzberg's Motivator/Hygiene Factors**

**Maslow Needs  
Motivators**

Self Actualisation Need
Ego (Esteem) Need
Social Need
Safety Need
Physiological Need

**Herzberg's**

Motivation  
Maintenance

Achievement Work itself Advancement Responsibility Recognition
Relation with co-workers & Peers Supervisors Company Policy Working Conditions Salary/Compensation Personal Life

This theory states that an employee will behave in a way that will lead to the attainment of valued, desired goals which he believes, is attainable. Need creates a tension which an employee tries to reduce by a goal oriented behaviour. An employee in this circumstance assumes three major things, namely:

- (1) Goal availability. The employee believes that his goal can be attained through the instrumentality of the organisation.
- (2) Goal Values. The reward offered by the enterprise is one the employee desires or values.
- (3) Perceived Effort. Reward probability.

It is believed that equity will prevail in the organisation. It is hoped that the organisation will consistently reward the behaviour it values. As pointed out, it is left for management to activate or create needs – real or imaginary to induce the tension. A manager that identifies valued needs and rewards effort, will motivate employees.

### 3.9 Management by Objectives (MBO)

Employees are also motivated when management integrates their goals into the organisational goal through MBO. Management by Objectives

is one of the latest methods advocated by Peter Drucker et al for achieving organisational objectives. The basic concept is that top executives and managers should all be involved in determining company objectives and define major areas of responsibility, and integrate into them the goal of the employees.

Odiorne defines MBO as:

A process whereby superior and subordinate managers of an organisation jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him and use these measures as a guide for operating the unit and assessing the contribution of each of its members.

Carroll sees MBO as a process by which managers and their subordinates participate jointly in setting goals, activities, and target dates as well as the evaluation of performance as it relates to established objectives.

Management by Objective is one of the most effective ways of integrating activities and balancing organisational objectives. Peter Drucker consistently postulates that company objectives should be set in all the major areas such as:

1. Productivity
2. Market standing
3. Innovation
4. Physical and financial resources
5. Profitability
6. Manager performance and development
7. Public relations or responsibility, and
8. Worker performance and attitude.

MBO converts company objectives into individual goals and as a result, it contributes to higher levels of job satisfaction. By integrating employee goals to company goals, there is goal congruency which will help to elicit employee commitment with resultant increase in productivity. MBO is often called "management by results". By this method, both the manager and employees are evaluated by results achieved.

### **Setting the Objective**

Figure 11.5 below presents the different steps to be taken to draw up the organisation goals.

## 4.0 CONCLUSION

Motivation as a management tool to getting jobs done for the attainment of organisation's objective are treated. We define motivation, listed and discussed the motivation process while the various theories propounded by authors such as Maslow, McClelland, Herzberg and McGregor were also explained.

## 5.0 SUMMARY

In this unit, we have defined motivation and discussed motivation from the perspectives of Abraham Maslow, McClelland, Herzberg and McGregor. Graphic descriptions were made of the various theories propounded these authors for easy comprehension and understanding. We also distinguished between the various theories while MBO as a motivating factor was also discussed.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Give a lucid definition of motivation as you understand it.
2. Distinguish between Maslow's, McClelland's, Herzberg's and McGregor's theories of motivation.

## 7.0 REFERENCES/FURTHER READING

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## UNIT 3 FORECASTING

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Forecasting
  - 3.2 Need for Forecasting
  - 3.3 Essential Elements of the Forecasting Process
  - 3.4 Importance of Forecasting
  - 3.5 Forecasting Techniques
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### 1.0 INTRODUCTION

Since planning is “a systematic, economic and rational way of making decisions today that will affect tomorrow”, then forecasting becomes an integral part of the planning process especially strategic planning which is long-range in nature. Accordingly, it is necessary to make accurate forecasts in the following areas:

- (a) *Economic developments.* The economic conditions of the country as well as those of the whole world would have significant effect on the operations of an organisation. This will include predictions relating to gross national product (GNP), currency strength, industrial expansion, job market, inflation rate, interest rate, balance of payments, etc. Good economic trends assist in the growth of the company. On the other hand, depression of 1929 – 1930 put many companies out of business. The knowledge about economic trends would assist the management in making plans for their organisation as befitting response to such trends.
- (b) *Technological forecasts.* These forecasts predict the new technological developments that may change the operations of an organisation. The advent of the transistor put the vacuum tube totally out of business. The age of the electronic calculator totally wiped out the market for slide rules. An aggressive organisation keeps up to date with new technological developments and readily adopts new methods to improve performance.



## II

- (c) *Competition forecasts.* It is equally necessary to predict as to what strategies your competitors would be employing to gain in the market share, perhaps at the cost of your market share. This is constantly happening in the airline business. The competitor may be working to employ a different marketing strategy for the product or bringing out a substitute for the product which could be cheaper and easily acceptable.
- (d) *Social forecasts.* These forecasts involve predicting changes in the consumer tastes, demands and attitudes. Consumers have already established a trend for convenience, comforts and for products that are easy to use and easily manageable. In the 1970's, the trend was to buy small economic cars. In the 1980's, the trend is back to luxury and comfort. Partly, it may depend upon the general economic trends and partly on the consumer tastes. Diesel cars were very popular in 1979 – 1980 and they have totally lost popularity in 1984 – 1985. Jacket, highly popular in the 1960's is unheard of today.
- (e) *Other forecasts.* In addition to the above major aspects, there are other critical areas with impacts on the planning process, where forecasting is equally important. These areas include:
  - (i) *New laws and regulations.* Organisations are on a constant watch for any new laws passed relating to consumer protection or dumping of chemical wastes, anti-trust laws, laws about truth in advertising have all had a major impact on the operations of many organisations which had to make extensive changes in their operational style.
  - (ii) *Political events.* In politically stable countries, there may not be any dramatic political changes except that a different party in power may be more socialistic in nature, as in France currently, and may interfere in private business matters. In more volatile political situations, the organisations must be prepared for the worst. The cases of Kennecott copper and ITT in Chile, during the communist takeover are classical examples of being caught unaware. Additionally, most countries have become so interdependent and organisations so multinational that political events in one country affect the organisational events in others. The oil embargo by some Middle East countries in 1973 affected almost all other countries.
  - (iii) *Labour supply.* The labour force is changing in its structure. There is demand for more and more skilled and professional personnel. Unskilled and repetitive tasks are being taken over by

computers and robotics. People are becoming more educated. More women are in the workforce. Workers want more leisure time. All these developments and their trends affect the labour supply and may increase competition in its procurement. Accordingly, organisations must be adequately prepared to meet these challenges if they plan on expansion or modernisation of their plants and operational activities.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define forecasting
- why forecasting was necessary
- discuss the importance of forecasting
- list and explain the various forecasting techniques.

## **3.0 MAIN CONTENT**

### **3.1 Forecasting**

Forecasting, as defined by Webster's New Collegiate Dictionary "is a prediction and its purpose is to calculate and predict some future event or condition". Forecasting implies the act of making a detailed analysis of the future and this knowledge is an essential and important ingredient of the planning process. Planning is impossible without either predicting the future or making intelligent assumptions about it. This importance was emphasised by Henry Fayol (1949), who observed that "plans are a synthesis of various forecasts: annual, long-term, short-term, and special".

Forecasting may be defined as a form of intuitional and considered judgements based on feelings and opinions known as "guessing" or it could be based upon a rational study and analysis of pertinent data, known as "scientific forecasting". Forecasting depends upon an analysis of past events and current conditions with a view to drawing inferences and conclusions about future events. These view points lead to the following characteristics of forecasting:

3. It involves future events. The impact of these future events has to be considered in the process of planning.
4. Scientific forecasts are inferences drawn from past and present relevant events which mean all the factors that affect organisational functions. The assumption is made that these events are likely to occur in the future, if the conditions remain

similar or the anticipated changes in the conditions are incorporated in the analysis and conclusions.

5. The analysis of past and present events is conducted by scientific, mathematical, and statistical techniques, rather than opinions, because they are much reliable than simple judgements.

### 3.2 Essentials of the Forecasting Process

Whether the forecasting is contemplated on a short-term or long-range basis, there are some common elements of the forecasting process as described by J.W. Redfield (1953). These are:

1. *Prepare the groundwork.* The groundwork preparation requires a thorough study, investigation and analysis of the company, its products, its market share, its organisational structure and the industry. The investigation will involve the past performance of all these factors, their growth over a period of time and the extent of their interrelationships and interdependence. The aim is to build a foundation on which future estimates can be based.
2. *Establishing future business.* The future expectancy of the business can be reasonably computed from the past data as well as the input from the key executives of the organisation, sales personnel and other specialists. This forecast is developed with the participation of the key personnel and is officially communicated to all. Thus, all these people assume responsibility for meeting these forecasts and accountability for any deviations from this forecast.
3. *Comparing actual with estimated results.* The forecast estimates ..... growth and results can be measured and compared. If there are significant variations between the two, one way or another, the reasons for such deviations can be investigated and analysed.
4. *Refining the forecasts.* In the light of any deviations found, the forecast can be refined to be more realistic. If some conditions have changed during the periodic evaluation, then the new values of the variables can be incorporated in the estimates. Thus, these constant revisions and refinements and improvements would add to the experience and skill in forecasting, since proficiency in forecasting can only be gained through practice and experience.

#### SELF ASSESSMENT EXERCISE 1

Why is forecasting so important? Give reasons.

### 3.3 The Importance of Forecasting

Forecasting plays a pivotal role in the process of modern management. It is an important and necessary aid to planning and planning is the backbone of effective operations. Many organisations have failed because of lack of forecasting or faulty forecasting on which the planning was based. The more accurately the future conditions can be predicted, the better and sounder are the plans and high probability of success of these plans. This importance is comprehensively stated by Louis A. Allen (1964), as follows:

A systematic attempt to probe the future by inference from known facts helps integrate all management planning so that unified overall plans can be developed into which divisional and departmental plans can be meshed. It enables a company to commit its resources with greatest assurance to profit over the long term. By helping to identify future demand patterns, it facilitates development of new products.

Forecasting is widely used today, and some of these forecasts, especially the short-term ones are fairly reliable. Some forecasts, using scientific methods or instrumentation can be accurately made. Short-range weather forecasting, forecasting the path of meteorites and comets or solar and lunar eclipses is quite accurate. However, accuracy becomes less dependable if we extend forecasting farther into the future.

Forecasting about human behaviour or situational trends is much more difficult to assess and may result in faulty estimates. How people will respond to certain actions taken by the organisation is very difficult to predict. Perhaps, one of the classical examples of failure in correctly forecasting the economic trends and people's attitude is the total failure of Ford Motor Company's "Edsel" car, which was built after a thorough investigation of all the factors that determine future events. Bulova Watch Company suffered huge losses when it failed to accurately forecast the full impact of digital watches. IBM's correct forecast of the impact of its third generation computer system 360 was a major benchmark in the continuing success story of IBM.

The uncertainty of future events overshadows the fact that even the most skilled forecasters using the most sophisticated tools and techniques make major mistakes in making predictions. An interesting example would be the faulty predictions about the populations of America for the 1970's and the 1980's, made in the 1950's. The actual population was much less than anticipated. Some of the assumptions upon which these predictions were based did not include variables that became apparent later on in time. These variables were legal abortions, social attitudes towards birth control, and a decline on social pressures to have children.

It will be interesting to look at some of the historical forecasting errors:

1. Daniel Webster (Senate speech, 1848), about acquiring the West, “I have never heard of anything and I cannot conceive of anything more ridiculous, more absurd and more affrontive to all sober judgement than the cry that we are profiting by the acquisition of New Mexico and California. I hold that they are not worth a dollar”.
2. Henry Adams (1903) – on world collapse. “My figures coincide in fixing 1950 as the year when the world must go to smash”.
3. Admiral William D. Leahy to President Truman (1945) on the atomic bomb, “That is the biggest foolish thing we have ever done.... The bomb will never go off, and I speak as an expert on explosives”.

All these aspects show how important forecasting is to the world, sometimes when it is correct and acted upon and sometimes when it is incorrect and not acted upon.

### 3.4 Forecasting Techniques

The future can never be known with certainty but there are some techniques that have proved effective in reducing the degree of uncertainty. There are basically two broad categories of forecasting techniques. These are:

1. Qualitative techniques
  2. Quantitative techniques
1. *Qualitative techniques.* These techniques are primarily based upon judgement and intuition and especially when sufficient information and data is not available to that complex quantitative techniques cannot be used. Secondly, quantitative methods are based on the analysis of the past data and its trends which may or may not remain the same. Thirdly, they follow a certain pattern and do not provide for accommodating any unexpected occurrences. On the other hand, qualitative forecasting techniques emphasise human judgement which may identify unexpected future threats or opportunities. Some of the widely used qualitative methods are (Chambers et. al., 1971):
    - (a) *Jury of executive opinion.* This is the method by which the relevant opinions of experts are taken, combined and averaged. For example, the managers of various divisions could be asked

## II

about the profitability of introducing a new product and a judgement made on the basis of their opinions. These opinions could be taken on an individual basis or there could be a *brainstorming* group session in which all members participate in generating new ideas that can later be evaluated for their feasibility and profitability. This method is fast, less expensive and does not depend upon any elaborate statistics and brings in specialised viewpoints. Its main disadvantage is that it is based on subjective opinions which may be overly optimistic if the business conditions are good and may be overly pessimistic if economic conditions are not favourable.

- (b) *Opinions of salespersons.* This approach involves the opinions of the sales force and these opinions are primarily taken into consideration for forecasting future sales. The sales people, being closer to consumers, can estimate future sales in their own territories more accurately. Based on these and the opinions of sales managers, a reasonable trend of the future sales can be calculated. These forecasts are good for short range planning since sales people are not sufficiently sophisticated to predict long term trends. This method, known as the “grass roots” approach lends itself to easy breakdowns of product, territory, customer, etc. which makes forecasting more elaborate and comprehensive.
- (c) *Consumer expectations.* This method involves a survey of the customers as to their future needs. This method is especially useful where the industry serves a limited market. Based on the future needs of the customers, a general overall forecast for the demand can be made. These surveys are less costly even though the future needs do not necessarily mean future commitments to buy, since the needs may change depending upon circumstances. This is also known as the “Survey method” or the “Marketing research method” where information is obtained concerning consumer buying preferences, advertising effectiveness and is especially useful where the target market is small such as buyers of industrial products, and where the customers are cooperative.
- (d) *The Delphi method.* The Delphi method, originally developed by Rand Corporation in 1969 to forecast military events, has become a useful tool in other areas also. It is basically a more formal version of the Jury of Opinion Method. A panel of experts is given a situation and asked to make initial predictions about it. On the basis of a prescribed questionnaire these experts develop written opinions. These responses are analysed and summarised and submitted back to the panel for further considerations and

evaluations. All these responses are anonymous, so that no member is influenced by other's opinions. This process is repeated until a consensus is obtained. This method is very useful where either the past patterns are not available or where the past data is not indicative of future events. This technique is highly useful in problems like future energy needs, possible after-effects of a nuclear war or probable expected social changes, etc.

2. *Quantitative techniques.* These techniques use statistical analysis and other mathematical models to predict future events, primarily based upon past activities. Some of the typical techniques employed are:
  - (a) *Time series analysis.* This analysis is based on the assumption that past activities are good indication of future activities. The past trends are extended into the future barring any unforeseen circumstances. This method is quite accurate where future is expected to be similar to the past. These techniques are fairly sophisticated and require experts to use these methods.
3. *Seasonal variation (S).* These are changes-up or down movements in respect to secular trend, occurring within a period of 12 months – and recurring annually, brought about by certain events. For example, sales of consumer items increase prior to Christmas due to gift giving tradition. The sales of automobiles in America are much higher during the last 3 – 4 months of the year due to the introduction of new models. This data may be measured monthly or quarterly.

Since these variations repeat during a period of 12 months, they can be predicted fairly accurately. Some factors that cause seasonal variations are:

- (i) *Season and climate.* Changes in the climate and weather conditions have a profound effect on sales. The sale of umbrellas increases on a rainy day. During winter, there is a greater demand for woollen clothes and hot drinks while summer indicates sales increases in fans and air conditioners.
- (ii) *Customs and festivals.* Customs and traditions affect the pattern of seasonal spending. Mother's day, Valentine day in America see increase in gift sales preceding these days. In India, festivals like Baisakhi and Deewali mean a big demand for sweets. It is customary all over the world to give presents to children when they graduate .....most students graduate, is time for presents benefiting the young.

## II

An accurate assessment of seasonal behaviour is an aid in business planning and scheduling as in the area of production, inventory, personnel, advertising, etc.

4. *Cyclical variations (C)*. These are the changes that have taken place as a result of economic booms or depressions. These may be up or down and are recurrent in nature and have a duration of several years. The cyclical movements vary in length – usually lasting from 2 to 10 years – and also differ in intensity or amplitude and each phase of movement changes gradually into the phase which follows it. Some economists believe that the business cycle completes four phases every 12 or 15 years. These four phases are: prosperity, recession, depression, and recovery. However, there is no agreement on the nature or causes of these cycles.

Even though, measurement and prediction of cyclical variations is very important for strategic planning, the reliability of such measurements is highly questionable for the following reasons:

- (i) These cycles do not occur in regular intervals. In the past 25 years in America, it is estimated that the peaks in the cyclical activity of the overall economy occurred in August in 1957, April in 1960, December in 1969, November in 1973, and January in 1980 (Berenson and Levine, 1983). This shows that they differ widely in timing, intensity and pattern, making reliable evaluations of trends very difficult.
  - (ii) The cyclic variations are affected by many erratic, irregular and random forces which cannot be isolated and identified separately, nor can their impact be measured accurately.
5. *Irregular movements (I)*. These variations are accidental, random, and due to chance factors, thus wholly unpredictable. These variations are those that can be ascribed to general trend, seasonal variations or cyclical changes. The irregular variations may be caused by such isolated incidents as floods, famines, strikes, or wars. Sudden changes in demand or a breakthrough in technological development may be included in this category. Accordingly, it is almost impossible to isolate and measure the value and impact of these erratic movements on forecasting model or technique.

It is traditionally acknowledged that the value of the Time series variable (Y) is a function of the impact of variables trend (T), seasonal variation (S), cyclical variation (C), and irregular variation (I). These



relationships may vary depending upon assumptions and purposes. The effects of these four components might be additive, multiplicative or a combination thereof in a number of ways. However, the traditional time series analysis model is characterised by multiplicative relationship, so that:

$$Y = T \times S \times C \times I$$

This model is appropriate for those situations where percentage changes best represent the movement in the series and the components are not viewed as absolute values but as relative influences. Another approach to define the relationship may be additive, such as:

$$Y = T + S + C + I$$

This is useful when the variations in the time series can be separated and traced to each of these four parts, and measuring each part independently.

- (b) *Causal models.* These models are more complex in nature and involve interrelationships of many variables tied together in a quantitative model. The sales, for example, are not only a function of time but also depend upon many other variables like changes in personal disposable income, credit availability, etc. All these variables, in addition to past sales, would have some causal effects on sales. Some of the more sophisticated causal models are the econometric models which are based upon complex relationships of many variables that would affect the outcome in the future. These models are primarily used to predict economic trends and are based on a multitude of factors, probabilities and assumptions. Various related variables are taken to develop various simultaneous equations which are solved for different values of variables. This technique is particularly used in projecting Gross National Product, and other complicated economic trends.

Duncan (1975) has indicated that econometric models are used in predicting the student enrolment at universities. The variables that affect the size of student enrolment is determined. These variables may include state and city population, average family size, average family income, population movement trends and the current enrolment size. Econometric models would use past data to show the degree of relationship among these variables. The values of these variables and their relationships would be projected into the future to determine the student enrolment for the new few years.

According to Chakravarti (1968), the quantitative techniques of forecasting have the following limitations:

- (a) The conclusions derived from quantitative models are only as good as the assumptions and judgements made about the variables that are put into the model. Faulty assumptions will yield inaccurate results.
- (b) It is very unlikely that the set of causes that existed in the past will continue to persist in the future. The current and continuing dynamic and volatile social and technological environment makes the assumption of consistency even more invalid. Additionally, the causes may simply be an association of facts rather than provable reasons.

No matter what model or method is used, forecasting basically rests on human judgement. So, forecasts should not be considered as scientific instruments for being accurate and reliable. The forecasts should serve as guidelines and not as indicators of certainty. Henry Albers (1969) has summarised his assessment of forecasting:

A successful forecast is something of a miracle and often occurs for the wrong reasons. However, it should not lead to the assumption that nothing has been accomplished. There are some good “rule of thumb” forecasts. A part of the problem is that too much is expected from forecasting. People want more precise answers than are possible in an environment characterised by uncertainty.

While forecasting is as much an art as science, some steps can be taken to improve the quality of forecasts. The assumptions, upon which the model is based, must be objective and realistic. Over-optimism and over-pessimism could distort the validity of assumptions. The collection of relevant information and facts is equally important. Lack of adequate information is as undesirable as redundant information. Forecasting requires high degree of skill and hence the process must be undertaken by specialists. However, there should be total and complete communication between the preparer of the forecast and the user of the forecast. All assumptions and elements should be completely understood by both. Finally, the forecasting technique must fit the task. The technique should not be complicated if the situation demands a simpler assessment.

#### **4.0 CONCLUSION**

We have discussed forecasting and its importance to management functions. We have also highlighted, itemised and explained the

essential elements of forecasting process and forecasting techniques. It is believed that you will do well to research into more literatures on this topic for better understanding and comprehension.

## 5.0 SUMMARY

In this unit, we have defined forecasting and identified the essential elements of forecasting process. We also emphasised the importance of forecasting while the techniques used in forecasting were also discussed in detail.

## 6.0 TUTOR-MARKED ASSIGNMENT

Explain in detail the time series analysis as applied to forecasting. What are the specific situations in which the time series analysis can be effectively applied?

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## **UNIT 4      DELEGATION AND DECENTRALISATION OF AUTHORITY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Delegation and Decentralisation of Authority
  - 3.2 Delegation
    - 3.2.1 Key Principles of Delegation
    - 3.2.2 Absoluteness of Accountability
    - 3.2.3 Principles of Unity of Command
    - 3.2.4 Failure to Delegate
    - 3.2.5 Effective Delegation
    - 3.2.6 Combating Barriers to Delegation
  - 3.3 Decentralisation
    - 3.3.1 Task Specialisation
    - 3.3.2 Span of Control
    - 3.3.3 Factors that affect Span of Management
  - 3.4 Graicunas Theory
  - 3.5 Empirical Research Findings
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will be introduced to delegation of responsibilities and decentralization of authority. You will learn about the key principles of delegation, why executives find it difficult to delegate, overcoming barriers to delegation. You will also learn about task specialization, span of control, factors that affect span of management as well as graicunas theory.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define delegation and decentralisation
- list and discuss the key principles of delegation
- explain the reasons why people fail to delegate and how to combat the barriers to delegation
- highlight and describe the factors that affect span of management
- discuss graicunas their and empirical research findings on decentralisation.

### 3.0 MAIN CONTENT

#### 3.1 Delegation and Decentralisation of Authority

#### 3.2 Delegation

Delegation is the organizational process that permits the transfer 'of authority from a superior to a subordinate. Delegation of authority empowers a subordinate to make commitments, use resources and take action in relation to duties assigned to him. No organization can function effectively without delegation. The division of 'an organization into units (departmentalization) involves delegation. Delegation originates from the fact that one person alone cannot successfully discharge all the responsibilities in an organization. "In essence delegation of authority means that a subordinate has the power to make decisions and to act within explicit limits without checking with superiors".

Delegated authority enables the superior to share responsibility with his subordinate. When one delegates, three major factors are implicit:

- (a) There is assignment of responsibility.
- (b) There is a delegation of authority.
- (c) There is a creation of accountability.

Delegation involves accountability. Accountability means answering for the use of your formal authority by someone else. Delegation of formal authority to another person does not relieve one of the necessities of accounting for it. A subordinate must account for the use of delegated authority because an obligation is created. A subordinate is held responsible for assigned tasks and he is accountable for the satisfactory completion of the duty.

##### 3.2.1 Key Principles of Delegation

**Parity of Authority and Responsibility:** One of the problems often associated with delegated authority is that 'people like to delegate responsibility but not authority. One of the major principles of delegation states that for effective delegation, authority granted to a subordinate must be equal to the responsibility assigned to him – no more no less. .

It is to be expected that when responsibility is given to a subordinate, he is to have commensurate authority to discharge it. Failure to equate responsibility with authority leads to inefficiency. In Nigeria, subordinates often complain of having no appropriate authority to discharge assigned duties. Lack of authority denies the subordinate.

position-based influence to gain the necessary co-operation from others. In some instances, the subordinate does not understand the limit of his authority. A production manager cannot force an obsolete equipment to be as effective as a new machine, and a sales manager cannot force customers to buy. These are limitations imposed by circumstances. Parity of authority and responsibility is not, however, a panacea for the achievement of assigned duties.

### **3.2.2 Absoluteness of Accountability**

This principle states that "although responsibility may be assigned and authority may be delegated to subordinates accountability to one's superior can neither be assigned nor delegated." When one delegates one's assigned responsibility to someone else, one is still fully accountable to one's superior for its execution. When the managing director delegates to the production manager, for instance, the production manager delegates to his plant supervisor; if the production quota is not met, the managing director's accountability to his superior cannot be delegated or assigned. It is as a result of this that if the organization is not being productive, the managing director is replaced while the lower executives keep their position. This principle prevents the executive from "passing the buck." In order to delegate properly, one has to retain a reservoir of authority to ensure that the task is properly carried out. Accountability to one's superior is absolute and not transferable.

### **3.2.3 Principles of Unity of Command**

This principle states that "a subordinate should be accountable to one and only one; superior at a time". It is important for the subordinate to report to only one superior in order to maintain the chain of command. The essence of unity of command is to avoid conflicting instructions. It is essential in all organizations for an employee to receive delegated authority from one boss and is accountable to the same boss for the assigned task.

The principle of unity of command is sometimes violated where functional authority exists. The subordinate receives instruction from his line superior and also from his staff executive. This could happen without any major consequence if the authority of the staff executive is clearly defined. The principle could also be violated each time one by-passes a level of intermediate supervision. A managing director who for instance, usually ignores the sales manager and speaks directly to the salesmen is violating the unity of command principle.

### 3.2.4 Failure to Delegate

Despite the fact that delegation is a very important organizational process, some executives find it difficult to delegate. Some of the major reasons are summarized below:

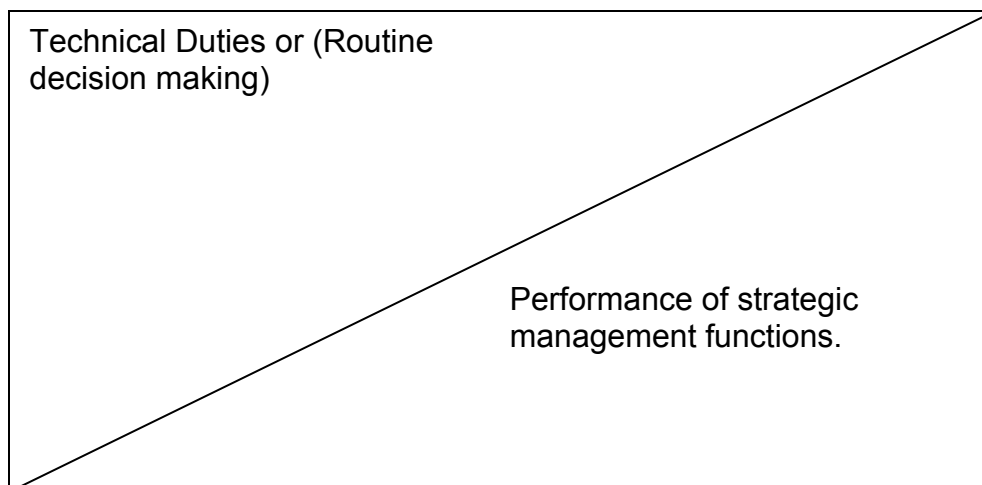
- (1) Some executives get trapped in the "I can do it better myself fallacy".
- (2) (2) Lack of ability to direct or encourage co-operation among subordinates.
- (3) Fear that delegation diminishes managerial authority.
- (4) Absence of selective controls to warn of impending difficulties.
- (5) Lack of confidence in subordinates.
- (6) A temperamental aversion to taking a chance.

A supervisor who refuses to delegate frustrates his subordinates as he denies them the intrinsic and extrinsic satisfaction derived from accomplishing a task.' Delegation helps in training employees to assume responsibility and learn to be accountable for assigned tasks. Failure to delegate makes the executive indispensable in an organization and should he resign, die or is dismissed, a vacuum is created. Delegation does not relieve managers of their original responsibility. They could withdraw delegated authority at any time.

### 3.2.5 Effective Delegation

Effective delegation helps managers to spend less time on specific technical activities or routine decision making and concentrate their efforts on other strategic management problems. This is summarized in Figure 6.1 below.

**Figure 6.1: Delegating Characteristics**



Low —————▶ *Degree of Delegation* —————▶ High

To accomplish effective delegation, it is important that the subordinate should understand the purpose of delegated function and the objectives to be achieved. The determination of objectives helps the subordinate to relate the assigned task to the accomplishment of the overall company objectives and his own personal interest. This is also in keeping with the principle of objectives which states that "before initiating any course of action, the objectives in view must be clearly determined, understood, and stated."

Secondly, the duties assigned must be commensurate with authority delegated. An employee who is assigned plenty of tasks but little authority gets easily frustrated especially as he seeks and fails to obtain the willing co-operation of his peers or even subordinates. It is important that management assigns the whole task not the routine or portions of it since this could create conflict. The ideal manager is one who does not only delegate authority and assign responsibility but also wishes to add to them always. Many managers especially in small organizations and sole proprietorships in Nigeria assign only routine or details of a job and retain the main decision-making aspect of it. This is one of the major reasons why indigenous entrepreneurs find it difficult to recruit university graduates.

Thirdly, the employees to whom responsibility is to be assigned and authority delegated must be judiciously selected. Not every employee is expected to have the mental preparedness and competence to be assigned a task and held accountable. Employees who lack skill, knowledge, experience or are poorly motivated should not be selected until they are ready. As a guide, employees' who exhibit the following traits should not be chosen until they are ready:

- (1) Employees who cannot accept criticisms for their mistakes.
- (2) Employees who lack self confidence.
- (3) Employees who lack initiative or take undue pleasure in being told than finding solutions to their problems.
- (4) Employees who cannot easily be motivated by the usual company incentives.
- (5) Employees who like to follow rather than lead.



Fourthly, the supervisor must have built-in checks to ensure that delegated tasks are being carried out. As pointed out delegated responsibility is shared. A manager does not abdicate his responsibility and accountability by delegation. The best manager is one who knows how much responsibility to delegate and how to be in control at all times. Constant feedback is necessary in order to avert costly mistakes of subordinates. 'It has to be re-emphasized here that delegation of authority does not relieve managers of their original responsibilities, nor does it reduce their overall authority in the organization. The essence of all delegated function is to share the task in order to achieve greater overall efficiency.

### **3.2.6 Combating Barriers to Delegation**

To overcome the barriers to delegation, the following guidelines are suggested as shown in Table 6.1 below.

**Table 6.1: Overcoming Barriers to Delegation.**

1. Realize that subordinates have much to contribute to decision making in their areas of specialization.
2. Learn to plan ahead so that delegation can take place before rather than after, the act.
3. Build confidence in employees through training, recognition, and counseling.
4. Develop control systems that will point out impending problems.
5. Be willing to take a chance on subordinates.
6. Force subordinates to make decisions while giving them help when needed.
7. Do not be overly critical when subordinates make mistakes.
8. Let subordinates know what is to be done and the results that are expected.
9. Supply subordinates with adequate resources to fulfill their responsibilities.
10. Provide adequate incentives so that employees are willing to accept increased delegation.
11. Develop an organization structure that provides for personal growth and challenge, thereby helping subordinates become more self reliant.

**Source:** Robert L. Trentha and M. Gene Newport. *Management, Functions and Behaviour* Dallas, Texas Business Publications, Inc., 1976; pp. 353-354.

### 3.3 Decentralization

An organization is said to be decentralized if authority to make decisions is delegated to managers at the lower ladders of the organizational hierarchy. What really constitutes decentralization is relative. In contrast to a centralized organization; top management is either fully centralized or fully decentralized. Certain decisions are often centralized and others are decentralized. As a general rule, factors such as the size of the organization, the degree of interaction between members, management philosophy and the personality of the members determine the degree of decentralization.

Decentralization is encouraged in all modern organizations because it promotes initiative and flexibility and helps in the development of subordinates by helping them to participate in decision making. Centralization, on the other hand, promotes directional control, coordination, specialization, standardization, economies of scale and the use of various cost saving devices.

It is impossible to look at an organization chart and determine whether an organization is centralized or decentralized. It is the practice that determines that. One of the major criticisms often brought against the Nigerian civil service is that it is over centralized thus denying middle management of initiative and independent thought. It is not unusual for letters originating even from key personnel in the organization to start with "I am directed. .." The civil service develops "administrators" instead of managers. Large business enterprises have a greater tendency to be decentralized than small enterprises. Companies with different product lines and services decentralize their operations to encourage profit centres – a practice which is often referred to as profit decentralization. A company like the UAC of Nigeria Ltd with very many divisions and subsidiaries is an example of a company with decentralized product division – with each manager responsible for profits in his own division.

Decentralization of operations to small units facilitates decision making and brings the decision making authority very close to the point of operation. In a sales operation, credits of a very reasonable sum of money could be approved on the spot without referring to the headquarters. It gives the divisional managers the opportunity to tailor their decisions to suit the local environment in which they serve.

.As a general rule, decisions that affect only one department such as sales could be decentralized as it involves the customer, the salesman and the area manager. Decisions that would affect more than one department located in different geographical areas are best centralized for easier coordination. A decision involving promising delivery dates to key customers on contractual obligation would involve production, sales, supplies and finance departments and is best handled at the top level to avoid costly mistakes that may involve millions of naira and loss of goodwill.

There is no single criterion to use in deciding whether to be fully centralized or completely decentralized. Each situation is to be evaluated on its own merit. .As a guide, research findings show that the following factors must be considered before decentralization is undertaken:

- (1) Where there is a need for speed and flexibility in decision making, decentralization is necessary.
- (2) When divisional or area managers require initiative or creativity in order to achieve profit quotas, decentralization is necessary.
- (3) In companies with differentiated product lines, that are independent of one another and are capable of becoming profit centres, decentralization could be instituted.
- (4) Where there is ample supply of capable managers with knowledge, experience and dedication, decentralization is recommended to motivate them. Middle managers are the most frustrated in centralized organizations as achievement is not easily recognised and there is the paucity of opportunity for advancement or even of intrinsic or extrinsic reward.
- (5) Research shows that the size of business organization, products, location of customers and the size of the market have a definite relationship to the degree of decentralization.
- (6) Where there is a desire to improve the communication channel in an organization there is a reason for greater decentralization.

A study of top and middle management executives reveals that of the 205 executives who responded, 65% believe that Nigerian organizations are too centralized. The situation is worse in the civil service where 85% of the respondents believe that the organization is 'too centralized. What appears very disturbing is the pessimism expressed by all to the effect that this situation is bound to continue. In the more advanced, countries, the advent of computerization which has made possible more refined

management information systems, is leading to greater centralization and making many middle management positions increasingly obsolete.

For the less advanced countries where centralization is being justified on the grounds that there is a paucity of qualified management to make decisions, there is need for decentralization. This appears to be one of the most expeditious ways of enhancing the decision making skills of managers – thus giving them the opportunity to learn from their mistakes. Experience has shown that the cost of poor decisions in a decentralized organization is less than the cost of frustration arising from referring all decisions to the company headquarters (in a centralized situation).

### **3.3.1 Task Specialization**

One of the major factors that promote decentralization is task specialization. Each department deals with a defined group of organizational activity. It is believed that the specialization of activities would lead to increased production. This, in turn, would give rise to the design of specialized equipment, labour and facilities. It has even been carried further to include specialization in other levels of an industrial economy such as geographical specialization, specialization by process and work specialization.

It has many salutary effects in our economic life which include that:

- (a) It makes training of employees easy as it takes less time to train an employee on a specific task.
- (b) It is easier to replace an employee who must leave the organization or be transferred since the employee executes a small task requiring a small skill.
- (c) Because the task discharged by an employee is small, his total compensation is relatively small too.
- (d) Because of the small skill, and the limited time retired for training, no, single employee is considered indispensable in the organization.
- (e) Specialization promotes delegation and supervision with predictable results.
- (f) Specialization permits the use of special equipment and machines which help to reduce duplication to a minimum.

### 3.3.2 Span of Control

Span of control deals with the number of subordinates that an executive can manage effectively. There is a positive relationship between the span of control and delegation. A broad span of control forces manager's to allow their subordinates to enjoy the full benefits of the delegated responsibility. There is also a close relationship between the number of employees answerable to an executive and the number of management levels. It is as a result of this that Graicunas believes that tall organizational structures improve management supervisory efficiency because they entail a narrow span.

Narrow span of management has been advocated by most of the classical management writers. Fayol in support of narrow span of management states that:

whatever his rank, a man has only to command a very small number of direct subordinates, usually less than 6, except that a foreman, who is dealing with quite a simple operation, is in direct command of 20 or 30 men.

In support of this statement, L. Urwick stated that:

No superior can supervise directly the 'work of more than five or at the most, six subordinates whose work interlocks.

Despite all these, it appears that the number of people a person can effectively manage cannot be determined by an arithmetical precision. It requires common sense approach that takes many variables into consideration.

### 3.3.3 Factors that affect Span of Management

There are many factors that determine the span of management. These factors are discussed below:

- (1) **Ability of the Supervisor.** Individuals differ in their ability to execute tasks successfully. Some supervisors are capable of controlling more subordinates than others even if their work "interlocks." Generally, in designing the organization, it is the ability of the average supervisor that will be used to determine the span of control.
- (2) **Ability of the employees.** Employees with adequate skill, experience and training require little or no supervision in the

discharge of their regular functions. A supervisor in charge of these professionals can supervise a large number of employees.

- (3) **Type of work.** The type of work employees are doing will influence the span of control. For employees working in an assembly line, there will be limited supervision compared to when they are working individually in a service oriented task.
- (4) **Geographical Location.** It is easier to supervise people working together than people scattered all over a large geographical region. A sales executive can supervise more salesmen all in Lagos than if the same number of Salesmen is located in the nineteen states of Nigeria.
- (5) **Congruency of Goals.** Employees who believe in the organization and see it as the ladder through which they will attain their goals, are self motivated to work without supervision. It is different from a group of dissatisfied employees who will work hard only in the presence of the supervisor.
- (6) **Importance of the work.** Some jobs require closer supervision than others. A man supervising people working in the field of agriculture picking tomatoes, onions or cotton will not need to give them as close supervision as a man supervising employees producing high precision equipment. In the latter case, quality control is important while in the former it is only general supervision that is required.

### 3.4 Graicunas Theory

Graicunas used a mathematical equation to arrive at the conclusion that only a narrow span of management would make for efficient management. He postulates that as a supervisor deals with subordinates, not only will the number of direct relationships increase, but also the number of group relationships and cross relationships will rise.

Table 6.2 shows Graicunas direct cross and group relationships. Many research findings have shown that Graicunas was wrong.

**Table 6.2 Graicunas Direct, Cross and Group Relationships**

No. of Subordinates	No. of Direct Simple Relationships	No. of Cross Relationship	No. of Direct Group Relationship	No. of Total Relationship
1	1	0	0	1
2	2	2	2	6
3	3	6	9	18
4	4	12	28	44
5	5	20	75	100
6	6	30	186	222
7	7	42	441	490
8	8	56	1016	1080

### 3.5 Empirical Research Findings

Empirical research findings show that to limit the span of management to five or six is rather too restrictive. Instead research findings show that:

- (1) Span of control of executive and supervisors varied with 'the nature of the production process.
- (2) Mass-production companies have a higher span of management than process firms.
- (3) Successful firms have spans at or near the medium while less successful firms had spans which were either too low or too high for their production system.
- (4) Spans of 10 to 11 are indicative of low structure; spans of 3 are indicative of high structure.
- (5) Spans tend to increase with increasing task certainty.
- (6) There is a positive correlation between span or control and geographical separation of subordinates.
- (7) There is a positive correlation between span and the use of personal assistants by supervisors.
- (8) Similarity of functions supervised influences subordinates experience on the job.

In summary, because of the preponderance of evidence from empirical research on this subject, it is now believed that the span of control depends on the complexity of the task; ability of the supervisor, proximity of the tasks, variety of the jobs, quality of personnel and the

use of personal assistants. All repetitive jobs require large spans of management whereas the reverse is the case for highly technical work.

#### **4.0 CONCLUSION**

You have learned about delegation and decentralisation in this unit.

#### **5.0 SUMMARY**

In this unit, we defined delegation and decentralisation as a tool for managerial control and increase in productivity. We discussed the key principles of delegation, reasons why executives do not delegate and how to overcome the barrier to effective delegation. We also explained factors that affect span of management and span of control and finally we discussed Graicunas theory and his empirical research findings on decentralisation.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. What is delegation? Why is delegation not effective in many Nigerian organisations?
2. Discuss the three key principles of delegation. Are these applicable in Nigerian organisations? Why?

#### **7.0 REFERENCES/FURTHER READING**

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## **UNIT 5      SOCIAL RESPONSIBILITY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Social Responsibility
    - 3.1.1 Definition of Social Responsibility
  - 3.2 Areas of Social Responsibility
  - 3.3 Neglect of Social Responsibility
  - 3.4 Social Responsibility and the Nigerian Entrepreneur
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The pervasive influence of large business organizations in the society makes the issue of social responsibility very important to management. No social institution will endure that fails to contribute to the needs of the society. The privilege given to organizations to operate in the society stems from the fact that society believes that there is mutual interdependence existing between the two. In this unit, you will be introduced to social responsibility as it affects business operation in Nigeria.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define and explain what is meant by social responsibility
- list and discuss the areas of social responsibility
- give reasons why social responsibility is being neglected
- discuss the role of Nigerian entrepreneurs in social responsibility.

### **3.0 MAIN CONTENT**

#### **3.1 Social Responsibility**

##### **3.1.1 Definition of Social Responsibility**

Social responsibility is seen as:

*The intelligent and objective concern for the welfare of society which restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable and which leads in the direction of positive contributions to human betterment.*

At present, many Nigerian businessmen's attitude to social responsibility is one of the 17th century America and Europe characterised by rugged individualism – "I'm my own boss, and I'll manage my business as I please." They believe in the doctrine of laissez-faire "that government is best which governs the least."

An organization is made up of people and a typical executive is a member of the society. In his dual role as the owner of an enterprise and a member of the greater society to which he is a part, whatever type of society he helps to create, he will participate in. In the U.S.A., the unrest and the attack on all facets of "the establishment" in the early seventies inevitably included business and gave added impetus for executives to think through the social role of the enterprise they direct.

Today, American business leaders believe that "business must learn to look upon its social responsibilities as inseparable from its economic function. If it fails to do so, it leaves a void that will quickly be filled by others -usually by the government. If business fails to recognize this social responsibility, the government must step in to regulate them. What affects the society as a whole affects the businessmen. Like everyone else in the society, they will breathe foul air, drink polluted water, be part of the crowded city, use unsafe products, be misled by false advertising and could be denied of some of their social benefits of their political party, ethnic group or religious beliefs.

Those organisations that believe that government, not business, is the institution best suited for solving social problems are living in the past. It is true that businesses must be concerned with their primary objectives – profit, but the same society expects organisations to make a positive social impact on the society on which its economic well-being depends.

### **3.2 Areas of Social Responsibility**

Business social responsibility exists in all the enterprises with their customers, owners, employees, suppliers, creditors, management, government and the society as a whole. Thus any person who shares the environment with the enterprise has a relationship with it.

In the following areas, business owes most of its social responsibility to the society:

5. **Pollution problems** – water, air and solid waste, land and noise.
6. **Poverty and discrimination** – ethnic discrimination and parochial interest.
7. **Consumerism** – product safety, misleading advertising, consumer complaints, smuggling.

In Nigeria, one of the major social problems is smuggling. Many businessmen are directly involved in smuggling goods into the country or buying smuggled goods. Contraband goods flow freely into Nigerian markets but become articles of ostentation or exclusiveness. The textile industry, shoe industry and distilling and pharmaceutical industries have loudly and eloquently protested to the government about the evils smuggled goods bring to their organisations. Instances of retrenchment abound as some of the younger industries find it difficult to compete effectively with the cheap goods from Europe, Asia and America.

Nigerian businessmen have also been relatively insensitive or have overtly isolated themselves from the problems peculiar to areas in which they live and amass their wealth. Oil companies are known to have polluted farmlands and fish ponds with their oil spills and made no serious effort to pay adequate compensation to the affected poor citizens.

In the U.S.A. and Britain, businessmen, scholars, people of the media have made numerous speeches, reports, conferences on the very important issue of social responsibility. Epstein reported that some large U.S.A. corporations have started to include "Social Audits," "Social Action Reports," or "Social Balance Sheets" in their annual reports. These include company performances with regard to societal pressing social issues such as racial or ethnic minorities, women, the physical environment, underdeveloped nations, consumers, employees and the general community. Because of the sensitivity to this problem, big corporations have established departments such as Public Affairs and Environmental Relations under the leadership of a top executive who appraises the managing director of what society expects from business and ensures that they are implemented. Schools of Business Administration in the U.S.A., have established courses earmarked to bring about the awareness of social responsibility to future managers. Courses such as "Business and Society", "Social-Responsibility of Modern Organizations" are required courses.

As Epstein succinctly points out, business enterprises give adequate attention to the issue of social responsibility because they want to achieve social harmony between themselves and their environment and the companies see the expenses associated with social responsibility as tax or licence fee they pay to society so that the latter can allow them to

carry out their everyday economic functions. This is the way Nigerian businessmen should see their social functions.

### **3.3 Neglect of Social Responsibility**

Many factors account for the apparent neglect of social responsibilities by Nigerian organizations. Some of the major reasons include:

- (1) The relative small size of Nigerian business enterprises. Many Nigerian enterprises are very small in size and their financial strength precludes the consideration of social responsibility as a task that must be seriously considered.
- (2) Many of the large enterprises are owned by foreign firms whose main pre-occupation is profit maximization. Some of these firms 'see social responsibility as a patriotic gesture best undertaken by indigenous businessmen to help their country.
- (3) Some of the foreign entrepreneurs come from countries where the consciousness for social responsibility is at best in its basic infancy. This is the case in Britain, a country that Nigeria had a long time standing relationship.
- (4) Nigeria has over the years placed much reliance on publicly owned enterprises. The major organizations in this country are either owned by the government or foreign companies. The government owns major transportation network -rail, air, and port facilities, broadcasting, (radio and television), health and postal services, production and distribution of coal and electricity, even the construction of iron and steel industry, oil drilling, refining and distribution. Since these large enterprises belong to the society, it is assumed that they are socially responsible since profit is not their pre-occupation; instead they engage in social welfare redistribution.
- (5) The lack of professionalism in management style. Many Nigerian managers do not perceive social responsibility as one of the key functions of management. Their training and experience have not exposed them to be conscious of this issue. To many, it is novel, or at best an informal and intuitive managerial function.
- (6) The society expects little in the way of social responsibility from businessmen. The laws on environmental protection are not seriously enforced. At best, the only effective tool that the government uses to obtain compliance is persuasion. There are scarcely any groups of individual bodies that are scrutinizing corporate social responsibility. There is no well established

department of public affairs, or of social welfare in any Nigerian business organization.

In the U.S.A. for example, many oil corporations have been taken to court by either the government or concerned citizens for the violation of Environmental Protection Act. The Chevron Oil Company was sued by a group of Louisiana Shrimp and Oyster Fishermen for damaging their means of livelihood. This was because the company's rig in the Gulf of Mexico caught fire and caused the oil to spill into the water, causing a disturbance to the fishermen.

Nigeria has no powerful agency like the U.S. Environmental Protection Agency (E.P.A.), which is an independent regulatory agency charged with the responsibility of striking a balance between the protection of the natural environment and securing for the citizens the benefits of economic and technological progress.

For our society to survive, not lip service but practical importance must be attached to business social responsibility. Unless the same importance that is attached to profit by organizations is attached to social responsibility, the society will decay. Emphasizing on the importance of social responsibility, Uzoaga has observed that:

The needs of society, if unattended turn into social diseases. And no institution whether business or university, or government agency is likely to thrive in a deceased society. Business executives can no longer ignore with impunity the sufferings of human society with the slogan that the business of business is profit and nothing else.

Entrepreneurs and shareholders in corporations must show special concern for social responsibility by supporting social needs with company revenue. Only then will enterprise social policies move from mere platitudes and achieve credibility. We expect Nigerian enterprises to have charitable and cultural programmes, be involved in youth projects, make liberal donations to educational institutions and be keenly interested in the present needs of the individuals who participate directly or indirectly in their organisations.

Businesses could show greater concern for employees by eliminating their dissatisfaction resulting from co-workers, supervisors, the work itself and the unique environmental factors of the organisation.

### 3.4 Social Responsibility and the Nigerian Entrepreneur

In the study conducted by the author which involved 205 Nigerian business organisations employing more than 50 employees each, it was found that 57.4% of the respondents were fully aware of the need for social responsibility of businesses. The frequently mentioned social responsibility included:

- (1) avoiding of smuggling
- (2) fair advertising
- (3) fair advertising
- (4) price control
- (5) environmental sanitation, and
- (6) product safety.

A majority of Nigerian business organisations (85.6%) believed that business enterprises had not shown sufficient interest to their social responsibility. It is interesting to note that 42.5% believed that social responsibility should be undertaken by the large and successful organisations. Many believed that the lack of active involvement in social welfare was due to:

- (1) the dishonesty of businessmen
- (2) ignorance of the role they should play in the area of social responsibility
- (3) the limited educational background of many entrepreneurs, and
- (4) the lack of initiative on the part of government.

Nigerian managers believe that the government should get businesses involved in its social programmes and have stiff penalties for non-compliance.

It is believed that the only way of reducing smuggling, air and water pollution, and a total disregard for consumers is by creating an independent, effective regulatory agency.

The areas in which business organisations should play a prominent role in Nigeria are limitless. In Nigeria, where resources are very much limited, organisations should be involved in the setting and attainment of national priorities. It is a waste for government and businesses to pull in opposite directions. Government should with the cooperation of organisations set priorities. Businesses then should use their resources to ensure that the objectives are realised. In the Green Revolution Programme, professional farmers should work very closely with the government in helping to identify the major problems inhibiting large scale production and distribution of farm products. The banking

institutions ought to assist the government by identifying and making credit facilities available to qualified farmers and offering them expert advice. Organisations that import or manufacture farm equipment should make them available to cooperative farmers at reasonable prices or lease them to farmers at reasonable conditions. The situation is different where the government advocates Green Revolution and the businessman who supplies farm equipment engages in exploitation of farmers or short-run opportunities characteristic of Nigerian avaricious business tycoons.

It is part of corporate social responsibility for the organisation to help the employee to achieve his personal needs. Employment opportunity is created by organisations. Enterprises that start to lay off employees at a time the government is fighting to reduce unemployment are working against national interests.

Nigerian managers should help in formulating and articulating ethical norms as part of their social responsibility.

#### **4.0 CONCLUSION**

We have taken you through this unit by defining and explaining the role of Nigerian businesses or entrepreneurs in social responsibility.

#### **5.0 SUMMARY**

In this unit, you have learnt the definition of social responsibility, the areas of social responsibility, reasons why social responsibility is neglected by businesses and finally, the role of Nigerian entrepreneurs in implementing social responsibility.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

In your own understanding, how would you define and explain the concept social responsibility?

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