COURSE GUIDE

MBA 841

MANAGEMENT PLANNING AND CONTROL SYSTEMS

Course Code	MBA 841
Course Title	Management Planning and Control Systems

Course Developer/Writer I.K. MUO
Olabisi Onubanjo University,
Ago-Iwoye, Ogun State

Programme Leader Dr. O. J. Onwe
National Open University of Nigeria
Victoria Island, Lagos

Course Coordinator Mrs. Caroline Aturu-Aghedo
National Open University of Nigeria
Victoria Island, Lagos

NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria
Headquarters
14/16 Ahmadu Bello Way
Victoria Island
Lagos

Abuja office
No. 5 Dar es Salaam Street,
Off Aminu Kano Crescent
Wuse II, Abuja
Nigeria

e-mail: centralinfo@nou.edu.ng
URL: www.nou.edu.ng

Published by:
National Open University of Nigeria 2008

First Printed 2008

ISBN: 978-058-461-7

CONTENTS *PAGES*

Introduction

MBA 841: Management Planning and Control Systems is a Semester's course work of two credit hours for Masters in Business Administration students in the School of Business and Human Resources Management. It consists of 15 units, which cover the key issues in planning and control with special emphasis on business organizations.

This course guide introduces you to MBA 841- the course itself, the materials available and how to use those materials to ensure a successful outcome. Information on the assignments and Tutor-Marked Questions are also included. Tutorial classes will be scheduled at the appropriate time and you will be duly informed.

What You will Learn in this Course

The course content covers the meaning, types, justification, processes and problems of planning and control; the role of communication in planning, planning in Nigeria, the instruments of control and the features of ideal control system, the nature and scope of strategic control and self-management and empowerment.

Course Aims

The overall aim of this course is to broaden and deepen your understanding of the principles and practices of planning and control and how to deploy these managerial tools for the enhancement of organizational performance. This will be done with special emphasis on the Nigerian situation and recent developments in those fields

These aims will be achieved by:

- Examining the nature, scope, types, principles and processes of planning and control.
- Highlighting the problems with planning and control, and how these problem can be mitigated to ensure optimal outcomes.
- Discussing emerging issues in these areas like strategic control, communication, and empowerment.

Course Objectives

After successfully going through this course, you should be conveniently and confidently be able to:

- define and categorize the various types of planning and control;
- explain the planning and control processes;
- highlight the importance of planning and control in organizations and the relationship between them;
- outline the problems with planning and steps to be taken to ameliorate those problems;
- discuss the peculiarities and intricacies of strategic planning and strategic control; and
- evaluate the use of budgeting as a budgeting instrument.

Course Materials

The materials available for this course include the following:

- This course guide
- The course itself [broken down primarily into units]
- Text Books, Journals, Conference papers and other intellectual resources to which you will be referred
- Assignments and directions on how to handle them
- Tutor-Marked Questions

Study Units

There are 15 units in this course, which should be studied and comprehended in an ascending order. These are:

Module 1

Unit 1 Planning and Control: The Siamese Twins of Management
Unit 2 The Nature and Scope of Planning
Unit 3 The Planning System: the Planers, the Elements, and the Tools
Unit 4 The Need for Planning
Unit 5 The Planning Process

Module 2

Unit 1 Problems and Pitfalls with Planning
Unit 2 Communication and Planning
Unit 3 Planning in Nigeria
Unit 4 The Nature and Scope of Controls
Unit 5 The Need for Controls

Module 3

Unit 1 Instruments of Control
Unit 2 The Control Process
Unit 3 The Ideal Control System
Unit 4 Control and the Strategic Management Process
Unit 5 Self Controls, Empowerment & Delegation

Unit 1 is introductory and lays the foundation for the entire course by establishing the link between planning and control. Module 1 Units 2 to **Module 2 Unit 6 dwell on planning while Module 2 Unit 7 to Module 3** Unit 6 concentrates on the intricacies of control.

Each unit is designed to take a minimum of two hours of concentrated study and include introduction, objectives, main body, exercise, summary, conclusion and Tutor-Marked Assignment (TMAs). You are expected to study the materials, consult the reference texts, execute the assignments and practice the TMAs. These steps would help to ascertain the extent to which you are following in this course of study, enrich your knowledge and facilitate the attainment of the broad aims and specific objectives of the course.

The 15 units in this course are grouped into three modules. The first module has two units; the second module has 7 units; the third module contains 6.

The first module is introductory and establishes the linkage between planning and control and thus lays a solid foundation for the course.

The second module covers The Nature and Scope of Planning; The Need For Plans and Planning; Types of Plans, The Planning Process, Problems/Biases with Planning; Communication and Planning and Planning In Nigeria

The third module treats all aspects of control and specifically, Introduction to Controls, The Need for Controls, Types of Controls, Instruments of Control, The Control Process, Control and the Strategic Management Process, The Ideal Control System, and Self Control, Empowerment & Delegation.

Assignment File

Self-assessment assignments and self-assessment exercises are included within and at the end of the various units and modules as case may be. It is in your own interest to carry out these assignments and exercises as scheduled and remember that the purpose of these assignments is to enhance your understanding of the course and application of the principles and concepts discussed within the main text.

Assessment

The assignment file will be supplied by NOUN. In this file, you will find all the details of the work you must submit to your facilitator/tutor for marking. The marks that you obtain in your assignments will be counted in your final result you obtain for the course. Further information on assignments will be found in the assignment file itself and later in the course Guide in the section on assessment. Therefore you are advised to take your assignments seriously and regularly. Before submitting, you must ensure that you have answered all the questions require from you in all assignments. The assignments will cover all the topics treated in all the units.

Tutor-Marked Assignment

There are Tutor-Marked Exercises, which would be scored to contribute 50% of your total scores for the course. The questions are based on what you have learnt from your course, your assignments and your experience in the course of your work life. They should be carefully undertaken and turned in to the tutorial guide for grading.

Final Examinations and Grading

This accounts for the remaining 50% of the marks and would come at the end of the course. If you have studied conscientiously, performed all the exercises and followed all the instructions in this course guide and the following materials, the exam should not be a problem for you.

Conclusion

MBA 841(Management Planning and Control Systems) extensively discusses the Siamese twins of management-planning and control. These two tools are of inestimable value for the success of any organization and if you successfully go through this course, you would have been equipped with one of the basics of managerial effectiveness and efficiency.

Course Code MBA 841

Course Title Management Planning and Control Systems

Course Developer/Writer I.K. MUO
Olabisi Onubanjo University,
Ago-Iwoye, Ogun State

Programme Leader Dr. O. J. Onwe
National Open University of Nigeria
Victoria Island, Lagos

Course Coordinator Mrs. Caroline Aturu-Aghedo
National Open University of Nigeria
Victoria Island, Lagos

NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria
Headquarters
14/16 Ahmadu Bello Way
Victoria Island
Lagos

Abuja office
No. 5 Dar es Salaam Street,
Off Aminu Kano Crescent
Wuse II, Abuja
Nigeria

e-mail: centralinfo@nou.edu.ng
URL: www.nou.edu.ng

Published by::
National Open University of Nigeria 2008

First Printed 2008

ISBN: 978-058-461-7

CONTENTS **PAGES**

MODULE 1

UNIT 1 PLANNING & CONTROL: THE SIAMESE TWINS OF MANAGEMENT

CONTENTS

1.0 INTRODUCTION

The first unit of this course lays the foundation for the entire course by discussing the intractable relationship between the two key concepts of concern in MBA 841-planning and control. We shall briefly recall the major tasks of management and how these tasks dovetail into each other and then pay attention to the relationship between planning and control

2.0 OBJECTIVES

After successfully going through this unit, you should be able to:

- define management;
- identify the key variables in any organization;
- discuss the five major tasks of management and the interrelationships between them; and

- explain the inseparable relationship between planning and control and why they are termed the Siamese-Twins of management.

3.0 MAIN CONTENT

3.1 Planning & Control: The Siamese Twins of Management

3.1.1 What is Management?

Every organization consists of these three critical elements:

- Resources: Resources are those things that endow the organization with the capacity to pursue its objectives. These may be tangible (buildings, machineries and equipments, finance, human); intangible) brands, copyrights, reputation, technology, industrial peace) and capabilities (the dexterity with which these resources are combined to create value for customers).

- Objectives: These are the SMAT (specific, measurable, **attainable and time-bound) results, which the organization** intends to achieve. It is important to note that organizations do not actually have objectives since they are not real persons. What are termed organizational objectives are thus a collation of the objectives of the various stakeholders especially the most powerful and influential ones.

- Environment: This is an assortment of factors that create **SWOT (Strengths, Weaknesses, Opportunities and Threats)** for organizations. Strengths and weaknesses stem from the internal/micro environment [factors within the control of the **firm] while opportunities and threats derive from the external/macro environment [those outside the control of the firm]. The external environment also imposes constraints and** restraints on the activities of organizations.

Management refers to the process of channeling the diverse resources effectively towards the achievement of the organization's objectives in the most efficient manner while being conscious of the rapidly changing environment. It is important to note that management connotes status, function, field of study, profession as well as being a science and an art

In doing all this, the manager-who does the managing:

i. Must know that managing takes place within an organization and that management becomes a difficult task if the organization is not properly structured.

ii. Must remember that resources are limited and have alternative uses.
iii. Should ensure that its operations and successes today to do not harm its continued existence. In this regards, the short and long run consequences of every decision and action should be carefully weighed and balanced.
iv. Should note that human resources are the most critical since man has will, can decide if, when and how to work, utilizes other resources, is capable of improvement and because of all this 'requires motivation, participation, satisfaction, incentives, rewards, status, leadership and functions'.
v. Should note that 'managing must be done within an environment.
vi. Must produce results, which are measured vis-à-vis corporate objectives.
vii. Must be aware that 'managing' cannot be done if the objectives are not properly set, established for all the key areas, and having the characteristics of clarity, consistence, challenge, measurability.
viii. Must be both effective doing the right things and efficient doing them rightly.
ix. Should not be reactive, erecting barricades after the thieves have escaped, but should be proactive and always asking what is our business, what will it be and what should it be.
x. Should remember that a major responsibility will always be the integration and balancing of conflicting forces and event.
xi. Should ensure that the organization discharges its social responsibility to its employees, immediate environment and the economy as a whole.

3.2 The Tasks/Responsibilities of Management

Henry Mintzberg, one of the distinguished management scholars sees the managers responsibilities as consisting of ten roles which he grouped into three as:

- Interpersonal Roles: leadership, figurehead and liaison
- Information Roles: Receiving information about the organization, disseminating information to the staff and transmitting it to the outside world
- Decision Roles: Entrepreneurial, disturbance handling, resource allocation and negotiation roles

But what managers do can conveniently be grouped into two. One set consists of the tasks of general management involved in planning and coordinating. These are not just the responsibilities of general management, they are also tasks performed by managers in any level and any function. The second set consists of tasks performed to ensure that the functional aspects of the organization-like marketing- are executed. They are specific and specialist and only those in that given area are involved. Thus while people in marketing and finance are involved in planning, people in finance do not engage in marketing (though marketing has financial implications). Our concern here is with the tasks of management which include:

Planning: Deciding in advance when, why, how and who.

Organizing: Grouping activities, departmentation and provision of authority, delegation and coordination, communicating.

Leading: Providing an environment in which individuals happily put in their best; walking the talk, carrying everybody along, both when the going is good and when it is bad; harmony, direction.

Staffing: The procurement and management of adequate quantity and quality of human capital to facilitate the attainment of organizational objectives

Controlling: Setting of standards, measuring performance against standards, reviewing the standards.

Others include managing social impact and social responsibilities, innovation (Always searching for the "new") and ensuring corporate perpetuation.

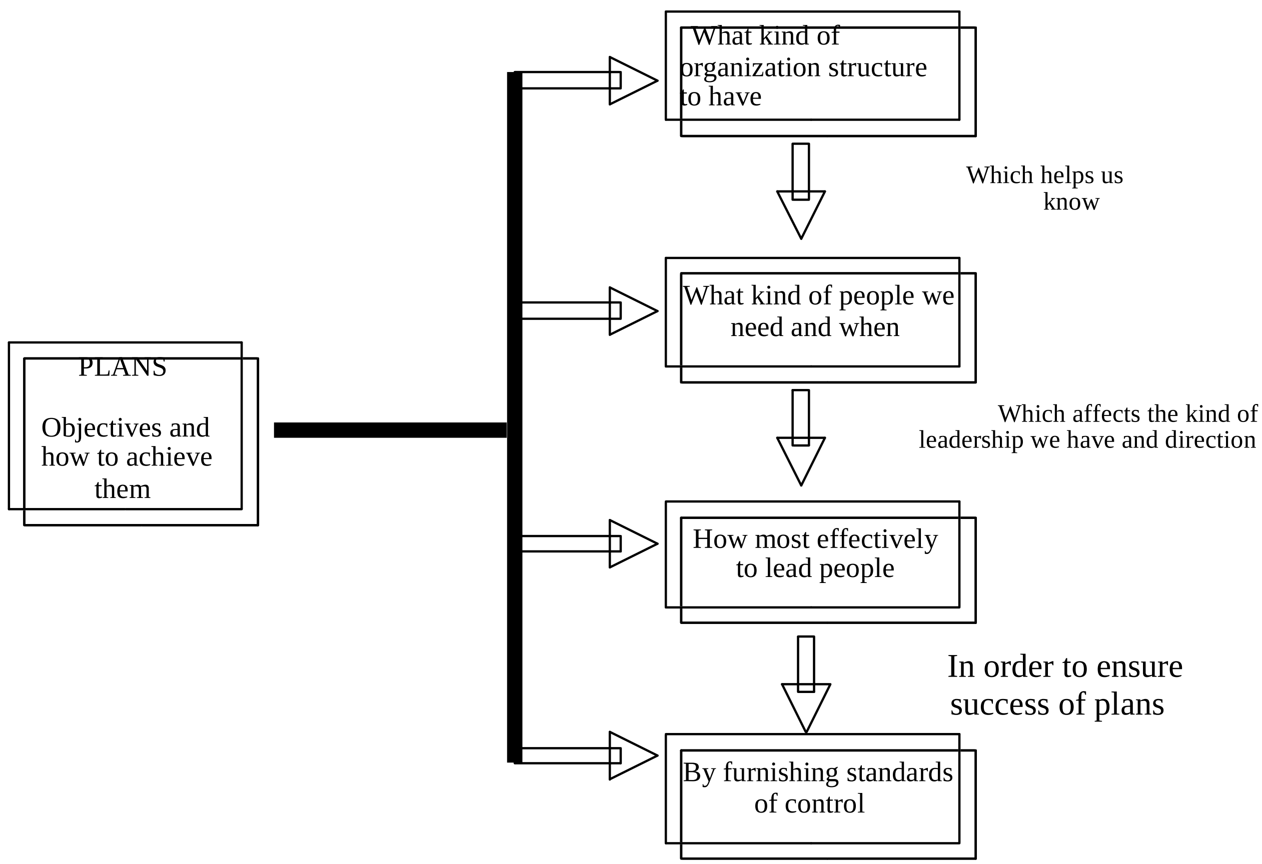
3.3 Relationship between these Managerial Tasks

These tasks of management are interrelated and actually dovetail into each other. Planning sets the stage by helping the organization to determine where it wants to go (objectives) and how to get there (strategies and tactics). These objectives and strategies determine the type of organizational structure most suitable for the organization. Organizational structures are designed to fit the strategies, which are meant to achieve the objectives and both strategies and objectives are the outcomes of planning.

The type of structure in place-how work is divided and coordinated-determines the number and quality of people needed by the organization. This is the domain of staffing. The quantity and quality of people in the organization greatly influences how they are led and directed to ensure unified and focused action and this refers to leading.

It is important to note that planning affects all these tasks since each of them is aimed at achieving the goals of the organization, which are determined through planning in the first instance. Furthermore, all these tasks involve planning because each of them has to be planned for effectiveness. These interrelationships are more clearly depicted in the following figure.

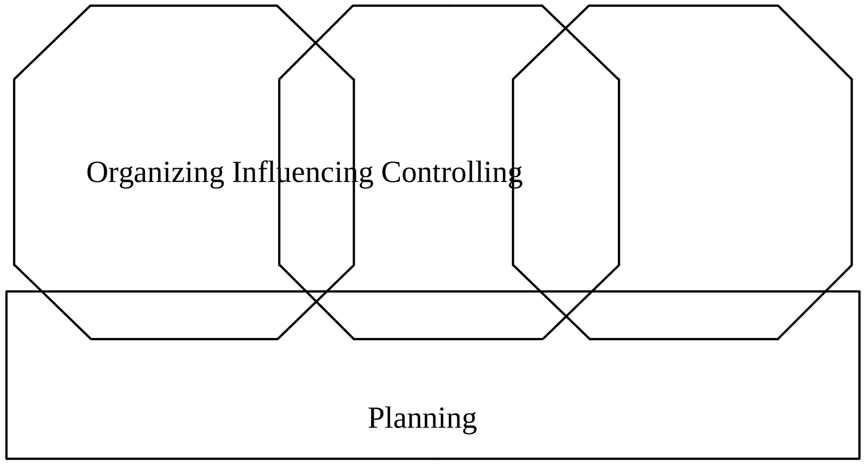
Figure 3.1: The Interrelationships between Managerial Tasks



Source: Weihrich, H & Koontz, H (2003) Management, a Global Perspective; New Delhi, Tata McGraw-Hill, p119.

Another model of that relationship is developed by Certo (980:81) who sees management as generally involving organizing, influencing and controlling and indicates that they are all interrelated while planning is a common denominator (see Figure 3.1b).

Figure 3.1b: Certo's Model of Interrelationships between the Managerial Tasks

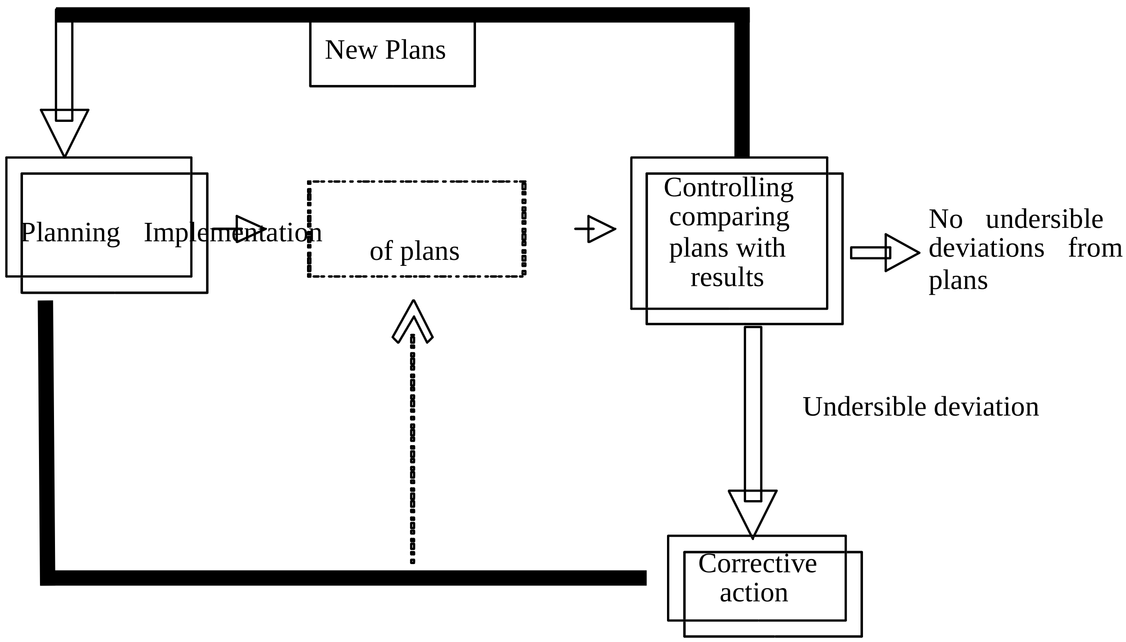


Source: Certo, S. C (1985) Principles of Modern Management; Dubuque, Iowa, Wm. C Brown Publishers, p81

3.4 Relationship between Planning and Control

Planning and controlling are practically inseparable to the extent that they have been termed the Siamese twins of management (Weihrich & Koontz, 2003:119). Planning enables people to know where they are going and how to get there. But the only way for them to know whether they are going where they want to go and the rate at which they are doing so is through controlling. And controlling provides inputs for further planning activities as the extent to which a plan is achieved is the foundation for the next plan. This is shown diagrammatically in the next figure.

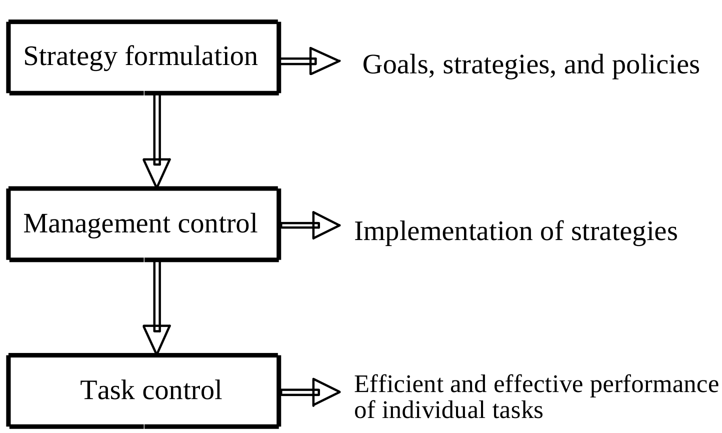
Figure 3.2: Planning & Controlling As Siamese Twins



Source: Weihrich, H & Koontz, H (2003) Management, A Global Perspective; New Delhi, Tata McGraw-Hill, p120

Another model of this relationship is presented by Anthony & Govindarajan (1998:7) who actually see planning as a part of management control activities. They listed management control activities as planning what the organization should do, coordination, **communicating and, evaluating information, deciding what actions** should be taken and influencing people to change their behaviour.

Figure 3.3: General Relationships between Planning & Control Functions



Source: Anthony, R.N & Goviandarajan,V (1998), Management Control Systems, 9th ed ; New Delhi, Tata McGraw-Hill ,p7

Planning and controlling are thus-strictly speaking- not separate processes but a continuum moving from where the organization wants to go, to activities necessary to reach that destination and finally to a measurement of the extent to which the destination has been reached. Plan without control is useless since there is no way of ascertaining the extent to which the plan is being achieved and control without plan is meaningless since there is no purpose for the control. Weihrich & Koontz (2003:119) assert that any attempt to control without plans is **meaningless since there is no way for people to tell whether they are going where they want to go[the result of the task of control] unless they first know where they want to go[part of the task of planning]. Plans thus furnish the standards of control.**

Furthermore, because controlling is a continuation of the planning process since plans provide the framework for the control systems and processes, any change in the plans should be followed by corresponding changes in the controls. If this does not happen, the organization would suffer some adverse performance-related consequences

It is also important to note that control does not begin at the end of the planning process. In deed, the first part of the control process starts with the first part of the planning process. According to ACCEL Team (2001), after objectives are set in the first step of the planning process, appropriate standards should be developed for them. Standards are units of measurement established to serve as a reference base and are useful in determining time lines, sequences of activities, scheduling and allocation of resources. That is the first part of the control process and the interaction with the first part of the planning process is direct. (See figure 3.4)

Figure 3.4: The Interaction between Planning & Control

The Planning-Control Relationship

Planning

1. Establish objectives
2. Determine activities
3. Delegate
4. Schedule tasks
5. Allocate resources
6. Communicate and coordinate
7. Provide incentives

Control

1. Establish standards
2. Measure and compare
3. Evaluate results
4. Feedback and coach
5. Take corrective action

Source: ACCEL-Team (2006) Management Planning & Control Systems
http://www.accel-team.com/control_system/h_control_01.html p1

The second direct interaction between planning and control is at the end of the control process which involves taking corrective actions. These corrective actions take several forms but they usually involve changing the objectives or altering the entire plan.

SELF-ASSESSMENT EXERCISE 1

Beyond the tasks of management discussed in this introductory unit, identify other management tasks and functions and the relationship between them and planning

4.0 CONCLUSION

Planning and control are practically inseparable. Planning without control is useless and control without planning is meaningless. That is why they are termed the Siamese twins of management. Plans are meaningless unless people intend to achieve them and make genuine efforts to that effect. Incidentally, the only way to know whether these efforts are leading to the desired direction whether the plans are being achieved is through control. Planning and control are thus inseparable and some people treat them as one. Even though the two processes are treated separately in the literature, it is important to be aware of this inextricable relationship as you study this course and in your management career

5.0 SUMMARY

Management is the process of efficiently utilizing scarce organizational resources for the attainment of predetermined objectives. Whereas Mintzberg listed 10 managerial roles and grouped them into three as interpersonal, decision and information roles, the key tasks of management include planning, organizing, staffing, leading and controlling. All these tasks are interrelated and neatly dovetail into each other. But planning fundamentally impacts on all of them. Planning and control are so closely related that that they are termed the Siamese twins. In practice, it is even difficult to separate the two as planning sets the bases for control while control is the instrument for evaluating plans.

6.0 TUTOR-MARKED ASSIGNMENT

What is the nature of the relationship between planning and the key managerial tasks and why are planning and control termed the Siamese twins?

7.0 REFERENCES/FURTHER READINGS

ACCEL-Team (2006). Management Planning & Control Systems. http://www.accel-team.com/control_system/h_control_01.html

Anthony, R.N & Goviandarajan,V (1998). 9th ed. Management Control *Systems. New Delhi: Tata McGraw-Hill.*

Certo, S. C (1985). Principles of Modern Management. Dubuque: Iowa, Wm. C Brown Publishers.

Weihrich, H & Koontz, H (2003). Management, a Global Perspective; New Delhi: Tata McGraw-Hill.

UNIT 2 THE NATURE AND SCOPE OF PLANNING

CONTENTS

1.0 INTRODUCTION

Planning is a way of life. Every individual, organization (even informal ones) and country engages in planning. Even to enroll with the National Open University of Nigeria, you did a lot of planning: what do I want, how many ways are available to achieve that objective, which is the best option, given all present and foreseeable circumstances, what will it take (money), how long will it take (time); are there some sacrifices [will I forgo weekend parties]; do I have the discipline to conclude this programme and if I stop midway, what happens (contingency)? But while you may undertake these analyses and decisions while in bed and without putting pen to paper, plans by organizations are a serious affair and at times, constitute a critical success factor in a turbulent and fiercely competitive environment. In this Unit, we shall generally discuss the meaning, nature and scope of planning.

2.0 OBJECTIVES

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

- define planning;
- identify the various features and characteristics of plans;
- enumerate the various myths about planning; and
- recount the evolution of planning and stages in the planning evolution cycle

3.0 MAIN CONTENT

3.1 The Nature & Scope of Planning

3.1.1 Definition of Planning

Planning is generally the process of deciding where an organization wants to be at a future date (ends) and steps to be taken to achieve those ends (means). It can be formally defined as the "systematic **development of action programmes aimed at reaching agreed business objectives by the process of analyzing, evaluating, and selecting among the opportunities which are foreseen' (Duncan,** 1973:1); it "encompasses defining the organizations goals or **objectives, establishing an overall strategy for achieving these goals and developing a comprehensive hierarchy of plans to integrate and coordinate activities" (Robbins, 1995: 120) and in simple terms, it** involves deciding in advance, what to do, how to do it, when to do it **and who is to do it(Koontz & O'Donnell;1972:113).**

Planning is thus an organization-wide process of deciding in advance, the objectives to be pursued, how to pursue these objectives and the resource implications. It provides answers -within the limits imposed by the internal and external environment -to the four critical questions of:

- Where are we now? This involves an analysis of the status quo (and this requires starting from the past).
- Where will we be? At the rate we are moving, where we shall be in a given period say 12 months later.
- Where should we be? Is the answer to question two satisfactory? If we like where we will be, then there is no problem. If not we have to decide where we should like to be (goals and objectives)
- How do we get there? What do we need to do to get to where we like to be (Strategies, tactics, Policies) and what are the resource implications (budgeting).

Even though planning may be informal, we are here concerned with the formal process of determining what should be done and the resource implications. You should note the difference between planning (the **process-coordinated set of activities involved as organizations prepare** their plans) and plan (the outcome; the document which results from the planning process).

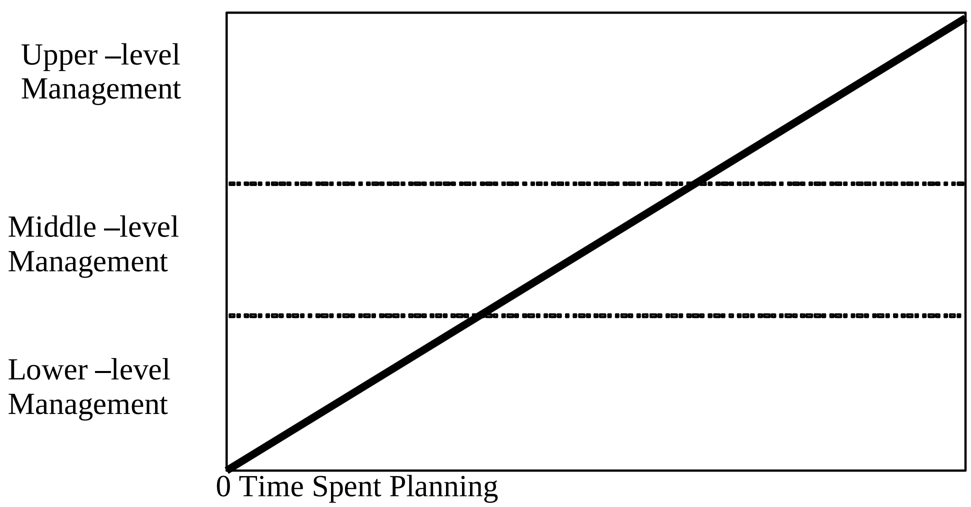
3.2 Features, Characteristics and Perspectives of Planning

Planning is the primary management function: Planning precedes the execution of other managerial functions and tasks because it has to first of all establish the objectives towards which all other managerial duties and organizational efforts are directed. Further more, all the managerial functions/tasks-marketing, finance, organizing- also require planning. This is referred to as the primacy of planning.

Planning is an organization-wide affair: It involves the whole organization. Plans are prepared by all members of the organization-to different extents, direct/indirect; for the whole organization, implemented by the whole organization and impacts-positively or negatively- on the whole organization.

Planning involves all levels of management: though to different extents. In terms of general participation, top management is more involved than lower level managers while in terms of time span, top level managers are more involved in long-term plans while the lower officials are more involved in very short term plans [tactical and operational].

Figure 2.1: General Involvement of Managerial Hierarchies in Planning



Source: Certo, S. C (1985) Principles of Modern Management; Dubuque, Iowa, Wm. C Brown Publishers, P84

These three aforementioned features are jointly and severally referred to in the literature as the primacy, centrality and pervasiveness of planning

Planning is the Means to an End: It is not an end in itself. The ultimate purpose of a plan is to enable the organization achieve some specific, predetermined objectives. If you plan for the sake of planning, or fall into the trap of plan worshiping, then you are on the wrong track. Planning only has a meaning if it helps to achieve those goals and if it is perceived and treated as such. It performs instrumental roles.

Planning is about the Futurity of Current Decisions: Planning is about designing a desired future and identifying ways to bring it about. It "looks at the chain of cause and effect consequences over time of an actual or intended decision that a manager is going to make. If the manager does not like what is seen ahead, the decision can be readily changed. It also looks at the alternative courses of action that are open in the future and when choices are made among the alternatives, they become the basis for making current decisions Steiner (1979:13). It is thus necessary to stress that planning is concerned about the future **implications of current decisions, (Rogers, 1973, 12); not with future** decisions. According to Drucker (1974:125), the critical question is "what do we have to do today to be ready for an uncertain future; **what futurity do we have to build into our present thinking and doing, what time spans do we have to consider and how do we use this information to rational decision, NOW". The decisions have to** be taken in the present but they have future implications. Actions resulting from those decisions are however taken in the future.

Planning is a Process and a System: Planning is a process with identifiable steps that are performed in a relatively given sequence. This process broadly involves setting organizational aims, defining strategies and policies to achieve them and developing detailed plans to ensure that the strategies are achieved. It is also a system in that it is organized and conducted on the basis of understood regularity

Planning is a Philosophy: It is also an attitude and a way of life that requires dedication to the philosophy of constantly acting on the basis of the future and doing so as an integral part of management. In this instance, planning becomes a mindset, a philosophy of management and not just a set of standardized procedures and techniques.

Planning is Structural: Planning has a structure, linking the strategic, medium and short term. It also links the various divisional plans with the head office.

Planning is Concerned about Efficiency-not Just Effectiveness. The plan should be able to achieve its objectives, but this should also relative to the direct and indirect costs of executing the plan, which must be 'reasonable'. This reasonableness is measured in terms of cost, time, production and individual or group satisfaction. The resource utilization must be optimal.

Planning Creates a Dilemma/Vicious Circle: Planning is easiest when the environment changes least (relatively stable) but it is most useful when the environment changes most (unstable).(Rue & Byars, 1977:97). Of course, if the environment is stable or changes marginally, planning may not even be needed. So the more the environment changes (speed, extent) the more difficult it is to plan but the more useful the plan becomes. It also creates a circle in which the faster the rate of change, the more difficult it is to plan and the more useful the planning thereby leading to over-lengthening of the planning period and more risks. Argenti (1974:23) captures this when he argues that: Decisions **are becoming more difficult; so it is necessary for one to spend longer time planning. If one spends longer planning, one must plan further ahead. If one plan further ahead, it means making forecasts further into the future. The further ahead one forecasts, the greater the level of uncertainty. The greater the level of uncertainty, the more difficult the decision-and so back to the start of the vicious circle of spending longer time on the planning, planning still further ahead with still more errors.**

Planning has four Major Dimensions. These dimensions are repetitiveness (the extent to which the plan is used time after time); time ([the length of time covered by the plan); scope [the portion of total management which the plan is aimed at) and level [the levels of the organization which the plan is aimed at) (Kast& Rosenzweig, 1970:443).

3.3 The Myths about Planning/What Planning is Not

There have been many myths and misconceptions about planning and here are some of them:

Planning is not about making Future Decisions. It is about making decisions now that would influence actions in the future

Planning is not Synonymous with Budgeting and Sales Forecasting. Somewhere along the line, these issues do come up but to treat them as if they were the plans is misconception.

Planning is not an Attempt to Blueprint the Future. It is not an irrevocable, iron-cast document to be religiously followed for the period in question. Since the environment changes continually, plans have to be adjusted in line with environmental realities. Flexibility is necessary; but that does not mean that you change the core of the plan (or even its periphery) every day.

Planning does not Necessarily have to be a Complicated, Massive and Intimidating Document. In some instances, depending on size and industry, it may be massive; but plans can also be simple.

Planning does not replace Managerial Intuition and Commonsense. As a manager, you should still make good use of your intuition, which is shapes and reshaped by experience.

Planning is more than the Extrapolation Current Budgets and Figures; it is also not an aggregation of the various functional plans in the organization. It is rather, a systems approach at maneuvering an **enterprise over time through the uncertain waters of its changing environment to achieve prescribed aims (Steiner, 1979:16).**

Planning is not only useful when the Objectives are Met. It is good for a plan to achieve its objectives but even if not, it is still useful for making the organization to think through its business, its environment, its future and bringing everybody to think and work in the same direction.

Planning cannot Eliminate Change. Whatever the organization does, changes must occur! The role of planning is to anticipate the changes and be proactive in its operations. (Robbins, 1995:130). It also helps the organization in managing the changes that are bound to occur.

Planning is not an Attempt to Eliminate Risks. Business is about risk- taking and it would be un-business like to try to eliminate risks. What planning does is to ensure that better risks are taken.

3.4 The Evolution of Planning

Planning has evolved over the years from the immediate post World War II period when the main concern was on budgetary planning and control, to the present era when all attention is focused on unique, sustainable competitive superiority; from the early days when the goal was how to rout the enemy to the present day when there is increasing collaboration and alliances amongst competitors (somebody actually called it competition); from a period when management monopolized the planning formulation process to now when everybody is involved. As it continued to evolve and develop, the appellation also changed. According to Steiner (1979:13), it has undergone several baptisms and confirmations and over the time has been referred to as long-range **planning, comprehensive managerial planning, comprehensive corporate planning, total overall planning, formal planning, comprehensive integrated planning, corporate planning, and strategic planning. Eventually, it has dovetailed into the strategic management process. Specifically, the planning process has evolved in** this manner (Grant, 2003:22):

- 1950s: the era of budgetary and planning control during which the main focus was on financial control through operating budgets. Financial budgeting, investment planning and project appraisal were the major techniques and Financial Management was the key corporate function.

- 1960s: this was the era of corporate planning with market forecasting, diversification and analysis of synergy as the key techniques and concepts.

- 1970s: The era of corporate strategy. Portfolio planning became the main focus while the emphasis was on Strategic Business Units, experience curves and market share.

- Late 1970s & Early 1980s: at this stage, the analysis of industry and competition became the main theme. Focus was on choice of industries/segments and positioning within them. Industry structure and competitor analysis became common with emphasis on divestments and active asset management.

- Late 1980s, 1990s and the Present Day. This is the period of quest for competitive advantage. Strategic management became more dynamic; analysis of resources and capabilities, knowledge management in the 3i economy (the world of ideas, information and **intelligence), organizational flexibility and the need for strategic** speed became important; Reengineering, Total Quality **Management and Continuous Improvement strategies were** introduced. Porter’s 5-forces framework and the Supply-chain analysis were among the ideas that reshaped strategic management practices in this era.

Various organizations are at different stages in the planning evolution cycle which is similar with the development of planning described above. Thus while some are at the most current stage, some are still at the beginning or the middle. These stages have been identified by Kotler (1980:2) as:

- Unplanned stage
- Budgeting System stage
- Annual planning stage
- Strategic planning stage

Formal organizations are likely to start from stage three but small one-man businesses are most likely to start from stage one and may even end there. Ownership, industry, size and environment are some of the factors influencing the stage in which a company is likely to be and the speed of moving from one stage to another. A motor parts shop or a local timber processing business is likely to start and end at the unplanned stage. A bank is likely to start from the final stage and even seek to extend the frontiers.

SELF-ASSESSMENT EXERCISE 1

In Section 3.2 you read about the primacy, centrality and pervasiveness of plans. Identify:

- How planning impacts on personnel and finance functions
- How those functions make use of planning in their operations

4.0 CONCLUSION

Planning is about setting objectives and striving towards the achievement of these objectives. It is pervasive and central to organizational existence and performance. But planning is not an end in itself; it is just the means to an end and the extent to which the end is achieved is a function of the quality of the plan and the quality of its implementation.

5.0 SUMMARY

Planning is an organization-wide process. It involves setting objectives and initiating steps to achieve them. In doing that, the 4 critical questions-where are we, where will we be, where should we be, and how do we get there are carefully answered. Apart from being a process, planning is also primary, pervasive, central and a way of life; it takes decisions today to influence future actions and even when the objectives are not achieved, planning is still very useful to organizations. It has moved from the early stages when emphasis was on budgetary control to the recent times with emphasis on strategic management. Just like planning developed in stages, planning practices in organizations have also developed in stages and various companies are at different stages based on their size, ownership, age and environment. Some may not even plan at all; some may start and stop at the very beginning while some modern organizations may step out on the planning ring from the end. Whatever the case, planning continues to develop as dictated by changes in the environment.

ANSWER TO SELF-ASSESSMENT EXERCISE

- Planning impacts on personnel and finance functions as follows:

Personnel: When a plan is completed, it is translated into operations (production, marketing, sales, administrations) If there is anticipated expansion, then there would be the need to increase the human capital stock so as to take care of the anticipated expansion.

Finance: The planned expansion would also lead to the need to provide more financial resources to employ people, buy more materials and equipment and expand the warehouses. In this manner, the finance function is involved.

- These two functions also make use of planning in their operations. They need to anticipate what they would need[goals and objectives] and design the strategies and strategies to achieve them. This would be based on the framework provided by the overall plan.

6.0 TUTOR-MARKED ASSIGNMENT

Your uncle who runs a back-yard pure-water business recently attended a trade group meeting where planning was the key issue discussed. He believes that planning would solve all his problems and that he does not need to get any of his staff involved in the process. From your discussions with him, you are convinced that he got the whole thing wrong. You are required to re-educate him starting with a comprehensive definition of planning incorporating the four critical questions, the major features of planning and the popular myths and misconceptions about it.

7.0 REFERENCES/FURTHER READINGS

Argenti, J (1974) Systematic Corporate Planning. New York: Halsted Press.

Certo, S. C (1985). Principles of Modern Management. Dubuque: Iowa, Wm. C Brown Publishers.

Duncan, J. W (1973). Decision Making & Social Issues. Hinsdale: Dryden Press.

Drucker, P. F (1974). Management: Tasks, Responsibilities & Practices. New York: Harper & Row.

Grant, R, M. (2003). Contemporary Strategy Analysis: Concepts, *Techniques, Applications. 4th Ed. Oxford: Blackwell Publishing.*

Kast, F.E & Rosenzweig, J.E (1970). Organisation and Management: A *Systems Approach. New York: McGraw-Hill.*

Koontz, H & O'Donnel, C (1972). Principles of Management: An *Analyses of Managerial Functions, 5th Ed. New York: McGraw-* Hill.

Kotler, P (1980). "Strategic Planning & the Marketing Process"; Business, May-June pp2-9.

Robbins, S. P (1995). Management, Concepts & Applications; N.Y: Prentice-Hall Intl.

Rogers, D. V. D (1973). Corporate Strategy & Long Range Planning Ann Arbor, Michigan: The Landis Press.

Rue, L. W & Byars, L. L (1977). Management: Theory and Practice Homewood. Illinois: Richard D Irwin INC.

Steiner G.A (1979). Strategic Planning: What Every Manager Must *Know. New York: Free Press.*

UNIT 3 THE PLANNING SYSTEM: THE PLANERS, THE ELEMENTS, AND THE TOOLS

CONTENTS

1.0 INTRODUCTION

Planning is a system because like all systems, it has inputs, processes and outcomes but most important, it consists of interrelated parts. The CEO, who is the Chief Planning Officer, coordinates that system but invariably, there are usually managers or specific departments who are responsible for the planning process. There are also some key elements and tools involved in planning. In this unit, we shall be discussing planning as a system, roles of the planning manager or department and some elements and tools within that system.

2.0 OBJECTIVES

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

- explain how and why planning is seen as a system;
- itemize the roles of the CEO in Planning;
- list the duties of the planning manager; and
- discuss the key elements and tools of planning.

3.0 MAIN CONTENT

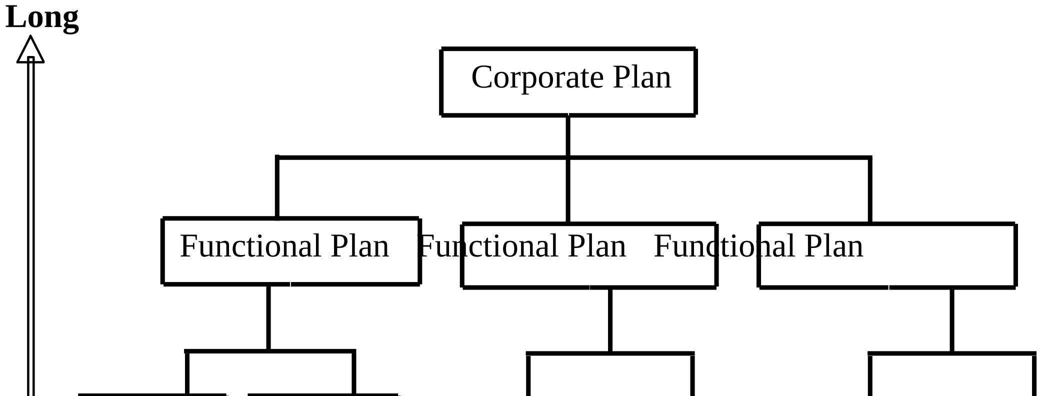
3.1 The Planning System: The Planner, the Elements & the Tools

3.1.1 Planning as a System

Planning is a system. A system may be open (interacts with the environment by continuously receiving inputs from it and delivering outputs into it) or closed (does not interact with the environment). Planning is thus an open system. Like all open systems, it consists of inputs, processes and outcomes. The inputs are the materials and resources that are invested in the planning process (time, money, expertise, organizational support, information from other sources). They are indeed, what to plan with. The process is the how of planning (setting objectives, designing strategies and policies and mapping out operational tactics). The output is the outcome of planning which is the plan document.

To bring the systems concept down to earth and situate planning concretely within the context, we adopt Certo's definition of system as a set of interdependent parts functioning as a whole for the same purpose. The major implication of this definition-and indeed the systems theory-is that since the whole parts are interdependent, they must be treated as one (holistically) because whatever happens to one part will automatically impact on the other. The planning system thus consists of a set of interdependent parts (plans at different functions, units and levels) working together as a whole (integrated as the corporate plan) for the purpose of achieving organizational objectives. The planning system is thus a framework that ties the various plans and levels together. According to Rue & Byars (1977:103), it "ensures that that short-**range plans are in accord with long-range plans and that the various level plans mesh together in an effort to accomplish the goals of the organization as a whole, not just parts of it".**

Figure 3.1: The Planning System.



There are four approaches to planning systems design (Steiner; 1979:63). These are:

- The Top-Down Approach in which planning is done at the top and from which the lower hierarchies take their bearings.
- The Bottom-Up Approach in which the top management asks the divisions to submit their plans which are then reviewed by top management and adopted or amended as the case may be.
- Combined Top-Down/Bottom-Up Approach in which top management, line managers in the divisions and units and relevant staff specialists across the organization continuously collaborate for planning purposes.
- Team Approach in which the chief executive leads a team of line managers to develop the plan. In some instances, a formal planning committee is instituted.

3.2 Managing the Planning System

For the planning system to work effectively and efficiently, it has to be properly directed and managed. The CEO is the chief planning officer and plays very critical roles to ensure that the planning framework is producing the desired result coordinating the planning efforts in the organization. But the CEO is similarly involved in other organizational functions. Consequently, somebody is usually employed at the staff level to manage the planning effort. The arrowheads of the planning efforts are thus the CEO, who provides overall leadership and direction and the planning staff who is actually in charge.

3.2.1 The CEO and the Planning Efforts

The CEO cannot be directly engaged in planning unless in the very small companies. But he still has to be involved if planning is to be meaningful and productive in the organization. Apart from generally engaging and motivating the right staff for planning and providing the needed resources, he plays the following roles:

- Establishing an organizational climate that is fertile for planning
- Ensuring that the planning system is designed in tandem with the peculiarities of the organization size, ownership, history, industry, etc.

- He or she should decide if and when a planning staff is needed, be directly involved in the selection, and keep the planner as close-physically and operationally to his office as possible.
- He should be involved in the planning as much as possible, given the circumstances.
- He should ensure that plans are properly evaluated and the appropriate feedback given to the people involved in the planning
- He should liaise with the board as it relates to the plan inform them about the plan and about its outcome.

In addition to the above roles suggested by Steiner, (1979:95), he should also ensure:

- That organizational resources are placed at the disposal of planners;
- That the plan is effectively communicated and marketed;(and he has to do that bin words and action),
- That the action phase of the planning process is put in motion,
- That all hands are on deck in the process and
- That the plan is regularly reviewed in line with environmental realities and appropriate corrective actions taken whenever necessary.

3.2.2 The Duties of the Planner

Most large and well-organized companies have a staff official in charge of the planning function, which in any case is usually handled by a department. The main duty of the planner and his department is to effectively and efficiently manage and coordinate the planning efforts in the organization. A broad itemization of the planner' activities and responsibilities have been undertaken by Jones (11974:44) as follows:

Methodology

- Prepare a suitable planning system for the organization
- Ensure that the planning system and the associated roles are known and understood by producing a planning manual.
- Continuously update the manual in line with changes in the planning needs of the company and planning techniques

Formal Activities

Act on behalf of the CEO in all the stages of planning and assist in the:

- Preparation of the planning document
- Coordination and integration of unit/functional plans

- Preparation of the corporate plan
- Control procedures for evaluating progress

Functional Activities

- Participate in the determination of corporate objectives, guidelines and policies
- Propose basic economic and general assumptions
- Propose specific objectives at the corporate, business and functional levels
- Assist in the identification and selection of strategies to achieve identified objectives
- Assist in preparing unit plans and ensure that they are consistent with the corporate plan
- Liaise with executives to ensure proper coordination of level and functional plans
- Integrate the unit plans in the preparation of corporate plans
- Assist/advise all executives in the preparation and presentation of their plans
- Organize and participate in the periodic review and progress reports on the plans

Specific Functional Activities

- Prepare the background information base for the company as a whole as regards to all relevant environmental factors
- Identify opportunities for growth in the external environment and internal capabilities in the light of strength, weaknesses and resources
- Propose strategies to exploit opportunities identified above
- Keep abreast of developments bin planning techniques

An empirical study by Brown & O'Connor [1974:2] categorizes the planner's duties as responsibilities for ongoing activities, mergers, acquisitions, joint ventures and divestitures and presents them in order of importance as follows:

Figure 3.2: Responsibilities of a Planner

A. Responsibilities for Ongoing Businesses	**Number of Mentions**
Proposing of participating in the formulation of corporate objectives	105
Proposing or participating in the formulation of corporate strategy	102
Developing revising and monitoring the proper functioning of the planning system	101
Serving as an idea man for the chief executive and other members of top management as they think about the future	100
Counseling operating management about planning issues and problems	100
Educating top and operating management about planning techniques	91
Investigating the socio-economic technological environmental and formulating assumptions or making forecasts about it	84
Evaluating operating managements plans	82
Identifying new opportunities for internal development	80
Monitoring new opportunities for internal development	80
Consolidating and editing written plans prepared by operating management for top management	71
Serving on a management planning committee	71
Proposing or participating in the formulation of strategy of operating units and or functions units	64
Developing and maintaining computer-based models of the company, industry etc	54
Sales or market forecasting	38
Other (including guidance of related research: catalyst to line management, implementing new ideas for internal development, problem-solving, organization planning)	18

B Responsibilities for Mergers, Acquisitions, Joint Ventures

Identifying needs or opportunities that a merger, acquisition or joint venture would will fill or exploit	83
Setting criteria for mergers, acquisitions and joint ventures (e.g.; types of industry, size of company, financial strength; etc)	79
Recommending specific firms for additions to or association with the company	75
Conducting negotiation with acquisition, merger or joint venture candidates	54
other (including critical analysis of the acquisition candidate, broker contacts, structuring the package)	21

C Responsibilities for Divestitures

Recommending specific businesses for the company to spin off	65
Locating buyers	32
Conducting negotiations with buyers	29

Source: Brown J. K. & O'Connor, R. (1974) Planning and the Corporate Planning Director; New York, the Conference Board.

A key function of the planner is the preparation of the planning manual. Generally, the manual acts as a guide for the planning activities in the organization and contains templates for preparing the plans, instructions on how to complete it and timetables for the planning cycle, monitoring and control. Ideally, it should contain:

1. A statement from the CEO about the general importance of planning and the main purpose of the current plan;
2. Background information-history and philosophy of planning in the organization, the planning system and process;
3. Strategic planning instructions to the divisions and units- especially changes from the previous year and planning assumptions;
4. Structure of presentation; and
5. The planning environment. (Steiner, 1979:62)

3.3 Key Elements in Planning

Telsang (2003:66) identifies 11 elements that are very important to the planning process. These are:

Mission: This mission statement sets a company apart from others by stating clearly what customers it wants to serve with what products and in which market. It sets the limits to what an organization can engage in and should be specific enough to serve as a guide to all organizational activities

Objectives: These are the specific goals, which the organization wants to achieve. Ideally, they are expected to be measurable, achievable and time-bound and are directed at the fulfilling the mission of the organization.

Strategies: These are plans of attack; they are the broad based plan of action by which the organization intends to achieve its objectives. It usually involves establishing a company's opportunities and threats (from the external environment) and strengths and weaknesses (from the internal environment) so as to be able to harness its strengths to exploit the opportunities while warding off threats and overcoming the weaknesses

Tactics: These are the means by which strategies are implemented. They are more specific and detailed than strategies

Policies: These are general guidelines for decision making especially on issues that crop up regularly. They are broad guidelines that channel management thinking and actions so as to be consistent with organizational objectives.

Procedures: A procedure is a standing plan describing a customary method of handling an activity whenever it is to be undertaken. It is more specific than policies and according to Certo (1980:126) it "outlines a series of related actions that must be taken to accomplish a particular task". It may be a procedure for placing and or receiving orders and when such procedures are in place, they are expected to be followed strictly by the staff.

Methods: These are prescribed manners for performing a given task with adequate considerations to the objectives, resources available and total expenditure of time money and effort.

Rules: These are prescriptive directive to people on their conduct and action. They are detailed and recorded instruction that a specific action must or must not be performed in a given situation. It does not allow any rule for interpretation!

Programme: This is a comprehensive that includes future use of different resources in an established pattern and establishes a sequence of required actions and time schedules for each in order to achieve the stated objectives

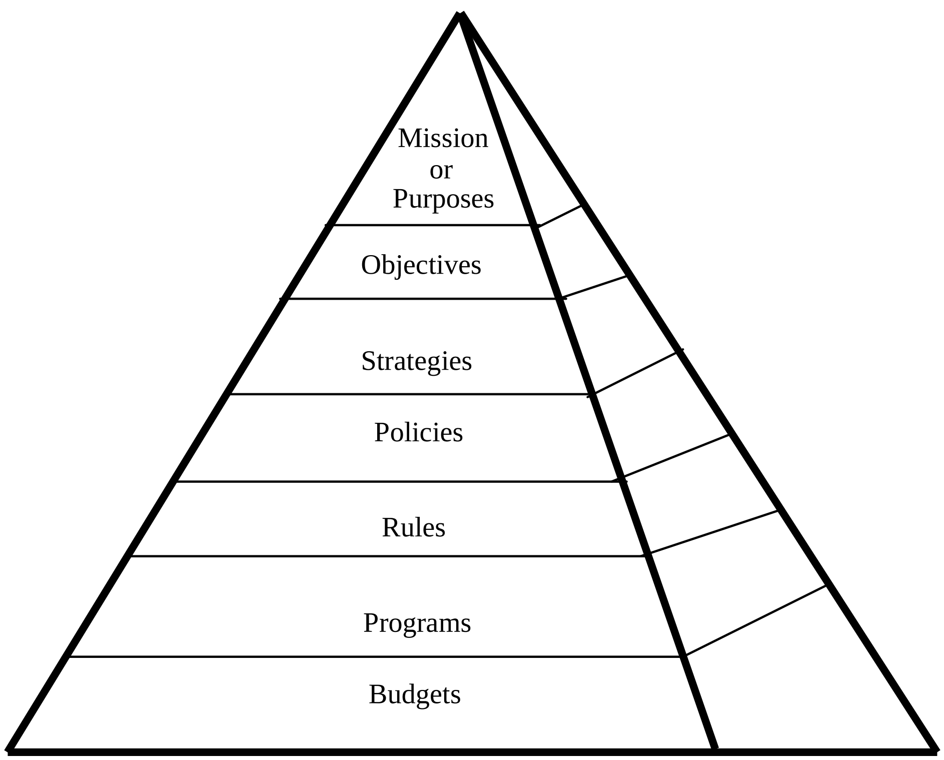
Standard: This is a unit of measurement to serve as a criterion for performance

Schedules: This is a time sequence of work to be done; it is an essential part of an action plan

Budget: This is the statement of expected results expressed in numerical terms. It may be in Naira, hours, or units of production

These elements are hierarchical as one is derived from the other and they all end up assisting in achieving the organizations mission

Figure3.3: Hierarchy of Planning Elements



Source: Teslang, M.T (2003) industrial and Business Management; New Delhi, S.Chand & Company; P 68.

SELF-ASSESSMENT EXERCISE 1

i. Obtain the planning manual of any organization and compare it with what you learnt about planning manuals in 3.2.
ii. Obtain any policy, manual and procedure from any organization and analyse the differences between them.

4.0 CONCLUSION

Planning is a system. It consists of interdependent parts and as such, it must be managed holistically so as to achieve the desired results. The CEO is at the head of the planning system but the planning officer is the direct coordinator of corporate planning efforts. The plan also consists of elements, which are critical in its successful execution.

5.0 SUMMARY

In this unit, you have learnt that planning is a system from two perspectives: an open system that consists of inputs processes and outputs, and as a body that has interdependent parts. There are four major approaches to planning but whatever approach is adopted, the system has to be managed broadly by the CEO and specifically by the planning officer as a person or as the head of the planning department. The roles of these two key players in administering the planning system have been discusses extensively. Elements that are part of the planning system were also discussed. They include mission, objectives, strategies, tactics, policies, rules, procedures and standards. They are actually hierarchical and they contribute to the achievement of planning objectives.

6.0 TUTOR-MARKED ASSIGNMENT

Why is planning described as a system and what are the roles of the CEO and planning manager in administering the system.

7.0 REFERENCES/FURTHER READINGS

Brown, J. K. & 0'Connor, R (1974). Planning and the Corporate *Planning Director. New York: The Conference Board.*

Certo, S. C (1985). Principles of Modern Management. Dubuque: Iowa, Wm. C Brown Publishers.

Jones, H (1974). Preparing Company Plans. New York, Halsted Press

Rue, L. W & Byars, L. L (1977). Management: Theory and *Practice Homewood. Illinois: Richard D Irwin INC.*

Steiner G.A (1979). Strategic Planning: What Every Manager Must *Know. New York: Free Press.*

Teslang, M.T (2003). Industrial and Business Management. New Delhi: S.Chand & Company.

UNIT 4 THE NEED FOR PLANNING

CONTENTS

1.0 INTRODUCTION

We have discussed extensively about planning, its meaning, nature, scope and the various parties involved in the process. But a major question still remains to be answered and that is, why do organizations engage in planning? Is it just for economic efficiency? Is it because others are doing it? Does it mean that the organization cannot exist without planning? And are there not organizations paying lip-service attention to planning and still survive? In this unit, we shall discuss these and other issues as we look at the need for planning; its importance for the organization and the advantages that are derivable from the usually comprehensive and costly process of planning. Before doing that, it is important to note that certain developments have combined to make planning a must-do for organizations. These factors include the increasing time span between present decisions and future results-thereby forcing managers to look farther into the future; increasing organizational complexity-thereby leading to greater interdependence and more intricate decisions; and increased external change-thereby forcing managers to focus on larger issues rather than on merely solving internal problems (Ivancevich et all, 1980:89). These factors have made planning more important today than it was before.

2.0 OBJECTIVES

After carefully studying this unit and undertaking the assignments therein, you will confidently be able:

- list at least 6 advantages, which an organization derives by engaging in planning;
- explain how planning helps an organization to coordinate/control its activities and prioritise its resource allocations; and
- describe how planning facilitates the setting of agenda for other management functions and assignment of responsibilities to individuals, groups and units.

3.0 MAIN CONTENT

3.1 The Need for Planning

3.1.1 Planning is Indispensable for Managerial Effectiveness

One of the major reasons why organizations cannot do without planning is that it facilitates the performance of the various responsibilities facing the manager (Steiner, 1997:6). The managers responsibilities are vast and a comprehensive list has been prepared by Bower (1966:17) to include setting objectives, designing strategy, establishing goals, developing corporate philosophy and policies, designing the structure, providing the personnel, capital and facilities, setting standards and procedures, establishing management programmes and operational plans, providing control information and activating people.

Even though some of these managerial activities and processes extend beyond planning, they are all directly embodied in the planning process. It is thus obvious that planning is unavoidable for any organization that desired effective and efficient management. This is because it is a single process that involves all the managerial responsibilities

You may wish to refer to our discussion of the primacy of planning in Unit 2. That discussion is relevant to this sub-topic in that without planning, other major management functions-like control, coordination, direction- cannot take place. That is also one of the advantages of planning.

3.1.2 Planning Leads to Paradigm Change

Any organization engaged in planning adopts a new set of corporate paradigm that helps it to perform better. The organization creates the future and works in unison towards that future. In the process, several options are examined and this leads to a more optimal choice. The organization also has the opportunity to review the plans-in line with the changes in the environment- and act accordingly.

Planning also induces the company to adopt a systems approach in which the organization is treated as a set of interrelated parts. Actions taken-or proposed to be taken-in one part are appraised on the basis of their impact on other parts. Planning also starts with the issue of objectives. The organization and all its constituents thus know where they are going. Setting the objectives helps the organization and its citizens to focus on those objectives, concentrate resources there and use them as the bases for allocation of resources and approval of projects.

3.1.3 Planning Facilitates Coordination & Control

Planning facilitates coordination and control in an organization. In the first instance, by adopting a systems approach and by getting everybody/ unit involved in the process, activities, projects and programmes in all parts of the organization are coordinated. Everybody/unit knows what the other person/unit is doing; activities are performed by/at the most appropriate, and duplication is avoided.

It also forms the basis of corporate control. Planning indicates what the organization intends to achieve and how it intends to achieve them; controlling ensures that things are moving according to plans by comparing the projected with the actual, establishing the nature and causes of deviations and taking remedial actions. Planning is thus the cornerstone of control.

3.1.4 Planning Facilitates Decision Making

Planning makes is easier for managers to take appropriate decisions as the need arises. Whereas certain decisions are taken as a part of the plan, it is usually impossible to cover all possible situations that may arise in the course of organizational activities. Managers thus take their bearing from the plan as the road map guiding the decisions. Apart from assisting them in decision making, it also ensures that the decisions are consistent and non-contradictory because every manager bases his decisions on the same compass.

Furthermore, as part of all plans, organizations also initiate policies. These policies also facilitate decision-making. As a plan is a future oriented document, it also ensures that decisions made today are consistent with those that are likely to be made tomorrow. So, managers take their decision bearings from the plan, coordinate the decisions with those of other managers and units and also coordinate current decisions with those of the future.

3.1.5 Planning Facilitates Proactive Management

Planning forces the organization to systematically and scientifically anticipate their opportunities and threats that are likely to be point horizon in the foreseeable future. Being equipped with this knowledge, they strategise on how to profitably exploit the opportunities and overcome the threats. They do not wait for those events to occur before acting; they act up front; they are proactive; they close the gates before the robbers strike and not after. By being proactive, the organization determines what its future will be and work unanimously towards it rather than merely reacting. This ensures that the organization survives and performs more profitably than it would have been if it were not for planning.

It is true that the future is uncertain and that plans are based on these uncertain predictions. But scenario building enables the organization to create various packages and when this technique has been well adopted, the organization will very rarely become stranded. They thus have fall-back options in the face of the uncertainties in the environment.

3.1.6 Planning Assigns Tasks & is a Yardstick for Appraising Performance

A plan assigns responsibilities to the individual, group, unit, department, division, SBU and the entire organization. Ultimately, the plan is a quantitative affair-even though there are some qualitative elements. By the time the goals and objectives for the whole organization are established, other subsidiary goals and objectives take their bearing there from down to the individual. These goals/objectives become the indicators, which the various organizational citizens and units use to measure their performance by always asking: how far have we gone in achieving the goals/objectives, which we collectively set for ourselves?

At every point in time therefore, every person or group or unit has a standard against which it can measure its performance both from time to time and at the end of any period of interest to the organization and its stakeholders.

3.1.7 Other Advantages of Planning

Planning has other numerous advantages for any organization apart from those already mentioned. These include:

- Planning is a basis for corporate resource allocation: The priorities and preferences stated in the plan form the basis for the allocation of resources-human, financial, material and intangible. When two projects are jostling for attention, their position in the plans priority chart determines the one that gets the upper hand and such a choice is easily made among the contending managers.

- The planning process gets everybody involved in shaping the future of the organization where he/she is a citizen. As view are collated upwards synthesized and dispatched downwards, people in various parts of the organization take part in shaping the future of their organization. It thus becomes our plan rather than their plan and this minimizes the "we and they" tendency in organizations. This improves managers' motivation and morale.

- Planning enhances organizational communication. Communication flows across and along to all tiers and cadres of management about all aspects of the plan. Planning framework is initiated and communicated from above; all parts of the organization discuss and produce their own contribution to the package; the harmonized product is also marketed and distributed across the organization together with assignment of responsibilities. All this involves communication. For a better appreciation of role of communication in planning and the intrinsic communication value of planning in the organization, refer to Module 2, Unit 5.

- Managerial training: Planning also leads to extensive and intensive human capital development in organization. The training involves the planning executives who are in charge of the planning process-and who need to be retrained in line with new developments- the divisional and unit executives who have to prepare their own subsidiary plans and other staff who may need new knowledge about the purpose and language of the plan and about its preparation.

3.1.8 Planning Enhances Organizational Performance

Generally and because of the aforementioned factors, planning enhances organizational performance. This it does through the effective and efficient pursuit and achievement of objectives. Roney (1976; 1) posits that planning plays affirmative and protective roles in organizations. The protective role is to minimize risks by reducing uncertainties surrounding business activities and clarifying the consequences of related management action. The affirmative purpose is to increase the degree of organizational success. Ultimately, the primary purpose of planning is to facilitate the attainment of organizational objectives. Studies have supported the assertion that companies involved in planning achieve better performance on the basis of various performance indicators than those that do not (Thune & House, 1970; Karger, 1975).

By facilitating coordination, control, decision-making and resource allocation; by enhancing the efficiency of resource allocation, getting everybody involved, enthroning a proactive culture and ensuring that everybody is working towards the same goals, planning facilitates and improves the performance of those organizations that embrace it sincerely.

4.0 CONCLUSION

About 65% of all newly established businesses are usually never around to celebrate their 5th "birthday" and this can be attributed to inadequate planning. (Certo2000: 127) Planning does not eliminate risks but it helps organizations to identify and manage problems before these problems become suicidal (Allen, 1994:20). There are problems and other downsides associated with planning. It takes time and money; it depends on a future, which is unpredictable; it is a human affair and there is a limit to human reliability and competence and, some organizations have succeeded without planning while some have failed despite their planning efforts. In any case, every organization is also planning and that minimizes the edge of planning to those that engage on it.

Despite all this however, organizations are better of with planning than they are without planning. It is better to have an idea of where one wants to be and work assiduously towards that destination than just rowing a boat and hoping that the wind would somehow land you in a dry and convenient place.

5.0 SUMMARY

Planning is very important to organizations. Apart from setting the foundation for other managerial tasks and being a pre-condition for managerial effectiveness, it leads to emergence of a new paradigm in the organization, helps organizations to allocate resources, determine priority, coordinates and control, make better decisions and determines priorities. Organizations also become more proactive, anticipating the future instead of reacting to events; everybody gets involved in deciding the future of the organization and this raises morale/motivation while there better internal communication resulting from the process. There may be some negative aspects of planning; some organizations might have failed despite their comprehensive plane while a few others might have succeeded without planning. One thing however is certain: planning enhances the overall performance of an organization that practices it properly.

6.0 TUTOR-MARKED ASSIGNMENT

Planning is about the future, which is uncertain; it is initiated and executed by humans who are inconsistent and unreliable; some companies have also succeeded without planning. It is thus a waste of efforts and resources for an organization to engage in planning. Discuss

7.0 REFERENCES/FURTHER READINGS

Allen; K. R (1994). "Creating & Executing An Excellent Business *Plan"; American Agent & Broker, July; pp20-21.*

Bower, M (1966). The Will to Manage: Corporate Success through *Programmed Management. New York: McGraw-Hill.*

Certo, S.C (2000). Modern Management (8th Ed.). New Jersey: Prentice Hall.

Ivancevich, J.M. Donelly, J.H. & Gibson, J.L (1980) Managing for *Performance. Dallas: Business Publications Inc.*

Karger, D. (1975). "Long-Range Planning & Organisational Performance"; Long Range planning, December.

Roney, C. W (1976). "The Two Purposes of Business Planning"; Managerial Planning, November/December, pp1-6.

Thune, S.S. & House, R.J. (1970). "Where Long-Range Planning Pays Off"; Business Horizons, August.

UNIT 5 THE PLANNING PROCESS

CONTENTS

1.0 INTRODUCTION

Planning is a process with identifiable steps that are performed in a relatively given sequence. This process broadly involves setting organizational aims, defining strategies and policies to achieve them, developing detailed plans to ensure that the strategies are achieved and evaluation. A lot of rational assumptions about some key variables are also involved. In practice however, the process is more elaborate than this and what obtains is a function of several factors relating to the internal and external environment. In this unit, we shall discuss extensively the planning process based on the model developed by Wiehrich & Koontz (2001:129). This model contains 8 steps and is schematically presented in Figure 5.1

2.0 OBJECTIVES

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

- list the elements of the planning process;
- give detailed explanation of each of these components; and
- explain the interrelationships between these elements.

3.0 MAIN CONTENT

3.1 The Planning Process

3.1.1 Being Aware of Opportunities

Planning is ultimately based on the desire of the organization through its managers to exploit the opportunities that are inherent in the external and internal environment. It may be argued that this is not strictly a part of planning because the search for opportunities is a continuous process that goes on even outside the planning framework. But a proper appreciation of the future opportunities, situating them within the organization's strengths /weaknesses and being very certain of the problems being targeted and expected gains, form the overall background to planning. The opportunities have to be appreciated in the light of the competition, what the customers want and the company's strengths and weaknesses. If this step were not properly executed, the subsequent step of setting objectives would become very difficult.

3.1.2 Establishing Objectives

At this step, a specific statement is made as to what the organization wants to achieve and when. Objectives are made for the long term as well as the short term; they specify what should be done where emphasis would be placed and what the network of strategies, policies, procedures, rules, budgets and programmes are expected to collectively achieve. Objectives form a hierarchy

Figure5.1: The Planning Process

BEING AWARE OF OPPORTUNITIES
In Light of the market competition what customers want
Our Strength
Our Weakness

SETTING OBJECTVES OR GOALS
Where we want to be and what we want to accomplish and when

CONSIDER PLANNING PREMISES
In what environment ---internal or external— will our plans operate?

IDENTIFY ALTERNATIVES
What are the most promising alternatives to accomplishing our objectives?

COMPARE ALTERNATIVES IN LIGHT OF GOALS SOUGHT
Which alternatives will give us the best chance of meeting our goals at the lowest cost and highest profit

CHOOSE AN ALTERNATIVE
Selecting the course of action we will pursue

FORMULATE SUPPORTING PLANS
Buy equipment
Buy material
Hire and train workers
Develop a new product

NUMBERRIZE PLANS BY MAKING BUDGETS.
Develop such budgets as:
Volume and price of sales
Operating expenses necessary for plans
Expenditure for Capital equipment

Source: Koontz et al

With the corporate objectives giving birth to divisional objectives and down the line to those of individuals. The cascade approach to setting objectives starts with the statement of central purpose followed by long range and short range goals and then objectives for divisions, departments and sub-units and finally those for individuals.

In the day’s gone bye, objectives were imposed from above. Nowadays, it is common for all organizational citizens to participate in determining their own objectives as well as those of the enterprise. This participation facilitates understanding, buy-in and acceptance, and increases the probability of the objectives being achieved.

It is important to note that at times, there is a wide gulf and even conflicts-between stated objectives (what the organization should do) and actual objectives (what the organization actually does) (Robbins, 1995:140). In some organizations, what the managers' say and do to the various stakeholders have little in common to what is stated. More so, the same organization while having the same objectives, may be forced by circumstances to say different things to different stakeholders. Apart from doing so in the interest of the organization, it is also common for the individual managers to have personal agenda which are at variance with the corporate objectives.. It is important to take note of an organization's real objectives as indicated by what the managers actually do. That shows the company's actual priority, explains apparent managerial inconsistencies and gives a more realistic expose of organizational intentions.

Objectives facilitate organizational survival and performance. For this to happen, these objectives have to be:

- Specific,
- Measurable,
- Clear,
- Verifiable,
- Challenging,
- Understood by the operators
- Acceptable to the operators,
- Consistent,
- Realistic,
- Flexible,
- Legal,
- Relevant and
- Time-specific. (Muo, 1999:40)

Objectives for individual managers can be assessed with the aid of the following checklist:

- Do the objectives cover the main features of the manager's job?
- Is the list too long and can some of them be combined?
- Are the objectives verifiable? (Would the manager know at the end of the period whether or not they have been achieved?
- Do the objectives include quantity (how much); quality [how well/specific characteristics); time (when) and cost?
- Are the objectives challenging yet reasonable?
- Are the objectives prioritized? (ranked/weighted)
- Does the set of objective include improvement and personal development objectives?

- Are the objectives coordinated with those of other managers/units?
- Are they consistent with those of my superiors, department, and organization?
- Have the objectives been communicated to those who ought to know?
- Are the short and long term objectives consistent?
- Do the objectives provide timely feedback?
- Does the manager have adequate authority/resources to achieve the objectives?
- Was the manager involved in the establishment of the objectives?
- Do his subordinates have control over aspects for which they are responsible?

Source: Adapted from Weihrich & Koontz, 2001:158

3.1.3 Developing Premises

The next step is to establish the planning premises; the assumptions about the environment in which the plan is to be executed. These assumptions are important because they determine the type of projections that would accompany the plan. There are several issues that are relevant to planning and it is impossible for the organization to make assumptions about all of them. What companies do is to make assumptions concerning key aspects of the environment that are relevant to their operations as a company and as an industry. Apart from focusing on these major variables, it is also important for all managers to accept and understand these premises because "the more thoroughly **individuals charged with planning understand and agree to utilize a consistent planning premises, the more coordinated the enterprise planning will be".**

Steiner (1997:18) argues that "no organization, no matter how large and profitable, can examine thoroughly all the elements that conceivably could be included in its situation audit. Each organization therefore must identify those elements-past, present and future that are most significant to its growth and well being and concentrate thought and effort on understanding them". Issues to be examined and included in the premises include developments in markets, products, prices, costs, policies, political risks, financial trends, management capabilities, social demand on the company, economic trends, technology, global developments and the overall WOTS-UP (Weaknesses, Opportunities, Threats & Strengths Underlying Planning.

3.1.4 Determining Alternative Courses

Based on the premises and the WOTS-UP, a basket of options is generated that all have the potential to facilitate the attainment of the objectives established in the second step. There are usually several alternatives; some very obvious and some not vary obvious. Whereas it is advisable to give each alternative a fair hearing, it is important to streamline the number so that the succeeding step would be more manageable.

3.1.5 Evaluating the Alternatives

This step is very critical in the planning process; it is at this stage that the various options are ranked using various quantitative and qualitative criteria. What is the pay-back period? What is the Net Present Value or the Internal Rate of Return? What are the political, market and technological risks associated with each option? Who are the present and potential competitors? What are they doing; what are they planning to do and what are their capabilities? How does a new policy/project option align with existing programmes and policies of the organization? How does profitability compare with risk?

This step would have been easy if only objectives were to maximize **immediate profit in certain business, if the future were not uncertain, if cash position and capital availability were not worrisome and if most factors could be reduced to definite data. It** must be mentioned that scientific techniques (mathematical, operations research and computing) have reduced the hassles associated with this stage of the planning process.

3.1.6 Selecting a Course of Action

Based on the analyses and evaluation that have taken place already, a choice is made as to the best course or courses of action or the best courses of action. This is the point of actual decision and is the high point of the planning process. Whatever option chosen must be the optimal given the short and long run interest of the organization, the interest of its stakeholders, the competitive and regulatory environment, profitability and liquidity and the company’s vision, mission and values.

3.1.7 Formulating Derivative Plans

Following from the main plan, other derivative plans are initiated to ensure that certain issues that arose from the main plan are taken care of. These include plans to buy equipment and materials, engage in major recruitment, employment and training projects; open new branches; develop new products, acquire new companies or divest from existing companies, raise extra funds or change the financial structure. These projects and programmes also need to be planned so as to supplement the main plan. As can be seen, functional plans are a key feature of these subsidiary plans.

3.1.8 "Numberising" Plans By Making Budgets

The plan contains some quantitative elements but at the end of the day, it has to be monetised; all aspects of it have to be reduced to Naira & Kobo. Budgets are then developed for all aspects of the plan volume and price of sales, projected operating expenses, expenses for capital expenses; projected profit and loss; projected balance sheet and these are prepared for the company as a whole and for the various units, divisions and SBUs. These are prepared as a final aspect of the plan.

3.1.9 Implementation & Evaluation

Of course, this step is obvious; the plan must be implemented. Implementation generally involves a whole gamut of managerial activities including communication, coordination, motivation, compensation and control. Specifically, it starts with formal launching of the plan, communicating and marketing it, negotiating with those who may have been alienated at the planning process, providing resources and authority, monitoring the various activities that make up the plan to ensure that they are being executed according to schedule, and following the overall plan of action.

As these are going on, plans should be reviewed and evaluated and that is part of the control function. The review involves monitoring changes in the premises upon which the plan was based and the entire environment, determining the extent to which they have impacted negatively on the plan and whether the plan needs major restructuring or not. A bank existing in Nigeria before the 2004 revolutionary Capital Base review would definitely review and review its plan!

SELF-ASSESSMENT EXERCISE 1

Use the checklist on 3.2 to evaluate your objectives in the office or if you are not working in a formal organization- the objectives of any manager that you know.

4.0 CONCLUSION

Planning is a process because it has identifiable steps that follow in a relatively given sequence. How long each element of this process lasts and to what extent they are followed depend on the peculiarities of the organization, the important thing is that every plan must have these broad stages: preparation, implementation and evaluation. All these steps dovetail into each other and how well a step is managed impacts on how the following step is prepared. Furthermore, in line with the systems theory, poor handling of any of these steps would definitely adversely affect the entire plan.

5.0 SUMMARY

This unit extensively discussed the planning process using the model designed by Weihrich & Koontz. The Model contains eight steps which are:

1. Being aware of opportunities in the environment,
2. Setting Objectives.
3. Establishing planning premises.
4. Identifying alternatives
5. Analysing the alternatives
6. Choosing a course of action
7. Formulating subsidiary plans
8. Numberising the plans by making budgets.

To these eight steps, we added the obvious one

9. Plan implementation & evaluation.

These steps are interrelated and handling them properly increases the probability that the planning success would be successful.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly describe the key elements of the planning process. Why is planning described as a process and how does a defect in any part of the process affect the entire plan?

7.0 REFERENCES/FURTHER READINGS

I.k.Muo (1999). The Nature, Scope & Challenges Of Management. Lagos: Impressed Publishers.

Robbins, S.P (1995). Management: Concepts & Applications (2nd Ed). Prentice-Hall Intl.

Steiner G.A (1979). Strategic Planning: What Every Manager Must *Know. New York: Free Press.*

Weihrich, H. & Koontz, O. (2001). Management: A Global Perspective. New Delhi: Tata McGraw-Hill Publishing Co.

MODULE 2

UNIT 1 PROBLEMS AND PITFALLS WITH PLANNING

CONTENTS

1.0 INTRODUCTION

We have discussed the nature and scope of planning as well as the importance of planning to organizations. Among other things we argued that planning helps organizations to optimize their performance and productivity. If it were so, then, all organizations would have been performing excellently. But this has not been so and that is why organizations still perform dismally despite their planning efforts. In this unit, we shall examine the problems with planning, why organizations still fail despite their planning efforts and the various impediments to planning effectiveness

2.0 OBJECTIVES

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

- identify the various impediments to planning;
- categorise these impediments into various sub-groups;

- separate the problems that are peculiar to Nigeria from those that are global; and
- list most of Steiner's 50 pitfalls with of planning.

3.0 MAIN CONTENT

3.1 Problems & Pitfalls with Planning

3.1.1 The Generic Nature of the Problems

Planning is beset with a lot of problems. Some of these problems arise from the external environment, which is the source of the threats and opportunities for the organizations. Some arise from the peculiarities structural, cultural and resource endowments of the organization. Some occur due to the people involved: the management, the planning technocrats, the unit and functional managers. Here we talk of their expertise, the currency of their knowledge and their personalities e.g; are they optimistic or pessimistic, risk lovers or risk averse. Some of the problems are also traceable to the general organizational citizens who should implement the plans: to what extents were they involved, what do they know and what are their attitudes towards planning? Some of the problems are peculiar to Nigeria (like instability of government policies) while some are global (like executive aloofness-assuming that the planning function is the business of the "planning people").

3.1.2 Specific Problems with Planning

Some of the problems that lead to total failure or under performance of plans include:

- Uncertainties in the environment. Planning takes place within an external environment and is based on some assumptions (premises) about key variables. Unfortunately, these assumptions are put asunder due to instabilities in the environment. In Nigeria, government policies are notoriously unstable making it difficult for planners to make rational assumptions and/or to work on the basis of assumptions made. Ministers and other officials implementing government policies also change very frequently and often, the newcomers initiate new policies or reorder existing priorities. This scenario creates problems for plans, planners and the organizations.

- Poor forecasting and planning expertise: Because planning is about the future, a lot of forecasting is involved. Planning itself is also a technical process that requires expert knowledge; knowledge about the process, the organization (in parts and as a whole) and the external environment. At times, the forecasting and planning competence are lacking and this affects the quality and thus, the relevance, effectiveness and even efficiency of the plans.

- Alienation of staff in the planning process: At times, the management and those directly involved in the planning effort do not get the other staff involved in the process. Their inputs are not sought, they receive no progress report about the planning process and they know why (reasons why certain decisions are taken) of the plan is not explained to them. At the end of the day, the only thing they receive is the complete plan. As they were not a part of the planning process, the document is alien to them and they have no commitment or attachment to it.

- Making plans very complex and technical and therefore not understood by those who will implement it. Just like alienation, this minimizes staff contributions to the achievement of the objectives of the plan because they are frightened by the voluminous document and they do not understand the various technical jargons contained therein.

- Undue optimism or pessimism depending on the people doing the planning. At times, the personalities of the planners inflict grievous damage on the plans. They are either too optimistic (and thus build castles in the air) or pessimistic (and thus see insurmountable obstacles every inch of the way), or risk lovers (and thus plunge the company into avoidable dangers) or risk **averse (and thus miss opportunities which even the blind would** see).

- Lack of flexibility, sticking to the plan even when circumstances show that it can no longer work. At times, circumstances indicate that the plan should be reviewed and revised but the management/planners stick to it because of undue rigidity.

- Poor coordination and control: A well prepared and realistic plan cannot yield any result if it is not properly coordinated-so that all the units are working in unison towards the same objectives. It is even worse when there is poor or no control, when efforts are not made to ensure that things are working according to the plans.

- Seeing planning as an end itself instead of a means to an end: Planning is a means to an end; it is a process that facilitates the attainment of specified organizational objectives. Some executive/planners unfortunately lose sight of this fact, treating plan as an end itself and forgetting to tie it with the objectives. There is no way a plan can achieve organizational objectives if it is not directed at these objectives of if the link between it and the objectives is forgotten along the line.

3.2 Steiner's 50 Planning Pitfalls

The concern with the problems of planning has been on since the commencement of planning as a management process. One of the most comprehensive studies in this regard was conducted by Steiner (1972; 1979:289).His empirical study covered 600 U.S firms and identified 50 common problems with planning. These problems which lead to sub-optimal planning outcomes relate to starting the planning process, understanding its nature, preparing the plans and implementing the plans.

He lists the following ten as the most important pitfalls to be avoided by managers if they want to optimize the benefits from planning.

1. Top management's assumption that it can delegate the planning function to a planner.
2. Top management becomes so engrossed in current problems that it spends insufficient time on long range planning and the process becomes discredited among other managers and staff.
3. Failure to develop company goals suitable as a basis for formulating long-range plans.
4. Failure to assume the necessary involvement in the planning process of major line personnel.
5. Failing to use plans as standards for measuring managerial performance.
6. Failure to create a climate in the company, which is congenial and not resistant to planning.
7. Assuming that corporate comprehensive planning is some thing separate from the entire management process.
8. Injecting so much formality into the system that it lacks flexibility, looseness and simplicity and restrains creativity.
9. Failure of top management to review with departmental and divisional heads the long-range plans, which they have developed.
10. Top management's consistently rejecting the formal planning mechanism by making intuitive decisions which conflict with the formal plans.

The fifty common problems are grouped into four as follows:

A. Pitfalls in Getting Started

1. Top management’s assumption that it an delegate the planning function to a planner.
2. Rejecting planning because there has been success without it.
3. Rejecting formal planning because the system failed in the past to foresee a critical problem and /or did not result in substantive decisions that satisfied top management.
4. Assuming that the present body of knowledge about planning is insufficient to guide fruitful comprehensive planning.
5. Assuming that a company cannot develop effective long-range planning in a way appropriate to its resources and needs.
6. Assuming that comprehensive corporate planning can be introduced into a company and overnight miraculous results will appear.
7. Assuming that comprehensive corporate planning can be moved from one company to another without change and with equal success.
8. Assuming that a formal system can be introduced into a company without a careful and perhaps “agonizing reappraisal” of current managerial practices and decision making processes.
9. Ignoring the power structure of a company in organizing the planning process.
10. Failure to develop a clear understanding of the long-range planning procedure before the process is actually undertaken.
11. Failure to create a climate in the company, which is congenial and not resistant to planning.
12. Failing to locate the corporate planner at a high enough level in the managerial hierarchy.
13. Failure to make sure that the planning staff has the necessary qualities of leadership, technical expertise, and personality to discharge properly its responsibilities in making the planning system effective.

B. Pitfalls Related to a Misunderstanding of the Nature of Planning

14. Forgetting that planning is a political, a social, and an organizational, as well as a rational process.
15. Assuming that corporate comprehensive planning is something separate from the entire management process.
16. Failure to make sure that top management and major line officers really understand the nature of long range planning and what it will accomplish for them and the company.

17. Failure to understand that systematic formal planning and intuitive (opportunistic or entrepreneurial) planning are complementary.
18. Assuming that plans can be made by staff planners for line managers to implement.
19. Ignoring the fact that planning is and should be a learning process.
20. Assuming that planning is easy.

0Assuming that planning is hard.

22. Assuming that long range planning can get a company out of a current crisis.
23. Assuming that long range planning is only strategic planning or just planning for a major product, or simply looking ahead at likely development of present product (In other words, failing to see that comprehensive planning is an integrated managerial system).

C. Pitfalls in Doing Strategic Planning

i. Managerial Involvement

24. Top management becomes so engrossed in current problems that it spends insufficient time on long-range planning, and the process becomes discredited among other managers and staff.
25. Long-range planning becomes unpopular because top management spends so much time on long range problems that it ignores short range problems.
26. Failure to assume the necessary involvement in the planning process of major line personnel.
27. Too much centralization of long-range planning in the central headquarters so that divisions feel little responsibility for developing effective plans.

ii. The Process of Planning

28. Failure to develop company goals suitable as a basis for formulating long range plans.
29. Assuming that equal weight should be given to all elements of planning (i.e. that the same emphasis should be placed on strategic as on tactical planning. Or that the same emphasis should be accorded to major functional plans).
30. Injecting so much formality into the system that it lacks flexibility, looseness, and simplicity, and restrains creativity.
31. Failure to make realistic plans (e.g. due to over optimum and/ or over cautiousness).

32. Extrapolating rather than rethinking the entire process in each cycle (i.e. if plans are made for 1971 through 1976 in the 1972 cycle rather than redoing all plans from 1972 to 1975).
33. Developing such a reverence for numbers that irreverence for intuition and value judgments predominates the thinking going into planning.
34. Seeking precision of numbers throughout the planning horizon.
35. Assuming that older methods to choose from along alternatives should be discarded in favour of newer techniques.
36. Assuming that new quantitative techniques are not as useful as advertised.
37. Doing long-range planning periodically and forgetting it in between cycles.

iii. Creditability of Results

38. Failure to develop planning capabilities in major operating units.
39. Failure of top management and /or the planning staff, to give departments and divisions sufficient information and guidance (e.g. Top management interests environmental projections etc.)
40. Attempting to do too much in too short a time.
41. Failure to secure that minimum of system and information to make the process and its results creditable and useful.

D. Pitfalls in Using Strategic Plans

42. Failure of top management to review with departmental and divisional heads the long-range plans which they have developed.
43. Forgetting that the fundamental purpose of the exercise is to make better current decisions.
44. Assuming that plans once made are in the nature of blue prints and should be followed rigorously until changed in the next planning cycle.
45. Top management's consistently rejecting the formal planning mechanism by making intuitive decisions which conflict with the formal plans.
46. Assuming that because plans must result in current decisions it is the short run that counts and planning efforts as well as evaluations of results should concentrates on the short run.
47. Failing to use plans as standards for measuring managerial performance.
48. Forgetting to apply a cost benefit analysis to the system to make sure advantages are greater than costs.
49. Failing to encourage managers to do good long range planning by basing reward solely on short range performance measures.

50. Failing to exploit the fact that formal planning is a managerial process, which can be used to improve managerial capabilities throughout a company.

Source: Steiner G (1979). Strategic Planning: What Every Manager Must Know. New York, Free Press; p289.

3.3 Other Problems

About the same time, Ringbakk (1971:18) was also concerned with the problems of planning. His study-which Steiner also referred to- covered 350 European firms and identified key problems with planning as:

- Non-integration of planning into the firms management system
- Non-understanding of the different dimensions of planning
- Non-participation of managements at different levels in the planning activities
- Vesting responsibility for planning solely on the planning department
- Managements expectation that the plans would be realized as developed
- Attempting too much at once in starting formal planning
- Failure of managements to operate by the plans
- Confusing extrapolation and financial projections with planning
- Using inadequate inputs in the planning
- Failure to see the overall picture of planning and getting bogged down with little details

In addition to these, there are also problems with the design and management of the planning systems themselves, which arise from these pre-implementation problems:

1. Poor preparation of line managers
2. Faulty definition of business units
3. Vaguely formulated goals
4. Inadequate information bases for planning
5. Badly handled reviews of business unit plans
6. Inadequate linkage of planning with other control systems (Gray, 1986:89).

.

3.4 Managing and Minimising the Problems with Planning

The essence of highlighting these problems is to appreciate their import and to take appropriate measures to minimize their negative impact on planning effectiveness. The problems are specific and what you should do as a manager is to take actions to counter these pitfalls mentioned. In specific terms, the problems with planning can be managed/minimized by taking the following steps:

- Appreciate and anticipate the environment and plan with that in mind
- Acquire and/or improve on the appropriate skills-technical, interpersonal etc
- Get the staff fully involved in the planning process
- Make the plans simple enough for the operators to understand
- Plans should be properly coordinated and controlled
- Top management should be fully involved in the planning process; it should not be left for the "planning people"
- Plans should be used to measure managerial performance and there should be consistency between plans and other managerial decisions and actions
- Plans should be integrated into the entire management process
- The peculiarities of the organization should be borne in mind when designing the planning process
- Executives and planning official should also always bear in mind that a plan is a means to an end, not the end itself.

SELF-ASSESSMENT EXERCISE 1

i. How many times were the import prohibition list, import duties, composition of the Federal Cabinet and the prices of petroleum products changed in 2005 and 2006?
ii. How would these developments impact on the plans of organizations in the following businesses?

- Banking and Finance
- Manufacturing
- International Commerce &
- Local Commerce

4.0 CONCLUSION

The pitfalls identified by Ringbakk are similar to those by Steiner and could also be grouped into four. Studies by Steiner and School hammer (1975) in Japan, Italy, Canada, Australia and England also emphasized the importance of these 50 pitfalls though their rating varied across countries. Even though these studies were conducted several decades ago, they are still relevant today in highlighting the problems which managers must avoid if they want to reap the benefits from planning. The importance of some of the factors would have been whittled down in those countries for instance poor planning/forecasting expertise but they are still relevant in Nigeria. Planning expertise is still very scarce especially in indigenous enterprises where management also has little regard for plans and planners. Uncertainty and instability and non-utilization of plans as instruments of decision making are also some of the problems likely to be prominent in Nigeria. It is also obvious that even within the same environment, some pitfalls may be more critical than others in certain organizations. Whatever the case, managers should appreciate these problems/pitfalls with planning and take specific actions to ameliorate them. That is the only way to optimize the returns from planning

5.0 SUMMARY

Planning is essential for managerial performance. But it is beset wit a lot of problems. These problems arise from the external and internal environments and from the personalities of the planners and executives. Some of the problems include uncertainties in the environment, poor planning/forecasting expertise, and lack of flexibility, alienation of staff, poor coordination and control. A comprehensive list of these problems is provided by George Steiner in the 50 Pitfalls which relate to problems with understanding the nature and meaning of planning, initiating and producing the plan and its executing. Sustained efforts should be made to minimize and manage these problems and these involve appreciating the nature and scope of the problem, getting the people involved, acquiring the expertise, and always being aware that the plan is not an end, but a means to the end.

6.0 TUTOR-MARKED ASSIGNMENT

1. Review the planning pitfalls identified by Steiner. How do they compare with those identified by Ringbakk and which of them do you consider most applicable in Nigeria

OR

2. What are the major problems with planning and what steps would you take to manage and minimize those problems

7.0 REFERENCES/FURTHER READINGS

Gray, D. H. (1986). Uses and Abuses of Strategic Planning, Harvard Business Review, January February, pp89-97.

Ringbakk, K.A (1971). “Why Planning Failed”, European Business, Spring 18-24.

Steiner, G.A, (1972). Pitfalls in Comprehensive Long Range Planning. Oxford: Planning Executives Institute.

Steiner, G.A, (1979). Strategic Planning: What Every Manager Must *Know. New York: Free Press.*

Steiner, G.A, & Schollhammer, H (1975). “Pitfalls in Multinational Long-Range Planning”; Long-Range Planning, April.

UNIT 2 COMMUNICATION AND PLANNING

CONTENTS

1.0 INTRODUCTION

Planning is a managerial process that involves several individuals across many vertical, horizontal and intellectual divides. It also involves several organizational units. Being a process that involves different individuals and units within and at times without-the organization, a lot of extensive and intensive verbal and non-verbal interactions and necessary, and on a continuous basis. Communication thus plays an indispensable role in the planning process. For instance, one of the problems associated with planning is alienation/non-involvement of staff in the process and this is a problem that can be readily minimized with effective communication. This unit briefly examines the communication process, broadly analyzes its role in the planning process and how it can be used as an instrument to facilitate planning effectiveness.

2.0 OBJECTIVES

After meticulously studying this unit, you should be able to:

- define communication and discuss its roles in an organization;
- illustrate the various ways in which communications is used in the planning process;
- outline how to write and communicate the plan to the stakeholders; and
- indicate how to ensure the effectiveness of communication in planning communication.

3.0 MAIN CONTENT

3.1 Communication & Planning

3.1.1 Introducing Communication

Communication is essential for all aspects of existence; domestic, social, organizational and interpersonal. It is a complex subject which involves what you say or fail to say, how, when and where you say it, and what you do or fail to do. Silence is also a critical aspect of communication .It may be defined as the mechanism for facilitating the interdependent existence of man by the exchange of emotions, feelings, thoughts and views, between the cooperating units through commonly shared symbols: speech, writing and action with the aim of, amongst others.

- Initiating action
- Winning Support
- Creating goodwill
- Solving problems
- Enhancing Knowledge
- Influencing opinion
- Making enquiries

In discussing communication, note should be taken of the following:

- Communication takes place between two units (individuals, groups, and organizations). Nobody communicates to himself.
- The message must be received before communication takes place
- Particularly, the receiver must receive and understand the message as intended by the sender
- Resultantly, the greatest attention in the communication matrix is paid to the receiver since without him/her, there can be no effective communication
- Whether the receiver carries out the action requested is a function of other internal and external factors
- Communication is by symbols and actions known to the communicating parties. But these symbols have meaning only within the given context
- It is behavioural and relational. It pertains to what people do as perceived by others
- Communication involves who, what, when, where, whom, how.
- Communication is a process; it is a continuous affair. The process involves a Sender (ignites the process by concretizing his idea into a message in a form he considered most appropriate) who

Transmits a Message (the idea being shared) through the most appropriate medium/channel, to a Receiver (the person to whom the message is directed) who usually Reacts.(through actions or other forms of feedback). At times there are Interferences (noise) between transmission and reception and all this takes place within an Environment.

Organizations consist of people, tasks, technologies and processes, which need to be blended together in pursuit of corporate objectives. They have visions missions and objectives, which must be properly articulated and shared. The managerial duties of planning, coordination, organizing, staffing, leading and directing must be performed. Cordial relations have to be maintained with all stakeholders. All this require communication every inch of the way.

Communication helps the organization to:

•Achieve coordinated action.

•Share information about goals, tasks, performance and decision making.

• Enable members express their feelings and emotions.

It is generally aimed at:

• Transmitting corporate policies and instructions downwards
• Getting opinions suggestions and reports upwards
• Securing interest, commitment, goodwill and cooperation from all.

Within the firm, communication moves formally and informally between the various departments, between the staff in the same department, among the top management, between the top management and the rest of the staff, and among the staff themselves. The communication follows various directions, which are classified as:

•Downwards(superior to subordinate)

•Upwards(subordinate to superior)

•Horizontal(peer to peer)

•Semi-vertical(upwards or downwards communication through an intermediary)

•Diagonal(upwards or downwards communication between two people without any reporting relationship)

These are complimented by two informal flows:

• The Grapevine
• Gossips

3.2 Communication in Planning

3.2.1 The Roles of Communication in Planning

As in all managerial activities, communication is a vital ingredient in a successful planning effort. This is because different people and units are involved and they need to share ideas and ensure coordinated action. The specific roles of communication in the planning process include the following:

1. Creating awareness about the process, the content, its purpose amongst the staff and other relevant stakeholders as the case may be.
2. Collecting the input of the organizational citizens and relevant stakeholders and ensuring that those inputs are utilized in the planning process
3. Ensuring that the plan document is presented in a language and format that is professional and at the same time comprehensible to all.
4. Generating involvement, commitment, participation and ownership among the various stakeholders about the plan.

3.2.2 Preparing, Writing & Communicating the Plan

The specific steps in preparing for, writing, and communicating/marketing the plan are as follows:

1. **Collating of Background Information: This requires research** and collation of relevant information about the past, the present and even likely future trends that would influence the general direction of the plan. Usually, this is done by the relevant department, which liaises with the corporate management to produce the planning guideline.

2. **Collation of Inputs: The planning guide together with a brief on** the supporting background information is distributed to various groups, individuals, and units for their inputs. The nature of the inputs sought and the format for such inputs should be clearly communicated. Ad hoc groups and oral discussions are useful here it must not be limited to written or ICT enabled communication.

3. **Writing the First Draft: The first draft of the plan is written and** circulated for specific and generic review. The review covers content, structure, consistency, and grammar among others.
4. **Writing the Final Plan: Based on the feedback received from** the draft, a final copy is written and ready for formal launching, circulation and marketing. The document is often written by a group and passes through several quality control processes. It should be properly edited and packaged so as to project a favourable image of the plan, the planners and the organization.

   What should be the format of the final document? The key determinant of the format is the culture of the organization. But plans are no longer the internal documents that they used to be.

Strategic plans in particular are circulated to stakeholders who are outside the organization. The format should thus be such as to be suitable for external consumption. In view of this, McNamara (2006:1) recommends the following format:

a. Executive summary-which presents the content in a keep it **simple and short style.**
b. Authorisation: signatures of board and or top management indicating their approval of, support for, and commitment to, the plan.
c. Organizational description briefly presents the organizations background; history, key products and major accomplishments.
d. Mission, Vision and Values: statements that indicate the strategic **philosophy of the organization.**
e. Goals and strategies: major strategic goals and associated strategies.
f. Appendices: These may vary in content and detail depending on the actual recipients.

- Action Planning: specific objectives, responsibilities and timelines.
- Description of planning process used.
- Strategic Analysis Data: includes information generated during the internal/external environmental (SWOT) analyses and the strategic issues identified from the exercise.
- Goals for the Board and CEO: These goals are aligned with the strategic planning outcomes and those of the CEO act as standards for his/her evaluation.
- Financial Budgets: indicates the funding needed to obtain resources necessary to achieve the goals of the plan, usually prepared for each year for the duration of the plan.
- Operating Plan: major goals and activities for the coming year.
- Operating Plans: major goals and activities to be achieved in the coming year.
- Financial Reports: last years budget, current years budget and the balance sheet.
- Monitoring/Evaluation: this indicates the criteria for monitoring and evaluation, frequencies and responsibilities.

5. Communicating/Marketing the Plan: It is imperative that the plan is effectively communicated and popularized among the critical stakeholders so as to ensure that the objectives of understanding, buying-in/ownership, and commitment are achieved commitment. This involves the following:

a. Producing different sets of the document to suit the different audiences-in content, layout and structure.

b. Distributing the document to board, management, staff and other stakeholders (some will receive only the highlights).
c. Training the staff and communicating to them how to operationalise the plan-especially areas where there is something **new.**
d. Launching the plan formally to indicate its formal take-off and management's commitment to its implementation.
e. Including issues relating to the plan in all official communications of the company-newsletter, marketing materials, press releases, and chairman/CEO addresses at functions.
f. The chairman, CEO, and management staff should seize every opportunity to keep the plan in the front burner in the organization-training, meetings, conferences, and any occasion where two or three are gathered.
g. Integrate the plan into corporate policies and procedures so that it becomes a way of life.
h. Give regular feedback to the staff on the progress of the plan, any changes in the plan and justifications for such changes.

3.3 Ensuring Effectiveness of the Communication

It is important to ensure that the plan is communicated effectively so that the stakeholders understand the document as presented. Apart from generating commitment, this facilitates the overall success of the plan because people can only work to actualize the plan if they understood what it entails.

General Effectiveness: The sender of the message should have the capacity and credibility to send such an important message and always bear in mind, the purpose of the message (to understand and be committed to the plan), and the receiver (and different stakeholders require different approach). He should also use the appropriate medium and channel and always seek feed back from the receivers-do they understand, or are there any questions or clarifications? Can they comply? Is it acceptable? But is not just a matter of receiving feedback; appropriate response/reaction should also be made the message (the plan) should be direct, clear, simple and receiver-friendly. It must satisfy the 7Cs of communication by being Candid, Clear, Complete, Concise, Concrete, Correct, and Courteous.

Use of Words/Language: Short, common and simple words should be used as they are easy to understand, save time and reduce attention to style. About, show and avoid and ask are preferable to approximately, **demonstrate, circumvent and interrogate. Big, long and complex** words should only be used when there are no shorter alternatives, they are very common to the industry/profession, they are very essential, or it is certain that the readers know them. Words should be used economically, concisely, and without repetition. Write in March instead of in the month of March. It is also necessary to avoid redundancies- when words are used to convey what is already conveyed or implied by previous ones. For example, the sun was setting in the west. Of course, the sun can only set in the west! Generally, use simple, short direct, easy to understand words and language. Always KISS (Keep It Simple & Short) your communication about all aspects of the plan.

Effective Writing and Presentation: The plan is like any other report produced in organizations and efforts should be made to ensure that it is neatly, correctly and attractively written and presented. The writer of the plan as in other corporate reports should ponder on the following questions: Who is the reader; how familiar is the reader with the issues at stake and what expertise does he have in that area; does he have any preconceived notions and what are they and what does he have to know to make reasonable conclusions?

A proper appreciation of the above issues forms the background to writing an effective plan. Efforts should be made to ensure that the plan is clearly written, readable, understandable, usable and useful. To ensure this, the final plan should be properly edited with attention to the following:

Structure/Layout

- Is the title page complete and well laid out?
- Is the layout clear and easy to follow?
- Are any essential parts of the structure missing?
- Are the main parts of the structure in the most suitable order?
- Do headings stand out?
- Is the numbering of paragraphs uniform?
- Are the appendices clear and helpful?

Content

- Does the introduction state clearly; the scope and import of the plan?
- Does the main part contain all the necessary facts (and no unnecessary information)?
- Is the order of the main part of the plan right?
- Are the terms used (symbols, abbreviations) suitable and consistent?
- Are there any statements which meanings are not clear?
- Are facts, figures and calculations accurate?

General

- Will the plan attract undue criticism?
- Is the plan efficient, business like and likely to create a good impression?
- Could a non-technical person concerned with the plan (directly/indirectly) understand it?
- Does plan clearly assign responsibilities for programmes and activities?

Supporting Behaviours and Actions: Communication goes beyond what is said and what is written. In fact we communicate more by what we do (action speaks louder than voice).The behaviour of top management must at all times be consistent with the speeches made and papers written about the plan. The priorities of the management should be consistent with the priorities of the plan; corporate rewards should be given to individuals, groups and units, based on the extent to which the objectives of the plan are achieved and management must express displeasure with any deviation or lackadaisical attitude to the plan. We have earlier stressed that it is important for the management to seize every opportunity to highlight the plan.

Preventing Communication Breakdown: Communication requires a spirit of mutual understanding and it must flow freely and fully. At times however it breaks down owing to various factors that preclude it from performing optimally; that cause go-slow or absolute hold-up in the process. Communication breaks down when due to emotional, linguistic, physical or organizational factors, the message did not get to the receiver or he/she did not understand it entirely or only received or understood a part of the message or gave it an understanding different from what the sender intended. This may be due to defect in any key element of the process, conflicting frames of reference leading to different interpretation of the same words and sentences due to different background, selective perception and value judgment, source credibility, semantics deliberate manipulation, time pressure, excessive communication /overload and state of interpersonal relations.

If this happens during the process of preparing and/or communicating the plan, its effectiveness becomes impaired. Communication breakdown can be minimized by effective follow-up/feedback mechanism, regulating the flow of communication, using simple, common, non technical language, ensuring that action reinforces verbal communication and that messages are timely and well structured/presented.

Communicating Within the Planning Team: The team in charge of preparing and writing the plan should also communicate effectively so as to package and present the plan effectively. Communication within the team is a multidimensional affair; amongst the members, between members and the leader, between the team and its sponsor (in this case the management), between the team and other organizational members and between the team and external individuals, groups and organizations

The communication is aimed at generating commitment, participation, team spirit, optimal contribution, and cordial interpersonal relation with the overall aim of achieving the team's purpose-preparing and writing an acceptable and workable plan. Effective communication within the team requires: sincerity, openness, free expression, mutual **encouragement, trust, confidentiality, empathy and praising / criticizing properly.**

Improving Organizational Communication: The plan cannot be communicated effectively if the quality of organizational is generally poor. The factors that influence the nature and quality of communication include organizational culture and leadership, tasks, technologies and systems, external environment, size age and ownership, corporate performance and the manager's communication competence and style. Problems of communication in organizations usually arise from the long chain of command, eye-service mentality, the nature of boss-subordinate relationship, managers' attitude towards upwards communication, competitive paradigm in the work place, conflict of interest, defensive communication, deliberate information hoarding, emphasis on quantity (instead of quality) and the advent of large organizations with the resultant increase in the level of bureaucratization and the number /types of messages.

There is the need to minimize these problems and enhance the effectiveness of communication in the organization. This requires:

•Good Communication Environment to ensure sincere, free flow of adequate and quality interactive communication.

- Cordial Interpersonal Relations within the organization especially between superiors and subordinates.

- Credibility of the Communicators as measured by variables like competence esteems personality, character and trustworthiness. This enhances the believability of the messages.

- Optimal Organizational Structure; reasonable chain of command, clearly spelt out objectives, rights, responsibilities and relationships, minimal physical barriers and a collaborative culture.

- Democratization of Information so that as far as possible, every body knows everything.

- Real Open Door Policy, where staff freely expresses their opinion about every thing and the bosses genuinely receive, evaluates and utilizes these views.

SELF-ASSESSMENT EXERCISE

Visit any three organizations of your choice in three industries and ascertain the format of their plans and how they communicate these plans. How do your findings compare with what we have discussed in this unit?

4.0 CONCLUSION

Planning is a managerial activity and like all managerial activities, it requires interaction among organizational citizens and units. Consequently, communication plays a critical role in the entire process. For planning to be fruitfully initiated, executed and evaluated, there must be effective communication-oral, written, behavioural between all that parties in the planning process. The importance of communication goes beyond producing the plan to marketing it effectively so as to ensure acceptability and commitment. In effect, without effective communication, any plan is doomed.

5.0 SUMMARY

Communication is critical for human and organizational existence and survival. It is a process and the key elements are the message, sender, medium/channel, receiver, receiver, noise and the environment. It's role in planning are collating background information and inputs for stakeholders, writing the plan document and ensuring that it is effectively communicated/marketed. To ensure that communication plays the expected roles, it has to be effective with emphasis on general communication, use of words/language, writing and packaging, behavioural communication, communication within the team and overall organizational communication.

6.0 TUTOR-MARKED ASSIGNMENT

1. What is the importance of communication in organizational management?
2. What are the steps in preparing a plan and why is it important to 'market' the plan to stakeholders?
3. What roles does communication play in the planning process and how should you ensure that it plays these roles effectively?

7.0 REFERENCES/FURTHER READINGS

I. k. Muo (2001). Fundamentals of Business Communication. Lagos: Impressed Publishers.

I. k. Muo (2003). Communication & Report writing; Paper Presented at a Workshop on Management Appreciation for Secretaries Organized by Goodman & Associates for Hallmark Bank PLC at Center for Management Development, June 11th-.

I. k. Muo (2006). "Managing the Communication Challenge" Paper Presented at the 2006 Retreat of Punuka Chambers, International Law Center, Lekki, Lagos: Sunday, 1st October.

McNamara, R [2006] Basics of Writing and Communicating a Strategic Plan.

File://D\Documents%20and%20settings\iyampat.BHI-MASTERS

Desktop\Basics%20of…20/Jan/2006.

UNIT 3 PLANNING IN NIGERIA

CONTENTS

1.0 INTRODUCTION

Planning involves determining an organization's goals and the steps for achieving those goals. It is a universal managerial task and process that has well defined and accepted steps. But the contingency theory of management regularly reminds us that there is no one best way to manage; that management is a function of the environment. It is therefore incumbent on us to discuss planning in Nigeria as a unit in this course. The overall aim is to discuss the peculiarities of planning in Nigeria who does the planning, what types of planning are prevalent, the effectiveness of planning and the peculiar problems encountered in the planning process in Nigeria. It will be based on experience, discussions with planners and some published works on planning in Nigeria

2.0 OBJECTIVES

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

- appraise the planning process in Corporate Nigeria;
- discuss the peculiar problems encountered in planning in Nigeria; and
- explain the impact of the external environment on planning.

3.0 MAIN CONTENT

3.1 Planning in Nigeria

3.1.1 The Origin of Planning in Nigeria

Corporate planning was introduced into Nigeria by the foreign businesses that came into Nigeria following the onset of colonialism. Commercial interests primarily motivated the colonial exploiters. The foreign businesses that came into Nigeria introduced the managerial practices, which was common in their headquarters. One the earliest of those organizations was The Royal Niger Company the grandfather of UAC PLC, which at a time had the franchise to administer Nigeria. Apart from practicing formal planning as a management tool, they also transferred the planning technology to their Nigerian employees who applied the tool wherever they later found themselves.

The discovery and exploitation of oil led to the growth of the oil industry in Nigeria and that is an industry that is based on plans. The liberalization of the banking industry led to the emergence of several banks, which introduced modern management practices in their quest to secure competitive superiority. This also helped to liberalize the planning practice in Nigeria. Of course with internationalization and globalization, increasing number of Nigerians who studied overseas and developments in the ICT-internet specifically, planning knowledge and practice became very prevalent in Nigeria.

It should also be noted that the colonial administration introduced planning as a development tool and this was continued by the independent Nigeria until 1983. Even though development planning is different from corporate planning, they have the same purposes and processes. Private organizations also aligned their planning cycle to the 5-year development plans being practiced in Nigeria then. Public sector planning thus helped to introduce and encourage planning in Nigeria.

3.1.2 Planning in Nigeria Today

From its early beginning during colonial era and when it was initially the preserve of foreign companies and multinationals, planning has developed to become a norm rather than an exception in Nigeria. Most corporate companies including the very indigenous ones- now engage in planning which they see as a veritable tool in their quest for strategic superiority. Foreign owned firms, multinationals, and companies in which foreigners have significant interests direct or indirect are more committed to plan its initiation, execution and evaluation than purely indigenous ones. Even among the indigenous ones, the more corporate organizations are more involved in planning than the numerous one man businesses, which are mostly involved in commerce, services and even manufacturing.

Empirical studies on planning in Nigeria (Fubara, 1986:125; Ogbechie, 2005:6) reveal the following:

A. Most organizations in Nigeria are engaged in planning and their mission statements drive most of these plans. Like plans elsewhere, they contain sections on review of internal and external, SWOT analyses, actual strategies, objectives, contingencies and budgets.

B. Majority of them prepare business/corporate plans though some limit themselves to marketing and financial plans. These plans are mostly annual and long range.

C. The Chief Executives, Chief Finance Officers and Chief Marketing Officers are top executives most involved in planning and middle level managers closely follow them. Outside consultants are also involved in a few of the companies.

D. Some organizations have normal planning time tables while others plan as and when necessary.

E. Most of the plans are formal and the factors that influence the extent of formalization include the degree of competition, growth of the companies and increasing availability of information. Staffs are informed about the plans mostly through meetings. Written memos come a distant second.

F. The goals are set mostly by the board/management team and cover profitability, customer satisfaction, sales/revenue growth, quality, market share and leadership, returns on investment and equity and risk diversification. They see profitability as the most important.

G. These plans are monitored-mostly monthly and quarterly- and the tools used for the review are Management by Objectives, comparative analyses, sales analyses, and overall budgetary control.

H. Corporate rewards are used to motivate the staff towards attaining the goals of the plan and the commonest of these tools are salary increases, promotion and bonuses.

I. A good number of the organizations originally confused budgeting with planning and even those that engaged in full-fledged planning, budgeting was given star attention.

J. The above perhaps explain why in most of the cases, the planning function was undertaken by the chief finance officers. When the first study was executed in 1986, none of the companies sampled had a planning officer.

3.1.3 Problems with Planning in Nigeria

In Module 2 Unit 4, we discussed the problems and pitfalls with planning, with special emphasis on the study by Steiner. It was argued that these pitfalls would vary across countries, industries organizations and over time. We postulated that policy instability was likely to be a key problem in Nigeria and that non implementation of plans and dearth of planning capacity were also likely to be prevalent. Those postulations were based on experience and informal discussions with business executives. Now that we have reviewed some empirical studies on planning in Nigeria, it is important to revisit the issue of problems with planning in Nigeria.

Three issues that arose from our analyses so far are the confusion of planning with budgeting, dearth of planning expertise and inadequate attention given to the planning function. The first was the cause (or the effect) of plans being managed mostly by finance/accounting executives. It is a problem because while budgeting is a part of planning, it does not tell the whole story and it indeed comes in at the end of the planning process. Its foundation, emphasis and approach are also different. Inadequate attention is obvious because the function is attached to the duties of other functionaries; it is a subsidiary responsibility. We can also argue that expertise is lacking-or the companies would have employed planning managers.

3.2 Problems with Planning in Nigeria: Some Empirical Findings

On the empirical problems/obstacles to planning, here are two sets of findings one is generic and the other is related to the environment.

3.2.1 Generic Problems [Obstacles] With Planning

- Unstable environment of business: 30%
- Lack of Finance 29%
- Lack of sufficient information: 18%
- Economic Uncertainties 15%
- Management Inefficiency 15%
- Inflation/Naira Devaluation 15%
- Competition/market over-saturation 14% (Ogbechie, 2005:10)

It is obvious that unstable environment is the overwhelming factor. Apart from being on top (30%), it is also related to economic uncertainties and devaluation both of which are also significant factors.

3.2.2 Environment Obstacles to Planning

The following variables were examined for their adverse impact on planning:

- Workers/Employees (the impact on union actions & strikes)
- Socio-Cultural Values (the impact of tribal or clannish groupings/influences)
- Legal/Political (the impact of changes in political/economic philosophies /policies e.g, sudden ban of raw materials)
- Government/Ministerial (the impact intervention of government-ministries, departments or officials).
- Technology/Infrastructure (availability or otherwise of technical/managerial skills and equipments).

For all the industries, the rankings were as follows:

- Technological/infrastructural: 38.47%
- Government/ministerial: 28.48%
- Legal/political: 14.48%
- Socio-cultural: 9.75%
- Workers/employees 5.36% (Fubara, 11986:130)

But the rankings varied across industries. The two most relevant factors according to industries are as follows:

Industry	First	Second
Agro-based	Tech/infrastructure	Govt/ministerial
Finance/investment	Govt. /ministerial	Socio-cultural
Manufacturing	Tech/infrastructure	Legal/political
Service	Govt. /ministerial	Tech/infrastructure

This survey also indicates that environment uncertainties/policy instabilities constitute the greatest obstacle to plans and planning (government/ministerial + legal/political). It is also an indication that planning effectiveness cannot improve unless there is significant improvement in the practice of economic governance in Nigeria

3.3 Planning & Policy Instability: The Cases of Furniture, Beer and Cement

Azubuike is a Nigerian Graduate who fled from the crises in Ivory Coast-where he was a trader. After surveying the Nigerian Environment, he decided to go into furniture business and as a first step; he planned to start with importation. He raised some money, reached agreement with a foreign manufacturer, rented a showroom and business commenced. Before he could conclude the first round of the transaction, furniture imports were banned and he went back to zero level. That was also how those involved in maritime operations and indeed the whole economy suffered irreparably in the past few years from the uncertainties and back-passes in the import inspection regime.

Long before Azubuike, our brewery industry suffered a similar fate. In 1986, the government gave the industry two years notice to start brewing beer with local grains. This entailed heavy investment in raw materials and equipment. The two leading breweries (Nigerian Breweries and Guinness) went as far as investing in farm projects to grow the grains they needed and both introduced Merit and Rex Brands with 100% local content. Both brands failed in the market place because the consumers rejected them. The two breweries then embarked on phased conversion to local grain for their existing brands. Eventually, the government lifted the ban on the importation of imported malt barley and indeed, the importation of beer itself. In 1998, the government removed excise duty on beer; in 2000, it re-imposed 40% excise duty on beer; in 2002, it reduced excise duty on beer from 40% to 20%. These changes and inconsistencies led to inconsistent cost and price structure, difficulty in forecasting and even more difficulty in planning. It was the major cause of the undersupply that hit the industry in 2002. Of course, many marginal breweries collapsed.

Recently, a similar scenario is repeating itself in the cement industry- though at company levels. Nigeria needed to import 7million tonnes of cement to augment the demand-supply gap; this importation has to be executed by some lucky few and approval for this goldmine has to be given by the commander in chief himself! Recently, following a petition written by another cement merchant, the approval already granted for the importation of 2.5, tonnes of cement were cancelled. Among those cancelled were 800000 tonnes ordered and paid for by Ibeto Group Ltd. and for which 8 ships had already landed. The petition and the cancellation were based on the charges that the company was abusing the government's industrial policy by not expressing the desire to build a cement factory. But it has a cement bagging facility established at the cost of about N20bn and employing 400 Nigerians in Port Harcourt. This scenario may also have applied to other importers whose approvals were cancelled.

In effect, in response to a petition from a concerned and patriotic cement stakeholder, the company's approval was withdrawn midstream; the offloading of 8 ships that had already accumulated $26m demurrage was stopped while the cement bagging facility was closed. It was also reported that other 3 ships on the seas before the cancellation were turned back and that the company had actually entered into cement manufacturing partnership with Ebonyi State Government. The immediate effects of this are that the price of cement had gone crazy and builders are in a fix; the company might have laid off its 400 workers; demurrage and other sundry charges are accumulating, the foreign partners may be wandering what's gwan while the Nigerian economy is suffering multifariously from the rise in cement prices. The only beneficiaries are those whose cement imports have been cleared before this incident, those whose allocations are still valid-probably including the patriotic petitioner- and the parasitic distributors.

Of course any plans and projections, which the company prepared, must have collapsed irretrievably because of this policy reversal.

SELF-ASSESSMENT EXERCISE

Interview three officers responsible for planning from three industries and find out how their planning practices and problems agree with those summarized in this unit.

4.0 CONCLUSION

It is obvious that peculiarities of the environment in which plan are undertaken affect both the nature of planning and the problems associated with the process. Planning is now pervasive in Nigeria though its practice still needs a lot of improvement. Being a government dominated economy, what the government does and fails to do will continue to impact significantly on planning in Nigeria.

5.0 SUMMARY

Planning was introduced into Nigeria by the foreign businesses that came along with the colonialists. The practice has developed and is now prevalent even though most foreign companies are more committed to planning than their Nigerian counterparts. Planning in Nigeria follow the same pattern with planning elsewhere even tough there is the tendency to confuse planning with budgeting while the planning function is mostly performed by financial/accounting officers. There are peculiar problems with planning in Nigeria and the most overwhelming relates to policy uncertainties and inconsistencies. This assertion is supported by empirical studies and cases from three industries. This does not mean that the 50 pitfalls identified by Steiner and other problems of planning across the globe do not affect Nigerian organizations.

6.0 TUTOR-MARKED ASSIGNMENT

How do you assess the state of planning in corporate Nigeria and what are the major problems militating against planning effectiveness in Nigeria?

7.0 REFERENCES/FURTHER READINGS

Awowole-Brown Francis, (2006). “Cement War: up goes Cement Price as Competitors Mudsling”; The Sun, 22nd July, p4.

Fubara, D.A (1986). “Corporate Planning in Nigeria”; Long Range Planning, Vol.19, No.2, pp125-132.

I. k. Muo (2006). "Cement War, Business Politics and Economic Governance"; Business Day, August 2nd.

Ogbechie, Chris (2005). "Challenges of Strategic Planning in Nigeria"; Business Day Management Review, December 5th pp6-10.

UNIT 4 THE NATURE AND SCOPE OF CONTROLS

CONTENTS

6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

Controlling is strictly speaking a part of the planning process. It involves ascertaining the extent to which standards, budgets and expected performances are met, taking actions to ensure that they are met and making some modifications in view of realities that emerge during execution. In this unit, we shall discuss the managerial process called control with emphasis on its meaning, features, types and emphasis. In reading this unit and the subsequent ones, bear in mind that the ultimate aim is the achievement of organizational goals and remember our earlier discussion that planning and control are inextricably interwoven

2.0 OBJECTIVES

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

- define control, controls and controlling;
- enumerate and describe the features and characteristics of controls;
- itemise the types of controls; and
- outline the focus of control.

3.0 MAIN CONTENT

3.1 The Nature & Scope of Control

3.1.1 The Meaning of Control

Controlling is a part of the management process that involves ascertaining the extent to which expectations are being met, taking actions to ensure that they are met and making some modifications in view of realities that emerge during execution. In order to execute their plans, organizations have to commit resources to achieve those objectives. But while they can plan and anticipate, a lot of things can go wrong with their planning itself but more with the environment in which they operate. All this may lead to a departure from the planned agenda. The control process enables the organization to know how far and how well they are going on the route they have chosen. With this knowledge, they are able to take corrective actions and return to the chosen path. On some occasions, they may even take the extreme step of abandoning the path entirely.

For a formal definition, we adopt the one given by Mocker, (1970: 14) who sees controlling as:

- A systematic effort by business management to compare performance to predetermined standards, plans or objectives to determine whether performance is in line with these standards and presumably to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives.

Controlling is actually a continuation of the planning process because the standards that are used for controls are established as part of plans while most of the techniques of control (See Unit 11) are actually instruments used to operationalise the plans. Dwelt (1977:18) explains it succinctly thus:

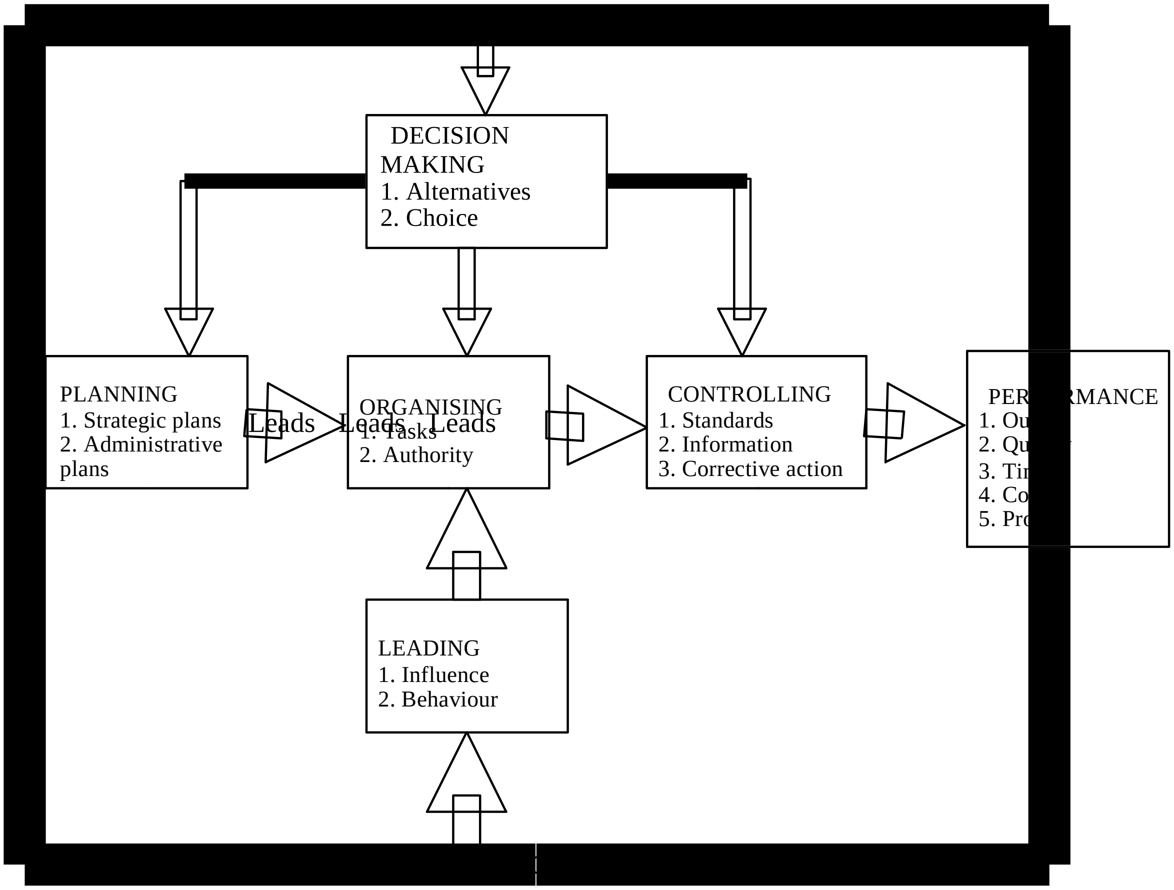
- Unless we have a soundly charted course of action, we will never quite know which actions are necessary to meet objectives. We need a map to identify the timing and scope of all intended actions. The map is provided through planning process. But simply making a map is not enough. If we do not follow it or if we make a wrong turn along the way, chances are that we will never achieve the desired results. A plan is only as good as our ability to make it happen. We must develop methods of measurement and control to signify when deviations from the plan are occurring so that corrective actions can be taken.

It is also important to note that control is also interlinked with another managerial responsibility, deciding. Thus, controlling is at the center of planning and deciding, three interlocking managerial activities. According to Hampton, (1977:343).

Planning sets the goals and the actions to reach them. It also provides implied standards against which actual performance can be measured. Controlling begins with the framework of expectations provided by the standards. From that step, control consists of a series of steps intended to assure that actual performance conforms with expected. Deciding begins with the information generated by controls.

But control is not just interwoven with planning and deciding; it is an inseparable part of the entire management process, which includes planning, deciding, leading, and organizing. These managerial processes form an integrated whole. Planning determines what results the organization will achieve; organizing specifies how it will achieve these results and controlling decides whether these results would be achieved.
In doing all these, managers decide and lead. They decide objectives, organizational designs, policies, procedures and methods. They lead their subordinates through their own behaviour and other influence tactics (Ivancevich et al; 1980:371).

Figure 9.1: Inter-linkage of Control with Other Managerial Processes



Source: Ivancevich, J.M; Donelly, J.H & Gibson, J.L (1980) Managing for Performance; Dallas, Business Publications Inc; p370.

It is also important to stress at this point that there are certain conditions that must be present before controls can be implemented.

- There must be some organizational goals/objectives
- There must be a comprehensive plan on how to achieve these goals/objectives
- There must be standards which are ordinarily derivable from the objectives/plans
- There should be information to indicate deviations between the expected and the actual
- It must be possible to take remedial action.

The controlling function is also faced with a delicate balancing task: it must simultaneously balance stability and objectives attainment! To maintain stability, the manager has to ensure that the organization is operating within established constraints as determined by policies, budgets, ethics, etc. The attainment of objectives requires that continual monitoring so as to ensure that adequate progress is being made in the desired direction. The manager cannot focus on the constraints without ensuring that progress is being made towards the goals neither can he focus on progress while ignoring the boundaries of established constraints. The danger is that the manager may become overly concerned with one aspect at the expense of the other. If he is preoccupied with stability of operations at the expense of goals, one is likely to notice a lot of activities without output: all motion, no movement! If the manager ignores stability, he may experience a glamorous but short-lived success as exemplified by a manager who sets production records by eliminating safety checks! (Rue & Byars, 1977:168).

3.2 Features/Characteristics of Controls

There are several features and characteristics of controls, control systems and control processes. According to Anthony & Govindarajan (1998:1), every control system (mechanical, human, electronic) has four basic elements. These are:

- A Detector or a Sensor: A measuring device that identifies what is happening in the process being controlled.

- An Assessor: A device for determining the significance of what is happening. This significance is assessed by comparing information on what is actually happening with what should be happening.

- An Effector: a device that alters behaviour if the assessor indicates the need for doing so. This system is called the feedback.

- A Communications Network: A network that transmits information between the detector and the assessor and between the assessor and the effector.

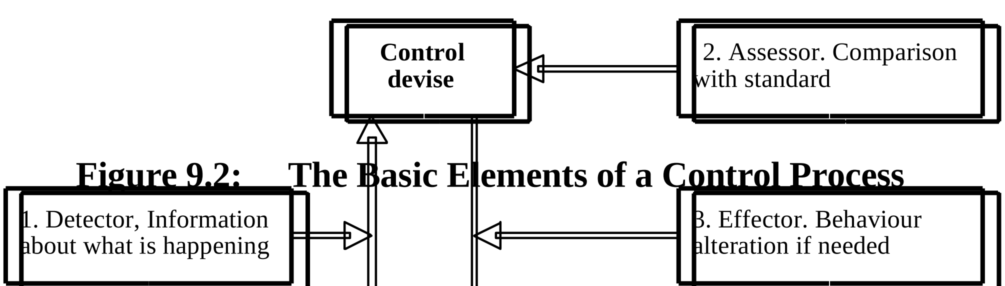


Figure 9.2: The Basic Elements of a Control Process

Source: Anthony, R.N & Govindarajan, V (1998) Management Control Systems (9th Ed) New Delhi; Tata McGraw-Hill; p2.

These elements are present in a thermostat, the control of body temperature, and a cars speed control systems. The organizational control systems also contain these elements. Detectors report what is actually happening throughout the organization; assessors compare this information with the desired state, which is the implementation of strategies; effectors take corrective action if there is a significant difference between the actual and the desired state and there is a communication system that that tell members of the organization what is actually happening and how it compares with the desired state.

Management control processes however have some peculiarities:

- Unlike a thermostat or a body temperature system, the standard is not preset; it is rather the result of a conscious planning process in which management decides what it should be doing while control ascertains the extent to which it accomplishes those plans.

- Management control is not automatic. Some of the detectors may be automatic but a lot is detected through the manager's eyes, ears and other senses. Personal judgment and interpersonal interactions are involved in the process.

- Management control requires coordination among other individuals unlike an automobile, for instance, that involves a single individual. An organization has several parts and these various parts must be coordinated to work harmoniously.

- The connection between the observed need for action and the behaviour that is required to obtain the desired action is not always clear cut. The manager as an assessor may observe that costs are high but there may be no automatic action or series of actions that would automatically return costs to the expected standards!

- Unlike a mechanical device-just like the thermostat- , organizational control does not occur because of actions taken by external regulatory agency. Much of control is self-control: people act in the way they do not necessarily because they are given specific instructions by their superiors but rather because their own judgment tells them what action is appropriate.

Beyond these features, which compare organizational controls with mechanical and other types of controls, Drucker (1973:496) identifies other features of objectives, some of which are not readily appreciated. These characteristics include:

- Controls can neither be objective nor neutral. Since the process is social and perceptive, the event being controlled and the person doing the control are affected by the process. Personal values come into play. They are not objective but are rather, goal setting and value setting.

- Controls need to focus on results. Businesses exist to contribute to the society, to the economy and to the individual. Business results therefore exist outside the business in the economy, in the society, with the customer. It is the customer who creates profit. Controls have to focus on these results.

- Controls are needed for measurable and non-measurable events. Emphasis on only quantifiable, easily measurable variables is not good enough. Other intangible elements also need to be controlled if the company has to prosper. How do you quantify reputation? And would you because of that ignore reputation management?

3.3 Types of Controls

3.3.1 Management Control

The process by which managers influence other members of the organization to implement organizations strategies. It involves planning what the organization should do, coordinating activities in several parts of the organization, communicating and evaluating information, deciding action to be taken and influencing people to change their behaviour. It involves interactions amongst individuals, lays emphasis on financial and non financial variables and aids in developing new strategies.

3.3.2 Task control

The process of assuring that specified tasks are carried out effectively and efficiently. This is transaction oriented since it involves the control of individual tasks. Rules for these tasks are issued as part of the management control process and the tasks must be executed according to those rules. These controls can be achieved without human beings as some of them may be automated.

3.3.3 Feed Forward Control

This involves taking control in advance of actual activity; it is the most desirable type of control as it prevents anticipated problems. It is future directed. Banks may post more staff to cash operations in the last weekends of the month and the last two weeks of December every year. Managers thus prevent problems rather than cure them.

3.3.4 Concurrent Control

The type of control that takes place while the activity is going on. In this instance, managers control the problems before they get out of hand. This occurs in the case of direct supervision. There is some delay between the problem and the corrective action but this is minimal.

3.3.5 Feedback Control

In this case, control takes place after the event. It is a post-mortem affair and at times, the damage is already too much before the information is received and action taken. But feedback provides meaningful information on how effective the planning effort has been; feedback enhances motivation as people want to know how far/well they are performing; (Robbins,1995:480) and managers can study problems carefully before acting rather than acting on the spur of the moment.

3.4 The Focus of Control

Even though control is about organizational plans and performance, there are specific variables on which that control is usually focused. Generally, control efforts are focused on:

- People: Managers achieve results through people. For things to work according to plans, there is compelling need to control the behaviour and performance of people as it concerns work. Managers oversee the work of their staff and correct them when those are found lacking; they also appraise them at the end of a given period.

- Finances: Managers also control organizational finance from which expenses, revenue and profits arrive. Assorted financial statements and ratios are sought and examined as a means of controlling expenses.

- Operations: This involves the control of the organizations input-output transformation process and this is critical for a manufacturing outfit. Physical, and mechanical monitoring as well as other types of controls are applied.

- Information: accurate, timely and sufficient information is essential for organizational management and control. The MIS has to be developed to ensure that the right person receives the right information at the right time for decision-making. Developments in ICT have greatly impacted on this.

- Organizational Performance: the organizations overall effectiveness and efficiency is of concern to various stakeholders. Controls therefore have to be focused at this. Measuring organizational effectiveness is not an easy task particularly because there are many things to measure and there are many ways to do it. These three methods however stand out (Robbins, 1995:83).

1. **The Organizational Goals Approach: this appraises** organizational effectiveness according to how far it is able to accomplish its goals.

2. **The Systems Approach: This measures organizations** effectiveness according to how it is able to acquire and transform inputs into outputs. Using the systems framework, it assesses the effectiveness in terms of both means [inputs] and ends (outputs).

3. **The Strategic Constituencies Approach: this approach** measures organizational effectiveness by the extent to which an organization is able to satisfy the demands of its key constituencies. What constitutes the strategic constituencies depend on the firm, the industry and its operating environment.

3.5 The Optimal Level of Control

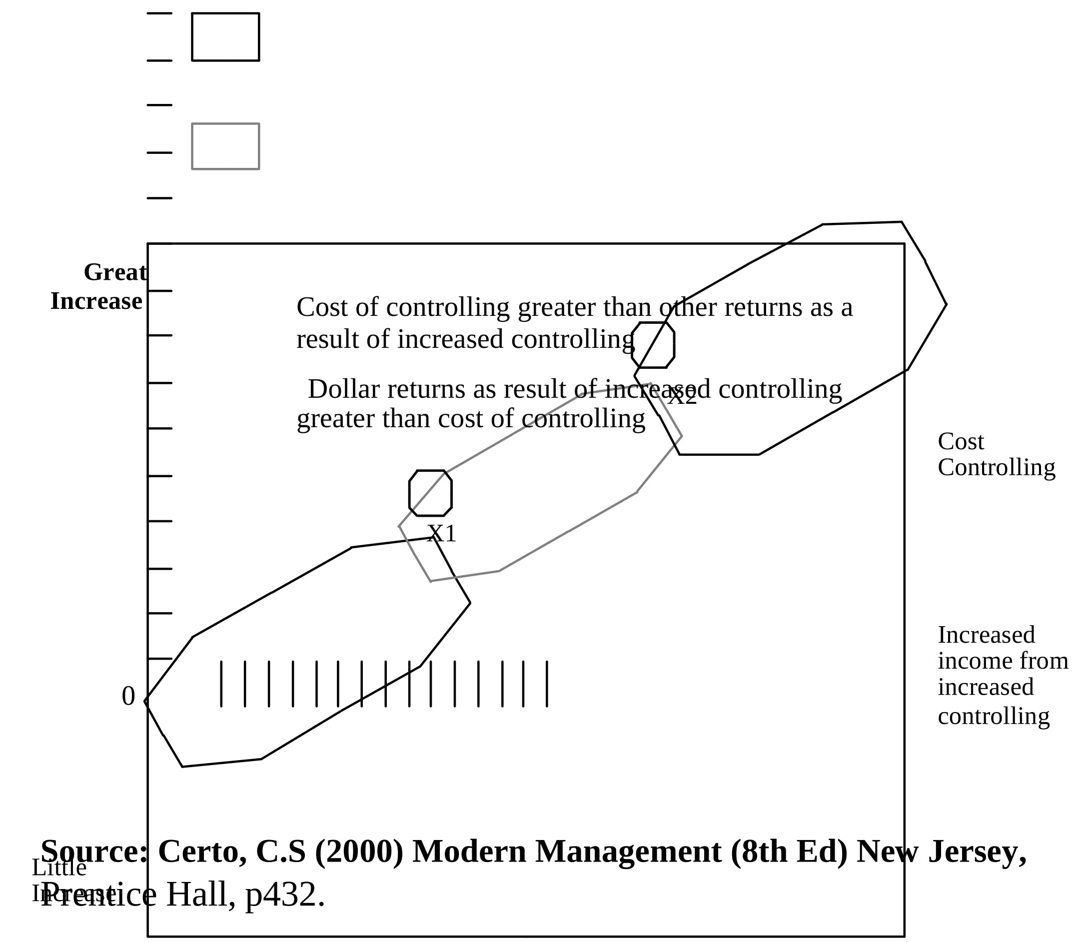
How much level of control should organizations have? At what levels do controls become clogs in the wheels of organizational process; when there are more and more controls without actual control? It is imperative to always raise these concerns because controls are means to an end, and the ends in question are the goals of the organization.

3.5.1 Cost Benefit Analyses

The first logical step towards answering this question is to undertake a cost-benefit analysis of controls in the organization. Initiation, installation and management of control systems and processes cause money, time and efforts. They also bring benefits to the organization in terms of better quality, reduced cost, better returns on investments. Some of these costs and benefits may not be easily quantifiable but undertaking such an analysis helps to determine when to stop adding more controls and instead look for other ways of creating value for the organizations stakeholders.

A graphical analysis of this process (Certo,2000:432) indicates that control costs exceed the benefits initially, then the benefits exceed the cost before the costs exceed the benefits again see Figure 9.3.At first, control costs are more than the associated benefits and this continues for a while. After all, controls require start-up costs. As controls start correcting and preventing major organizational errors, the associated income catch up with the costs (at point x1). As more controls are being added beyond X1, income increase, overshadow the costs and eventually nosedive again, equaling the costs in X2, and exceeding it beyond that. That indicates that the optimal level of control should be the range between X1 and X2.

Figure 9.3: Graphical Cost-Benefit Analysis of Controls



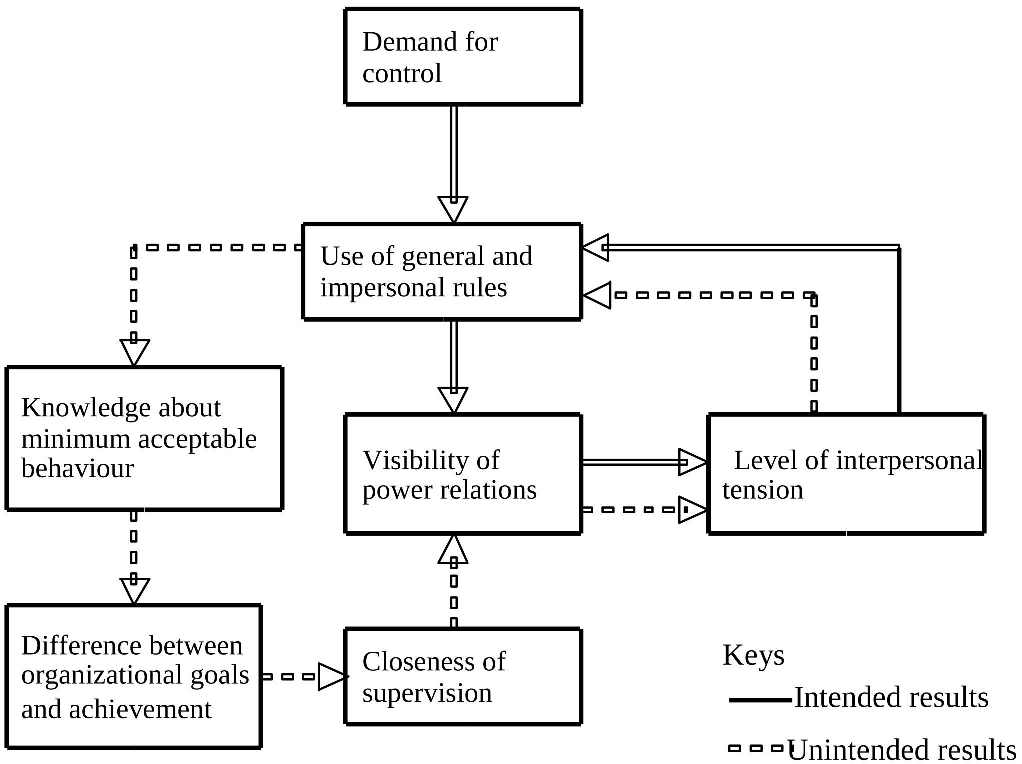
Source: Certo, C.S (2000) Modern Management (8th Ed) New Jersey, Prentice Hall, p432.

3.5.2 Behavioural Considerations

Apart from the cost benefit approach to determining the optimal level of control, the behaviour and reactions of the staff is also a critical factor. Are the workers well disposed towards the level and structure of control? Do these controls raise tension, de-motivate and poison the organizational climate? At what point do controls become just enough and too much as perceived by staff?

The negative reaction of people affects the optimal level of control but the problem is deciding when the control is enough. While an absence of control creates a laisser faire atmosphere as well as uncertainty for the people, nobody likes over-controlled environment.(Rue& Byars, 1977:173). At times, management responds to peoples' negative reactions with more controls which worsen the situation. Take the hypothetical case of an organization that introduces general and impersonal rules to guide work procedures. (See Fig.9.4).

Figure 9.4: Worker Behaviour & Organizational Control



Source: March, G. J; & Simon, H.A [1958] Organizations; New York, John Wiley; p45.

These rules would also serve as indicators of minimum acceptable behaviour. If workers were not committed to organizational goals or if the organizational goals were not congruent with theirs, or they just did not like the new rules, they would resort to the minimal acceptable performance. Management sees that as a result of inadequate control and introduces closer supervision. This increases power visibility, raises tension and leads to more rules. Thus the introduction of rules has increased tension and reduced performance (March & Simon, 1958, 45).

What this indicates is that the attitude of staff is a critical factor in determining the level of controls. It is thus important to match the level of control with the likely staff reaction. We note that this is also not an easy matter.

4.0 CONCLUSION

Control is inextricably tied to the planning process and interwoven with the entire management processes of an organization. As the factor that measures the extent to which a company is going on the route it has mapped out for itself, it plays a very critical role in organizational survival and progress. One key issue about control is to understand that it is just a tool; it is an instrument. It is not the end and it is of no use in itself apart from assisting the organization to achieve its goals. In the subsequent units, we shall discuss the instruments of control, the control process, the qualities of an ideal control system, how control relates with self-control and empowerment and the concept of strategic control

5.0 SUMMARY

This unit introduces us to control, the second concept of concern to us in this course. We defined control, examined its elements, features and characteristics, the types of control and how to determine the optimal level of control in organizations. One important issue we discussed in this unit is that control is a delicate balancing act: the manager must continuously maintain a balance between stability and progress. Another is that too much control is dangerous and that there is need to consider the attitude and behaviour of staff before initiating controls

6.0 TUTOR-MARKED ASSIGNMENT

Why is controlling very critical to organizational survival? How is it linked with other managerial processes and how should you as a manager determine the appropriate level of control for your organization?

7.0 REFERENCES/FURTHER READINGS

Anthony, R.N & Govindarajan, V (1998). Management Control *Systems 9th Ed] New Delhi: Tata McGraw-Hill.*

Certo, C.S (2000). Modern Management (8th ed). New Jersey: Prentice Hall.

Drucker, P.F (1973). Management: Tasks, Responsibilities, Practices. New York: Harper & Row.

Dwelt, R.L (1977). Control: key To Making Strategy Work; Management Review, March.

Hampton, D.R (1977). Contemporary Management. New York: McGraw-Hill.

Ivancevich, J. M. Donelly, J. H. & Gibson, J.L (1980). Managing for *Performance. Dallas: Business Publications Inc.*

March, G. J. & Simon, H. A. (1958). Organisations; New York: John Wiley.

Rue, L.W & Byars, L.L (1977). Management Theory & Application. Homewood Illinois: Richard D Irwin, p171.

UNIT 5 THE NEED FOR CONTROLS

CONTENTS

1.0 INTRODUCTION

We have discussed the meaning, nature and scope of controls. But we need to go beyond that to ask: why do organizations get involved in controls? Why do they install expensive, complex and time-consuming control processes and systems? The answer is pretty obvious. From the very beginning, you must have learnt that controls ensure that plans are effectively and efficiently executed. But it goes beyond that. Our concern in this unit is to explore the various advantages which, organizations reap by installing effective control systems. In other words, why do companies engage in control?

2.0 OBJECTIVES

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

- identify the various benefits of controls to an organization;
- explain the nature of these benefits and how the organization enjoys the benefits; and
- justify the enormous resources which companies commit to control.

3.0 MAIN CONTENT

3.1 The Importance of Controls

3.1.1 The Consummation of Plans

Planning is aimed at the achievement of certain objectives by the organization. After the planning process, other managerial activities may follow in the quest of achieving these objectives. Structures may be created or realigned; people are directed on what to do and efforts are made to motivate them properly for the task. But there is the need to ensure that the objectives are being achieved; that all the efforts are moving in the same direction and achieving the desired results. The only way to do this is through controls which ensure that activities are going on as planned, track significant deviations and take remedial actions where necessary. Control thus goes beyond ensuring that plans are consummated; according to Robbins[1995:472[they consist the final **link in the functional chain of management because at the end of the** day, every managerial activity is aimed at ensuring that goals/objectives are attained and controls are the only way of ascertaining whether that is so.

3.1.2 Facilitation of Delegation

Somewhere along the line, we shall discuss delegation (see Module 3 Unit 15, section 3.3). One of the problems with delegation is that managers are reluctant to delegate. And this is because they are afraid that the subordinates may do the wrong thing for which they would be held responsible. They are afraid to lease parts of their responsibilities and authorities to other people while they are ultimately held responsible. To avoid this situation, some of them adopt a do it yourself attitude which is not good for the subordinate, the manager and the unit/ organization.

An effective control system provides an easy escape out of this organizational logjam. It provides feedback on the performance of the subordinate and keeps the boss fully in the picture even in his absence. Thus, he is not there while he is there. With the feedback information and mechanism resulting from the control system, superiors are encouraged to delegate. This leads to several benefits to the organization and all the parties.

3.1.3 Improved Effectiveness and Efficiency through Standardization

There are generally, two groups of control instruments: those that focus on financial values such as budgetary control and those that focus of physical qualities such as quality controls. While financial indicators measure efficiency, (the extent of resource consumption in the process of achieving objectives); non financial variables measure effectiveness the extent to which objectives are being achieved in an organization can be:

- Efficient and effective
- Neither efficient and effective
- Effective but not efficient
- Efficient but not effective (Wilson & Chua, 1993)

An organization can only survive if it is both effective (achieves its objectives (and efficient (and does it cost-effectively). Of course, next to being neither effective nor efficient, the worst is being efficient but not effective; an organization that is economical in pursuing the wrong goals. An effective control system can facilitate the attainment the achievement of the best option efficiency/effectiveness through the design of an ideal control system that appropriately combines the measures of effectiveness and efficiency so as to give the organization the best of both worlds.

This is achieved through standardization of operations, procedures, policies and qualities. These in turn lead to:

- Reduction in cost of scraps or reworking
- Reduction in complaints from customers
- Enhanced reputation for the company's products
- Feedback to designers/engineering staff about performance of products and machines
- Efficient allocation of resources by focusing on clearly defined objectives
- Facilitate timely correction of deviations
- Enable management to take proactive measures through standardized inputs and procurement policy (Iyobhebhe, 2005:2).

3.1.4 Safeguarding Company's Assets

An effective control system plays an invaluable role in safeguarding the firm's financial, working capital and physical assets. In this regard, the internal control function is very critical. Some of the duties are to ensure that:

- Funds and property of the company are kept under proper custody.
- There is no improper application of company funds, deliberately or accidentally.
- Expenditure and revenue are duly authorized and accounted for

The proper division of duties, principle of dual control and an establishment of a proper accounting system all assist in achieving these objectives.

3.1.5 Standardization of Quality

An effective control system helps in the standardization of quality in the organization. This is done through the normal management of positive or negative deviations that occur. When a quality standard is exceeded, efforts are rather made to move the quality to the new level after all procedures must have been put in place. When a negative deviation occurs, efforts are automatically made to rectify the quality shortfall. Such standardization enhances customer satisfaction provided the quality is at an enviable standard. It also impacts positively to the bottom line

3.1.6 Delimitation of Authority

The control system also apportions spheres of influence and actual authority to the managers in the organization. Managers who exercise responsibilities interact with other staff in the normal course of their duties. The organizational structure indicates the extent of responsibilities of the managers and for them to be accountable, there must be commensurate power. There are four common types of responsibility centers in the organizations:

- Revenue center
- Expense center
- Profit Center
- Investment center
- The functions and level of authority of each center is quite distinct and as such, violation becomes obvious. The various centers also have different evaluation criteria (Iyobhebhe, 2005:2).

3.1.7 Performance Measurement

The control system facilitates an effective measurement of performance in the work place. The measurement generally enables the control system to compare the actual with the expected. It also ensures that everybody is focusing on the right thing and at the right time. For these performance measures to be meaningful, they should cover the long and short term, financial and non financial, efficiency and effectiveness.

The very popular balanced scorecard performance measurement however dwells on the following perspectives:

- Financial performance
- Customer knowledge
- Internal business processes
- Learning and growth

The Society of Management accountants of Canada also suggests 47 performance indicators which it groups into 6 as:

- Financial indicators
- Environmental indicators
- Market and customer indicators
- Competitor indicators
- Internal business process indicators
- Human resource indicators (see Unit 14, section 3.2)

Whatever the measurement indicator used, the most important fact is that for control to work, performance must be measured. It thus provides the impetus to ensure that performance is properly measured.

3.1.8 Ensuring Certainty in Operations

The starting element of the control process is the establishment of standards of behaviour/performance expected of staff in all aspects of work-financial, operational and administrative. These standards become the guidelines for official actions and interactions. They thus create an air of certainty in the environment. Everybody knows what is expected of him/her, what he has to work towards and what he has to achieve if he wants to be at peace with his superiors and with the system. The expectations are known as they have been set by the control system.

3.1.9 Encourages Proactive Management

As people continue to grapple with the standards set as a part of the control process, the organization learns how to improve its systems and operations. The control process may indicate that certain area has become a trouble spot because there is always a problem there. Management attention is automatically drawn to such areas and efforts are made to rectify that problem in a systematic manner. The control system may also reveal that certain standards are actually lower than the capacity of the organization. In this case, the entire configuration is re-examined and appropriate actions taken. The point here is that the control process can reveal areas of potential problems or areas where the organization has the potential to do better than it is doing. In both cases, efforts are made to take appropriate action to optimize the situation.

3.1.10 Cost Savings and Profitable Operations

Ultimately, the major aim of control is to contain costs and ensure profitable operations for the organization. Whether we are controlling quantity, quality, personnel, procurement, inventory, the end is to minimize costs and ensure profitable operations. This fact is underscored by the appointment of some managers specifically as controllers with the following job description:

- Identification and supervision of all accounting records
- Preparation, supervision and interpretation of divisional/product P&L statements and cost reports
- Supervision & costing of all inventories
- Preparation & interpretation of operating statistics and reports
- Budget preparation
- Initiation, preparation and issuance of standard regulations and coordination systems including office methods relating to accounting procedures
- Membership of management committees (Anthony & Govinjarajan, 1998:114).

As you can see, most of the assignments here are concerned with the control of costs and costing information.

4.0 CONCLUSION

Control is the logical extension of the planning process. Indeed, two of them cannot be easily separated. But the justification for controls goes beyond the completion of the planning process. In the preceding discussions, it has been shown that beyond ensuring that things are going according to plans, there are other advantages derivable from controlling as a management function.

5.0 SUMMARY

This unit x-rays the various benefits derivable from engaging in controls by any organization. These advantages, which justify the financial and non-financial resources committed to control in organizations include but are not limited to:

- Consummation of plans
- Facilitation of delegation
- Efficiency & effectiveness
- Safeguarding company's assets
- Standardizing quality
- Performance measurement
- Delimitation of authority
- Ensuring certainty of operations
- Delimitation of authority
- Cost control and profitable operations

6.0 TUTOR-MARKED ASSIGNMENT

Justify the extensive material and non-material resources committed by most organizations in designing and managing organizational control systems.

7.0 REFERENCES/FURTHER READINGS

Anthony, R.N. & Govindarajan, V. (1998). Management Control *Systems (9th Ed). New Delhi: Tata McGraw-Hill.*

Iyobhebhe, A. I (2005). Management Use of Control Systems; Unpublished Manuscript, UNILAG.

Society of Management Accountants of Canada (1994). 'Developing *Comprehensive Performance Indicators'; Management* Accounting Guideline No.31.

Wilson, R.M.S & Chua, W.F. (1993). Managerial Accounting: Method *& Meaning. 2nd Ed. Chapman & Hall.*

MODULE 3

UNIT 1 INSTRUMENTS OF CONTROL

1.0 INTRODUCTION

As has been discussed, control is very important to organizational performance and survival. Consequently, managers have over the years ensured that the control function is effectively performed in the organizations through various techniques. This unit discusses some of these control techniques: their nature, features and how to make them more effective.

2.0 OBJECTIVES

After going through this unit, you should be able to:

- iItemise the various control techniques utilized in organization;
- discuss the features and uses of these techniques; and
- explain how the organizations can optimize the benefits realizable from these techniques.

3.0 MAIN CONTENT

3.1 Methods of Control

3.1.1 Budgeting

The Meaning of Budgets and Budgeting

Budgeting is a key control instrument. Indeed, it was for a long time seen as being synonymous with control. A budget involves reducing the content of a plan, programme or projected even in numerical terms. These may be financial as the inflow of revenue or the outflow of expenses or non-financial as in the labour hours required to complete the foundation of a building. Most of the times, these measurements end up in the financial stable because, after measuring man hours, for instance, the next logical step is to convert them into financial terms to ascertain the cost implications.

Budgets facilitate control because they establish the numerical/financial expected of people in various units of the organization. It enables the manager to delegate authority without loss of control since the delegate is expected to operate within the limits of the budget and revert to the superior when things go awry. It enables the manager to be certain of who would spent what amount on what item and in which unit as well as who is expected to garner a given quantum of revenue within which period and from which activity.

There are three approaches to budgeting. In the traditional or **incremental budgeting, funds are allocated to organizational units and** the managers then allocate the funds to activities as they deem fit. Each budget develops from the previous one uses the previous one as a reference point. Indeed, only the incremental changes in the budget are reviewed. The problems with this approach are two fold; it is difficult to differentiate activities and some activities may be funded when they are no longer needed. (This is possible since only incremental changes are reviewed. Some projects thus become immortal) Programme **budgeting allocates funds to groups of activities that are needed to** achieve a specific objective. Funds are thus allocated to activities, not to departments. In zero-base budgeting, managers are required to justify their budget requests in detail from the scratch the zero level irrespective of the previous appropriations. These two later methods were actually made to solve the problems of the traditional method (Robbins, 1995; 187).

For budgets to be meaningful and useful they are based on assumptions and these assumptions must be realistic and reasonable. They are usually based on the type of operating, industry and overall environment, strategic thrusts, programmes and policies for the period, the activities of competitors and other conceivable event that might significantly affect the variables being budgeted. A company that wants to budget it revenue would first of all start from sales. In estimating sales, realistic assumptions may have to be made in these areas:

- The likely rate of inflation
- The likely growth in the population of the area in question
- The number of new products the company would launch
- The type of marketing campaigns the company would launch
- Whether new competitors would join the fray
- The number of new products/market campaigns launched by competitors
- Likely changes in government policy
- Changes in overall strategy of the company
- Branch expansion plan

Some of these issues are facts that need to be established. For instance, if plans are already concluded to open new branches, it is no longer an assumption. But when there are no such plans, it would be assumed that there would be no branch expansion for that year. Of course, a lazy man's way out is to assume that the present year's sales would be similar to last years (extrapolation).

A budget is the product of budgeting while budgeting is the process of preparing a budget.

3.1.2 Types of Budgets

Revenue and Expenditure Budget

This is the budget for revenue and expenses for a given period, usually a year. It is the commonest type of budget and contains projected sales for all the products and all the areas expressed in monetary terms. The other aspect contains all the expenses incurred in the process of arising at these revenues. Some actually prepare separate revenue and expenses budgets and then merge two of them to produce the profit budget.

Time, Space, Material & Product Budget

Some budgets are better expressed in quantitative terms for planning and control purposes. Ultimately, these figures are converted into financial terms. This is very common in manufacturing concerns where labour hours, units of production, space allocated, machine hours are used to measure activities so as to give concrete picture of items being measured.

Capital Expenditure Budget

This involves budgets for capital expenditures, which are very large and take long to write off. The budget is not just about which items to buy or not to buy; it is complex as it involves the whole gamut of capital budgeting decisions processes: deciding which capital investment is preferable to another.

Cash Budget

This forecasts actual cash receipts and payments as against revenue and expenditures. The difference between the two is that the rent for 2007 may be paid in 2008. Under such circumstances, it enters the 2007 expenditure budget but 2008 cash budget. The importance of cash budget is hinged on the fact that businesses get into trouble if/when they are unable to meet their obligations as they are due. It is thus important to estimate when cash payments and receipts would be due, determine periods of surpluses-and thus plan some investments since cash is an idle asset and periods of scarcity and thus make arrangements for financial accommodation.

3.1.3 Optimising Budgets as Control Instruments

The budget is the most popular control instrument and for companies to benefit most from it, the following conditions are imperative:

- There must be top management support
- There must be an optimal organizational structure in the firm where authorities, responsibilities and reporting relationships are very certain
- It should be a part of a company wide planning system
- Responsibility for budgeting must be certain and well understood
- Budgets should not dominate decision making. Mutual trust, understanding and common sense are still very relevant.
- There must be reasonable flexibility
- Esoteric accounting jargons should be minimized
- It should not be too cumbersome, complex or restrictive. It should still facilitate delegation and discretion
- There should be clear standards for the measurement of performance. There should also be standards to translate programmes and work into needs for labour, operating and capital expenses, space and other resources. This makes it easy to review, approve or reject budgets objectively

- An awareness of the importance, purpose and limitations of the budgetary system should be created in the organization
- There should be general participation in the development of budgetary policies and procedures. People who would implement the budgets should be a part of its implementation. This will enhance the acceptability of the entire system
- The budgetary procedure, like all aspects of control should be economical and this should be reflected in its simplicity and reasonable cost
- Budgets should be meaningful and should be limited to important areas that should be monitored measured and understood
- The budgetary process should be ideal for the organization-size, location, industry, peculiarities, etc.
- Information for budgetary control must be readily available in time, in the exact format and the exact quantity. This would enable the manager being controlled as well as the one doing the control, to know the exact score at any point in time

3.2 Reports

Reports also constitute another set of control instruments. They are accounts of what an individual, a unit or a department had done over a given period. They may also be accounts of once and for all events like launching, marketing visit, etc. Reports may be in prose, figures or diagrams and most often, a report is presented in these three modes.

In designing reports as control instruments, the following issues should be properly addressed:

- What is the Purpose of the Report?

  This is the key issue and the foundation of every corporate activity. A report should not be generated unless there is a significant need for it.

  That need has to be properly articulated.

- Who will write the Report?

  This is pretty obvious. The main actor should write the report.

- Who will act on the Report?

  This is the officer directly responsible for taking action on the report. This may be the direct boss of the reporter or the functional head (eg finance/personnel).

• Who needs to know about the Report?

This includes all those who are directly or indirectly affected by the report. A sales report goes to the sales director. But if it gives rise to commissions, the financial director and even head of human capital would need to know. The finance director because of the commissions; the personnel people because the person earning commission is also accumulating positive appraisal points!

• What should be the Content of the Report?

The content of the report should be specified so that the person reporting and the person receiving it are operating on the same frequency. The content should be specific and devoid of any form of ambiguity. The content should of course follow from the purpose.

• What should be the Format of the Report?

It is important to have a standard format for particular types of reports for ease of consumption and for all reports emanating from an organization, which is its house style, for uniformity.

• How often should the Report be Prepared?

The periodicity of the reports should also be specified. Definitely, there should be annual reports, which facilitate the preparation of the company's annual accounts. But there are other equally important periods. For Public Quoted Companies, un-audited quarterly reports are compulsory. Reports are also produced monthly, weekly, daily or even continuously depending on the organization and the function. Thus even within the same organization, some reports are produced more regularly than others.

• What is the Deadline for the Report?

It is also important to determine how soon after an event/period that the report should be prepared. If reports are to be used for control purposes, they must be produced early enough for remedial actions to be useful and meaningful. When a monthly report is received at the end of the succeeding month, any remedial action to be taken is already more than a month in arrears and such, the harm-if any has already eaten into the system for that period!

Addressing these issues ensures that the report is useful and usable and that it continues to meet the needs of the organization. These issues are also interrelated. The purpose, for instant, would determine the content, the periodicity, the recipients and even the deadline.

To enhance the usefulness of reports as control instruments, the following conditions should be met:

- The presentation should be reader-friendly.
- As has be mentioned earlier, it should be timely.
- It should contain only the key issues. It should be short enough to be interesting and long enough to contain necessary information
- It should be written in the language of the industry/trade/profession.
- It should facilitate comparison: between periods [years, quarters, months] between actual and expected, between departments, between competitors.

3.3 Management by Objectives (MBO)

MBO is a management tool with multiple applications. It is a consultative method of setting objectives, which also contains inbuilt mechanisms for planning, coordination, motivation and controlling, which is of interest to us here.

3.3.1 The MBO Process

As stated in the beginning, MBO is consultative; it involves a lot of consultation between the manager and the subordinate in the process of setting mutually acceptable goals. These goals then serve as standards for controlling the performance of the respective employee. As practiced in Hewlett-Packard, MBO implies that "insofar as possible, each **individual should make his/her own plans to achieve company objectives and goals. After receiving supervisory approval, each individual should be given a wide degree of freedom to work within the limitations imposed by these plans and the corporate policies. Finally each person's performance should be judged on the basis of how well these individually established goals have been achieved" (Thomson & Strickland, 1978:197).**

The Process is as follows:

- The superior provides framework
- The subordinate proposes goals
- Superior and subordinate agree on goals
- Subordinate reviews progress and reports to superior

- Both agree on deviations, causes and remedies
- The subordinate's appraisal is based on these objectives (Ivancevich et al 1981:445).

3.3.2 Advantages & Disadvantages of MBO

MBO has several advantages and advantages. Some of the advantages are:

- As a control instrument, it sets a clear and acceptable standard for control. This leads to a more effective control
- It also leads to an improvement of the planning process-since control facilitates planning. This it does by setting clear goals
- It leads to the satisfaction of achievement, power, and self esteem needs of the workers
- It leads to a more objective appraisal process in the work place
- It improves the relationships between the superior and subordinates. Communication is improved and superior acts as a counselor, coach and colleague; not a coach. A climate of trust is also created
- There is an improvement on corporate and individual performance whenever MBO is properly utilized

On the Other Hand, it has the following Disadvantages:

- Subordinates are on the receiving end when they are intimidated or coerced; when the goals are incompatible or un-attainable. In this instance, anxiety and frustration sets in.

- There is tendency to set easily attainable and or measurable goals since one's appraisal are based on these goals. Emphasis is now on results and quantity becomes the god in the work place. Variables quality, teamwork, interpersonal relationship (all desirable in themselves but do not directly contribute to measurable quantity) are ignored and not rewarded.

- MBO involves burdensome paperwork and can only succeed if and when the staff is competent and wants to accept responsibility while the boss is well trained in the process including the intricacies of setting goals.

- At times, individual goals conflict with corporate objectives while goals that should have been abandoned are continuously pursued.

An empirical study involving 135 organizations (Ford et al;1980:92 in Robins,1995:147) lists 10 benefits from MBO in descending order as improved communication on job objectives and responsibilities (42%); improved objective criteria for appraisal; improved planning for individual jobs and for the organization, improved employee performance, increased participation in decision making and motivation, improved interdepartmental coordination, increased control over employee efforts and improved time management (12%). This study also discovers that people expected more from MBO than they eventually benefited. For instance whereas expectation of improved communication was 90%, the actual was 42% and while expectation of improved time management was 52.6%, the actual was a mere 12%. In effect, it appears that MBO is being given more credit than it can deliver!

On the deficit side, the same study identifies these problems in descending order:

1.	Insufficient review& evaluation of programme goals	43.4 %
2.	Lack of support for MBO philosophy throughout the organization	42.7 %
3.	Inadequate participation/input from subordinates in goal-setting	33.3 %
4.	Difficulty in quantifying objectives	31.1 %
5.	Too much documentation/paperwork	29%
6.	Inability to modify objectives in line with changing circumstances	29%
7.	Insufficient training for the MBO programme	27.4 %
8.	Lack of top-management support for the MBO programme	25.5 %
9.	Too much time taken from regular business activities	16%
10.	Insufficient time allowed for the achievement of stated objectives	15.3 %

3.3.3 Conditions for the Effective Implementation of MBO

For MBO to perform creditably certain conditions are imperative and these include:

- Corporate objectives must be clarified and defined
- Performance standards must be clearly established
- The organizational structure must allow the manager to perform with freedom and flexibility
- Control information should be supplied at the appropriate time
- The subordinate should be provided with guidance when he needs it

- Reward should be related to performance and achievement
- Trust and mutual respect are essential
- There should be adequate training with regard to the job, goal setting and the MBO process
- The attitude of superiors must be aligned to the MBO process. They are now coaches, not headmasters
- There should be top management support for the programme (Muo,1999:42).

SELF-ASSESSMENT EXERCISE

Take a second look at the advantages and disadvantages of MBO as indicated by that empirical study (3.3.2). How do those factors compare with the factors mentioned earlier in the unit? Find any organization where MBO is being practiced and undertake an informal study of the gains and the pains. How do your findings compare with the findings of this empirical study?

4.0 CONCLUSION

This unit has examined three instruments of control available to organizations. Other common tools include audits, break-even analyses, and ratio analyses. These techniques are as varied as the types of organizations using them though it is possible to find all of them within one roof. It is also possible to find different techniques being used in different units, branches or SBUs belonging to the same organization. This may be due to the peculiar needs of these different units. The most important issue is that whichever technique an organization wants to use, it must be suitable for its peculiarities and it must be properly applied.

5.0 SUMMARY

This Unit discussed three major techniques of control. These are Budgeting, Reports and Management by Objectives.

- For budgets/budgeting, we discussed the meaning, uses approaches and types of budgets as well as how to optimize budgets as instruments of controls.
- In discussing reports, we covered key issues to be considered when designing reports as instruments of control. These include periodicity, content, format, purpose, reporter and recipient. We also discussed how to optimize the value of reports as instruments of control.

- While discussing the MBO, we covered the meaning, process, advantages and advantages of the technique. Reference was made to an empirical study on the matter while steps to improve its effectiveness was also discussed

6.0 TUTOR-MARKED ASSIGNMENT

Briefly mention and define three control methods known to you. For any of these methods, give a detailed explanation of the process, advantages and disadvantages and critical success factors.

7.0 REFERENCES/FURTHER READINGS

Ford, R.C; McLaughlin, F.S; & Nixdorf, J (1980). 'Ten Questions About *MBO'; California: Management Review, Winter.pp92-93.*

I.k. Muo (1999). The Nature, Scope & Challenges of Management. Lagos: Impressed Publishers.

Ivancevich, J.M; Donelly, J.H & Gibson, J.L (1980). Managing for *Performance. Dallas: Business Publications Inc.*

Robbins, S.P (1995). Management: Concepts & Applications [2nd Ed]. Prentice-Hall Intl.

Thomson Jr. A.A & Strickland III, A.J (1978). Strategy & Policy; *Concepts & Cases. Dallas: Business Publications Inc.*

UNIT 2 THE CONTROL PROCESS

CONTENTS

1.0 INTRODUCTION

Control is one of the management processes in that it has identifiable and sequential steps which though, may not be handled with mathematical precision. This process takes its bearing from planning which provides the baseline for controls. The control proper involves setting standards quantitative or qualitative, financial or time span; comparing the actual against the expected measuring deviations, and taking corrective action. Our focus in thus unit shall be on this process, its components and how they interact to ensure the effectiveness of the control process and subsequently, that of the organization.

2.0 OBJECTIVES

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

- identify the various elements in the control process;
- explain the importance of each component and its contribution to the entire control process; and
- explain the relationship between the various elements of the control process.

3.0 MAIN CONTENT

3.1 The Control Process

3.1.1 Establishment of Standards

It has been stated repeatedly in this course that planning and control are inseparable, to the extent that they are called the Siamese twins of management (see Unit 1) The first part of the control process actually is to establish the plan and for managers to be able to control the plan- which is complex and unwieldy- standards are set. Standards have been defined as "criteria for performance; the selected points in the entire planning programme at which measures of performance are made so that managers can receive signals about how things are going and thus do not have to watch every step in the execution of plans" (Weihrich & Koontz,2001:579). They are yardsticks against which actual performance is measured so as to ascertain whether the performance is adequate or inadequate.

Because it is not possible and advisable to establish standards for every aspect of operation, they are established in areas that are very critical for the success of the organization; where performance is needed for positive impact or where non-performance would be very harmful to the organization's continued existence. Generally, these are the common types of standards:

- Physical Standards: these are non-monetary standards, which are very common at the operating level where materials are used, labour employed, services rendered or goods produced. It measures quantities like units per machine hour. It may also measure quality like durability of fabric.

- Cost Standards: these are monetary measurements reflecting cost per unit produced or labour cost per hour or diesel cost per hour of running on generator.

- Capital Standards: These relate balance sheet items and include returns on capital invested, current ratio, gearing ratio, inventory turnover etc.

- Revenue Standards: These arise from attaching monetary values to sales and include such measures as average sales per customer or rent per square meter.
- Program Standards: These include milestones and timelines set for the achievement of certain programmes and projects.

- Intangible Standards: performance that depends on human behaviours and attitudes and other intangible issues are difficult to measure. But standards and tools have been designed by psychologists that can be applied to these aspects of performance so as to have standards for control. Some however still depend on personal judgments and trial& error.

- Goals as Standards: goals-which may be quantitative or qualitative- are also used as standards of control (Weihrich & Koontz, 2001:583).

Going down to real life instances, Certo (2000:428) lists eight types of standards used by General Electric:

- Profitability Standards, which indicate how much money it would want to make over specified periods.

- Market Position Standards, which indicate the share of total sales it would wish to have in a particular market relative to its competitors.

- Productivity Standards, which indicates how much the various segments of the organization should produce.

- Product Leadership Standards, which indicate what, must be done to achieve product innovation leadership in its areas of interest.

- Personnel Development Standards, which indicates the types of training programme the staff should attend so as to develop properly.

- Employee Attitudes Standard, which indicate the type of attitudes managers should strive to inculcate into their staff.

- Social Responsibility Standards which indicate the level and type of contributions which the company believes it should make to the society.

- Short & Long Range Goals Balance Standards, which express the relative emphasis that should be placed on attaining various short and long-term goals. The organization believes that short-term goals exist to facilitate the achievement of long term goals.

The generic nature of standards discussed earlier and these ones that are specific to GE show that there are no hard and fast rules about standards; that firms design standards based on what they think is important to them and that what is important is a function of external and internal environmental realities. The most important thing is that every company must have clearly spelt out standards to form the cornerstone of its control process/system.

3.1.2 Measure & Compare Performance against Standards

Haven established the standards; the next logical step is to measure performance and compare it with the standards already put in place. The measurement must be done by the applicable units designed for that purpose while what is measured is relevant to the type of activity being performed. Some are quantitative while some are qualitative; some can be measured exactly while some have to allow for a given margin of error or depend on the personal judgment of the manager in charge.

A key question here is: how do we measure? There are four common sources of information used in measuring performance. These are:

- Personal Observation, which provides first hand information and allows managers to read behind the lines. It is however time consuming and creates perceptual biases.

- Statistical Reports, which include graphs, bar charts, and numerical displays. They are easy to visualize but cover only key and quantifiable issues.

- Oral Reports-conferences, meetings, telephone calls and discussions, it is fast and allows feedback but can be filtered.

- Written Reports-more formal and concise but may be delayed and filtered (Robbins, 1995:473).

Another important question is: what do we measure? Most of what should be measured should have had standards developed for them. The Society of Management Accountants of Canada (1994:1) suggests this comprehensive list of performance indicators which is useful:

Financial: revenue growth, market/customer/product profitability; return on sales/capital/equity, working capital turnover, economic value added, cash flows.

Environmental: hours of community service/industry activity; % of recyclable materials, amount of pollutants discharged, workplace accidents/injuries, regulatory sanctions.

Market/customer Indicators: share of market, new/lost customers, customer satisfaction/dissatisfaction indicators, quality/delivery performance, response time; market/channels/customer profitability; warranties/claims/returns.

Competitor Indicators: these include most of the market/customer indicators.

Internal Business Process Indicators: product development/ manufacturing cycle time; number of new products, inventory turns, sales/production per employee; reinvestment indicators; safety performance.

Human Resources Indicators: employee morale, applicants/acceptance ratio, development hours per employee, employee competence/flexibility measures; employee suggestions/turnover ratio.

How often the measurement and comparison is done depends on the industry, the company and the activity. These may be annual, quarterly, monthly, weekly or daily. Some are even done hourly while there are some that are done continuously-mostly using automated mechanisms. In the banking industry, capital adequacy may be measured at intervals but balance with the CBN must be monitored per second so that clearing cheques are not returned.

3.1.3 Ascertain Deviations

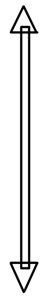
The essence of comparing the actual with the expected is to ascertain any deviations that might have occurred and the extent of those deviations. Of course, since the standards are set at the critical points, these deviations are only measured at the critical points. If there were no deviations or if the deviations were very minor, then, life goes on. If deviations were significant, then, it becomes imperative to move to the next step.

Because performance is by human beings (directly/indirectly), it rarely confirms to the exact standard. A certain level of deviation is therefore imperative as a part of the control process. Tolerable limits [upper and lower are therefore established and deviations are reported when these limits are violated. The manner in which the manager sets the tolerance limit depends on the goals and standards in question. The risk of the standard being out of control is also critical. Lower risk variables enjoy wider tolerance levels.(Rue & Byars,1977:171).

Figure 12.1: Control Tolerance Limits Upper expected limit

Acceptable range

Standard objective



Source: Rue, L.W & Byars, L. L (1977) Management Theory & Application; Homewood, Illinois; Richard D Irwin, p171.

3.1.4 Ascertain the Causes of the Deviation

It is also important to discover the factors that jointly or severally led to the deviations. This makes it easy for the management to take the subsequent step successfully. The deviation may be caused by:

- External factors (political, economic, social, ecological, technological)
- Internal (policies, communication lapses, bureaucratic delays, etc)
- Human factors
- Mechanical factors
- Gradual developments
- Sudden developments

Whatever the case, it is important to know the cause of the deviation before genuine efforts could be made to remedy them.

3.1.5 Take Remedial Actions

Based on the nature, extent and causes of the deviations, the management would then take corrective actions. At times, an ad hoc action may be taken before the main solution is undertaken. At times, the corrective action is undertaken once and for all. Before doing this, it is important to ensure that the problems were properly deciphered; tat the standards were properly set and that what the management noticed was the problem, not mere symptoms.

In taking remedial actions, the effort is to ensure that those problems hindering the organization from attaining its objectives are solved so that the performance expectations and standards are met. The corrective actions may be simple or complex, short term or long term.

Generally, Certo (2000:428) argues that such corrective actions focus on one or more of the three management functions of planning, organizing and influencing. It may include "modifying past plans to make them **more suitable for future organizational endeavours; making an organizational structure more suitable for existing organizational plans and structures; or restructuring an incentive programme to ensure that high producers are rewarded more than low producers".**

Specifically, depending on the circumstances, corrective actions may take any of the following forms:

Financial:

- Providing more financial resources,
- Altering the sources of finance,
- Modifying the financial structure

Mechanical:

- Repairing,
- Upgrading,
- Replacing or
- Relocating the machine

Structural:

- Modifying the organizational structure,
- Changing the reporting relationship,
- Creating new departments or
- Reducing the size of existing ones

Human Capital:

- Training,
- Punishment,
- Transfer,
- Compensation,
- Promotion or
- Recall

Management Information System:

Modifying the MIS so that information is:

- Received earlier,

• In more compact format,
• Distributed to more staff, or
• Distributed online

Policies

Rules

Guidelines

3.1.6 Communicate

These corrective actions should be effectively communicated. Actually, communication is a permanent feature of all aspects of the control process. Standards must be communicated; measurement involves a whole lot of people who provide, collate, or evaluate information. Before remedial actions are taken, a comprehensive communication should be undertaken so that everybody is carried along in the process. Everybody in this case includes:

• Those who are directly involved
• Those who need to implement the new measures
• Those who monitor those who are directly involved
• Those whose support are necessary for the new measures
• Those who need to be aware of this new measures
• Those who need to approve the new measures
• Those who may benefit from implementing the new measure in their unit

In this case, a whole lot of people are involved and an effective communication programme should be designed. It should vary with the category into which the receiver belongs. The person directly involved, his/her boss and those who would implement the new measures require the greatest dose of communication

3.1.7 Implement

After the comprehensive and multidimensional communication, all the parties involved implement the corrective measures.

3.1.8 Continuous Monitoring

But implementation is not the end of the process; monitoring continues so as to ascertain whether the corrective actions are suitable for the purposes or whether they need to be modified again. If they are satisfactory, then the monitoring continues on other aspects of operations where performance is continuously being compared with standards and deviations established. The monitoring would also reveal when the standards or the units of measure may need to be reviewed

SELF-ASSESSMENT EXERCISE

Obtain and compare the performance standards in the following industries:

• Manufacturing
• Banking/insurance
• Any other service industry (courier, telecoms, tourism)

4.0 CONCLUSION

Like most aspects of management, control is a process. It is strictly speaking, an extension of the planning process and the objective is to ensure that things are working according to plans. The process broadly involves establishment of standards, ascertaining deviations and taking corrective actions.

The standards may be quantitative or otherwise and depend on the plan, which guides corporate activities. The comparison and establishment of deviations may come at different intervals depending on the nature of the variable and its importance. Some are analyzed annually while others may be done monthly. The corrective actions may be simple or complex. It may involve hiring and firing, transfer, training, organizational restructuring, or recasting of the standards.

What happens in between these broad processes vary with industries and departments. The most important issue is that the process is sequentially and carefully followed so as to achieve results. Whatever the industry, the establishment of standards is a critical success factoring in the control equation. It should also be noted that communication is not just limited to one step in the process; it pervades the entire control process.

Controls were originally done "in arrears" after the event. This in itself created problems for management as it spent time performing post-mortem analysis of events. Controls are now ongoing processes that spot deviations as soon as they occur particularly in critical areas of an organization operation. A bank for instance cannot wait for the year end or even month end to ascertain its capital adequacy or liquidity position that has to be done daily even, hourly if it were possible.

5.0 SUMMARY

This unit x-rayed the control process, the sequential number of steps taken to achieve the control objectives of every organization. The process as discussed in this unit contains 8 steps which are:

- Establishment of standards
- Comparing actual with the expected
- Ascertaining the nature and scope of deviations
- Establishing the causes of the deviations
- Initiating corrective action
- Communication
- Implementation and
- Continuous monitoring

6.0 TUTOR-MARKED ASSIGNMENT

Give an overview of the control process. Why is much attention paid to the establishment of standards?

7.0 REFERENCES/FURTHER READINGS

Certo, C.S (2000). Modern Management (8th Ed). New Jersey: Prentice Hall.

Robbins, S.P (1995) Management: Concepts & Applications (2nd Ed). Prentice-Hall Intl.

Rue, L.W & Byars, L.L (1977). Management Theory & Application. Homewood, Illinois: Richard D Irwin, p171.

Society of Management Accountants of Canada (1994). 'Developing *Comprehensive Performance Indicators'; Management* Accounting Guideline No.31.

Weihrich, H. & Koontz, H (2001). Management, A Global Perspective, New Delhi: Tata McGraw-Hill.

UNIT 3 THE IDEAL CONTROL SYSTEM

CONTENTS

1.0 INTRODUCTION

The ultimate essence of control (and controlling) is to ensure that the objectives of the plan are achieved; in ordinary language, to ensure that things are working according to plans. This means that without controls, the plans and the anticipated objectives would come to naught. It also means that the organization that has placed its hope on the plans would also be in disarray. The importance of control as a management process (and actually as a part of planning) can thus not be over emphasized for the control process to perform its roles effectively; it has to possess some attributes. What these attributes are and their features is our concern for this unit

2.0 OBJECTIVES

The objectives of this unit are straightforward and derive from the topic. At the end of this unit, you should be able to:

- list the qualities of an ideal control system; and
- explain how this qualities contribute to the optimisation of the control process.

3.0 MAIN CONTENT

3.1 Qualities of an Ideal Control System

3.1.1 Simplicity and Applicability

The ideal control system should be simple in concept and practice and easy to understand by those who for whom it is meant. It should not only be simple and easy, it should also be applicable to the aspect of work for which it is designed. Nothing is gained by designing a system that is so complex that it becomes difficult for the operators to understand, apply and utilize. In such case, efforts are expended on the process itself and not on its primary function of control. Now, what is simple or complex, easy or difficult, understandable or not depends on the manager in question [or the group of managers. Some prefer it in quantitative terms; some are happier if the whole thing is in charts while other prefers the good old prose. The system should not be designed to demonstrate the expertise of the author but in such a way as to be understood and applied by the person on whose table the implementation falls.

3.1.2 It should not Constrain Performance

The control system should also not constrain performance either through its complexity [as discussed above] or through the time and procedure it entails. Let us take an example of Peoples Transport Ltd. which is the star on Lagos-Kano Route. It has the problem of the drivers carrying overload [attachment] against the company's policy and all written notices and moral suasion have failed to stop the practice. It then decides to have its agents conduct stop and search on the vehicles after every 20kms. In this instance, each bust on the Lagos-Kano route would be stopped about 50 times by the company's agents just to ensure that it has not violated the any "attachment" policy. Surely, this is a constraint on performance as it unnecessarily extends the duration of the journey and leads to friction with customers whose time is being wasted.

Or takes the instance of a Personal Assistant writing a conference paper for his boss who insists on approving every paragraph before he could proceed to the subsequent one. Of course it will only take a miracle for such a paper to ever be concluded as time is wasted and performance impaired by the per-second proof-reading.

3.1.3 It should be tailored to Plans, Status and Structure

The control should be tailored to the underlying plan. Plans and their different phases have unique characteristics which must be reflected in the control system/process. A marketing plan is different from a financial plan and they would need different types of control/feedback mechanisms. After all, control enables the manager to know how far he is progressing with his plan and as such, the type of information must be relevant to the type of job he is performing.

It should also be tailored to the status of the people involved. Is he the MD/CEO or the Company Secretary? Is he a manager in Human Resources Department or in Management Information System? The control process and information requirement would surely be different for these different statuses and positions as well as the size of the organization.

It should also suit the organizational structure because these structures indicate who is responsible for what and consequently for deviations. Controls must thus be designed to reflect these realities so as to be more effective and even efficient.

3.1.4 It should be Flexible

Flexibility is important but the "goal post" should not be shifted every day. Plans are designed on conditions of uncertainty. As events unfold, unforeseen events may occur; some aspects of the plan may change while the plan may even fail outright. For controls to work under these circumstances, they must be flexible. In fact, variable budgets are now very common when budgets are designed with inbuilt variability provisions. In such cases, if sales volumes increase, other aspects of expenses are automatically increased.

3.1.5 It should Emphasise Critical Areas

Control should be selective; it should focus on exceptions areas and those that are so critical that any minor deviation would lead to catastrophic consequences. If all aspects of operations are controlled, then, nothing would work as every body would spend time controlling instead of performing. One of the ways of determining which areas that is worthy of control would be to apply the 20/08 rule: look for the 20% of actions that lead to 80% of the results. 20% deviation in the cost of diesel in this generator-powered economy is suicidal for a manufacturing company relative to 200% deviation in the cost of stationeries! Of course 5% deviation in import duties may even cause more headaches. You do not go about controlling everything in the organization; to do so would be to pou yourself and your organization in bondage.

Thus, we have two principles under this sub-head: control by exception and what Weihrich & Koontz call principle of critical point control. Control should be on exceptions and on critical issues that affect the organization.

3.1.6 Controls should be Cost-Effective

Controls should be efficient; they should be cost-friendly at least to the extent that the cost of the controls should not exceed the benefits [direct & indirect] derivable there from. We earlier on gave an exemplary example of a transport company, which decided to stop and search its buses every 20 kilometers as a means of controlling overloading. Suppose that instead of the stop and search, it now goes to the ridiculous extent of buying a surveillance car to monitor every bus that leaves Lagos or Kano. No organization would go to this extent but it shows how not to ignore the cost factor in the control calculus. According to Drucker (1977:207). To spend a dollar to protect 99 cents is not **control; it is a waste!**

In addition to ensuring that the control process/system is cost-friendly, another way of ensuring the economy of controls is the issue of control by exception and critical point controls discussed in the preceding section. By limiting controls to exceptional issues and to critical points, the number of issues to be controlled is limited.

The economy of controls is not just a matter of direct Naira and kobo affair; it also involves the efforts, time, and reports etc, all of which ultimately end up adding to monetary costs. Thus, critical questions include: what is the minimum information l need to know to have control? What is the smallest number of reports and statistics needed to understand a phenomenon and be able to anticipate it? What is the minimum of data regarding this phenomenon that gives a reasonably clear picture? (Drucker, 1974:499). These issues involve efforts, time and other resources and they are parts of the economy considerations of the control system.

3.1.7 It should fit the Organization, the Task and the Environment

Control should fit the organization, the task and the environment. The size, history, ownership and culture of the organization will determine the type of controls that can work and achieve the desired results. A one man business, a global corporation, a bank or a manufacturing giant would need different types of control systems. A typical Japanese firm has a culture in which control is exercised through informal, implicit mechanisms while a typical US firm expects that guidance would come from through explicit instructions in the form of job descriptions, delineation of authority, rules and procedures (Moorhead & Griffin, 1992:637). Even within the organization, the type of task matters: manufacturing and PR duties obviously call for different types of control. What is happening in the environment outside the organization also matters. Organizations are affected by what its neighbours, competitors are doing!

3.1.8 Controls should be Corrective, Not Punitive

The essence of controls should be to prevent and/or correct deviations, not to punish people for falling foul of the standards. Punishments may be imposed depending on circumstances but that should not be the main focus of controls. The concern is to ensure that corrective actions are taken. When controls focus on punishments, people do all in their power to avoid punishments while offices do all in their power to catch the offender. Under those circumstances, the main focus of controls is ignored while peripheral issues take center stage. Conflicts arise and interpersonal climate is poisoned when emphasis is placed on punishments, not on corrections.

3.1.9 Controls should be Objective

Controls must be objective. Whether or not one is performing up to the expected standard-process or output should be objective so that the personality and dispositions of the people involved do not unduly influence the control process. When the controls are subjective, people may justify their lack of performance on the basis of the imperfection rather than taking responsibility and there would be no rational way of ascertaining the true situation of things.

3.1.10 Controls should be Timely

Controls must be timely so as to impact positively on the organizations performance and survival. We have already argued that the essence of control is to ensure corrective action. But those corrective actions must be taken promptly. Information must be available about the deviation in good enough time and the system should be able to respond promptly so as to reduce the negative impact of the deviations. Take the case of a deviation that occurs in January but is captured in first quarter report (March 31st) which was not ready until mid April and acted upon after management monthly meeting for April. In effect, the problem has persisted for 4 months (January to May) and that is enough for maximum damage to have been inflicted on the organization.

3.1.11 Controls should be Appropriate for the Basket of Goals

Controls are used for different purposes within organizations. Some of these goals include:

- Standardization of performance
- Protection of assets from theft
- Protection of assets from waste
- Standardization of product quality

Thus in designing the control system and the workings of the control process, these various goals should be born in mind and emphasized accordingly. The goal of protection against theft is very prominent in financial duties than in secretarial duties while wastage is a critical factor in manufacturing than in the security department.

3.1.12 Controls should Adopt a Systems Approach

An organization consists of several interdependent parts and what happens in one part impacts directly or indirectly on the other parts of the organization. In designing a control system for one aspect/part of operations, its impact on the whole must be recognized. But the most important area of this concern is when corrective actions are being designed. A holistic view of such corrections must be taken so that what corrects one deviation does not create more problem for the entire organization than savings achieved from the correction that has been made.

3.1.13 Controls should be Appropriate to the Character and Nature of Phenomena Being Measured

Measurements should be formally valid; but they should also be structurally valid so that the manager should know what the exact problems are and how to take appropriate actions. Reports based on statistical averages occasionally hide the true nature of the control problem facing the organization. Reporting the worker grievances are 5 per thousand indicates that it is insignificant and that it is randomly distributed. Those 5 may well be from a unit that is critical to corporate survival and if management ignores the report as insignificant, it may be in for rough times. Managers should avoid the danger of looking at just the numerical significance of events but what the event portend depending on the nature of the phenomenon.

3.1.14 A Control System should Generate Accurate Information

Since managers need to respond to the outcomes of controls by taking corrective action, the control system should produce accurate information. Inaccurate information may result in management not taking action or taking the wrong action and none of them is good for the organization.

3.1.15 The Control System should indicate Corrective Action

The control system should not only indicate deviations but also indicate the type of corrective actions to be taken by the managers. It should indicate the problem and the solution!

3.1.16 There should be total and Effective Communication

For the control process to be successful, every person involved must have adequate knowledge of how the process operates. People should be fully informed when new standards are set, when they are replaced, when deviations are discovered and how they are corrected. The what, when, why where and how must be duly communicated to those directly involved and also to others so that they may learn from the experience. Specifically, people should know:

- What information is required for which control purposes
- How that information is to be gathered
- How it is to be compiled in form of a report (format)
- What the reports are to be used for
- The corrective actions that are taken as a result of those reports

• How they fit into those corrective actions (Certo,2000:436).

3.1.17 It should be Seen as a Means to an End: Not the End Itself

Finally at any point in time, every player in the control process must bear in mind that controls are of no value in themselves; they are only valuable in so far as they enable organizations to achieve their goals and objectives. Treating the controls as small gods cannot do the organization any good. At every point in time the question should be: to what extent does serve its purpose of contributing to the attainment of organizational objectives? Once the answer is not positive, the control and all that is attached to it should be jettisoned!

3.1.18 Control should be everybody’s Concern

The control process should involve everybody in the organization; it should be everybody’s concern. It should not be something that people should do to evade punishment or to please the manager or to fulfill all righteousness. The objectives, focus, principles and processes of control should be known and understood by everybody. It should be part of the organizational life and culture.

SELF-ASSESSMENT EXERCISE

Critically look at these various qualities discussed above. Are some of them more important than others? If you feel so, which ones are most important and why?

4.0 CONCLUSION

Control is very critical in the performance and survival of every organization. Its importance lies on the fact that it ensures that things work according to plans and those deviations are detected and corrected early enough. For it to perform these roles it has to meet certain expectations and that has been the focus of this unit. As long as these qualities are met, the control system would continue to deliver its values to the organization. When these qualities are not met or when a large chunk of then are missing, the usefulness of the control system is impaired.

5.0 SUMMARY

This unit examined the qualities of the ideal control system. 14 of them were listed and discussed and these are:

- It should be simple and applicable
- It should not constrain performance
- It should be tailored to the plans, structure and structure
- It should be flexible
- It should lay emphasis on the critical areas
- It should fit the organization ,task, and the environment
- It should be cost effective
- It should be corrective, not punitive
- It should be objective
- It should be timely
- It should be appropriate for the various goals
- It should adopt a systems approach
- There should be effective communication
- It should be everybody's business

6.0 TUTOR-MARKED ASSIGNMENT

What are the qualities of an ideal control system? Do you think some are more important than the others?

7.0 REFERENCES/FURTHER READINGS

Certo, C.S (2000). Modern Management (8th Ed). New Jersey: Prentice Hall.

Drucker, P (997). Management, London, Pan Books.

Moorhead, G & Griffin, R.W (1992). Organisational Behaviour: *Managing People & Organisations. Boston: Houghton Mifflin* Co.

Robbins, S.P (1995). Management: Concepts & Applications (2nd Ed). Prentice-Hall Intl.

UNIT 4 CONTROL AND THE STRATEGIC MANAGEMENT PROCESS

CONTENTS

1.0 INTRODUCTION

Organizations exist to achieve predetermined objectives; objectives that are specific, measurable, achievable, time-bound and which must be legal and in consonance with societal values. Whatever the objectives of a commercial organization may be, it must include an element of profitability; at least the level necessary to maintain its wealth creating capabilities, to continue to be in business and to be able to pursue the other objectives. But profits can only be made when there is a mutually beneficial exchange between the organization and its customers and this exchange becomes more beneficial to both parties when the relationship is satisfactory and continuous. Resultantly, the ultimate major objective of every organization is to acquire, satisfy and retain customers.

But this is not a straightforward affair. Other organizations are also targeting the same customers and in this era of liberalization and globalization, organizations everywhere are targeting customers everywhere. In addition to the intensity and pervasiveness of competition, the customers themselves are becoming more knowledgeable, enlightened, informed and increasingly difficult to satisfy and disloyal. The environment has also become increasingly complex and chaotic with discontinuous and rapid changes most of which are technologically driven.

Companies are thus faced with the key challenge of how to achieve their objectives which must include an element of profitability- in a situation characterized by more enlightened customers, intense competition, a non-buoyant global economy and a rapidly changing environment. To meet this daunting challenge, they need to have a plan of action; a road map, a plan of attack, that will enable then to achieve and maintain sustainable competitive superiority and which they can only do by creating and delivering better value than their rivals on a sustainable basis. This is the realm of corporate strategy and strategic management.

This unit chapter focuses on the nature and scope of strategic management with special reference to its meaning, significance and its tasks in the organization. It then discusses the special challenges which this process poses to control-because of its peculiarities and how these challenges are managed

2.0 OBJECTIVES

After painstakingly studying this unit, you should be able to:

- confidently explain the meaning, dimensions and objectives of corporate strategy and strategic management;
- analyze the challenges posed to the control process by strategic management; and
- identify and describe the types and instruments of strategic control.

3.0 MAIN CONTENT

3.1 Strategic Management and Strategic Control

3.1.1 What is Corporate Strategy?

It is generally agreed that the concept of strategy originated from the Greek word strategos, which itself means the art of warfare as applied by generals. It is important to stress that the interpretation of strategos has also undergone several modifications as it has over the years been used to mean a general in the army, the art of a general, managerial skills and the skill of deploying forces to overcome opposition. Strategy has its origin in warfare, which involves use of resources, specific objectives, outsmarting and defeating the enemy through the application of various strategies and tactics (for instance, offensive or defensive). But there must be a limit to which corporate strategy can be likened to military strategy.

In terms of organizations, corporate strategy refers to how companies deploy their internal resources and capabilities within the external environment so as to create sustainable competitive superiority and achieve corporate objectives. The internal environment indicates a company’s strengths and weaknesses while the external environment shows the opportunities and threats facing the company. In the process of designing its strategy, the firm tries to optmise its strengths while overcoming or downplaying its weaknesses so as to profitably exploit available and emerging opportunities while warding off or minimizing the threats in the environment.

In terms of specific encapsulation of the subject matter by authorities, strategy has been variously defined as ‘the determination of the basic long term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.. (Weihrich & Koontz,2001,123); it is the linking process between the management of the organizations internal resources and its external relationships with its customers,, competitors and the economic and social environment in which it exists…the principle that shows how the organizations major objectives or goals are achieved over a defined period of time (Lynch 1997,8 &811); the moves and approaches devised by management to produce successful organizational performance (Thomson & Strickland,1992,2) “the overall plan for deploying resources to establish a favourable position” (Grant, 1995, 10) ; “a decision or action anchored on the platform of forethought which may or may not be expressed and which keeps being refined as market dynamics change but which possesses the capability of uniting the entire resources of an organization competitively in a specific direction, giving meaning, coherence and unity to the organizations choices, the chief purpose being to give that organization, sustainable competitive advantage (Orjioke,2001,2) and ‘ an all embracing master plan showing how it[the firm) wishes to accomplish its mission and objectives: (Ezeh, 1998,42).

It has also been defined as ‘ large scale future oriented plans for interacting with the competitive environment to achieve company objectives; it provides a frame work for managerial decisions and reflects a company’s awareness of how, when and where it should compete, against whom it should compete and for what purpose it should compete’ (Pearce and Robinson,2003:5).

From the foregoing, it is obvious that corporate strategy:

• Involves the whole organization
• Involves objectives
• Is aimed at improved performance

- Is futuristic
- Is action oriented?
- Involves movement from one point (where we are) to another (where we would like to be)
- Requires the deployment of resources
- Concerns how the firm relates with its customers, competitors and the external environment
- Is a long-term affair
- Is critical because of the uncertainties in the external environment and the activities of competitors

For a corporate strategy to be meaningful to the organization, it must ordinarily:

- Be sustainable
- Be distinctive
- Offer competitive advantage
- Exploit linkages between organization and its environment
- Be based on a vision of the future

It is important to note that there are three levels of strategy; corporate **strategy (the company's overall plan of attack) business strategy (the** strategy to be adopted by each strategic business unit in its competitive domain) and functional strategy (strategies applied to the various functional areas of the firm).

Factors that shape corporate strategy include:

- Opportunities and threats in the environment
- Organizational competence and resource capabilities
- Social obligations and ethical values
- Organizational culture and value system

3.2 Strategic Management

Whereas corporate strategy is an organization's plan of attack, strategic management refers to the entire process of designing, institutionalizing, executing and evaluating the corporate strategy; in other words, putting strategy to work in the organization. Ansoff 1984, xv) sees strategic management as 'a systematic approach to a major and increasingly important responsibility of general management; to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. A systematic management of strategic change which consists of:

• Positioning the firm through strategy and capability planning
• Real-time strategic response through issue management

•Systematic management of resistance during strategic implementation.

Pearce & Robinson (2003:,3) on the other hand see strategic management as ‘ the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives; it involves planning, directing, organizing and controlling a company’s strategy-related decisions and actions.

3.2.1 The Strategic Management Process

Strategic management is a process that broadly involves sincerely and painstakingly asking and answering the following questions:

• Where are we? (The status quo)
• Where will we be? (What will the future be if things were to continue as they are?)
• Where should we be (what is the desired future if different from above) and
• How do we get there?

It requires the company analyzing the internal environment (to ascertain the strengths and weaknesses and also determine its purpose) and the external environment-also called PEST (Political, economic, socio-cultural and technological) analysis-(to ascertain the opportunities and threats).With this comprehensive information, the company designs various options, evaluates the options, chooses the optimal strategic package and implements.

There are however two schools of thoughts as to the exact nature of this process. There is the prescriptive school, which believes that the process is linear and that the objectives are defined up-front. There is also the emergent school, which believes that it is incremental, continuous and interrelated; this school argues that the strategic process is ongoing with the actual strategy emerging along the line and that it is difficult to pigeon-hole the stages especially those relating to strategic development and implementation.

Adopting the nine-step approach advocated by Pierce and Robinson (other authors have different steps though they are all similar) the strategic management process specifically involves the following steps.

- Formulate the companies mission including broad statements about its purpose, philosophy and goals.
- Develop a company profile that reflects its internal conditions and capabilities.
- Assess the company's external environment including both the competitive and general contextual factors.
- Analyse the company's options by matching its resources with the external environment.
- Identify the most desirable option by evaluating each option in the light of the company's mission.
- Develop a set of long-term objectives and grand strategies that will achieve the most desirable options.
- Develop annual objectives and short term strategies that are compatible with the selected long term objectives and grand strategies.
- Implement strategic choices by means of budgeted resource allocations in which matching the tasks, people, structures, technologies and rewards is emphasized.
- Evaluate the success of the strategic process as an input for future decision making.

Whatever the classification used, strategic management involves three **core areas: strategic analyses, strategic development and strategy implementation. Each strategic management decision also involves a context (the environment in which strategy is operationalised); content** (the actions proposed in the strategy) and process (how the actions link together).

It is also critical that organizations should adopt strategies:

- Appropriate to their circumstances
- Feasible given their resources and capabilities
- Desirable and or acceptable to their stakeholders
- Permissible within the extant regulatory framework

3.2.2 Elements and Dimensions of Strategic Management Decisions

Strategic management involves the implanting of corporate strategy in the organization. This requires a series of strategic decisions and actions, which have the following characteristics, features, elements or dimensions:

- It requires top management involvement
- It requires large amounts of a firms resources
- It is future oriented and affects the firms long-term prosperity
- It has multifunctional and multi-business consequences
- It requires careful consideration of the external environment
- It does not require immediate action; it rather sets the direction for the companies future
- It is not necessary when the realities of the organization will take it to its desired destination
- It requires the use of strategic feed back since new developments affect the original strategic decisions
- It is based on a certain level of inaccurate, incomplete and highly aggregated information since it is never possible to have the exact possibilities during its formulation
- It is driven by relentless pursuit of opportunities which must be realized in the market place
- It involves risk taking
- It is about creating a companies desired competitive future and adapting to some understanding of that future
- It necessitates the integration of long and short distance horizons
- It is ultimately aimed at finding, satisfying and retaining customers by offering better value than competition (orjioko, 2001,18;Fahey& Randal,1994,5;Ansoff,1984,51 and Pearce and Robinson,1991,3).

3.2.3 The Tasks of Strategic Management in the Organization

What roles does strategic management play in the organization; why should we adopt strategic management; what are the advantages of strategic management? The questions raised here are similar and that will be the focus of this section.

The key task of strategic management is ‘ to create a distinctive way ahead for an organization, using whatever skills and resources it has against the background of the environment and its constraints’ (Lynch 1997,10). This is the primary task of strategic management. In performing this primary role and because of the way it is performed, the organization derives several other benefits:

- It enhances the firm’s ability to prevent problems.
- It results in better decisions since the best is chosen from a basket of alternatives

- By getting the people involved, it creates a motivational effect and minimizes resistance
- Strategic management is central to the development of distinctiveness, which ensures corporate survival
- It helps the firm to manage the continuously changing relationship between the firm and its environment
- It provides managers with the basis for evaluating competing demand for resources; to determine priorities and determine the best course of action.
- It helps to create a proactive management paradigm in the organization.
- It makes managers more alert to changes in the environment especially those that create opportunities and threats.

3.2.4 Imperatives for Effective Strategic Management

Strategic management is the Critical Success Factor for organizational survival in the prevailing situation of intense competition and discontinuous changes. It provides organizations with a unified sense of direction by helping managers decide without much hassles, the optimal courses of action. But strategic management must be based on properly articulated strategies preceded by comprehensive and integrated analyses. For this to be possible:

- The strategy must be based on unambiguous, long-term goals
- The strategy should also based on a proper appreciation of organizational capabilities
- There must be a proper understanding of the external environment
- There is effective and coordinated implementation.

Some of the impediments to strategic management should be tackled including management crises and instability, lack of planning discipline and flexibility and inability to correctly predict likely developments in the external environment and readjust the process accordingly.

Ultimately, strategic management is about competition and for companies to excel in the battlefield of strategic competition, they require:

- Ability to understand competitive behaviour as a system in which competitors, customers, money, people and resources continually interact.
- Ability to use this understanding to predict how a given strategic move will rebalance the competitive equilibrium

- Resources that can be permanently committed to new uses even though the benefits will be deferred
- Ability to predict risk and return with enough accuracy and confidence to justify that commitment, and
- Willingness to act

3.3 Strategic Control

What we have been discussing actually pertains to operational controls; the process of controlling the daily operations of an organization. When a company wants to engage in strategic controls, other considerations apply. Strategies have long gestation periods and as such, it becomes impracticable to wait till the end of the cycle (if it ever ends) before initiating controls. During the lifetime of any given strategy, a lot of changes occur in the internal and external environments that may alter the fundamental structure and thrusts of the strategy. Strategic control 'is concerned with tracking strategy as it is being implemented, **detecting problem or changes in the underlying premises and making necessary adjustments" (Pierce & Robinson, 2003:319).**

As the strategy is being implemented, there are two critical questions that the management is always anxious to answer:

- Are we moving in the right direction? Are the underlying assumptions realistic, are critical success factors working out; should we readjust the strategy or abort it altogether?
- How well are we doing? Are objectives, schedules, budgets and milestones being met or are they in disarray?

In constantly seeking answers to these questions, four overall methods are used in the process of strategic control and these are:

Premise Control: Every strategy is based on some premises [assumptions underlying planning] and there is need to confirm that these premises are still valid, relevant and realistic. This is the essence of premise control which tracks the premises, finds out which has changed and to what extent and based on that; decide the overall fate of the strategy. Premises are usually made in the areas of environment and industry and since it is cumbersome to monitor all these premises, it becomes imperative to concentrate on those that are likely to change and those that would have significant impact on the firm's strategy. Premise **controls are focused: the firm knows what it is looking for and where to look for them.**

Strategic Surveillance: This is unfocused and is designed to monitor a broad range of events in the external and internal environments that may affect the firm's strategy. It is a continuous, loose, environmental scanning trying to fish out any unanticipated information that may alter the course of the strategy significantly or not. Reading business journals, government official pronouncements and international events are likely sources of gathering information for the surveillance.

Special Alert Control: This is a thorough and rapid reconsideration of firms strategy because of sudden, unexpected event as it happened during the 9/11 terrorist attacks, the N25bn capital base policy by CBN, the unceremonious collapse of the infamous 3rd term Agenda of President Obasanjo or the announcement of FBN PLC & EcoBank Transnational merger plans in 2005. It should be noted that as at March, 2007, the FBN/ETI merger had not yet been consummated but it was a major strategic tsunami when it was announced in 2005.

Implementation Control: As strategy is being implemented, projects, and programmes are being executed; schedules and milestones are established; while management changes may occur. Implementation control occurs as strategy is being implemented, to determine whether the whole strategy would be readjusted in view of the various incremental actions being taken in its implementation. This is usually accomplished through monitoring strategic thrusts or projects, milestones and the usual operational controls, which have been discussed earlier.

SELF-ASSESSMENT EXERCISE

Identify the developments in any industry of interest to you in the past 12 months and categorise them as to their impacts on the three major types of strategic controls (premises, strategic surveillance and special alert).

4.0 CONCLUSION

Control generally involves taking steps to ensure that things are working according to plans. Most operational controls are post-action in practice or orientation. But because the strategic management process is a long-term affair, it becomes naïve and suicidal to wait to the end before taking corrective actions. Strategic control thus involves monitoring the strategy as it is being implemented and taking corrective actions along the line -including abandoning the strategy entirely- so as to ensure improved performance.

5.0 SUMMARY

A strategy is an organization's holistic plan of action that enables it to interface profitably with the external environment. Strategic management on the other hand is the process putting the strategy into action. It has several steps, which can be broadly divided into three as developing, implementation and evaluation. This process can be viewed from the prescriptive or emergent perspectives. Because strategic management is a long-term process, the methods of operational control (which are essentially post-action) are inappropriate. Strategic control methods have therefore been developed and these include premises **control, strategic surveillance, special alert and implementation control.**

6.0 TUTOR-MARKED ASSIGNMENT

1. a. What is the difference between corporate strategy and strategic management?
b. Give a brief overview of the strategic management process. What are the differences between the prescriptive and emergent schools of thought?
2. Why are operational control methods not suitable for strategic controls? Describe any three types/instruments of strategic control known to you.

7.0 REFERENCES/FURTHER READINGS

Pearce, J. A. & Robinson, R. B. (2003). Strategic Management: *Formulation, Implementation & Control (8th Ed). New York:* McGraw-Hill.

Johnson, G. & Scholes, K. (1999). Exploring Corporate Strategy. Harlow, England: Pearson Education.

Lynch, R. (1997). Corporate Strategy. London: Financial Times/Pitman.

Grant, R. M. (2002). Contemporary Strategy Analyses: Concepts, Techniques and Applications (4th Ed). Malden, M.A, Blackwell Publishing.

Thomson, A.A & Strickland, A.J (1992). Strategic Management: *Concepts & Cases (6th Ed). Homewood: IL. Irwin.*

Onukogu, C (2004). Dynamics of Modern Management, Lagos: Impressed Publishers.

Muo, I. k. (1999). The Nature Scope & Challenges of Management. Lagos: Impressed Publishers.

UNIT 5 SELF CONTROLS, EMPOWERMENT & DELEGATION

CONTENTS

1.0 INTRODUCTION

Control involves a lot of standards which staff are expected to comply with. In effect, the managers and workers are being managed through rules and it appears that they do not have much input into the whole affair. But the control paradigm, which grew from the command and control structures of the past, is becoming obsolete. Staff, as human beings, can think and can use their initiative when the need arises rather than being controlled by a battery of rules set mostly from above. Recent management developments emphasis the need for staff to be able to take actions "on the spot" for the overall benefit of the organization.

Emphasis is now on self-control; where a person controls himself because he/she knows the purpose and object of the control. Delegation and empowerment are also relevant to the issue of increasing power to the staff so that they can take control of situations as the need arises. In delegation, the staff is given some responsibilities and requisite authorities while empowerment requires training and equipping the staff so as to be able to take initiatives reasonably. It does not mean that the staff does whatever he likes; rather, he is given some boundaries within which to play. In this case training and equipping the staff become key control instruments. These will be our concern in this unit.

2.0 OBJECTIVES

After studying this unit, you will be able to:

- differentiate between delegation and empowerment;
- identify the purpose and process of delegation;
- explain why some managers do not delegate and how to improve the delegation process;
- discuss how managers can empower their staff; and
- establish the relationship between delegation, empowerment and self control.

3.0 MAIN CONTENT

3.1 Self-Control, Empowerment & Delegation

3.1.1 Self Control

Self-control refers to the ability of a person to exercise meaning for control over some aspects of his/her work. This makes it possible for him to always act in ways that are in the best interest of the organization at that given moment when he is taking the decision or action. In this situation, instead of the staff relying on the rules that are written-and the foundations of which he may not know or understand he acts with an intrinsic understanding of the issues at stake (including the extant rules) with the confidence that what he/she has done is to the best of his knowledge (which is good enough) and for the good of the organization. The staff also acts instead of waiting for orders from above with the understanding that "heavens would not fall" because he/she has taken an initiative.

Self-control does not render the controls and rules irrelevant. It rather ensures that staff understand the why and how of these rules so that if there are minor deviations or even major ones from the usual occurrences, the staff on the spot would be able to act without any loss of time or opportunities for the organization. The major requirement of self-control is appropriate training of staff so that they acquire the relevant knowledge, skill and attitude so as to know how to control themselves. There should also be a new paradigm, which encourages the staff to take initiatives, commend them for doing it right and carefully

correct/direct them when they get it wrong. It is also imperative that staff are not just told the know what/know how but also they know **why organizational policies and processes so that they are fully educated** about all aspects of organizational life. Running an inclusive administration is also essential.
Self-control (actual or perceived) also has some motivational benefits for the individual and the organization (Luthans, 2005:255). People who believe they have such personal control tolerate unpleasant events and experience less job stress than those who do not; it also affects job satisfaction and absenteeism (Ganster & Fusilier; 1989:235; Dwyer & Ganster; 1991:595). Furthermore, people who feel that they are in control are better able to take on more tasks than others. This is so when they are given more tasks and are given control over how to manage those tasks (Sargent & Terry; 1998:219) this motivational dimension of control relates more to the control of staff and how they do their work- which is an aspect of overall control.

Self-control is not a new concept in management. McGregors Theory Y construct promotes the concept of self control by positing that individuals are reasonable human beings who are willing and able to take responsibilities without KITA (kick in the ass) strategies. The Quality of Work Life (QWL) concept also promoted self control. It helps organizations to create healthy psychological contracts and job satisfaction for the staff. A good QWL for instance involves.

- Opportunities for individuals and groups to influence their work environment and what goes on with respect to work itself
- An organization climate and structure that encourages, facilitates and rewards questions, challenges and suggestions related to improving the status quo
- Participatory or consultative management which increases the psychological meaningfulness of work
- Systematic feedback
- Open management style inviting suggestions
- Less directive and collaborative superiors
- Trust: redesigning jobs, systems and structures to give people more freedom at work.

These aspects of organizational management and practices are obviously related to the concept of self-control.

3.2 Empowerment

3.2.1 What is Empowerment?

Empowerment literarily means enhancing the ability of an individual or group to take decisions/act especially when such decisions/actions were **no-go areas before. Within the organizational context, it means allowing individuals or groups to make decisions affecting them or their jobs; the, process through managers help others to acquire and use the power needed to make decisions affecting themselves and their work. When staffs are empowered, they feel in control of** their work and destiny; they feel that they are contributing meaningfully to work; that their abilities are being challenged and that they are fully involved.

3.2.2 How Managers can empower their Staff

There are several ways and methods through which the managers can empower the staff. But the willingness to empower, to share power must be there. Some of the methods of empowerment are:

- By getting the staff involved in selecting the task assignments and methods instead of just given them orders as to what they must do.
- By establishing a collaborative environment; an environment in which teamwork, consensus building, support culture and partnership paradigm pervade the organizational space.
- By encouraging others to take initiative. Of course that requires a visible exhibition of confidence that those people can perform and a lenient management of their errors.
- Encouraging others to design solutions when problems and opportunities arise or at least, co-opt them into the solution designing process.
- Let the staff put their ideas to work while you provide the needed organizational and personal support. Encourage them!
- Recognize successes. Nothing spurs achievement than the recognition of previous success however small- and the recognition does not have to be material. By doing so, you are encouraging further achievement.
- Use participative decision-making process.
- Create self-managed work teams; teams that are fairly autonomous in determining how they go about achieving their objectives.

- Design jobs that provide intrinsic feedback. Workers have a natural need to know how they are faring in their performance and they want that feedback on a continuous, on-going basis. When jobs are designed so that feed back becomes automatic and regular and can be assessed by the worker, the feeling of being in control is enhanced.

- Involve the staff in setting their goals. Their involvement increases commitment to those goals and overall motivation.

- Job enrichment: based on Herzbergs Two-Factor Theory, job enrichment involves vertical job loading which gives the employee more control over his job. Vertical job loading enriches jobs through accountability (workers should be held responsible for their performance) achievement (workers should believe that they are doing something worthwhile) feedback (workers should receive direct and clear and direct information about their performance) work pace[as much as possible, workers should determine their own pace of work); control over resources (where possible, workers should control the resources used in their job) and personal growth and development (workers should have the opportunity to learn new skills) (Herzberg,1968:53;Moorhead & Griffin,1992:392).

- Other strategies include installation of upward appraisal systems, minimization of formalization/autocracy; and overall education/training of employees.

- Finally, managers are encouraged to delegate authority

3.3 Delegation

3.3.1 What is Delegation?

Delegation is the management process of effectively utilizing the abilities of the subordinates by entrusting part of the superior's responsibilities to them. Commensurate authority should accompany the delegated tasks so that authority and responsibility have a ratio of I:1. Delegation does not imply that the superior would abdicate the ultimate responsibility for the job in question. Delegation may also specific or general, written or oral, quantitative or qualitative.

Delegation has some pure and applied advantages, which accrue to the subordinate, the superior the department/unit and the organization as a whole. Some of the benefits include:

- Training and development of subordinates.
- Creating a greater sense of involvement.
- It is motivational.
- It helps in succession planning and tasks are handled even when the superior is temporarily absent.
- It ensures continuity.
- Special skills possessed by superiors are transferred to subordinates.
- The burden of work is shared effectively.

3.3.2 The Delegation Process

Like many aspects of management, delegation is a process. As a process, it has several identifiable sequential steps. The process is as follows:

- Determine result expected
- Assign it to somebody
- Train him
- Provide resources
- Grant authority
- Exact responsibility/acceptance
- Communicate

Follow up:

- Assistance and support
- Performance-when, how where.

3.3.3 Delegation Strategies & Methods

There are some common strategies, which managers use in the process of delegation.

These are:

- Telling: The manager designs the job and delegates it to the staff (either as individuals or as groups).

- Participating: The manager identifies a job that people might do and then get their commitment that they would do the job.

• Selling: The manager gets the staff involved in developing the project/assignment and encourage them to volunteer for the execution of that job.

• Stewardship: The manager gives the staff desired outcomes and leaves him to go ahead and do the job.

In terms of methods, the following 5 are most common in deciding the delegates

• Accept Volunteers: These volunteers are enthusiastic and responsible but may lack experience and expertise for the job.

• Select Skilled Members: These are competent and will surely complete the job. But they may be overused and un-enthusiastic.

• Select Emerging Leaders: The manager grooms future leaders from the staff; those who may bring fresh perspectives into issues. This group may however need special attention and support.

• Form Work Groups: This is the best option for common causes but they may need guidance to stay focused on the task.

• Explore Hidden Talents: Those who are slow to take leadership but have hidden talent. Involve them and nurture their talents.

3.3.4 To Delegate or not to Delegate

But despite the advantages derivable from delegation, some managers are very reluctant to do so. This because they are reluctant to share power, they feel that the issues are too important to be left for subordinates, they are perfectionists or they are psychologically insecure. Some managers do not trust their subordinate or they are not willing to allow other people to make mistakes. The organizational culture/values may not even be pro- delegation. At times the subordinates lack the skills, are afraid of being criticized or are just reluctant to take on responsibilities.

Factors that influence the extent of delegation include the skills of boss and subordinate, nature and cost of decision, available controls, third parties involved, behavioural make-up of the boss, legal & regulatory environment, corporate policy, history and size of the organization and availability of capable and willing managers.

3.3.5 Ensuring Effective Delegation

1. The instruction must be precise and concise. There is no way delegation can be effective if the instructions are vague. Clear standards must be set/communicated upfront in the following areas Desired result-scope and nature of assignment but do not prescribe methods. Express trust.

Guidance: identify any restrictions within which the staff must operate; delegate the right to be different and wrong.

Resources: identify human, material, financial and technical resources needed for the assignment. Train, orient and provide support.

Accountability: explain conditions for satisfactory performance and evaluation criteria; provide deadlines/timeline for accomplishments.

Consequences: specify what will happen when the task is or is not completed; give credit to members who help to complete the task; recognize accomplishments publicly.

2. The Delegate must be capable and willing. The manager has to carefully choose whom to delegate to, understand his capability and his attitude to responsibility.
3. Communication-both initial and subsequent-must be effective.
4. Full authority, training, resources for the assignment
5. Organizational support/cooperation
6. There must be proper control/feed back system, which enables the manager to assess "how far and how well" about the assignment. The expected standard should have been performing. In fact, he should be able to ascertain his level of performance himself that is one of the elements of self-control. Progress should be recognized and rewarded and the manager should offer technical assistance to the staff when and where necessary.
7. The manager and the staff should discuss and agree on a timeframe for the assignment as well as the appropriate milestones where necessary.
8. The manager should however encourage and allow independent action and this mindset cannot be possible in the absence of trust
9. The manager should however not forget his accountability and should remember always that delegation does not mean **relegation/dereliction/abdication**

SELF-ASSESSMENT EXERCISE

Visit any owner-managed business of your choice and interview the owner-manager about delegation. Pay attention particularly to whether he delegates, the extent to which he delegates and /or why he is reluctant to delegate.

4.0 CONCLUSION

Control continues to be critical to organizational performance and survival. But in this knowledge age, it is becoming imperative for the workers to be involved in the control process. This involvement is in two dimensions. In the first instance, there is need for them to contribute to the controls, rules and policies in the work place so that they easily understand and accept these controls/rules. Secondly, they should be given the leeway to use their initiatives so as to be in control or feel that they are in control of certain aspects of their jobs, and consequently their lives. Delegation (a process through which the superior hands over some duties and responsibilities) and empowerment (a process through which workers take greater control of some aspects of their work) are two processes that work together to enhance self -control. As the days go bye, controls will continue to be important but self-control will also continue to be given due attention in organizational management

5.0 SUMMARY

This unit discussed mainly the two concepts of delegation and empowerment within the context of self-control. Self-control refers to the extent to which a worker can control himself in the process of work instead of relying on rules, policies and procedures that may not be suitable to current situation. Apart from enhancing performance and productivity, it also has motivational impact.

Empowerment is the process of increasing the control, which a worker has over certain aspects of his work environment. It may have originated from the quality of work life concept. Training, participative management, culture of trust is some of the ways of empowering staff.

Delegation involves a transfer of responsibilities and authorities to a subordinate. It helps in motivation, training, development and succession. But these advantages not withstanding, some managers are reluctant to delegate while some subordinates are even reluctant to accept responsibilities. Ways to enhance delegation include clear communication, support and trust, and an effective feedback mechanism.

6.0 TUTOR-MARKED ASSIGNMENT

Your uncle who is the owner-manager of a wholesale chain has just attended a local chamber of commerce seminar where some “strange” concepts were discussed. He now wants you to throw more light on the issues as follows:

- The difference between delegation and empowerment
- How to ensure effective delegation
- Whether he should empower his staff and how to go about it

7.0 REFERENCES/FURTHER READINGS

Dwyer, D.J. & Ganster, D.C. (1991). “The Effects Of Job Demands & *Control On Employee Attendance & Satisfaction” Academy of* Management Journal, Vol 12,pp595-608.

Ganster, D.C & Fusilier, M.R (1989). “Control In The Work Place” In Corper & Robertson(eds) International Review of Industrial & Organizational Psychology; Chichester, UK; Wiley, pp235-280.

Herzberg, F (1968). “One More Time: How Do You Motivate *Employees?” Harvard Business Review, January-February* pp53-62.

I. k .Muo (1999). The Nature, Scope & Challenges of Management; Lagos, Impressed Publishers.

Luthans, F (2005). Organizational Behaviour, 10th Ed. Boston: McGraw-Hill.

Moorhead, G & Griffin, R.W (1992). Organizational Behaviour: *Managing People & Organizations. Boston: Houghton Mifflin* Co.

Sargent, L.D & Terry, T.J (1998). “The Effects of Work Control & Job *Demands on Employee Adjustment & Work Performance”;* Journal of Occupational & Organizational Psychology; Vol. 71 pp219-236.

Personal Development Series, Department of Campus Activities, University of Houston www.uh.edu/ca.