

THE COPPERBELT UNIVERSITY
SCHOOL OF BUSINESS

**DEPARTMENT OF PRODUCTION, OPERATIONS AND
MANAGEMENT**

2008

BSP/BS 150/BF 110: PRINCIPLES OF
MANAGEMENT

LECTURE NOTES

LECTURER: DR. B. MALITI

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MODULE 1

NATURE OF MANAGEMENT

UNIT 1: INTRODUCTION

Management may be viewed as making things happen. It is about developing people, working with them, reaching objectives and achieving results. Management takes place within a structured organization setting. It is directed towards the attainment of aims and objectives. It is achieved through the efforts of other people and it uses systems and procedures.

Management can be viewed as:

1. **A Discipline** ó Designating management as a discipline implies that it is an accumulated body of knowledge that can be learned by study. Thus management is a subject with principles, concepts and theories. The purpose of studying management is to understand these principles, concepts and Theories and learn how to apply them in the process of managing.
2. **A process** ó Management is a process involving certain functions and work activities that managers perform to achieve goals of an organization.
3. **An Art** ó Successful managers are those born with appropriate initiation, intelligence and personality, which they develop through the practice of leadership.
4. **A Career** ó People who wish to have a career as a manager must study the discipline of management as a means toward practicing the process of management.
5. **As People** ó The word management also refers to people (managers) who engage in the process of management. Managers are the people primarily responsible for seeing that work gets done in an organization. The perspective of management as people has another meaning. It refers to and emphasizes the importance of the workers whom managers work with and manage in accomplishing an organization's goals. People are an organization's lifeblood. Without people goals cannot be achieved.

MANAGEMENT DEFINED

Def.: Management is the process of working with and through others to achieve organizational objectives within a changing environment by balancing efficiency and effectiveness.

Five components of this definition require closer examination:

(i) **Working with and through others** ó management is a social process. It calls for managers to interact well with others. Intimidating and arrogant managers who are poor team players can expose their companies to costly lawsuits.

(ii) **Achieving Organizational Objectives**

Objectives are the desired end-results the organization is striving to achieve. These objectives give purpose and direction to the management process and also serve later as measuring sticks for performance.

(iii) **Balancing Effectiveness and Efficiency**

Effectiveness (doing the right thing) is the degree to which the goals of an organization have been met. In essence, effective managers are those who select the correct approaches and achieve their goals. But given the reality of limited resources, effectiveness alone is not enough. Efficiency (doing the thing right) is an element in the process of management that balances the amount of resources used to achieve an objective against the outputs.

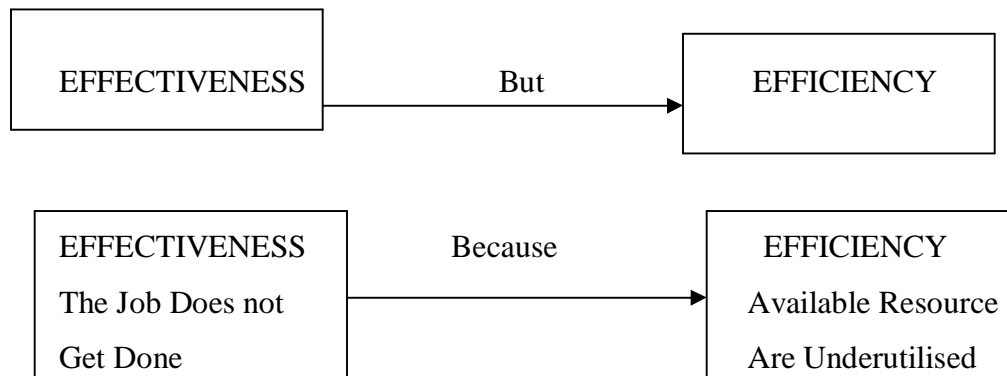
It is based on the physical and engineering sciences and concerns the relationship between inputs and outputs.

For example, the efficiency of an automobile engine is based on the energy value of the fuel that is necessary to generate a given level of power output. In organisations the inputs are the human, physical and financial resources available to the manager. Efficient managers achieve high levels of output (goal accomplishment) with a given base of inputs.

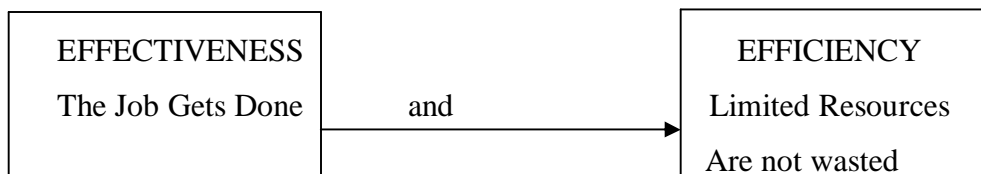
When managers are able to minimize the cost of the resources that are used to attain goals they are functioning efficiently.

BALANCING EFFECTIVENESS AND EFFICIENCY

Too much emphasis on effectiveness results into:



BALANCED EMPHASIS ON EFFECTIVENESS AND EFFICIENCY LEADS TO



In productive organisations, managers are the trustees of limited resources and it is their job to see that the basic factors of production, land labour and capital are used efficiently as well as effectively.

- (iv) Coping with a changing Environment ó successful managers are the ones who anticipate and adjust to changing circumstances rather than being passively swept along or caught unprepared.

There are four sources of change namely:-

- (a) Globalization ó networks of transportation and communication have tied the peoples of the world together. Business and job opportunities show little regard for international borders these days.
- (b) The evolution of product quality ó global competition has awakened managers to quality issues. Today's model managers should focus on continuous improvement of personnel, processes, and product.
- (c) Environmentalism ó this calls for a healthy environment. Managers are challenged to develop ways to make a profit without unduly harming the environment.
- (d) Business Ethics ó managers are under pressure from the public to ensure that their organisations reflect high standards of ethical behaviour.

WHAT DO MANAGERS DO?

In the field of management, various models are used as aids in understanding the Manager's job. One approach, known as Functional Approach by Henri Fayol, focuses on managerial functions. The functions of management are those elements of the management process that give management its distinctive quality as a productive activity.

Fayol, writing in 1916, enumerated these functions as planning, organizing, commanding, co-ordinating and controlling. Over the years Fayol's list of managerial functions has been updated and expanded by management scholars. Eight managerial functions have been identified: planning, decision making, organizing, staffing, communicating, motivating, leading and controlling.

Planning ó Commonly referred to as the primary management function, planning is the formulation of future courses of action. Plans and the objectives on which they are based give purpose and direction to the organization.

Decision Making ó Managers choose among alternative courses of action when they make decisions.

Organizing - Structural considerations such as the chain of command, division of labour and assignment of responsibility are part of the organizing function.

Staffing ó consists of recruitment, training and developing people who can contribute to the organized effort.

Communicating ó Managers are responsible for communicating to their employees the technical knowledge, instructions, rules and information required to get the job done. Recognising that communication is a two way process, managers should be responsive to feedback and upward communication.

Motivation ó this involves satisfying the needs of individuals and meeting their expectations with meaningful work and valued rewards.

Leading ó Managers become inspiring leaders by serving as role models and adapting appropriate management style in a given situation.

Controlling ó Involves comparing desired results with actual results and taking the necessary corrective action.

MANAGERIAL ROLES MODEL – BY HENRY MINTZBERG

Mintzberg and his followers have suggested that a more fruitful way of studying what managers do is to focus on the key roles they play. A role is an organized set of behaviours that the manager performs. Using a method called "structured observation" which entailed recording the activities of five top-level executives, Mintzberg isolated ten roles he believes are common to all managers. These roles have been grouped into three major categories: Interpersonal, Information and Decision roles.

A. INTERPERSONAL ROLES

Because of their formal authority and superior status, managers engage in a good deal of interpersonal contact.

The three interpersonal roles that Managers play are:

1. **Figurehead** ó managers serve as a symbol of legal authority; they perform the duties of a legal or social nature ó e.g. signing of documents.

2. Leader ó responsible for motivation of subordinates and for staffing and training.
3. Liaison ó maintains networks of outside contacts to obtain favours and information.

B. INFORMATION ROLES

The manager carries out three informational roles:

4. Nerve Centre (Monitor) ó seeks and receives information to obtain a thorough understanding of an organization and its environment.
The information helps to identify problems and opportunities.
5. Disseminator ó transmits information received from outsiders or insiders to other members of the organization.
6. Spokesperson ó transmits information to outsiders on organization plans, policies and actions.

C. DECISIONAL ROLES

In their decisional roles, managers balance competing interests and make choices.

The four (4) decisional roles are:

7. Entrepreneur ó initiates and supervises design of organizational improvement projects as opportunities arise.
8. Disturbance handler ó responsible for corrective action when an organization faces unexpected crises.
9. Resource allocator ó responsible for allocating of human, monetary and material resources.
10. Negotiator ó responsible for representing the organization in bargaining and negotiations.

UNIT 2 CLASSIFICATION OF MANAGERS

Managers can be classified by their degrees of specialization and by their organizational level.

DEGREE OF SPECIALISATION

Within an organization, managers differ in their degree and type of specialization.

Those who have the least amount of specialization are known as general managers. A general manager has responsibility for the overall performance of an organization, including the performance of several functions. General Managers typically control the inputs necessary to provide an organisation's product or service. An example of a General Manager is the Chief Executive Officer of a business firm like Zambia Sugar Limited.

Those who have job duties in a particular functional area of an organization are known as functional managers. Every organization performs certain functions in order to achieve its goals. These functions include finance, marketing, production, engineering etc.

LEVELS OF MANAGERS

Managers can be classified according to the level of the organization where their job is.

There are three organizational levels:-

First – Level Managers ó Managers at the first or lowest managerial level of an organization often called supervisors or foremen. Supervisors and foremen usually manage employees who are not themselves managers.

First-level managers are primarily concerned with managing the day-to-day operations of a section or a department of an organization. Their jobs can be very

demanding because they spend most of their time with subordinates and their work is full of interruptions and they often have to switch tasks.

Middle – Level Managers support the infrastructure of business firms. They play a major role in implementing the policies of the top-management group and in making decisions that affect business success. The subordinates of middle-level manager are almost always other managers or supervisors.

They have a difficult job in that they are not sufficiently senior to have a role in the forming of strategy and at the same time are distanced from the organisation's main activity.

Top Level Managers or Executives are responsible for the overall direction and operations of the organization. They not only select the basic aims and goals of the organization, but also formulate the major strategies by which the organization hopes to achieve these goals. They provide leadership essential to organizational success. They play the critical role in establishing the organisation's culture and climate.

MANAGEMENT AND LEADERSHIP

Management and Leadership differ in many ways as follows:

MANAGEMENT

1. Managers are people who do things right.

A managerial culture emphasizes rationality and control. Whether his/her energies are directed towards goals, resources, organization structures, or people, a manager is a problem solver. The manager asks: "What problems have to be solved and what are the best ways to achieve results so that people will continue to contribute to this organization?" Tom Peters and Nancy Austin associate "Manager" with words like cop, referee, decision maker and pronounce.

A manager requires that many people operate efficiently at different levels of status and responsibility. It takes persistence, tough-mindedness, hard work, and tolerance to be a manager.

2. Managers tend to adopt impersonal, if not passive attitudes towards goals. Managerial goals arise out of necessities rather than desires.

3. Managers tend to view work as an enabling process involving some combination of people and ideas, interacting to establish strategies and make decisions. In this enabling process, managers use rewards, punishment, and other forms of coercion to get work done.

4. Managers prefer to work with people.

The need to seek out others with whom to work and collaborate seems to stand out as an important characteristic of managers. Managers however, are not sensitive to other people's feelings. They lack empathy, or the capacity to sense the thoughts and feelings of others. Managers relate to people according to the role they play in a sequence of events.

4. Managers see themselves as conservators and regulators of an existing order of affairs with which they personally identify and from which they gain rewards. Perpetuating and strengthening existing institutions enhance a manager's sense of self-worth..

LEADERSHIP

1. Personality ó Leaders are people who do the right thing. Leadership requires using power to influence the thoughts and actions of other people. Leadership is simply a practical effort to direct affairs, Peters and Austin associate a leader with words like cheerful, enthusiastic, coach, facilitation and builder.

2. Attitude towards goals ó Leaders are active instead of reactive, shaping ideas, instead of responding to them. Leaders adopt a personal and active attitude towards goals. The influence a leader exerts in altering moods and evoking expectations, and in establishing specific desires and objectives determines the direction a business takes. The net result of this influence changes the way people think about what is desirable, possible and necessary.
3. Conceptions Of Work ó A leader's view of work is different. Where, managers are to limit choices; leaders develop fresh approaches to long-standing problems and open issues to new options. Leaders project ideas into images that excite people and only then develop choices that give those images substance. Leaders work from high-risk positions; indeed, they seek out risk and danger especially where the chance of opportunity and reward appears promising relations with others.
4. Relations with others ó Leaders are rich in emotional content. They attract strong feelings of identity and relate in a more intuitive and emphatic ways.
5. Sense of Self ó Leaders are people who feel separate from their environment. They work even in organisations to which they don't belong. Their sense of who they are does not depend on memberships, work role or other social indicators of identity.

Bens and Burn contend that the problem with many organisations today especially the ones that are failing is that they tend to be over managed and underlet. Thus being a manager does not imply that a person is also a leader. A manager who relies solely on force and formal authority to direct behaviour of subordinates is not exercising leadership.

Leadership involves neither force nor coercion. Leadership and management are not mutually exclusive. Rather, they are complementary and both are necessary for the success of the organization. However, leadership goes beyond management and in order to survive and prosper in the business environment of today, organisations require people who are vision oriented i.e. who possess leadership qualities.

MANAGERIAL EFFECTIVENESS

Over the past years there has been a proliferation of books and articles about managerial effectiveness and how it can increase productivity. Companies are trying to improve executive skills through education programs, sensitivity training and participatory management. Despite these efforts some managers have continued to perform in the managerial style of a past era, characterized by self-serving attitudes, empire building and autocratic methods. These styles include the following:

1. The Godfather – despite the current emphasis on teamwork and participatory management, the Godfather style still prevails.

Godfathers typically demand complete control for their organisations and total loyalty from their employees. Subordinates are given freedom in their routine duties, but their goals are dictated from above. Groups led by Godfathers are normally goal oriented and known for getting things done. Outsiders see them as well-oiled machines. Superiors depend on them. People who have been subjected to this style for many years rarely become good managers themselves. Most often they become new Godfathers.

2. The Ostrich – Ostriches love the status quo and fear discord. They always hope problems will simply go away and would rather stick their heads in the sand than face unpleasantness of any kind. Ostriches believe firmly in no confrontational approaches to problem solving and they avoid issues and debate. Ostriches are more concerned with a superior's opinion of their job performance than with the moral of their subordinate, who often lack initiative, imagination and productivity, especially if they have had their Ostrich managers for a long time. Progress cannot be achieved without conflict and a preference for the status quo stifles growth and can weaken moral.

3. The Do-it-yourself - Do-it-yourself managers want to handle everything themselves, especially the more challenging assignments. The only tasks they ordinarily delegate are the ones that they find trivial or that require special skills. All live by the motto, "if you want a job done well, do it yourself". They spend long hours at their jobs. When a do-it-yourself manager falls sick, the entire department comes to a stand still.
4. The Detailer ó detailers want to know everything their subordinates do "in detail". In larger organisations, detailers are so busy trying to keep up with their employees that they are virtually incapable of managing groups of any size. Detailers don't like group decisions and find delegating difficult. When they do delegate they stay constantly in touch to make sure that subordinates do not arrive at independent decisions. Detailers generally lack confidence in others and make subordinates redo assignments again and again.
5. The Politician ó many of us like to work for politicians because they tell us what we want to hear. Their superiors like having them around for the same reason. One of the drawbacks to this style is that politicians tend to overdo it.
6. The Eager Beaver ó In the same way that beavers build large dams to interrupt the flow of water, so eager Beavers create ever-greater workloads and eventually interrupt the smooth functioning of their organisations. These managers measure their worth by the number of letters and reports they generate and by how hard their subordinates work. They are seldom content unless their subordinates put in overtime and work weekends at least occasionally. Unnecessary work demoralizes employees and constant work pressure wears them down.

SKILLS OF EFFECTIVE MANAGERS

1. Decision maker ó effective managers are decisive. Decision making ability is by far the most important tool a manager needs on a daily basis. Most of these

decisions involve job assignments, people and inter-organisational dispute. A manager is expected to not only make the right decision but also to encourage subordinate participation.

2. Listener and Communicator ó A supervisor must be sensitive to moods and attitudes. By listening and communicating well, managers can fulfil the basic human need employees have; to be recognized and appreciated. Good listening is also part of an effective style in meetings. Successful Managers never dominate the table but let everyone express his or her views.

3. Teacher ó One of the responsibilities of a good manager is to train subordinates to become managers. There are many ways to help people learn to make decisions, delegate responsibility even to the lowest ranks, include subordinates where feasible in every project, hold regular discussion sessions, etc. Effective managers use all these ways of building positive self-images in their employees. Good managers delegate well, and trusting people to do the right thing, give minimal direction. They don't reprimand subordinates who fail but encourage them to try again and to seek the help of co-workers whenever possible.

4. Peacemaker ó effective managers know how to minimize conflict. One way is to encourage work groups like quality circles and another way is to rotate jobs and reassign people.

5. Visionary ó effective managers set goals that are firm and meaningful, and never let themselves or their subordinates lose sight of them.

6. Self-critic ó Not many managers are self-confident enough to admit their mistakes. Effective managers are quick to admit their own mistakes and don't dwell on the mistakes of others. They want to learn from mistakes so as not to repeat them.

7. Team captain ó working alone, managers may find it difficult to make decisions affecting the whole organization. Consensus decision-making is a powerful tool.

8. Leader ó Good managers genuinely like and appreciate people. They don't just manipulate or command; they lead. Effective managers have a drive and determination. They have qualities like trust, politeness, patience and sensitivity.

9. Abandon excessive perks ó good managers always treat subordinates as people first and employees second. They do not take pride in the symbols of their status neither do they consider themselves members of an elite class. In fact, perks and status symbols often act as obstacles to good management. After many years of enjoying these records, some managers develop such a sense of privilege that they begin to look on employee concerns and complaints as encroachments on their benefit. Of course not all perks are bad business practice. Many successful companies use them as a means of projecting company's images to outsiders. Managers need to mix with subordinates to promote a spirit of teamwork, to nurture commitment to the job and to monitor the heartbeat of the company.

10. Technical skills ó Good managers team a whole new set of technical skills. They must know about information systems, and be able to use a broad range of analytical tools.

MODULE 2

EVOLUTION AND DEVELOPMENT OF MANAGEMENT THOUGHT

UNIT 1 INTRODUCTION

Management theory has developed in bits and pieces through the years. The actual practice of management has been around for thousand of years. The pyramids of Egypt

and the Great Walls of china, for example is a good evidence of the ancient world's ability to manage. The only missing element at that time was systematically recorded body of management knowledge.

The study of organisations and their management dates back to the 19th century period which saw the emergence of large industrial organisations and the arising problems associated with their structure and management. The industrial revolution had major impacts on the usual way of doing business. As organisations became more and more complex new and significant problems arose for which accepted business practices were no longer adequate. Changes in the basic business processes brought changes in the relationships of the employees to employers and to each other. The old management techniques were found to be less and less effective. New solutions had to be found. Because of its interdisciplinary nature, there has been a lot of explosion in the field of management. The main approaches to organization structure and management include:

- The classical school
- The behavioural Approach
- The Systems approach
- The contingency approach
- The management science/decision making approach.

The Classical School grew out of the need to find guidelines for managing complex organisations. The classical school, which flourished from 1890 to 1938, is represented by writers such as Taylor, Gantt, Gilbreth, Fayol, Weber, Urwick, and Barnard. The classical writers thought of the organization in terms of its purpose and formal structure. They placed emphasis on the planning of work, the technical requirements of the organization and principles of management. Attention was given to the division of work, clear definition of duties and responsibilities and maintaining specialization and co-ordination. The classical writers focused on improving the structure. They placed emphasis on the planning of work, the technical requirements of the organization and principles of management. Attention was given to the division of work, clear definition of duties and responsibilities and maintaining specialization and co-ordination. The

classical writers focused on improving the organization structure as a means of increasing efficiency.

The Behavioural School grew in part, as a reaction against the apparent rigidity of the classical school. It draws attention to the importance of *morale, motivation, recognition of effort and security*. It views the worker as an individual who has needs and aspirations, and it downgrades efforts to see him solely in terms of labour costs. Exponents of this school include Elton Mayo, Fredrick Hertzberg, Douglas McGregor, Abraham Maslow, Joan Wood ward, Burns and Stalker.

The Systems Approach developed as a result of business decisionsø effects on a wide range of people outside the organisations. It advocates that managers should recognize that organisations are systems consisting of interdependent parts and that a change in one part affects other parts. Ludwing Von Bertalamffy is the pioneer of this work.

The Contingency Approach developed by Fred E. Fieldler in 1967 is a management theory which points out that the managerø actions are dependent on the conditions of various key elements in a given situation.

The Management Science Approach often called **Operations Research/Decision making approach** attempted to make management decision making more rational by employing mathematical techniques to solve problems. An understanding of how decisions are made helps in understanding behaviour in the organization. Leading writers of the decision making approach include Simon, Howe, Cyert, Gordon and March. The scope of the decision making approach is wide and other contributors include engineers, mathematicians, operational research specialists, economists psychologists and writers on management and organization.

Each group of scholars has interpreted and reformulated management according to its own perspective. There is no single theory of management that is universally accepted.

Koontz terms the various approaches to explaining the nature and knowledge of managing as **management theory jungle**.

RELEVANCE OF THE DIFFERENT APPROACHES TO MANAGEMENT AND ORGANISATIONAL BEHAVIOUR.

The various approaches represent a progression of ideas, each building on from the other and adding to it. The approaches are not in competition with each other and no one approach should be viewed as if it were the only approach, replacing or superseding earlier contributions. Many ideas of earlier writers are still of relevance today and of continuing importance in modern management practice.

The study of the various approaches helps the organization and managers in particular, to take from the different approaches those ideas which best suit the particular requirements of the job. For example, in dealing with a problem of structure, the ideas of the classical writers or of contingency theory might be adopted. When there is a problem relating to personal management ideas from the human relations movement might be of most value,. If the problem is one of environmental influence, insights from the systems approach might prove most helpful. For problems of a more quantitative nature, ideas from the decision making approach or from management science might be applicable.

THE CLASSICAL APPROACHES

The classical approaches to management were developed early in the twentieth century. The main strands of thought which make up the approach of the classical school were drawn from scientific management theory and administrative management and organization approach. Scientific management is associated with Taylor (1856-1915). Other contributors to scientific management include Henry L. Gantt, Frank B. Gilbreth and Lillian M Gilbreth.

The administrative management and organisation approach is represented by writers such as the French management expert, Henri Fayol (1841-1925), the German Sociologist

Max Weber (1864-1920), Chester Barnard (1886-1961), and Lyndall Urwick (1891-1983).

SCIENTIFIC MANAGEMENT BY FREDERICK TAYLOR (1856-1915)

Scientific management arose out of a need to improve manufacturing productivity through more efficient utilization of physical and human resources. Factories at that time were experiencing problems in formulating proper work procedures, establishing the boundaries of jobs, and coordinating the flow of raw materials. A breakthrough occurred. When certain members of the engineering profession became interested in the process of work flow. One engineer in particular, Fredrick Taylor became known as the father of scientific management.

Taylor's ideas about management of jobs grew out of his years of experience in three companies: Midvale steel; Simon's rolling machine and Bethlehem steel. Taylor was appalled at industry's unsystematic practices. For example, there were not work standards that specified daily work output for the operator, nor was there a relationship between output and the wages system. Experience both as a worker and as a manager had convinced him that few, if any, workers put more than the minimal effort into their daily work. He called this soldiering i.e. employees deliberately working at a pace slower than their capacities. He also blamed management's practice of making decisions based on hunch and rules of thumb as the primary contributions to the large conduct of waste that was present.

Taylor's approach to management was influenced by his basic philosophy of work. First, he believed that prosperity for the employer and the employee could be achieved only through maximizing productivity improvements. However, productivity could come only from developing more efficient jobs. Second, the continued growth of industry could come only from a complete revolution in the mental attitudes of employers and employees towards work. In other words, the future economic well being of the worker would come from more efficient work methods and habits. Finally, the heart of scientific management is in the cooperation between management and the worker.

Scientific management is defined as "that kind of management which conducts a business or affairs by standards established by facts or truth gained through systematic observation, experiment, or reasoning. Taylor started scientific management movement in industry in four areas: standardization, time and task study, systematic selection and training, and pay incentives. Taylor developed a process of fact gathering and objective analysis that focused exactly on what the worker did to perform a task. He identified each element of the worker's job and measured every factor that was adaptable to measurement. From these studies, a set of scientific management principles evolved.

UNIT 2 PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Develop a science for each element of a worker's job that replaces rules of thumb- emphasis was on the use of the scientific method rather than intuition and experience to determine the activities engaged in by workers. Through time and motion studies of any work, the best way of carrying out that work could be discovered. Motion studies were

aimed at discovering the minimum movements of the body required to carry out a particular task. The results of time and motion studies of any work were called "The science of work". Through standardization of work, time and energy wastage were to be avoided.

2. Establish standards with respect to methods and time for each task ó Time and task studies were conducted using observational methods. The worker's movements along with the time needed to complete a particular job were observed. After careful analysis of the observations jobs would be redesigned in a more efficient manner.

3. Scientific selection of the worker ó Taylor believed that it was important to properly identify the person for the right job. Proper selection of people with the appropriate abilities, coupled with specific training would facilitate good performance. A scientifically selected worker was one who was best suited to do a particular job. He contended that any person is a first class worker at a particular work, if only he/she could be helped to discover that particular work. Taylor suggested that tests be used to determine whether or not a person had the necessary attributes for a particular job. For example, he developed a speed and reaction test for quality control inspectors.

4. Wage incentives should be an integral part of each job. One central point in scientific management is that workers should be paid according to their individual performances. Taylor preferred piece rate payment system. His argument was that piece rates were good because they were fair to the hard working worker. Workers were seen as motivated by economic rewards and Taylor believed that if material rewards were closely related to work efforts the worker would respond with the maximum performance he was physically capable of.

5. Job specialization should be a part of each job ó Taylor believed that each worker should be a specialist in what he did because this would ensure that each worker knew his job well. This specialisation also includes management, which he termed functional foremanship. Taylor's foremanship concept held that each employee should be

supervised by several foremen, each with distinct responsibilities. One foreman would be responsible for machine speeds, another for repair, etc.

6. Planning and scheduling of the work ó everything in the organisation had to be done by plan, from yearly plans for the total organisation to daily plans for the individual worker. Planning and scheduling activities involved getting the people and the material at the right place, right time and in the proper condition to be used.

Taylor argued that scientific management was good for both the worker and the management because it boosts production, which in turn boosts profits, which in turn enables distribution of bigger dividends to capital owners and payment of higher wages to workers.

Criticisms of Scientific Management

Critiques of scientific management theory consider it as a "machine model", regarding human beings as mere factors of production. It is said to emphasise the use of man's physiological powers and ignores the complexities of his emotional behaviour. There is no consideration of the feelings, attitudes and private goals of the individual, neither is there any realization that the worker is a social being influenced in his behaviour and attitude by his colleagues, by the social structure and culture of the groups within which he finds himself.

Contributions

In spite of the contemporary criticisms, Taylor made a lasting contribution to making jobs and the management of these jobs more efficient and productive. He did a good deal of work on improved methods including time and motion study. His work has constituted the basis of modern work-study techniques. Time and motion studies have played an important role in increases in productivity. The task and bonus plan is the foundation of many incentive plans in industry today. Many incentive plans today use standard hours

which are measurements not of time but of work.

A standard hour is the amount of work a worker may normally be expected to do in an hour. A daily wage plus premium pay for production above standard, is in fact, a feature of most modern incentive plans.

Taylor is also remembered for his introduction of stopwatch and time study, which makes more accurate scheduling possible. If a job is timed, it is possible to predict when it will be completed and when the next operation can be started.

Another important contribution was his suggestion that executive "manager by exception". This means that management should avoid study of routine operations in which everything has gone as expected, but look closely into cases in which results are exceptionally good or bad.

THE UNIVERSALIST, ALSO KNOWN AS THE FUNCTIONAL OR ADMINISTRATIVE MANAGEMENT APPROACH BY HENRI FAYOL (1841-1925)

Henri Fayol was an engineer with extensive business experience. Working as the managing director of a large coal-mining organisation in France provided Fayol with his particular perspective on the management process. Fayol's contributions to management thought were threefold. First he made the distinction between operating and managerial activities. He outlined five such key operating activities which included:

1. Technical activities ó such as production.
2. Commercial activities ó involved buying and selling
3. Financial activities ó such as securing capital
4. Security activities ó concerned with safeguarding property
5. Accounting activities ó such as providing financial information.

Second, Fayol identified five major management functions which include:-

Planning, Organising, Commanding, Coordinating, Controlling

Third, Fayol proposed fourteen principles of management that should guide the thinking of managers in resolving concrete problems. These principles specify rules for successfully managing and structuring an organisation.

1. **Division of work** ó this is the classic division of labour prescribed by Adam Smith. Specialisation of labour is necessary for any organization. Division of labour reduces the number of tasks performed by a job unit to as few as possible. This improves efficiency and effectiveness because it allows for the simple but rapid repetition of effort.
2. **Authority and responsibility** ó Authority is the right to give orders and the power to enforce obedience. Responsibility accrues to those who have authority. The parity principle states that responsibility should be accompanied by commensurate authority.
3. **Discipline** ó There must be obedience and respect between a firm and its employees. According to Fayol, discipline is based on respect rather than fear. Poor discipline results from poor leadership. Good discipline results from good leadership. Obedience and respect help an organisation run smoothly. Management must use sanctions to ensure discipline.
4. **Unity of command** ó Each employee should receive orders from only one superior.
5. **Unit of direction** ó the organisation, or any subunit therefore that has a single objective or purpose, should be unified by one plan and one leader. The efforts of everyone in the organisation should be coordinated and focused in the same direction.
6. **Subordination of individual interest to the general interest** ó the interests of the organisation as a whole should take priority over the interest of any individual or group of individuals within the organisation.

7. **Remuneration of personnel** ó remuneration should as far possible satisfy both employee and employer. Methods of payment can influence organizational performance and the method should be fair and should encourage keenness by rewarding well directed effort, but not lead to overpayment.
8. **Centralisation** ó is always present to some extent in any organisation. The degree of centralization depends on the organisation's circumstances.
9. **Scalar chain** ó is the chain of superiors from the highest authority to the lowest. Communication flows up and down the chain, but Fayol also allowed for a communication bridge between persons. The bridge would allow subordinates in different divisions to communicate with each other although formally they were supposed to communicate through the chain of command.
10. **Order** ó there should be a place for everything and everything, people and material, must be in its place. All factors of production must be in an appropriate structure.
11. **Equity** ó equality of treatment should be taken into account in dealing with employees throughout all levels of the scalar chain.
12. **Stability of tenure of personnel** ó retaining personnel, orderly personnel planning, and timely recruitment and selection are critical to success.
13. **Initiative** ó individuals should display their creative ability, zeal and energy in all their efforts. Management should encourage initiative.
14. **Espirit de corps** ó harmony and unity among members of the organisation is a great strength as this contributes to high productivity. It is necessary to avoid the dangers of divide and rule of one's team.

CRITICISMS OF FAYOL'S PRINCIPLES

Fayol's approach has been criticized for creating the impression that the management process is more rational and orderly than it really is. Some critics dismiss his principles as no more than advice. Fayol's concepts of management are said by some critics to reflect a rigidity and formalism which leads directly to the inefficiencies of the bureaucracy.

FAYOL'S CONTRIBUTIONS

Fayol's contribution to management theory is unique and valuable. Fayol's contention that management is a continuous process beginning with planning and ending with controlling also remains popular today.

Fayol was acclaimed for emphasizing the organisation chart and the job specification. For example, the structure of virtually all organisations use the principle of authority; all employ the unity of command concept; and all use some degree of centralization and the scalar chain.

Moreover, most of the other principles of equity, order, stability of tenure for personnel, initiative, spirit de corps, remuneration and discipline can contribute to successful management. Managers seeking to solve structuring problems would do well to use many, if not most, of Fayol's basic concepts.

UNIT 3 MAX WEBER AND THE CONCEPT OF BUREAUCRACY

Weber (1864-1920) was a social scientist with an interest in organisations. He developed the bureaucratic model as the type of organisation he felt would best serve the needs of an increasingly urbanized and industrialized society.

He contended that the ideally rational organisation was one which performed its tasks with maximum efficiency. Such an organisation would be built around a highly organised system, with a clear, rigid structure of authority, working according to a precisely defined set of procedures, rules and regulations. Bureaucracy has the following characteristics:

1. **A Clearly defined hierarchy of authority** ó there are levels of carefully graded authority and precisely ordered relationships of superiors and subordinates. Lower levels of the organisation are supervised and controlled by higher levels and there is a right of appeal, or grievance procedure, from lower to higher levels. Unit of command prevails, so that a subordinate receives instructions from a single superior.
2. **Division of labour** ó specialisation is necessary. The functions of the job are defined, the qualifications of the individual who could fill it are, to some extent, specified. Selection for employment and promotion is related directly to technical competence. The possession of appropriate qualification is demanded from applicants for appointment. Proven capacity in the execution of the organisation's tasks is the basis of selection for internal promotion.
3. **A system of rules and procedures** ó duties standards of performance, rules and regulations are drawn up carefully. The rules facilitate standardisation and equality in the treatment of many cases. The rules can be learned, and knowledge of them is one of the requisites of holding a job in a bureaucracy. Administrative acts, decisions and rules are formulated and recorded in writing and files are properly kept.
4. **Impersonality** ó officials are expected to carry out their duties to others without regard to personal considerations. It is the demand for impersonality, the operation of the rules without ill-will and without favour, which make the acceptance of bribes a cardinal sin for the bureaucrat.

5. **Stability of employment** ó career is exclusive. Members of the organisation spend their time in that particular occupation and they enter employment under the terms of a contractual relationship in which duties and rights are clearly stated. The employee is offered a regular salary, some degree of security of tenure and the opportunity of promotion. Pension rights are generally offered to most categories of the organisation's employees.

6. **Separation of Ownership** ó members of administrative staff should be completely separated from ownership of the means of production. There should be complete separation of the office belonging to the organisation and the personal property of the official.

The above characteristics make the organisation run efficiently because they ensure the continuity that is essential for any organisation that is to last longer than the life of its founder and enables administration to be carried out on a rational basis.

Criticisms of Bureaucracy

In spite of Weber's rationally efficient organisational formula, bureaucracy in practice has become the epitome of inefficiency. Many of the characteristics of bureaucracy stated by Weber, so efficient in the ideal type, have turned out to be the opposite in practice. The career orientation makes some bureaucrats interested in the protection of that career than in dealing with clients. The rules often slow down the work of the organisation as they sometimes become more important to the bureaucrats than the actual tasks to be done. Over- emphasis on the rules leads to the familiar charge of 'red tape'. Specialisation leads to ignorance of even related tasks, hence one reason for the familiar 'run-around' so many clients complain about as they are shunted from desk to desk by bureaucrats who feel that the particular case, according to the rule is someone else's responsibility. Moreover initiative may be stifled and when a situation is not covered by a complete set of rules or procedures there may be a lack of flexibility or adaptation to changing circumstances.

Impersonal relations can lead to a lack of responsiveness to individual incidents or problems. There is lack of attention to the informal organisation and the development of groups with goals of their own and inadequate recognition of conflict in organisations. Bureaucracies restrict the psychological growth of the individual. The organisation environment should provide a significant degree of individual responsibility and self control, commitment to the goals of the organisation, and an opportunity for individuals to apply their full abilities.

THE LEGACY OF THE CLASSICAL APPROACHES

The classical approaches to management still provide insights into many of the problems managers face today. The scientific approach showed that job design is critical to the efficiency and effectiveness of an organisation's members. Managers should not assume that the way a job is being done is the best way. Performance can always be improved. Another insight was that managers must reward performance. The administrative concerns of the classical management approaches also have relevance today. For example, Weber's concept of bureaucracy continues to define most organisational structures.

Fayol's guidelines are followed by almost all modern organisations. Barnard's view of cooperation is accepted practice. Accomplishing both effectiveness and efficiency is still an issue confronting most organisations, managers are learning that they must strive to achieve acceptance of authority as related by Barnard.

Limitations

The one most frequently cited limitation is that classical approaches do not take human matters into account ó i.e. they do not consider how people fulfil the work roles given to them. Instead, they tend to treat workers efficiency from a mechanical view point.

THE BEHAVIOURAL APPROACH

The Behavioural Approach to management developed partly because practicing managers found that the ideas of the classical approach didn't lead to total efficiency and harmony at workplaces. Managers still encountered problems because subordinates did not always behave as they were supposed to.

The Behavioural Approach is a management approach concerned with increasing productivity by focusing on understanding the human element in an organisation ó i.e. individuals and groups and how they can be effectively and efficiently combined in a large organisation.

The Behavioural Approach has two branches: The Hawthorne Studies (1927-1932) and the Human Relations Approach (1940).

THE HUMAN RELATIONS MOVEMENT – ELTON MAYO

An Australian, Elton Mayo (1880 ó 1949) has been called the founder of both the human relations and the industrial sociology movements. A prominent human relations contributor was Hugo Munsterberg (1863 ó 1916), a German Psychologist and Philosopher.

The human relations movement was a concerted effort among theorists and practitioners to make managers more sensitive to employee needs. It came into being as a result of special circumstance that occurred during the first half of the 20th Century.

1. Following the enactment of the Wagner Act of 1935 that legalized union ó management collective bargaining, management began searching for ways of preventing employees from joining unions since if employees were satisfied they would be less inclined to join unions. Business managers subsequently began searching for and adopting morale-boosting human relations techniques as a union avoidance tactic.

2. The second historic influences which marked the turning point in the development of the Human relations Approach came with the famous Hawthorne experiments whose findings revealed that productivity was less affected by changes in work conditions than by the attitudes of the workers themselves. The Hawthorne studies are credited with turning management theorists away from viewing man as an economic man to a more realistic view of man as a social being.

3. The Philosophy of Industrial Humanism Mayo, Follett, McGregor.

Although unionization prompted a search for new management techniques and the Hawthorne studies demonstrated that people were important to productivity, a philosophy of human relations was needed to provide a convincing rationale for treating employees better. The human relations movement provided this philosophy.

Mayo and his associates discovered that:

1. Emotional factors were a more important determinant of productive efficiency than physical and logical factor were.
2. Non-economic rewards play a central role in determining the motivation and happiness of the worker.
3. Workers do not react to management and its norms and rewards as individuals, but as groups.

The Human Relations approach emphasized the role of communication, participation and leadership. This approach assumed that the most satisfying organisation would be the most efficient. It pointed out that workers would not be happy in the cold, formal, rational organisations that satisfied only their economic needs.

The school emphasized the need to relate work and the organizational structure to the social needs of the employee. If the employees were happy, the organisation would obtain their full cooperation and effort and thus increase by deliberate efforts, the happiness of the worker.

This school maintained that employees should have a feeling that the company's goal is worth their effort; they should feel themselves part of the company and take pride in their contribution to its goal. The approach emphasized the importance of communication between the ranks, of explaining to the lower participants the reasons why a particular course of action is taken, the importance of participation in decision making in which lower ranks share in the decisions made by higher ranks, particularly in matters that affect them directly. In short, the school pointed to a perfect balance between the organisation's goals and the workers' needs.

Criticisms

This school did not approach a full view of the organisation. It viewed the factory as a family rather than as a power struggle among groups with conflicting values and interests. For example, supportive supervision and good human relations may not automatically lead to higher morale or even better job performance.

UNIT 4 THE HAWTHORNE EXPERIMENTS

The Hawthorne studies are a group of studies conducted at the Hawthorne plant of the Western Electric Company during the late 1920s and early 1930s whose results ultimately led to the human relation view of the need for management to have concern for the worker.

When they started, the Hawthorne Studies were right in the scientific management tradition of seeking greater efficiency through improving the tools and methods of work- in this case, lighting. The studies came about because the General Electric Company wanted to sell more light bulbs, other electric companies, supported studies on the relationship between lighting and productivity that was to be conducted by researchers from the National Research Council, the Harvard Business School, and the Massachusetts institute of Technology. The tests were to be held at the Hawthorne works (Chicago) of the Western Electric Company.

First set of studies (1924-1927)

The first set of studies, called the illumination studies were conducted under the direction of several engineers. Two groups of employees of comparable performance were isolated from the rest and located in separate parts of the plant. One group, the control group, had consistent level of lighting the other group, the experimental group, had its lighting varied.

Expecting that worker productivity would vary directly with the intensity of the lighting used the researchers were surprised to find that productivity usually increased independent of the lighting used. The researchers concluded that factors other than lighting were at work (since performance rose in both groups) and the committee on industrial lighting discontinued the project.

Second set of studies (1927-1929)

The most famous study involved six women assembling electrical relays in the relay Assembly Test Room, a special room away from other workers where the researchers were concerned about possible negative reactions and resistance from the workers who would be included in the experiment. To lessen potential resistance, the researchers changed the usual supervisory arrangement so that there would be no official supervisor; rather, the workers would operate under the general direction of the experimenter.

The workers were given privileges such as being able to leave their workstation without permission, and they received considerable attention from the experimenters and company officials. The study was aimed at exploring the best combination of work and rest periods. A number of other factors were also varied, such as pay, length of the workday, and provisions for free lunches.

Generally, productivity increased over the period of the study, regardless of how the factors under consideration were manipulated. One of the researchers concluded that the change in the supervisory arrangement was the major reason for the increase in productivity in the Relay Assembly Test Room study. The researchers felt that the physical changes, such as rest periods, free lunches, and shortened hours, as well as the group incentive pay plans, were factors of lesser importance (largely) because adverse changes in some of these factors did not seem to decrease performance). One outcome of the studies was the identification of a famous concept that ultimately came to be known as the Hawthorne effect. The Hawthorne effect refers to the possibility that individuals singled out for a study may improve their performance simply because of any specific factors being tested in the study.

More contemporary investigations now suggest that the Hawthorne effect concept is too simplistic to explain what happened during the Hawthorne studies. The workers likely viewed the altered supervision as an important positive change in their work environment.

Third set of studies (1928-1931)

In order to learn more about employee ó supervisor relations, Hawthorne's management decided to implement an interview programme designed to ascertain employee attitudes towards working conditions, their supervision and their jobs. It became clear from the responses that social relationships at work were of major importance to employees.

Fourth set of studies (1931-1932)

The fourth group of studies was conducted in the famous Bank Wiring Observation room. Fourteen men were removed from the bank wiring to a separate observation room, where, apart from a few differences, their principles working conditions were the same as those in the main wiring area. The aim was to observe a group working under more or less normal conditions cover a period of six months. The group soon developed its own rules and behaviour. This study revealed the importance of social relations and informal work standards set by the work group in controlling individual productivity.

Fifth and final set of studies (1936)

The final stage focused on employee relations and took the form of employee counselling interviews. In this period of interviews called the personal counselling programme, employees were encouraged to discuss their work problems with trained personnel specialists. The programme addressed problems relating to individual adjustment to industrial structure, communication and control and changes in the social structure. This led to improved employee ó supervisor relations and better individual adjustment at work.

Criticisms

The Hawthorne experiments have been criticized, for example, on methodology and on failure of the investigators to take sufficient accounts of environmental factors. Major flaws of the studies included changing several factors at the same time and in addition, important data were sometimes ignored in drawing conclusions.

UNIT 5 CONTEMPORARY MANAGEMENT THOUGHT

THE SYSTEMS APPROACH

Def.: A system is a collection of parts operating interdependently to achieve a common purpose.

Thus, the systems approach represents a marked departure from the past since it requires a completely different style of thinking.

Theorists in the other approaches mentioned above studied management by taking things apart.

They assumed that the whole is equal to the sum of its parts and can be explained in terms of its parts.

Systems theorists, in contrast, study management by putting things together and assume that the whole is greater than the sum of its parts.

The difference is analytic (outside-in) thinking versus synthetic (inside-out) thinking; by synthetic thinking we can gain understanding that we cannot obtain through analysis, particularly of collective phenomena.

Systems theorists recommend synthetic thinking because management is not practiced in a vacuum.

Managers affect and are, in turn, affected by many organizational and environmental variables.

The challenge presented by systems thinking to the field of management is to identify all relevant parts of organized activity and to discover how they interact.

Chester Barnard established this new approach to management on the basis of his experience as a top-level Bell Telephone manager.

Rather than isolating specific management functions and principles, he devised a more abstract systems approach.

He characterised all organizations as cooperative systems: A cooperative system is a complex of physical, biological, personal, and social components which are in a specific systematic relationship by reason of the cooperation of two or more persons for at least one definite end.

According to Barnard, willingness to serve, common purpose, and communication are the principal elements in an organization (or cooperative system).

He felt that an organization did not exist if these three elements were not present and working interdependently.

He viewed communication as an energizing force that bridges the natural gap between the individual's willingness to serve and the organization's common purpose.

Barnard's systems perspective has encouraged management and organization theorists to study organizations as complex and dynamic wholes instead of piece by piece.

Significantly, he was also a strong advocate of business ethics in his speeches and writings.

He opened some important doors in the evolution of management thought.

GENERAL SYSTEMS THEORY:

This is an interdisciplinary area of study based on the assumption that everything is part of a larger, interdependent arrangement.

In order to understand an organized whole we must know the parts and the relations between them.

This interdisciplinary perspective was eagerly adopted by Barnard's followers because it categorized levels of systems and distinguished between closed and open systems.

Levels of Systems: One of the more important recent steps has been the identification of hierarchies of systems, ranging from very specific systems to general ones.

A hierarchy of systems relevant to management is the seven-level scheme of living systems and each system is a subsystem of the one above it.

Closed Versus Open Systems: In addition to identifying hierarchies of systems, general systems theorists have distinguished between closed and open systems.

A closed system is a self-sufficient entity, whereas an open system depends on the surrounding environment for survival.

The key to classifying a system as relatively closed or relatively open is to determine the amount of interaction between the system and its environment.


System Level		Practical Examples
Supranational	General	United Nations
National		Zambia
Organizational		Shoprite
Group		Family, Work group
Organismic		Human being
Organic		Heart
Cellular	Specific	Blood cell

Fig. 2.1: Levels of Living Systems

A battery-powered digital watch is a relatively closed system; after the battery is in place, it runs without help from the outside environment.

The human body on the other hand is a highly open system because life depends on the body's ability to import oxygen and energy and to export waste.

In other words, the human body is highly dependent on the environment for survival.

Similarly, general system theorists say that all organizations are open systems because organizational survival depends on interaction with the surrounding environment.

Lessons from the Systems Approach

Because of the systems approach, managers now have a greater appreciation for the importance of seeing the whole picture.

Open-system thinking does not permit the manager to become preoccupied with one aspect of organizational management while ignoring other internal and external realities.

The manager of a business, for instance, must consider resource availability, technological developments, and market trends when producing and selling a product or service.

Another positive aspect of the systems approach is how it tries to integrate various management theories.

But some management scholars see systems thinking as long on intellectual appeal and catchy terminology and short on verifiable facts and practical advice.

THE CONTINGENCY APPROACH

A comparatively new line of thinking among management theorists has been labelled the contingency approach.

Contingency management advocates are attempting to take a step away from universally applicable principles of management and toward situational appropriateness.

The contingency approach is an effort to determine through research which managerial practices and techniques are appropriate in specific situations.

Different situations require different managerial responses, according to the contingency approach.

Generally, the term contingency refers to the choice of an alternative course of action.

In a management context, contingency has become synonymous with situational management.

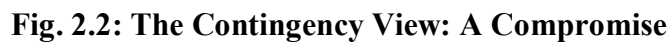
This means the application of various management tools and techniques must be appropriate to the particular situation because each situation presents to the manager its own problems.

In real-life management, the success of any given technique is dictated by the situation.

For example, researchers have found that rigidly structured organizations with many layers of management function best when environmental conditions are relatively stable.

Unstable surroundings dictate a more flexible and streamlined organization that can adapt quickly to change.

This relationship is shown below.



Three characteristics of the contingency approach are (1) an open-system perspective, (2) a practical research orientation, and (3) a multivariate approach.

They see the need to understand how organizational subsystems combine to interact with outside social, cultural, political, and economic systems.

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Contingency researchers attempt to translate their findings into tools and situational refinements for more effective management.

A Multivariate Approach: Multivariate analysis is a research technique used to determine how a combination of variables interacts to cause a particular outcome. For example, if an employee has a conscientious personality, the task is highly challenging, and the individual is highly satisfied with her life and job, then analysis might show that productivity could be expected to be high.

Contingency management theorists strive to carry out practical and relevant multivariate analyses.

Lessons from the Contingency Approach

Although still not fully developed, the contingency approach is a helpful addition to management thought because it emphasises situational appropriateness.

People, organizations, and problems are too complex to justify rigid adherence to universal principles of management.

In addition, contingency thinking is a practical extension of the systems approach.

But contingency theory has been criticised for creating the impression that the organization is a captive of its environment.

If such were strictly the case, attempts to manage the organization would be in vain.

In actual fact, organizations are subject to various combinations of environmental forces and management practices.

Contributions

Yet, despite their shortcomings, the effects of these pioneering studies were far-reaching.

The Hawthorne studies placed a concern for people into the main stream of management thought. There was recognition that the feelings, attitudes, background, needs and social

relationships of people are crucial to effective management and that efficiency and productivity in business operations required a better utilization of human resources.

The Hawthorne studies called for a "new mix of managerial skills".

These skills were ones which were crucial to handling human situation; first, diagnostic, skills and understanding new behaviour; and second, interpersonal skills and counselling, motivation leading and communicating with worker. Technical skills alone were not enough to cope with the problems discovered at the Hawthorne works.

A SYNTHESIS OF CONTEMPORARY MANAGEMENT

Contemporary management is a synthesis of the five approaches to management. Management theorists today recognize that the management process is dynamic and that it must change as the organizational environment changes. Scientific management provides a means for competing more effectively with foreign firms. Firms are placing renewed emphasis on job design, making products simpler, and scientifically examining the workplace to improve work functions.

Increased international competition has also resulted in the institutionalization of many actions that the behaviour lists proposed. Chester Barnard's concern for communication and cooperation and Douglas McGregor's belief in participation to improve both effectiveness and efficiency can be seen throughout business today. Both managers and operating employers are increasingly using management science techniques in their efforts to become more competitive and make better decisions.

Systems theory is also being used more than ever as organisations build complex models to evaluate the impact of their decisions on other stakeholders.

Finally, more and more managers are practicing contingency theory management. They examine the variables in a problem-solving situation and then make decisions based on experience, and knowledge.

JAPANESE MANAGEMENT PRACTICES

Japanese Management practices embody many aspects of the five approaches to management. Japanese managers have refined some techniques and practices and have imitated many of the more desirable aspects of American management philosophy. The Japanese have been so successful with their management approaches that they have come to dominate many foreign markets.

Japanese management practices are based on several important principles:

1. Participative management.
2. Job design.
3. Quantitative methods.
4. Effectiveness and efficiency.
5. Increasing productivity through group decision making.
6. Holistic treatment of employees, who are seen as interchangeable parts.
7. Cooperation and harmony in the workplace.

EXCELLENCE IN MANAGEMENT

Excellence in management is an approach in which characteristics of excellent firms are used as models for other firms. Thomas J. Peters and Robert H. Waterman suggest that financially successful companies possess certain characteristics that result in excellence. The set of characteristics is based on information gathered from interviews and questionnaires and on secondary data obtained principally from thirty-three leading U.S. companies. The following are the characteristics:

1. Fleet-of-foot- successful companies rely on few bright people to experiment for a while with cheap prototypes, testing out ideas on a few intimate customer. Although they are big companies, they manage to operate in the same human, organic way that small innovative companies are forced to adopt through lack of resources.
2. Simple form and lean staff- the innovative, fleet-of-foot operation is only possible because the company superstructure of top-level executives is kept lean, and the organization structure is simple and flexible.

3. Autonomy and entrepreneurship - innovation springs from free people. It is necessary to have enough of them and must be given the autonomy to operate freely. This demands mutual trust and a willingness to accept a reasonable number of mistakes.
4. Close to customers ó customers are not out there, separate from the business; they are colleagues, part of it and first among equals. They are served in the supply of products and services. They serve through to achieving management that their needs are, and how well they are, or, being satisfied. Listening to them is often the spark that fires innovation.
5. Simultaneous loose-tight properties ó most managers are used to conventional, rigid, hierarchical structures, in which they alone manage and everything is kept under tight control. Top managers of successful companies concentrate only on those things that must be centrally determined; as much responsibility and authority as possible is placed wherever it can best be exercised. Instead of communication barriers that exist in some traditional companies, there is a lively human interaction between the conductor and the players.
6. Sticking to the knitting ó people one by nature not as single-minded as ants in sticking to a common purpose. An important part of the interaction between the conductor and players is to ensure that everyone is playing the same tune or stick to the knitting and engage only in ventures in which the company has complete competence.
7. Productivity through people ó it is vital that the outcome of innovative activity is carried out efficiently. The way people make use of the equipment provided will determine the quality and productivity.
8. Hands-on, value driven ó these are managers who spend nearly all of their time in seclusion of their offices, relating only to a few individuals who are directly responsible to them.

9. These are also managers who spend very little of their time in that way. They prefer to be out visiting operational units, Research and Development laboratories, customers, and suppliers, gaining direct knowledge of all kinds. Through their "walking the floor" they are able continuously to express to employees, in words and actions, the vision and values of the company. Peters and Austin's phrase "managing by wandering about" (MBWA) is what is most needed in times of rapid change and uncertainty.

The excellence characteristics identified by Peters and Waterman are often viewed as the way to manage. In addition to identifying these characteristics, Peters and Waterman found that successful companies avoid management science approaches and emphasize "softer" issues such as closeness to the customer and the importance of innovation.

Limitation

The Peters and Waterman study has been criticized for not being very systematic. Only successful companies were studied. It is possible that unsuccessful companies had similar characteristics. Moreover, several of the firms included in the study subsequently experienced financial or market difficulties.

Strength

Nevertheless, the excellence approach in which these characteristics are used as a model changed management significantly.

MODULE 3

PLANNING AND DECISION MAKING

UNIT 1 INTRODUCTION

Def.: Planning is a process involving managerial activities designed to attain desired organizational goals.

It includes all the activities that lead to the definition of objectives and to the determination of appropriate courses of action to achieve those objectives. Planning involves the selection of objectives, examination, evaluation and selection of strategies which will ensure the attainment of those objectives and the formulation of required courses of action. It has been characterized as "the process of thinking before doing, and in similar vein, the thinking that precedes the actual performances of work. Thus planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. It is an intellectually demanding process; it requires the conscious determination of courses of action. In this sense planning is essentially decision making, although it is much more.

In any type of organization, planning is the responsibility of management. In general, the more complex the organizational structure, the more difficult becomes the procedures on planning and the greater the burden which has to be shouldered by line managers whose responsibilities include this function of planning. Because planning affects all downstream management functions, it has been called the primary management function.

TYPES OF PLANS

Def.: A plan is a specific documented intention consisting of an objective and an action statement.

Plans tell what, when and how something is to be done.

Plans may be classified as standing plans or single-use plans, according to the frequency with which they can be utilised. A standing plan is one which is repeatedly used and it involves policies, procedures and rules. A single-use plan is designed for the attainment of specific objectives within a relatively short time span and it is exemplified by the programme and the budget. These different types of plans, namely Objectives, Policies Procedures, Rules, Programmes and Budgets, are important aspects of the planning process. Many managers prefer to call these specific plans "action plans" to emphasize the need to turn good intentions into action.

Objectives are the goals to which the organisation's activities are directed. They represent the end points of basic planning and can be used as reference marks to indicate to what extent the organisation's mission is being carried out. If for example, an airliner's mission is the provision of cheap air freight facilities, its objectives could include 'cutting of costs so that its able to offer profitably, low freight charges. An objective of this type translates the aspirations of the 'mission' into specific quantitative terms which can be used to measure performance and to check deviation from desired results. Objectives may be long-range (e.g. 1 year span). Essentially, objectives are fundamental to the control of organizational activity and are vital for the construction of policies, programmes and desired rules.

Policies are written statements that reflect the basic objectives of the plan and provide guidelines for selecting actions to achieve the objectives. Once plans have been accepted by those who must carry them out, policies become important management tools for implementing them. Effective policies have the following characteristics:-

1. Flexibility ó A policy must strike a reasonable balance between stability and flexibility. Conditions change, and policies must change accordingly.
2. Comprehensiveness ó a policy must be comprehensive enough to cover any contingency if plans are to be followed.
3. Coordination ó a policy must provide for coordination of the various subunits whose actions are interrelated.
4. Ethical ó a policy must conform to the canons of ethical behaviour that prevail in society.
5. Clarity ó a policy must be written clearly and logically. It must specify the intended aim of the action it governs; define the appropriate methods and action.

Procedures ó emerge from the need to establish chronological sequences of detailed instructions necessary for the successful carrying out of an activity. For example, if an

airline has a policy of carrying out effective servicing of incoming aircraft within a reasonable time of landing, management calls for the drawing up of appropriate procedures. The resulting guides to action will state the sequence of activities necessary to deal with recurring events following on the arrival of aircraft. A procedure is by its nature, much narrower and more specific than a policy. Procedures are often utilized when high degrees of accuracy in performance are needed if policies are to be executed effectively. But they can become more routine after some time. It is important, therefore, that they be reviewed and revised at regular intervals.

Rules are the simplest type of operational plans. They state specific action for particular situations. In a sense, they are guides to acceptable behaviour. They allow for no discretion to be exercised e.g. Helmets are to be worn at all times by staff working within the site. The application of rules precludes a discussion of alternatives. A rule differs from the procedure in that it is not related to time sequences. It also differs from the policy which, essentially, guides decision-making.

Programmes are single-use plans comprising relatively wide related activities and requiring complex patterns of co-ordination. They involve policies and the objectives which have generated them, procedures and operating budgets. A firm's arrangement to provide intensive training for its supervisory staff is a good example of a programme. It should be noted that the key to success of a programme is skills in co-ordinated planning.

Budgets – are statements in quantified terms, of future expenditures and revenues reflecting resources allocated to specified activities within a stated period of time (usually one year). They mirror basic organizational plans and are used as guides to, and controls of, standards of performance. They act as signals for corrective action to be taken.

The Importance of Planning

The planning function has four important goals:

1. To offset uncertainty and change & future uncertainty make planning a necessity.

Even when the future is highly certain, some planning is usually necessary so as to select the best way in any to accomplish an objective.

2. To focus attention on objectives ó because all planning is directed toward achieving an organisation's objectives, the very act of planning focuses attention on these objectives. Well considered overall plans unify interdepartmental activities. Managers, being typically immersed in immediate problems, are forced through planning to consider the future and even consider the periods need to revise and extend plans in the interest of achieving their objectives.

3. To gain economical operation ó planning minimizes costs because of the emphasis on efficient operation and consistency. Planning allows joint directed effort.

4. To facilitate control ó managers cannot check on their subordinate's accomplishments without having goals and programs against which to measure. Plans are standards that are used to control activities.

Steps in Planning

The following steps are followed in any thorough planning:-

1. Being aware of opportunity ó the awareness of an opportunity is the real starting point for planning. It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely, knowledge of where we stand in the light of our strengths and weaknesses, an understanding of why we wish to solve uncertainties, and a vision of what we expect to gain. Setting realistic objectives depends on this awareness.

2. Establishing objectives ó once opportunities are identified, objectives for the entire organization and then for each unit or department must be established. Objectives specifying the results expected, indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished

by the network of strategies, policies, procedures, rules, budgets, and programs.

3. Premising ó are assumptions about the environment in which organizational plans are to be implemented. Premises are needed about both internal and external environmental factors. Internal factors include expected changes in key personnel, cash flow and capital budgeting, organizational structure, production technology, and management philosophy. External factors include legislation, political climate, general economic conditions, industry trends, consumer attitudes and behaviour, competition, and so on. The external environment of an organization can be quite complex. Forecasting is important in premising: What kind of markets will there be? What quantity of sales? What prices? What products? What technical developments? What costs? What wage rates? What tax rates and policies? What new plants? What policies with respect to dividends? How will expansion be financed? Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan. Therefore, premises should be limited to those which are critical, or strategic, to plan, that is, those which most influence its operation.

4. Determining alternative courses ó all plans have alternative courses of action. The number of alternatives should be reduced so that those promising the most fruitful possibilities may be analysed.

5. Evaluating alternative courses ó having sought out alternatives courses and examined their strong and weak points, the next step is to evaluate them by weighing alternatives, it may be discovered that one course may appear to be the most profitable but require a large cash outlay and a slow payback; another may be less profitable but involve less risk; still another may better suit the company's long long-range objectives. Evaluating alternative courses of action is a complex process. Due to these complexities, operations research, mathematical and computing techniques have been developed and are being widely applied to the field of management.

6. Selecting a course of action ó this is a stage at which a plan is adopted ó the real point of decision making.

7. Formulating derivative plans ó once a decision is made, there will be derivative plans required to support the basic plan. In the case where an airline decides to acquire a fleet of new planes, this decision will require development of a host of derivative plans dealing with the hiring and training of various types of personnel, the acquisition and positioning of spare parts, the development of maintenance facilities, scheduling and advertising, financing and insurance.

8. Numbering plans by budgeting ó after decisions are made and plans are set, the final step is to convert them to budgets. The overall budgets of an organization represent the sum total of income and expenses. Each department or program of a business can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget. If done well, budgets become important standards against which planning progress can be measured.

UNIT 2 THE PLANNING PROCESS: RATIONAL APPROACH

Planning is simply a rational approach to accomplishing an objective. Decision making may be the easiest part of planning, although it involves techniques of evaluating and approach and considerable skill in applying these. The real difficulties arise primarily from sharpening and giving meaning to objectives, spelling out and giving meaning to critical premises, seeing the nature and relationship of the strengths and weaknesses of

alternatives, and communication goals and premises to those throughout the organization who must plan.

The Planning Period:

Planning can be short-range, medium-range or long-range. In some cases planning a week in advance may be ample time while in others the desirable period may be a number of years. Even within the same firm at the same time, various planning periods may exist for various matters. There should be some logic in selecting the right time range for company planning. In general, since planning and the forecasting that underlies it are costly, a company should probably not plan for a longer period than is economically justifiable, yet it is risky to plan for a shorter period. It is important to integrate short-range and long-range plans. Short-run plans should not be made unless they contribute to the achievement of the relevant long-range plan.

Planning involves an Open-System Approach

It is important to take into account interactions with the total environment in every aspect of managing. An organization does not operate in isolation of its environment. Objectives must obviously be set in the light of the economic, technological, social, political, and ethical elements of an organisation's environment. Plan requires an analysis of every environmental element.

The Environment of Plans

Plans operate in an environment, both internal and external to the organization.

Some of these environmental elements are controllable, while others are not. Non-controllable elements include population growth, future price levels, political environment, tax rates and policies and business cycles. There are semi-controllable elements such as a firm's assumptions as to its market share, the character of labour turnover, labour efficiency, company price policy, and even industry legislative policy.

And finally, there are controllable elements decided largely by company management and involving policies and programs such as expansion into new markets, the adoption of an aggressive research programs, or the site for headquarters offices. Therefore, effective managers anticipate the environment in which their plans will operate. This means that it is necessary to forecast what those elements in the environment affecting any given plan will be. The successful manager is not one who just responds to changes as they occur but one who will, rather, forecast change and take appropriate action.

Environmental Forecasting

In view of the environmental influences on plans, the need for adequate forecasting is apparent. The making of forecasts and their review by managers compel thinking ahead, looking into the future, and providing for it. In addition, the very act of forecasting may disclose areas where necessary control is lacking. Forecasting, especially where participated in throughout the organization, may help to unify and coordinate plans. By focusing attention on the future, it assists in bringing a singleness of purpose to planning. It is important to note that forecasts are not always accurate because they subject to a degree of error. Guesswork can never be omitted from forecasts, although it can be reduced to a minimum.

Economic Forecasting

Economic factors can be obtained from the well considered forecasts of employment, productivity, national income, and gross national product that have been available to planners for a number of years. Most economic forecasts are derived from calculating gross national product, the total of which is not difficult to estimate if acceptable forecasts of population, productivity increases, unemployment percentage, and average workweek are available. After studying forecasts of national and regional economic trends, a company should translate them into their impact on its industry and on itself.

Technological Forecasting

Since the pace of technological change is so great, companies are making technological forecasts affecting their industry. Companies encourage members of their technical staff

to be alert to future developments; to make frequent contacts with suppliers and customers; to think in terms of the impact of current scientific developments on the future state of technology; and to develop orderly forecasts of how these developments affect the company's products, processes, or markets.

Social and Political Forecasting

To be effectively responsive, managers must forecast social and political environments in which social pressures and government's rules and regulations affect organizations.

Why People Fail in Planning

There are many reasons why people fail in planning. The following are among the most important reasons for ineffective planning:

- Lack of commitment to planning ó despite the interest in planning, there is too often a lack of real commitment to planning by managers ó from the very top down to the lowest-level supervisor. There is a natural tendency to let today's problems push aside planning for tomorrow's opportunities. Most people would rather do other activities than devote their time to planning which requires a lot of thinking. This means that there is need for a climate that forces people to plan.
- Psychological difficulties ó managers who lack confidence and shun the risk taking which is inherent in most planning activity will find it difficult to plan. The fear of adding to one's work load may also inhibit the desire to plan.
- Lack of meaningful objectives or goals ó planning cannot be effective unless goals are clear (do people understand them?), attainable (can they be accomplished?), actionable (can action be developed to achieve them?), and verifiable (will we know whether we have accomplished them?). Like supporting plans, goals must be defined in the light of our strengths and weaknesses and the many internal and external environmental forces that may influence their achievement.

- Tendency to underestimate the importance of planning premises ó if plans and decisions in an organization are to be consistent, that is, to fit one another, they must be made in the light of uniform and generally understood planning premises.
- Failure to see the scope of plans ó some managers get so wrapped up in developing major and minor programs that they neglect seeing that there are other types of plans: missions pr purposes, objectives or goals, strategies, policies, rules, procedures, and budgets as well as programs. All these types of plans involve analysis and decision making and must be implemented if a system of planning is to be complete.
- Failure to see planning as a rational process ó planning requires clear goals, a knowledge of alternatives, an ability to analyze alternatives in the light of goals sought, information, and a desire to come up with the best possible answer.
- Excessive reliance on experience ó experience is likely to be a dangerous teacher simply because what happened in the past is not likely to fit a future situation.
- Failure to use the principle of the limiting factor ó this principle requires that managers search out those factors in a problem situation which make the most difference in the solution and the deal primarily with them, since, in most problem situations, there are so many variables that no one can solve for all of them.
- Lack of top management support ó planning is not likely to be very effective if top managers do not believe in it, encourage it, and make the necessary decisions that will allow their subordinates to make their plans.
- Lack of clear delegation ó it is very difficult for people to plan if they do not know what their job is, if they are unaware of how their job relates to others in an organization, and if they do not have clear authority to make decisions.

- Lack of adequate control technique and information ó since the task of managerial control is to follow up on plans and to assure that plans are actually succeeding planning can hardly be very effective unless people responsible for them know how well they are working.
- Lack of an appropriate planning climate within the organization as whole-procedural inflexibilities weaken the effectiveness of planning and too much pressure on line managers to act quickly leaves them with no time to prepare effective plans.
- Technical problems ó a manager who lacks technical skills will be deficient in solving some of the technical organizational problems which accompany planning..
- Resistance to change ó planning implies something new. It means change. It is well known that people resist change. Managers are often frustrated in instituting a new plan simply by the unwillingness or inability of people to accept the condition of change. Without the proper levels of participation and careful planning for implementation, proposed plans and objectives will be resisted by some members of the organization. Limiting resistance to change requires patient selling of ideas, careful dissemination of information, and aggressive leadership.

Limits to Planning

Planning is not an easy task. The reasons why people tend to fail in planning emphasize the practical difficulties encountered in planning. At the same time, even a person who is good in planning faces a number of limiting factors. Awareness of these limits can help remove many of the frustrations in effective planning.

- Cost - effective planning requires a lot of time and energy. Firstly, the more committed to planning an organization is, the more time and energy it devotes to it. Secondly, the more detailed planning becomes, the more expensive it will surely be. Thirdly, the further into the future plans are projected, the more costly they are likely

to be. Moreover, in today's managerial environment, plans have to be updated constantly to take advantage of, or react to rapidly changing situations. The cost of planning will rise as a result, but the cost of being unprepared will be still higher.

- Complexity of the planning process ó industries with shifting patterns of market demand make prediction highly uncertain, so that planning without complex techniques is very difficult. The very process of forecasting, essential for planning is complicated. A number of the forecasting and planning techniques now in use require a fair degree of mathematical knowledge from managers, so that a lack of training in quantitative approaches to planning problems creates difficulties. One way of reducing the risks involved in future uncertainties is to engage in contingency planning by having alternative sets of premises and alternative plans based on them so that unexpected circumstances can be readily reflected in action.
- Problem of rapid change ó another limiting factor in planning arises from social dynamics. In a complex and rapidly changing industry, the succession of new problems is often magnified by complications that make planning most difficult.
- Political climate ó every organization, to a greater or lesser degree, is faced with inflexibilities of the political climate existing at a given time. Government regulations must be taken into account in planning.
- Labour organization ó the existence of strong unions, particularly those organized on a national basis, tend to restrict freedom in planning. The numerous wage and working condition provisions of union contracts and the influence of union policies on employee productivity and attitudes must be taken into account.
- Technological change ó the rate and nature of technological change also present external limitations upon planning. Technology changes rapidly, and one new development begets another.

- Current crises ó managers in many firms seem constantly to be dealing with current crises. Many such crises occur because of uncontrollable environment circumstances, such as government policy actions, technological changes, or a competitor's marketing strategy.
- Policy and procedural inflexibility ó once some policies and procedures are established, they become ingrained in the organization, and changing them becomes difficult. One of the problems with bureaucracy is the existence of complicated procedures designed to avoid mistake. Progressive planning requires an environment of change, with some reasonable degree of freedom and willingness to assume the risks of mistakes; this is prevented in organization bound by policy and procedural inflexibility.
- Capital Investment ó in most cases, once capital is invested in a fixed asset, the ability to switch courses of future action becomes limited, and the investment itself becomes a planning premise. Unless the company can reasonably liquidate its investment or change its course of action or unless it can afford to write off the investment, these irretrievable costs may block the way of change.

UNIT 3 ESTABLISHING A CLIMATE

In a period of change, planning becomes a matter of great urgency, for those who manage the resources of an organization or a nation. It is critical that every manager establish a climate for planning.

- Planning must be forced so every manager should remove obstacles to planning and try to establish a climate in which subordinates must plan. This involves, at each level of management, setting goals establishing and publicizing applicable significant planning premises, involving all managers in the planning process, reviewing subordinate plans and their performance, and assuring appropriate staff assistance and information. Planning will not occur unless it is forced and the facilities to undertake it are made available. The organization should establish a culture that is receptive to planning, that not only encourages it but demands it, facilitates it, and rewards it. Such a culture encourages top managers to review the plans of their subordinates, who in turn review the plans of those working under them. Individuals should be recognized and rewarded when they reach planned goals and encouraged through delegated authority and an emphasis on risk taking, to participate in the process.
- Planning should start at the top so basic goals from which others stem must be set at the top management level. The example and drive of top management are the most important single force in planning.
- Planning must be organized so good organization structure through appropriate grouping of activities and clear delegation of authority establishes an environment for performance. Managers must be held responsible for planning within their area of authority. It is not possible for a manager to make decisions without taking part in planning since decision making is central to the planning process. Planning and doing cannot be separated.
- Planning must be defined so goals must be clearly be defined. Also, the critical premises against which to make planning decisions must be definite. Plans can be made definite by specifying steps of action and by translating them into needs for people, materials, and money.

- Goals, premises, strategies and policies must be communicated ó managers should make sure that clear goals, premises, and policies are communicated to those who must have them.
- Training ó technical barriers to effective planning can disappear with training in planning techniques, particularly in relation to the definition of managerial problems and the analysis of alternative courses of action. A training programme designed to improve a manager's level of numeracy can bring about a more positive approach to the process of planning. Practice in the interpretation of data and in simple forecasting techniques will assist in overcoming some types of difficulty.
- Explaining the objectives of planning ó misunderstanding of the nature of planning may be diminished by an explanation of its objectives. It must be explained to the manager that planning is but one function of management. The manager's superiors should show their own involvement with planning and they should formulate and publicise objective. In this way a planning climate will be created.
- A discussion with the manager, in which the fundamentals of planning are outlined, with emphasis on the solution of day-to-day and long-term problems, may go some way towards the removal of psychological barriers.
- Long-range planning must be integrated with short-range plans ó managers often focus attention on very short-range planning and regard long-range planning as not affecting this area of responsibility. Part of this difficulty stems from lack of knowledge of what long-range decisions should cover. Long-range decisions include new product selection and development; marketing channels and strategies; facilities, manpower etc. Obviously, there are few day-to-day decisions not concerned with at least one of these, and successful planning cannot exist when short-range plans and decisions do not contribute to, or fit in with, longer-range planning.
- Planning must include awareness and acceptance of change ó since people resist change, managers must build in their organizations an awareness of change, an ability

to forecast it, and a welcoming attitude toward it. Change is acceptable when it understood; when those affected have helped create it; when it has been planned and when people have been trained to accept it.

- Planning participation ó participation of subordinates with superiors is a key element in making planning a success. Participation can be increased in many way:-

- Use of planning committee ó their appropriate use at various levels and points of the organization structure can improve communication by transmitting planning information, by obtaining suggestions, and by encouraging participation.
- Grass roots budgeting ó instead of a budget for operations or capital expenditures being prepared at the top or departmental level, the smallest organizational units must be given clear planning premises and they should also be aware of objectives, policies, and programs which affect their operations. The need for managers to develop, defend, and sell a course of action over which they have control and for which the bear responsibility is in itself an incentive to planning.
- Formation of a management club ó an organization of all members of management. During the course of the year, top management team or the company president conducts meeting at which the planning is reported to the club and questions are asked and answered.

UNIT 4 DECICISON MAKING

Def.: Decision making is the selection from among alternatives of a course of action

It is at the core of planning. A plan cannot be said to exist unless a decision ó a commitment of resources, direction, or reputation ó has been made. Decision making is a key step in planning. It involves:-

- Premising
- Identifying alternatives
- The evaluation of alternatives in terms of the goal sought
- The choosing of an alternative, that is making a decision

Classes of Organisational Decisions

There are three major classes of organizational decision: routine, adaptive, or innovative.

Routine Decisions ó are standardized choices made in response to relatively well-defined and known problems and solutions. Employees often find a solution to their problems in established rules or standard operating procedures or in computer software. Processing payroll vouchers, preparing customer's orders and making travel arrangements are a few examples of tasks requiring routine decisions.

Adaptive Decisions ó are choices made in response to a problem that is unusual and partially known. Adaptive decisions often involve gradually modifying past routine decisions and practices. The ability to diagnose a problem and find its solution in moderately or entirely new ways is crucial. Continuous improvement occurs when streams of adaptive decisions are made over time in an organization, resulting in a large number of small, incremental improvements year after year.

Innovative Decisions ó are those that are based on the discovery, identification, and diagnosis of unusual and ambiguous problems and the development of unique or creative alternative solutions. To be effectively innovative, individuals must be careful in defining the problem and creating solutions.

Conditions Affecting Decision Making

Managers and other employees make decisions based on the amount and accuracy of information available to them. Decisions involved future action and results, which

cannot always be foreseen. Decisions also involve differing levels of risk or uncertainty. Routine decisions are most often made under conditions of near certainty, or low risk. Adaptive decisions are usually accompanied by moderate levels of uncertainty, or risk.

Decision-Making Models

The Rational Model

Effective decision making requires a rational selection of a course of action. A rational decision permits the maximum achievement of an objective within the limitations to which the decision is subject. Rationality implies:

- Attempting to reach some goal that could not be attained without positive action.
- Having a clear understanding of alternative courses by which a goal could be reached under existing circumstances and limitations.
- Having the information and the ability to analyze and evaluate alternatives in the light of the goal sought.
- Having a desire to come to the best solution by selecting the alternative that best satisfies goal achievement.

The rational model consists of the series of steps that individuals or teams should follow to increase the likelihood that their decisions will be logical and well-founded.

The steps are as follows:

Step 1: Define and diagnose the problem.

If managers or teams are unaware of the true problems and their possible causes, no effective decision making can occur. Problem definition and diagnosis involves three conceptual skills:

- Noticing ó means that individuals or teams monitor numerous external and internal environmental forces and decided which ones are contributing to the problem or problems.

- Interpreting ó means that individuals or teams assess the forces they have noticed and determine which are causing the real problem and are not just symptoms of it.
- Incorporating ó means that individuals or teams relate their interpretations to the current or desired objectives.

If noticing, interpreting, and incorporating are done incorrectly when diagnosing a problem, the individual or team is likely to choose a poor solution. For example, an organization experiencing a decrease in sales may assert that the problem is the understaffing in the marketing department. Acting on this definition of the problem, the organization might focus on the obvious objective of obtaining funds for new positions. The more basic problem may relate to selling strategies becoming ineffective as a result of competitor's action.

Fundamental to problem definition and diagnosis is asking lots of probing questions.

- A question is an invitation to creativity
- A question is an unsettled and unsettling issue
- A question is a beginning of adventure
- A question is a disguised answer
- A question pokes and prods that which has not yet been poked and prodded.
- A question is a point of departure
- A question has no end and no beginning.

By asking a variety of who, what, when, where, how, and why questions, individuals and teams will improve the odds of effective problem definition and diagnosis.

Step 2: Set Objectives

Once individuals or teams have defined a problem, they can set specific objectives for eliminating it. Objectives spell out the desired results: what is to be achieved and by what date. Under the condition of uncertainty, setting precise objectives can be very difficult. Individuals or teams may have to identify alternative objectives, compare to evaluate these objectives and choose among them.

Set 3: Search for Alternative Solutions

Individuals or teams must look for alternative ways to achieving an objective. This step might involve seeking additional information, thinking creatively, consulting experts, undertaking research, and similar actions. However, when there seem to be no feasible solutions for reaching an objective, there may be a need to modify it.

Step 4: Compare and Evaluate Alternative Solutions

Once individuals or teams have identified alternative solutions, they must compare and evaluate these alternatives. This step emphasizes expected results, including the relative cost of each alternative.

Step 5: Choose among Alternative Solutions

Decision making is commonly associated with having made a final choice. Choosing among alternative solutions might appear to be straightforward. Unfortunately, this step may prove difficult when the problem is complex and ambiguous and involves high degrees of risk or uncertainty.

Step 6: Implement the Solution Selected

A well-chosen solution isn't always successful. A technically correct decision has to be accepted and supported by those responsible for implementing it if it is to be an effective one.

Step 7: Follow Up and Control

Implementing the preferred solution won't automatically achieve the desired objective. Individuals or teams must control implementation activities and follow up by evaluating results. If implementation isn't producing satisfactory results, there is need to take corrective action. Environmental forces affecting decisions change continually. Thus follow-up and control may indicate a need to redefine the problem or review the original

objectives. Feedback from this step could even suggest the need to start over, and repeat the entire decision-making process.

The Bounded Rationality Model

The bounded rationality model was first introduced by Herbert Simon, a management scholar, in the mid 1950s. The bounded rationality model emphasizes the limitation of the individual's rationality. Complete rationality can seldom be achieved, particularly in the area of managing. This is so because:

1. Since no one can make decisions for the past, decisions must operate for the future, and the future involves uncertainties.
2. All the alternatives that might be analyzed to reach a goal can hardly be recognized because in most cases there are many ways of achieving a goal.
3. In most cases not all alternatives can be analyzed, even with the most advanced techniques and computational facilities, because there are so many.

The model explains why different individuals may make different decisions when they have exactly the same information. The bounded rationality model reflects the individual's tendencies to.

1. Select less than the best objective or alternative solution (that is, to satisfy).
2. Engage in a limited search for alternative solutions
3. Have inadequate information and control over external and internal environmental factors that affect the outcomes of decisions.

Satisfying - the practice of selecting an acceptable (good enough) objective or alternative solution. In this case acceptable might mean easier to identify and achieve, less controversial, or otherwise safer than the best available objective or alternative. But satisficing doesn't necessarily mean that managers have to be satisfied with what alternatives pops up first in their minds or in their computers. The level of satisficing can be raised by personal determination, setting higher individual or organizational standards, and by the use of an increasing range of sophisticated management science and computer-based decision-making and problem-solving techniques. They should always

attempt to make the best decisions then can within the limits of rationality and in the light of the size and nature of risks involved in uncertainty.

Limited search ó individuals usually make a limited search for possible objectives or alternative solutions to a problem, considering the options only until they find one that seems adequate. Identifying and assessing alternative solution costs time, energy, and money and as a result, individuals stop searching for alternatives as soon as they hit on an acceptable one.

Inadequate or Misinterpreted Information ó bounded rationality means that individuals frequently have inadequate information about problems and that the state of nature, which cannot be controlled by individuals, will influence the results of their decisions.

The Political Model

The political model describes the decision-making process in terms of the particular interests and objectives of powerful stakeholders. Power is the ability to influence or control individual, departmental, divisional, or organizational decision and outcomes. To have power is to be able to influence or control.

1. The definition of the problem
2. The choice of the objective
3. The consideration of alternative solutions
4. The selection of the alternative to be implemented
5. The actions and success of the organization

Problem definition ó internal and external stakeholders try to define problems for their own advantage.

Choice of objectives ó the political model recognizes the likelihood of conflicting objectives among stakeholders. The choice of objectives will be strongly influenced by the relative power of stakeholders.

If power is concentrated in one stakeholder, the organisation's major objectives will likely reflect that stakeholder's interests. Stakeholders will therefore often distort and selectively withhold information in order to further their own interests. Such actions can severely limit management's ability to make innovative decisions, which, by definition, require utilizing all relevant information as well as exploring a full range of alternative solutions.

UNIT 5 DECISION MAKING TOOLS

The various mathematical and scientific techniques generally developed generally developed in the study of the physical sciences have had applications to the study of management problems. The following are some of the techniques:

1. Probability Theory

This important statistical device is based upon the inference from experience that certain things are likely to happen in accordance with a predictable pattern. For example, if a coin is tossed a hundred times, it is probable, although by no means certain, that it will fall heads fifty times. However, the deviations from such a probability are within a fairly predictable margin. In an enterprise problem, where probabilities can be substituted for unknowns the margin. In an enterprise problem, where probabilities can be substituted for unknown the margin of error in the solution, although not removed, is limited.

2. Game Theory

Although far too complicated, this tool is based upon the premise that a man or woman seeks to maximize gain and minimize loss, that he or she acts rationally, and that an opponent or competitor will be similarly motivated. Under these circumstances, game theory attempts to work out an optimum solution in which an individual in a certain situation can develop a strategy which, regardless of what an adversary does, will maximize gains or minimize losses.

3. Linear Programming

This is a technique for determining the optimum combination of limited resources to obtain a desired goal. It is based on the assumption that a linear, or straight-line, relationship exists between variables and that the limits of variations can be determined. For example, in a production shop, the variables may be units of output per machine in a given time, direct labour costs or material cost per unit of output, number of operations per unit, and so forth. Most or all of these may have linear relationships, within certain limits, and by solving linear equations, the optimum in terms of cost, time, machine utilization, or other objectives can be established.

4. Risk Analysis

All intelligent decision makers dealing with uncertainty like to know the size and nature of the risk they are taking in choosing a course of action. Virtually every decision is based on the interaction of a number of critical variables, many of which have an element on uncertainty but, a fairly high degree of probability. Thus, the wisdom of undertaking the launch of a new product might depend upon the critical variables of expense of introduction, cost of production, capital investment required, price obtainable, total market for the product, and share of the market obtainable by it. A bet might be made that the new product has a high (say, 80%) chance of yielding a return of 30% on the total investment made in it.

5. Decision Trees

One of the best ways to analyse a decision is to use so-called decision trees, which make it possible to see directions that actions might take from various decision points and the decision points relating to it in the future. The tree depicts future decision points and shows a manager in what direction the events are.

Evaluating the Importance of the Decision

The importance of a decision depends on a number of factors:

- Size or length of commitment ó if a decision commits an organization to heavy expenditure of funds or if the commitment can be fulfilled only over a long period, such as designing and constructing a new chemical plant, it will require thorough analysis.
- Flexibility plans ó some plans can be easily changed and others involve action difficult to change. Clearly, decisions involving inflexible courses of action must carry a priority over those easily changed.
- Certainty of goals and premises ó if goals and premises are fairly certain, a decision resting on them tends to be less difficult than where they are highly uncertain.
- Quantifiability of Variables - where the goals, inputs, parameters, and variables can be accurately quantified, as with definite inputs in a production machine shop, the importance of the decision, other things remaining the

same, tends to be less than were the inputs are difficult to quantify, as in pricing a new consumer product.

- Human impact ó where the human impact of a decision is great, its importance is high. Decision makers should not overlook the acceptance of a decision by the people going to be affected by it.

The Politics of Decision Making

Good managers must be sensitive in their decision making to what they can do. It is not enough that a decision be logical and point to the best way of reaching a goal. The beliefs, attitudes, and prejudices of people must often be taken into account. The political environment of decisions thus rests largely on communicating and is favourable when all those involved are well informed about their particular planning area. Political problems of decision making often disappear with wide-spread participation in planning. Participation goes beyond consulting and advising. It involves sharing of the decision making process.

MODULE 4

POWER AND AUTHORITY

UNIT 1 POWER

Definition: Power is the ability to marshal the human, informational and material resources to get something done.

Power affects organizational members in the following three areas:

1. Decisions. An employee decides to take on a difficult new assignment after hearing her boss's recommendations.
2. Behaviour. An employee achieves a month of perfect attendance after receiving a written warning about absenteeism from his supervisor.
3. Situations. The productivity of a product design group increases dramatically following the purchase of project management software.

We can also distinguish between *power over* (ability to dominate), *power to* (ability to act freely), and *power from* (ability to resist the demands of others).

While authority is the right to direct the activities of others (an officially sanctioned privilege that may or may not get results), power is the demonstrated ability to get results. One may possess authority but have no power, possess no authority yet have power, or possess both authority and power.

Power must be used because managers must influence those they depend on to obtain organizational effectiveness.

The Sources of Power

Power is the basis of influencing.

The total amount of power each individual in an organization possesses will be made up of varying amounts of the 6 power types.

The more power a manager has (type and amount) the greater the number of influencing strategies that he can use, and the greater the success with which they can use them

Also, the amount of power possessed is not fixed.

Organizational members gain and lose power depending on what they do, fail to do and the actions of others around them.

Six power bases have been identified.

Reward Power (R): Rewards to those who comply with a command or request is the key to reward power.

The target of this power must also value these rewards.

Management's reward power can be strengthened by linking pay raises, merit pay and promotions to job performance.

Sought-after expressions of friendship or trust also enhance reward power.

Coercive Power (C): Rooted in fear, coercive power is based on threatened or actual punishment.

The person with coercive power has the ability to inflict punishment or aversive consequences on the other person or, at least, to make threats that the other person believes will result in punishment or undesirable outcomes.

Legitimate Power (L): This power source stems from the internalised values of the other persons that give the legitimate right to the agent to influence them.

This power is achieved when a person's superior position alone prompts another person to act in a desired manner.

This type of power closely parallels formal authority.

The others feel they have the obligation to accept this power.

However, legitimate power is unlike reward and coercive power in that it does not depend on the relationships with others but on the position or role that the person holds.

Referent Power (R): An individual has referent power over those who identify with him if they comply on that basis alone.

This type of power comes from the desire on the part of the other persons to identify with the agent wielding power, regardless of the outcomes.

The others grant the person power because he is attractive and has desirable resources or personal characteristics.

Charisma is a term often used in conjunction with referent power.

Advertisers take advantage of this type of power when they use celebrities to do testimonial advertising.

Expert Power (E): Those who possess and can dispense valued information generally exercise this power over those in need of such information.

This is based on the extent to which others attribute knowledge and expertise on the power seeker.

All the sources of power depend on the target's perceptions but expert power may be even more dependent on this than the other.

In particular, the target must perceive the agent to be credible, trustworthy and relevant before expert power is granted.

Information Power (I): This is based on the power of information technology.

IT experts are in a position today to wield a lot of expert power because knowledge is power.

Thus, total power is the sum of the six types of power and can be expressed as.

$$R + C + R + L + E + I = \text{POWER}_T$$

UNIT 2 INFLUENCING

Definition: Any attempt by a person to change the behaviour of superiors, peers or lower-level employees.

It is the ability to affect another's attitude, beliefs or behaviours, seen only in its effect, without using coercion or formal position, and in a way that influences believe that they are acting in their own best interests.

Influence can be used for purely selfish reasons, to subvert organizational objectives or to enhance organizational effectiveness.

Managerial success is firmly linked to the ability to exercise the right sort of influence at the right time.

Guidelines for Using Power

Influencing strategies:

Seven influencing strategies used by managers to influence their own managers, co-workers and subordinates have been identified.

These are: Reason, Friendliness, coalition, bargaining, Assertiveness, Higher Authority, sanctions.

Reason: A strategy of influencing which relies on the presentation of data and information as the basis for a logical argument that supports a request.

The basis of the influencer's power is their own knowledge and ability to communicate the information.

It is the most widely used strategy in organizations, and is the first choice when influencing bosses and subordinates.

Friendliness: a strategy that depends on the influence thinking well of the influencer.

This can be accomplished by acting friendly, showing sensitivity and understanding, creating goodwill and using flattery.

Its basis is the influencer's personality, interpersonal skills and sensitivity to the feelings and attitudes of others.

It is mostly used with co-workers, subordinates and superiors.

It is used when seeking personal favours, help with work or when the organizational power based is weak.

Coalition: This is mobilizing other people in the organization to support one, thereby strengthening one's request.

It operates on the premises that there is power in numbers.

Power when using this strategy is based on alliances with other organisational members.

Coalition is a complex strategy which requires substantial skill and effort.

It is widely used when influencing co-workers and bosses.

It is used to attain both personal and organizational goals, usually as a back-up strategy.

Bargaining: This is influencing through negotiation and the exchange of benefits based on the social norms of obligation and reciprocity.

Implied in this strategy are the notions of finding common ground, equity and compromise.

The influence relies on a trade that involves making concessions in exchange for getting what they want.

It is used when the influencer seeks personal benefits.

It is commonly used with co-workers, but less with subordinates or bosses.

Assertiveness: is an influencing strategy which involves influencing people through one's insistent, forceful manner.

Assertiveness or insistence indicates that the behavioural style involved in this strategy is closer to the aggressive end of the continuum.

It involves overtly making strident verbal statements (commands) and regularly reminding the influence of the request.

It can involve setting deadlines, deciding who attends certain meetings, which items will be on the agenda, etc.

It is used more with subordinates and less with co-workers and superiors.

Higher Authority: An influencing strategy which uses the chain of command and outside sources of power to influence the target person.

This is where the influencer is appealing for the support of senior people who had power over the influence.

Higher authority can be used when framing requests.

Another application is appealing to a higher order of ethical or moral values.

It is most often used as a backup strategy when the influencer does not expect the influence to agree to her request.

It tends to be used more often on co-workers.

Sanctions: These can be either positive or negative, involving either desirable benefits or undesirable consequences.

Its use depends on the influencer's ability to provide rewards and administer punishments.

This is the least popular of all the influencing strategies.

It is used by managers on subordinates as a last resort.

It can also be used by staff on both their bosses and co-workers.

It has to be used carefully since failure to follow through can lead to a loss of credibility.

Preferred order of use of influencing strategies:

Influencing up [Manager]	Influencing Down [Manager]	Influencing across [Co-worker]
Reason, coalition, Friendliness, Bargaining, Assertiveness, Higher Authority	Reason, Assertiveness, Friendliness, coalition, bargaining, Higher authority, sanctions	Friendliness, Reason, Bargaining, Assertiveness, Higher Authority, Sanctions, coalition

Popularity of the influencing strategies varies depending on the direction of influence: influencing up (upwards towards managers), influencing down (towards subordinates) or influencing across (laterally towards co-workers).

Power Base	Influencing Strategy
Reward	Bargaining
Coercive	Sanctions
Referent	Friendliness
Legitimate	Assertiveness, sanctions
Expert	Reason
Information	Reason

UNIT 3 AUTHORITY

Are Authority and Responsibility the Same Thing?

No. Authority should go hand in hand with responsibility, but the two are not the same thing.

Your responsibilities are those things you are held accountable for ó such as costs, on-time deliveries, and good housekeeping.

Responsibilities are also spoken of as your duties ó such as checking time cards, investigating accidents, scheduling employees, and keeping production records.

Authority is the power you need to carry out your responsibilities.

A manager's authority includes the right to make decisions, to take action to control costs and quality, and to exercise necessary discipline over the employees assigned to help carry out the responsibilities.

One shouldn't be given a responsibility without enough authority to carry it out.

Sources of Organizational Authority

Authority, like responsibility, is usually handed down to managers from their immediate bosses who in turn receive it from their immediate superiors. This process of handing down responsibility and authority is known as delegation.

The biggest amount of authority and responsibility rests with the CEO and the amounts get smaller as it goes down the line of command.

Most companies try to make the responsibilities and authorities at each level of management fairly consistent. For instance, a supervisor in Department A should have the same general responsibilities as a supervisor in Department B. And their authorities would be generally the same even though the specific duties of each might differ widely.

Other Sources of Authority

In addition to a manager's organizational right to get things done, one may often draw on other, more personal sources.

The employer tries to establish an employee's organizational rights by granting him a title or a rank, by depicting his position on an organizational chart, and by providing some visible demonstration of status, such as a desk or an office or some special privilege.

Ordinarily, one must reinforce this personal authority or power with one of the following:

- One's job knowledge or skill
- One's personal influence in the organization (whom you know and whom you can get to help you or your department)
- One's personal charm (if one has it)
- One's ability to see that things get done (performance)
- One's persuasive ability (a communication skill)

All these sources are important because employees tend to restrict their acknowledgement of organizational rights over them.

They expect their managers to show a little more real power than that.

When employees come to accept a manager's authority as deserved or earned (acceptance theory of authority rather than institutional), he will find that his people relationships will improve.

Authority vs Responsibility vs Accountability

A manager might be held accountable to higher management for the way in which operating supplies are conserved in her department.

But the manager has the prerogative to delegate this responsibility to one of his employees or if he also grants the employee the authority to take any steps needed to protect these supplies. If the employee were to misuse these supplies or to lose track of them, the manager might discipline him for failing to discharge his responsibility in this matter.

But the manager might still be held accountable to his boss (and would be subject to discipline) for what happened ó no matter which one of them was at fault.

Thus, you can delegate responsibility but you cannot delegate accountability.

Classification of Authority

There is no hard-and-fast rule as to how much leeway managers have in taking authoritative action.

Generally speaking, a company may establish three rough classifications of authority within which managers can make decisions:

Class 1: Complete authority. Managers can take action without consulting their superiors.

Class 2: Limited authority. Managers can take action they deem fit as long as the superior is told about it afterward.

Class 3: No authority. Managers can take no action until they check with their superiors.

If many decisions fall into class 3, managers will become little more than messengers.

To improve this situation, one must first learn more about one's company's policy and then spend time finding out how one's bosses would act.

If the manager can convince them that he would handle matters as they might, his bosses are more likely to transfer class 3 decisions into class 2 and, as one proves himself, from class 2 to class 1.

But the existing company policy would still prevail.

The big change would be in permitting supervisory discretion.

And this would be because one has demonstrated that he is qualified to translate front-office policy into frontline action.

Exertion of Influence by Staff People

Staff departments' role is to advise or suggest. They may suggest a different, and improved, way of doing something, advise that someone's department is off target (e.g. on quality), or provide information for others' use and guidance.

If managers are smart, they will make every use they can of the staff department's knowledge.

But in many organizations, staff units are granted functional authority.

Functional authority entitles a staff department to specify the policies and procedures to be followed in matters within their specialties.

Additionally, organizational policy may specify that while managers have final authority over a functional matter, they may be required either (1) to consult with the functional specialist before taking action or (2) to reach an agreement beforehand on the intended action.

UNIT 5 EFFECTIVE DELEGATION

Definition: Delegation is the process of assigning various degrees of decision-making authority to lower-level employees.

Delegation is a continuum and there are five different degrees of delegation from high to low as follows: (i) investigate and take action; (ii) investigate and take action; advise on action taken; (iii) Investigate and advice on action planned; (iv) investigate and recommend action; and (v) investigate and report back.

Delegation of selected tasks by managers can greatly add to their personal effectiveness. Any member of management, including the manager, can usually delegate some responsibility ó and authority, since the two must go together.

A manager should delegate when she can't personally keep up with everything she feels she should do.

Giving minor time-consuming tasks to others will save one time for bigger things.

As a manager, arrange to have certain jobs taken over when you are absent from your department in an emergency or during vacation.

Keep it to routine matters, if you will, and to those requiring a minimum of authority.

But do try to get rid of the tasks that are routine and simple.

What Should Be Delegated

Start by thinking of yourself as primarily a manager. No matter how good a person you might be, you will always have more responsibilities than you can carry out yourself.

The trick of delegating is to concentrate on the most important matters yourself.

Trouble begins when one can't distinguish between the big and the little matters.

Be ready, too, to give up certain work that you enjoy.

A manager must learn to let go of those tasks that rightfully belong to a subordinate, otherwise larger and more demanding assignments may not get done.

Also don't worry too much about getting blamed by your boss for delegating to an employee work the boss has given to you.

Generally speaking, managers should be interested only in seeing that the job is done the right way, not in who carries it out.

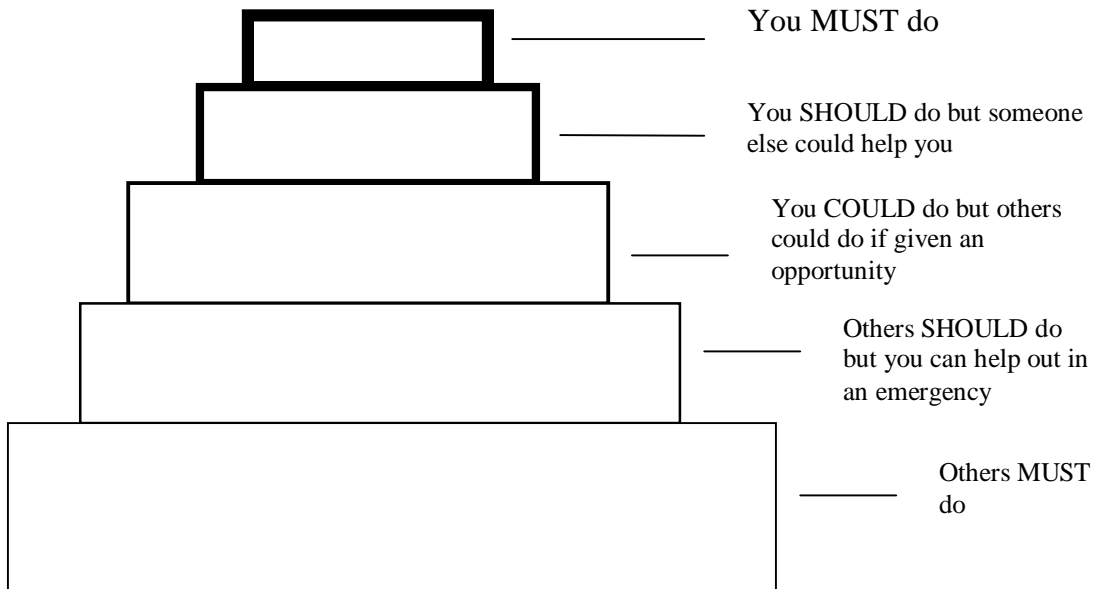


Fig. 4.1: Manager's Task and Delegation Chart

The figure gives an idea of how to decide which jobs should be targeted for delegation. Although authority may be passed along to people at lower levels, ultimate responsibility cannot be passed along.

Thus, delegation is the sharing of authority, not the abdication of responsibility.

By passing along well-defined tasks to lower-level people, managers can free more of their time for important chores like planning and motivating.

It is recommended that managers should delegate those activities they know best since it is easier to monitor something with which one is familiar.

The organizational structure provides the framework for the formal distribution of or delegation of authority and responsibility.

What Not To Delegate

Some things should not be delegated as they are for the manager alone.

When a duty involves technical knowledge which only the manager possesses, it would be wrong to let someone less able take over.

It is also wrong to trust confidential information to others.

What To Tell Employees About Jobs Delegated To Them

- Give employees a clear statement of what they are to do, how far they can go, and how much checking you intend to do.
- Let employees know the relative importance of the job so that they can judge how much attention it should receive.
- Tell employees why you delegated the job.

If it shows you have confidence in them, they will try that much harder. But if they think you are pushing off all the dirty jobs onto them, they may deliberately make mistakes.

- Don't mislead employees about authority.

Do define the scope of the task and see that others in your department know that this new task isn't something an employee assumed without authorization. Let it be known that you gave the assignment and that you will expect cooperation from the other workers.

Why Employees Should Accept A Delegated Job

Employees who accept a delegated job outside their own job responsibilities are really taking the job on speculation.

They have a right to know what's in it for them, as follows:

- Employees who take on an extra duty get a chance to learn.
- Delegated jobs provide more job satisfaction. Employees thrive on varied assignments.
- Delegation is sometimes a reward for other work well done. This will help build employee pride and a feeling of status.

Problems of Delegating

Delegation of personal tasks will invite trouble if you are tempted to engage in any of the following practices:

- Delegating dirty work, trivial work, or boring work that cannot be justified as representing a genuine opportunity for self-development.
- Overloading a subordinate beyond the limits of his time or ability.
- Failing to match responsibility with the appropriate authority to obtain the resources needed to complete the job successfully.
- Under controlling or over controlling the subordinate. You should keep an eye on progress and be ready to help, if requested. Otherwise, try to stand aside and let the subordinate handle the assignment independently.

MODULE 5

NATURE AND PURPOSE OF ORGANISING

UNIT 1 INTRODUCTION

One of the most important resources of an organization is people. How people are organised is crucial to the success/effectiveness of the organization. For an organizational role to exist and to be meaningful to people, it must incorporate:

1. Verifiable objectives
2. A clear concept of the major duties or activities involved.
3. An understood area of discretion, or authority, so that the person filling it knows what he or she can do to accomplish results.
4. Provision of needed information and other tools and resources necessary for performance in a role.

Def.: **Organisation** is the grouping of activities necessary to attain objectives, the assignment of each grouping to a manager with authority necessary to supervise it, and the provision for coordination horizontally and vertically in an organisation's structure.

The organizing process is concerned with the extent to which tasks should be broken in the light of desired results.

THE ORGANIZATION STRUCTURE

Def.: **Organisational Structure** is a system of task, reporting, and authority relationships within which the work of the organization is done.

It is the formal pattern of interactions and coordination designed by management to link the tasks of individuals and groups in achieving organizational goals. Thus, structure defines the form and function of the organization's activities. Structure also defines how the parts of an organization fit together, as an organization chart.

An organization structure should be designed for the purposes of:

- Clarifying the environment so that everyone knows who is do what and who is responsible for what results.
- Removing obstacles to performance caused by confusion and uncertainty of assignment.
- Furnishing a decision-making communications network reflecting and supporting an organization's objectives.

Major Variables in Organisation Structures

In establishing a structure to facilitate their activities, the members of an organization will be confronted by, and seek to resolve the often conflicting demands between a number of important variables which include:

- (i) Purpose/goal ó i.e. the fundamental aims and goals of the group.
- (ii) People ó i.e. those basic activities that are required to achieve organization
- (iii) Tasks ó i.e. those basic activities that are required to achieve organizational aims and goals.
- (iv) Technology ó i.e. the technical aspects of the internal environment.
- (v) External environment ó i.e. the external market, technological and social conditions affecting the organisation's activities.

The designing of a suitable structure for a group must begin with some idea of what the organization is there fore, and where it intends to go ó i.e. the prime purpose. In making this decision the group must usually take account of their external environment i.e. the market or customers, the technological, economic, legal and political background. The next step is identifying the key tasks that must be accomplished if the group is to succeed in its purpose.

This leads on to a consideration of the skills and talents of the existing members and the identification of any gaps in their portfolio of skills and know-how, which may be filled by the employment of newcomers or by training the present group.

Lastly, the question of technology will have to be addressed- what production systems are already in operation, or planned? What equipment will be necessary? Give the dynamic nature of organisations, the structuring and re-structuring is a continual process in their life.

Structural Configuration

The structure of an organization is most often described in terms of its organization chart. A complete organization chart shows all people, positions, reporting relationships and lines of formal communication in the organization.

The organization chart shows the following relationships:

- The division/specialization of labour ó each box on a typical organization chart represents a job position that combines a certain number of tasks. The chart also indicates the type of work that is being performed by individuals in the various positions.
- Relative authority ó normally a position higher up on the chart has more authority than positions below it.
- Departmentation ó organisation charts ó normally depict groups of positions in what are known as departments.
- Span of control ó the chart indicates the number of subordinates a manager has.
- The levels of management ó the number of levels of management in the organization are indicated on the chart.
- Coordination centres ó the organization chart shows how activities of various subunits are coordinated.
- Communication channels ó through which coordination would occur are clearly shown on the chart
- Decision responsibility ó can easily be determined on the chart.

UNIT 2 FORMAL AND INFORMAL COMPONENTS OF AN ORGANISATION

Every organisation has both a formal and an informal component.

The formal Component

The formal component is the total pattern of working relationships among organisation members that is officially specified. It is the organisation reflected on the organisation chart. It is how the organisation is supposed to work. For individual employees, the formal component includes their jobs, their boss, rules and procedures, and so on. Its distinguishing features include:

- (a) Well defined structure
- (b) Regularity of planned activity
- (c) Relative durability
- (d) Patterns of planned relationships among members
- (e) Procedures intended to mobilize and co-ordinate the efforts of sub-units and individuals

Informal components

Informal component of an organisation is the set of relationships that evolves out of the formal component.

Members of an organisation may strike up relationships with other members because they like them, work in the same department with them, have the same seniority, are about the same age etc. Other relationships are job-related and can be a help or a hindrance in making the formal component work better. The informal component of an organisation has neither a constitution nor written rules and procedure. It functions irregularly, being characterized not by any complex patterned structure, but rather by its social relationships.

Organisation Levels and Span of Management

While the reason for organizing is to make human cooperation effective, there is a limit to the number of persons a manager can supervise.

How Wide a Span

In every organization, it must be decided how many subordinates a superior can manage but the exact number will depend upon underlying factors, all of which affect the difficulty and time requirements of managing. If one look at what it is that consumes the time of managers in their handling of their superior subordinate relationships, and also ascertain what devices can be used to reduce these time pressures, the analyst has an approach that will be helpful in determining the optimum span in individual cases and also a powerful tool for finding out what can be done to extend the span without destroying effective supervision. Spans in the middle levels of management are much lower than at the top.

There is no correct number of subordinates that a manager can supervise effectively. There are four key factors which determine the best span of management for a given situation:

1. Qualifications, skills, expertise, experience, motivation and competence of both the manager and the employees ó if employees are new to a task, they obviously take up more of a manager's time than knowledgeable employees do. New employees work best under closer supervision.
2. The similarity or dissimilarity of tasks being supervised ó the more numerous and dissimilar the products, the narrower the span.
3. The incidence of new problems in the manager's department ó the manager must know enough about the operations of his or her department to understand precisely the problems that subordinates are likely to face. If the manager knows these, then a span can increase.
4. The extent of clear operating standards and rules ó where there are extensive rules to govern the behaviour of employees, a manager's span may be wide because rules do a lot of the controlling. Complexity of the work ó the more complex the work, the narrower the span of management.

5. Degree of similarity to other work ó the span can be wider if a manager is supervising employees performing similar jobs.
6. Degree of interdependence with other work ó if jobs are closely interlocked and interdependent, coordination becomes difficult. A limited span of management would facilitate coordination.
7. Stability of the organization and the situation ó if the organization is operating in a rapidly changing environment, a narrow span may prove to be more effective.
8. Degree of standardization of the work ó the establishment of numerous standards increases predictability and provides the basis for effective control, thereby resulting in a wider effective span.
9. Type of Technology ó production technology is classified into unit or small batch processing, mass production and process production with continuous long runs of a standardized product. Spans of management are widest in those firms using mass production technology. The jobs in mass production tend to be more routine and similar to one another, thereby leading to wider effective spans of management. Unit and process production have narrow spans.

UNIT 3 PROBLEMS WITH LEVELS

Division of activities into departments and hierarchical organization and the creation of multiple levels are not completely desirable in themselves.

It is important to note that:

1. Levels are expensive ó as they increase, more and more effort and money are devoted to managing because of the additional managers, staffs to assist them, and the necessity of coordinating departmental activities, plus the costs of facilities for such personnel.
2. Departmental levels complicate communication ó an organization with so many levels experience more difficulties in communicating objectives, spans, and policies through the organizational structure than the firm in which top manager communicates directly with lowest-level employees. Omissions and misinterpretations occur as information passes down the scalar chain. It has been said that levels are òfiltersö of information.
3. Departments and numerous levels complicate planning and control. The plan that may be definite and complete at the top level loses coordination and clarity as it is subdivided and elaborated at lower levels. Control becomes more difficult as levels and managers are added.

Tall Versus Flat Structure

Span of management (the number of subordinates that report directly to a manager) and the number of organizational levels (the number of different ranking in the organization beginning with top management and going down to the operative worker level) are related. As the total number of employees in an organization increases, there is a choice between increasing the number of organisational levels and increasing the span of management. A tall structure is one that has many levels relative to the organisation's size. A flat structure has few levels relative to size. The advantage of a tall structure is

that the small span of management at each level allows the managers to exercise greater direct control.

However, there are major disadvantages of the tall structure:

- It increases administrative costs by requiring more managers.
- It complicates communication by requiring information to be filtered through so many levels.
- The smaller span associated with a tall structure can prevent subordinates from exercising self-direction and control. This in turn, can decrease their motivation and their opportunities for developing new job skills.

ORGANISATION DESIGN

Organization design is the process of determining the structure and authority relationships for an entire organization. Organization design is a means of implementing the strategies and plans that embody the organization's goals. Organization design is no more than the sum of managerial decisions for implementing a strategy, and ultimately, achieving organization's objectives. Thus the design of the organization acts as a means of coordinating the various tasks in ways that promote the attainment of the firm's goals.

Strategy, the Environments, and Organizational Design

The purpose of organizing is to prepare resources to carry out plans. It follows that the purpose of structure is to carry out strategy. For example, an organization that focuses on innovation as a way of differentiating itself from its competitors would normally choose a structure that is highly decentralized and encourages innovation. Similarly, a diversified organization would be highly decentralized, allowing each SBU to manage in its own right. Organizations that focus on cost leadership strategy are extremely centralized in order to retain tight control over all organization's functions. Strategy leads to structure.

Factors Affecting an Organization's Design and Structure

There are a number of factors, which determine how the organization must be designed and structured in order to be effective. These factors include size, technology, information processing strategies, environment and organization's stage in its life cycle.

1. Size

The size of an organization is measured in terms of total number of employees, value of the organisation's assets, total sales in the previous year or physical capacity. Large organisations have a more complex structure than smaller ones. Large size is associated with greater specialization of labour, a large span of control, more hierarchical levels and greater formalization. Increasing size leads to more specialization of labour within a work unit, which increases the amount of differentiation among work units and the number of levels in the hierarchy and consequently the need for more intergroup formalization. With greater specialization within the units, there is less need for coordination among groups thus the span of control can be large. Large organisations therefore may be more efficient because of their large spans of control and reduced administrative overhead since fewer first-line managers are required.

Economies of scale are another advantage of large organisations. In a large operation, fixed costs for example plant and equipment can be spread more over units of output, thereby reducing the cost per unit. In addition, some administrative activities, such as purchasing, clerical work and marketing, can be accomplished for a large number of units at the same cost as for a small number. Some theorists have gone against the conventional wisdom that large is always better in manufacturing plants. They argue that smaller firms have the following advantages:

- (i) Smaller Investment required for smaller plants. The need to produce a variety of products is reduced.

- (ii) Organisational complexity which results from large size are decreased i.e. the number of hierarchical levels is reduced and lines of communication are shortened.
- (iii) The smaller-size plant has resulted in increased team spirit, improved productivity and higher profits.

To deal with the problem of organisational complexity, large organisation is cutting staff throughout the organisation. This is done through organisational down sizing-a popular trend aimed primarily at reducing the size of corporate staff and middle management to reduce costs. Positive results of organisational down sizing include quicker decision making because fewer layers of management must approve every decision.

2. Technology

Organisational technology refers to the mechanical and intellectual process that transforms inputs into outputs. A firm's technology has a significant impact on its organizational structure and design. Different technologies impose different kinds of demands on an individual organisation, and these demands must be met through an appropriate form of organisation. Large-batch or mass production, routine, and long-linked technologies are not very adaptable to change. Continuous process, non-routine, and intensive technologies are readily adaptable to change. If the rate of change in technology is slow, the most effective design is bureaucratic or mechanistic, the term used by Burns and Stalkers. If the technology is changing rapidly, the organisation needs a structure that allows more flexibility and quicker decision making so that it can react quickly to change. This design is called organic.

3. Information – Processing Strategies

Part of technology's impact is that it determines the pattern of problems and information needs within an organization. The design of an organization's information processing system is contingent on the stability of its environment and its technology. Changes in an organization's environment create uncertainty. With respect to organization design,

uncertainty refers to the gap between the amount of information required to perform a task and the amount of information that the organization already possess. Managers can increase their organization's ability to process information by creating vertical information systems or lateral relations.

Vertical information system is an information-processing strategy managers can use to send information efficiently up and down the levels of the organization. By bringing information up to top management, vertical information systems tend to support centralized decision making.

Lateral relation is an information-processing strategy that cuts through the chain of command and increases coordination among functional departments by pushing decision making down to where the relevant information exists. Lateral relations tend to decentralize decisions. There are two methods of implementing this strategy.

1. Establish direct contact between employees or departments
2. Creating a new position to integrate information

An integrator facilitates communication between departments, bypassing formal lines of communication within the hierarchy. The simplest form of lateral relations is to allow direct contact between two employees or departments that share a common problem, in order to facilitate joint decision making.

UNIT 4 THE ENVIRONMENT

The organisational environment includes all elements of people, other organisations, economic factors, objects and events that lie outside the boundaries of the organisation. People in the organisational environment include customers, donors, regulators, inspectors, and shareholders. Among the other organisations are competitors, legislatures and regulatory agencies. Economic factors include interest rates, the trade deficit, and the growth rate of the gross national product.

An organization that provides goods or services in an environment with slow technological innovation and relatively few competitors has problems that are different from those of an organization in a growing, competitive market. The first environment is stable; the second is changing and uncertain. A stable environment is characterized by little change, and any change that occurs has minimal impact on the organization's internal operation. A stable environment has several features:

- Products that haven't changed much in recent years
- Little technological innovation
- A fixed set of competitors, customers, and other stakeholders
- Consistent government policies

Firms operating in this type of environment can base planning and sales efforts in the information provided by common business indicators

A changing environment is unpredictable because of frequent shifts in products, technology, competitors, markets or political forces. This type of environment has certain characteristics:

- Products and services that are continuously changing or evolving.
- Major technological innovations that make production processes or equipment obsolete.
- Ever-changing sets and/or actions of competitors, customers or other stakeholders.

- Unpredictable government actions that reflect the current level of political clout wielded by various interest groups for consumer protection, product safety, pollution control, and civil rights.

Firms operating effectively in stable environments tend to choose organizational structures that differ from those chosen by firms operating in changing environments. Researchers Tom Burns and Gene Stalker labelled these contrasting structures mechanistic and organic, respectively.

Mechanistic Structure

A mechanistic structure is an organizational structure in which activities are broken down into specialized tasks and decision making is centralized at the top. Firms using this structure resemble bureaucratic organization. Decision making is centralized at the top. Tasks, authority, responsibility and accountability for both managers and subordinates are defined by levels in the organization. Employees perform the same tasks over and over, and there is job specialization and standardization. Jobs tend to narrow in scope, routinized and highly programmed. Little individual initiative and innovation are encouraged. Employees are trained to work efficiently. Thus the operation of the organization is seen as a machine process, which sustains the balance between different parts. When one employee leaves, another can slip into the empty spot like interchangeable machine parts. Operating in an environment characterized by low rates of change, the machine organization has a tall structure, and each of its many management levels has a narrow span of management and few subordinates.

The following are the characteristics of mechanistic structures.

- Tasks are highly specialized
- Tasks tend to remain rigidly defined unless changed by top management.
- Specific roles (rights, obligations, and technical methods) are prescribed for each employee.
- Structure of control, authority, and communication is hierarchical.
- Communication is primarily vertical, between superior and subordinate.

- Communication primarily takes the form of instructions and decisions issued by superiors and of information and requests or decisions supplied by superiors and of information and requests or decisions supplied by subordinates.
- Insistence on loyalty to the organization and obedience to superiors.

Contribution of Mechanistic System

Much of the views of the advocates of this system have endured and the concepts that management skills apply to all types of group activity have, if anything increased in importance today. The concept that certain identifiable principles underlie effective managerial behaviour and that these principles can be taught also continues to be valid. These theories raise issues that remain important to managers. Managers have been made aware of basic kinds of problems that they would face in any organization.

Shortcomings of the Machine Organisation

It was more appropriate for the past than for the present. When organizations were in a stable and predictable environment these principles seemed valid. Today with organizational environments becoming more turbulent, these guidelines seem less appropriate. In this machine organization, the normal procedure for dealing with any matter lying outside the boundaries of one's individual functional responsibility is to refer it to the point in the system where such responsibility is known to reside, or failing that to lay it before one's superior. If conditions are changing rapidly such episodes occur frequently; in many instances the immediate superior has to put such matters higher up still. Top management become overloaded with work.

An Organic Structure

An organic form of organisation is much more flexible and it is appropriate to changing conditions. Flexibility of structure and the ability to respond to new problems are hallmark characteristics of the organic system. It stresses teamwork, open communications, and decentralized decision making. There is less emphasis on giving and taking orders and more on encouraging managers and subordinates to

work together in teams and to communicate openly with each other. In fact, employees are encouraged to communicate with anyone who might help them solve a problem. Decision making is decentralized. Authority, responsibility and accountability flow to employees with the expertise required to solve problems. Jobs tend to be broad in scope. An organic organizational structure is well suited to a changing environment.

The following are the characteristics of Organic Structure

- Tasks tend to be interdependent
- Tasks are continually adjusted and redefined through interaction
- Generalized roles (responsibility for task accomplishment beyond specific role definition) are accepted.
- Structure of control, authority and communication is a network.
- Communication is both vertical and horizontal, depending on where needed information resides.
- Communications primarily take the form of information and advice among all levels.

The key to organizational design is to structure the department to match the challenges posed by its external environment. Most firms, however, operate in both stable and changing environments. As a result, some departments may undergo little structural change, while other may change considerably.

ORGANIZATIONAL LIFE CYCLE

An organizational life cycle is a sequence of major stages of development through which any organization evolves. Although every organization passes through the life cycle at its own pace, there are usually four stages: birth, youth, midlife and maturity. Each stage presents managers with unique opportunities and organization design problems.

Organization Design Features at Various Life Cycle Stages

Design Feature	Life Cycle Stage			
	Birth	Youth	Midlife	Maturity
Size	Small	Medium	Large	Very large
Environment	Changing	Less changing	Somewhat stable	Stable
Structure	Organic	Less organic	Somewhat mechanistic	Mechanistic
Differentiation	Low	Moderate	High	Very high
Integration	High	Moderate	Some use of Integrator	Very high
Technological	Reciprocal	Pooled and	Sequential	Sequential an
Interdependence		Sequential		Pooled
Information	Lateral	Lateral relations	Vertical	Self-contained
Processing	Relations	And stack resources	Information system	Departments
Strategies				

Birth Stage

In this stage the organization is created. The focus is on providing the product r service and surviving marketplace. The organization's size, typically measured by the number of employees, is small, and its operations are informal and non-bureaucratic. The founders are engaged in all of the firm's activities, from production to marketing. Employees work long hours to help the organization survive. There are few rules and procedures to coordinate people. Employees form informal task forces and simply do whatever is necessary to get the work done.

Youth Stage

The organization is a successful competitor in the market place, and because the organization has survived and knows how to compete in its industry, its environment is less uncertain. It has more employees, and a division of labour is emerging. Functional departments are formed, and their managers are given the authority and responsibility to make decisions in their fields of expertise.

Midlife Stage

By the midlife stage the organization has succeeded and grown quite large. It looks more like a bureaucracy, with rules, procedures, and job descriptions for employees. Top Managers delegate decision making to subordinates and invest money in vertical information systems to keep them abreast of what's going on.

Maturity Stage

In the maturity stage the organization is large and mechanistic and operates in a stable environment, where competitors are well known. It has numerous functional departments, each with its own area of expertise, to handle the problems of running the business. Rules, procedures, and budgets are used by top managers as a means to integrate and coordinate employees activities across multiple products and different geographical locations.

At this point in the life cycle some organizations begin to decline. To offset this tendency and regain some innovation and flexibility, the organization may be broken down into smaller units. Another option to get out of unprofitable businesses: Organizations that fail to revitalize themselves may level off as mature organizations or even go into a steady decline.

Fitting and organization with a design

An organization's design should reflect its environment, technology, information needs and life cycle stage. Managers should choose a design that fits the organization's needs at any given time and as these needs change, so must the design.

UNIT 5 DEPARTMENTATION

The limitations on the number of subordinate that can be directly managed would restrict the size of an organization if there was no departmentation. Grouping activities and employees into departments makes it possible to expand organizations to an indefinite degree.

Jobs must first be appropriately specialized. Then they must be grouped into logical units. Job grouping occurs at several levels. First, individual jobs must be grouped to make sections, teams or work groups. These, in turn, must be grouped to make organizational subunits such as departments. A department designates a distinct area, division or branch of an organization over which a manager has authority for the performance of specified activities. A department, as the term is generally used, may be the production division, the sales department, the market research section or the account receivable unit. The process of combining jobs into groups is termed **Departmentation**.

Approaches to Grouping Jobs.

The major approaches an organization can use to grouping jobs are by:

1. Function
2. Product
3. Process or equipment
4. Geographical location
5. Customer

FUNCTIONAL DEPARTMENTATION

Functional departmentation is a type of department in which positions are grouped according to their main functional (or specialized) area. In other words, positions are combined into units on the basis of similarity of expertise, skills and work activities. For example, the production, or operations function combines activities directly related to manufacturing a product or delivering a service. Marketing focuses on the promotion and

sale of products and services. Human resources is responsible for attracting and retaining, and enhancing the effectiveness of organization members. Research and development is responsible for producing unique ideas and methods that will lead to new and improved product and services. Accounting deals with financial reporting to meet the needs of both internal and external sources. Legal functions handle legal matters affecting the organization. The term "function" in this context refers to specialized area of expertise.

Advantages of Functional Structure

1. It encourages the development of expertise because employees can concentrate on fostering specialties within a single function. For example, as vice president for Human Resources, you might be able to develop specialists in such areas as recruiting, compensation and training.
2. Employees have clear career paths within their particular function, giving them further encouragement to develop their expertise.
3. A functional structure usually facilitates more efficient use of resources because it is fairly easy to shift individuals from one project to another as needed when they work in the same department.
4. Economies of scale also may be possible, either because large amounts of work often can be handled efficiently when individuals specialize or because expensive equipment can be concentrated in one functional area to avoid duplicating the equipment elsewhere.
5. A functional structure may facilitate ease of coordination within departments, since the activities are all related in one way or another to the same specialized area.
6. Grouping by functions increases the potential for developing specialized technical competencies that can constitute an advantage over competitor.

Disadvantages of Functional Structure

1. The coordination across function that is necessary in handling complex problems may seriously delay responses, because major issues and conflicts must be passed up the chain for resolution.
2. Specialists sometimes become so narrow in orientation that they cannot relate to the needs of the other function or to the overall goals of the organization. They become ignorant of related tasks.
3. It makes exchange of information difficult due to large volume of information that must be communicated.
4. At the same time, performance of the unit may be difficult to measure, because the various functions all have a hand in the organizational results.
5. A functional structure provides fairly narrow training grouped for managers, because they tend to move up within one function and hence, have only limited knowledge of the other functions.
6. Specialists develop attitudes and other behavioural pattern involving loyalty to a function and not to the organization as a whole. Such walls between functional departments are common and require considerable efforts towards integration.

Use of Functional Department

The functional form of departmentation is most often used in small and medium size organizations that are too large to coordinate their activities without some type of formal structure but are not so large as to make coordination across functions difficult. Such organizations frequently have a limited number of related products or services or deal with a relatively homogeneous set of customers or clients. A functional design also may be useful in large or more diverse organizations, such as insurance companies, that operate in relatively stable environments in which change occurs at a slow enough rate for the various function to coordinate the efforts.

DEPARTMENT BY PRODUCT OR PRODUCT DEPARTMENTATION

Product structure is a type of departmentation in which positions are grouped according to the similarity of products, or services provided by an organization. Product grouping is appropriate for organizations that produce multiple products and services. Product groupings are created to concentrate on a single product or service or at least a relatively homogeneous set of products or services. Each product department has its own functional specialists, in areas such as marketing, manufacturing and personnel, who perform work associated with the product of their specific division only.

Advantages

1. It frees headquarters staff from being concerned with day to day operational details that may now pay more attention to long-term strategic planning.
2. It promotes the development of top level management by providing a training group.
3. It facilitates coordination by making a single manager accountable for all the activities and results associated with a particular product or service.
4. It makes it easier to pinpoint responsibility for decisions affecting particular products.
5. Product grouping makes it easier to assess the contribution of each product.

Disadvantages

1. It can be expensive, as costs increase through duplication of staff activities in engineering, production and marketing.
2. Product grouping makes it more difficult to develop functional expertise and specialized skills
3. It can lead to narrow perspective when employees become too involved with and loyal to their own product.

Uses of Product Departments

A product structure is likely to be used in fairly large organizations in which there are substantial differences among products or services provided.

GEOGRAPHICAL/TERRITORIAL DEPARTMENTATION

An organization may divide all or part of its activities on the basis of geography or territory. Geographic structures are designed to serve different geographic areas. The factors that necessitate this structure include:

1. The need to cut down on transport costs.
2. When an organization/s customers are scattered over a large geographic area.
3. Territorial departmentation is also proper when its purpose is to encourage local participation in decision making and to take advantage of certain economies of localized operations.

Disadvantages

1. Costs are incurred through duplication of personnel positions and additional building.
2. Since geographic departmentation requires more persons with general managerial abilities, it increases the problem of headquarters control.

Uses of Geographic Structure

It is used in large organizations in which there are differences in geographic areas.

CUSTOMER DEPARTMENTATION

The grouping of activities to reflect a paramount interest in customers is commonly found in a variety of organizations. Customer structures are divisions set up to service particular types of clients or customers. Customers are the key to the way activities are grouped when the things an organization does for them are managed by one department. The assumption made is that customers in each department have a common set of wants and needs that can best be satisfied by having specialists for each customer segment. For example, children's clothing, men clothing, appliances etc.

Customer departmentation is utilized in many types of organizations. Business owners and managers frequently arrange activities on this basis to cater to the requirements of clearly defined customer group, and educational institutions offer regular and extension courses to serve different groups of students.

Advantages

1. The customer structure tends to encourage a strong orientation toward serving the customer type of customer.
2. It facilitates the grouping of activities of those firms which cater to different classes of customers.

Disadvantages

1. Coordination problems arise between this type of department and those organized on other bases, with constant pressure from the managers of customer partments for special treatment.
2. There is a possibility of underemployment of facilities and employees specialized in terms of customer groups. In periods of recession some customer groups may all but disappear.

UNIT 6 PROCESS OR EQUIPMENT DEPARTMENTATION

The involves dividing the company according to the production process used. In many manufacturing plants, the required sequence of the production process determines the layout of facilities, the workflow and the grouping of jobs. Each of the process requires different equipment and skills on the part of the workers. People and material are rough together in such a department in order to carry out a particular operation. For example, for painting operations, all the material and people will be assembled to form a painting department.

MATRIX ORGANISATION

Many of the difficulties with grouping jobs around products are that it can require duplication of personnel and facilities in functional areas. One of the difficulties with grouping jobs around functions is that it is difficult to coordinate all the work required for products. There is a way around these difficulties. Matrix grouping is a hybrid approach to grouping jobs that attempts to combine the advantages of both functional and product grouping. Matrix departmentalization is based on multiple authority and support systems through creation of the position of project manager. The project manager coordinates activities across departments and shares authority with both functional and product managers. There are two lines of authority in a matrix ó one (by functional department) runs vertically and the other (by product or project) runs horizontally. The every matrix contains three unique sets of relationships:

1. Those between the project manager, who heads up and balances dual line of authority, and the functional and product managers.
2. Those between the functional managers and product managers, who share subordinates.
3. Those between subordinates and their dual managers.

Matrix departmentalization helps break down barriers by allowing employees from different functional departments to pool their skills involving a common problem, and it increases the organization's abilities to use human and financial resources wisely and to

adapt to changing business conditions. Matrix departmentalization requires flexibility and cooperation at all levels of the organization. Furthermore, both managers and subordinates may need to learn new skills, such as how to resolve interdepartmental conflicts and how to run meetings effectively. Because the matrix form of organization is so complicated, organizations should use it only under the following conditions

- Strong competition requires the organization to provide multiple, innovative, state-of-art products ó under such pressure, manager must give equal consideration to coordinating the production of various goods or services and the technical expertise needed to develop them.
- Managers must process large amounts of information because of rapid market and technological changes ó combining product or service coordination with technical expertise can ease companywide communication of important information.
- The organization needs to use its resources efficiently but is unable to assign separate facilities for each product or service ó in this case it must have the ability to shift personnel from one area to another, according to the needs of various product or service lines.

Advantages

- Gives flexibility to managers in assigning people to projects.
- Encourages interdepartmental cooperation ó all key personnel associated with a project work together as a team under one project manager. This arrangement lessens coordination problems associated with departmentalization by function or product.
- The project manager gains valuable experience in three managerial roles, interpersonal, information and decision roles.
- Involves and challenges employees.
- Makes specialized knowledge available to all projects ó Team members are exposed to and can draw on the diverse background of other members, which encourages innovation, improves the quality of solutions, and eases their implementation.

Disadvantages

- It is costly to implement
- A member of a project team need finely tuned interpersonal skills to communicate effectively with specialists from other departments.
- Team morale can be adversely affected by personnel shifts, when one project ends and a new one begin. Some team members no longer have jobs in the new project and must return to their functional areas to await new assignments. Fear of not having meaningful work or being laid off at the end of a project may lead to job dissatisfaction.
- Conflict sometimes arises between employeesø loyal to their department to their project team.
- Increases frustration level for employees who receive orders from two bosses.
- May lead to more discussion than action.

SERVICE DEPARTMENT

Although often thought of as -staff departments rather than a kind of departmentation, service departments are essentially a grouping of activities which might be carried on in other departments but are brought together in a specialized department for purposes of efficiency or control or both. Thus, service departments should accurately be regarded as a form of departmentation. Typical of service departments found in both business and non-business organizations are personnel, accounting, purchasing, plant maintenance and typing pools. As can be seen, in each case the activities ó which could be done in the various departments using these services ó are gathered together for efficiency or control or both.

The nature and desirability of service departments can be illustrated by several examples. It would be possible to have every division, department or section of an organization do its own accounting but it has been found that accounting can be done more efficiently and with a higher degree of accuracy and control if put in a specialized department. Likewise, supervisions and their employees in a factory could do their own maintenance of machines and electrical appliances, but it has

proved to be more efficient to have a group of specialists do these things. It can be seen that on the accounting personnel, and purchasing departments, specialized groupings of activities has advantages for both efficiency and control.

Some Major Problems In Service Departments

Three major problems have been encountered in service department organization and operations.

1. Efficient inefficiency ó service departments are formed for cost serving purposes. By having a single department in a company or other organization do all the statistical reports, it can be readily shown that the reports will be done at the lowest cost. However, low-cost reports may not really meet the information needs of managers who are to use them. Money is saved by having all training handled by a personnel department. But often managers may not get people trained in what they think is necessary. Pooling of secretaries in one place and letting all managers take their work to the pool is regarded as a cost saving. But what is overlooked is the time lost and the cost incurred by managers taking secretarial work to a pool and waiting hours or days to get it back. Therefore, with a service department sometimes a high degree of efficiency is obtained in that department, but at a greater cost to the people the department is designed to serve.
2. The desire to exercise control ó service department people sometimes forget that their task is to serve others and with to take control over an activity. In one company, the purchasing people refused to order the exact equipment and parts that engineers wanted, feeling that they knew the best what the engineers needed, the result was not only friction but, in too many cases, the ordering of items that did not fit an engineer's needs for specific use or quality.
3. The problem of adequate service ó service department managers often have a difficult time. Sometimes the pressure is too much that they fail to quickly meet all requests for service.

How to Utilize Service Departmentation Wisely

The use of specialized departments to service other parts of an organization is important. Some guideline to help using service departments wisely are the following:

1. Never overlook that their task is service ó people in service departments must be continually taught that their task is service. It is also important for service managers to ensure that services are provided effectively and efficiently.
2. Place department and close to point of service as possible ó one of the tendencies in large organizations is to centralize service activities so much that a service department is too far away from the people being served. The problem with centralization is that there are many occasions where special reports and information, not having been planned for, cannot be easily made available to individual managers who need them. The result is that many companies and government agencies have chosen to decentralize operations closer to the point where they are used.
3. Change service cost to users ó one way of making sure that people will be reasonable in their requests for service from a specialized department is to charge users with the costs of their service requirements. When costs, even of a central service, are charged to users, it is interesting to note how the number of needless requests for service decline.
4. Never overlook the possibilities of using outside services ó often organizations can save money by hiring outside specialist to handle their service needs. Many companies have found it cheaper and more satisfactory to contract their cleaning work to independent firms. Also executive and personnel recruiting firms are used to handle many of an organization's job openings.

MARKET-ORIENTED DEPARTMENTATION

Newer forms of basic departmentation involve organizing an organization around markets served or around marketing channels used. Organizing around marketing channels involves making an organization structure reflect the ways a company reaches an ultimate customer, whether that is through wholesale channels direct to grocery stores or direct to supermarkets. Market-cantering organization, on the other hand, groups activities to support marketing efforts in such key market.

Advantages.

In trying to reach customer through effective selling, good marketing is vital if organizations are to survive.

Disadvantages

Market-oriented organization needs a manager with strong entrepreneurial skills to run a division or department. Another problem associated with market-oriented departmentation is that there may be duplication of many top organization services, such as sales, advertising, accounting, purchasing and personnel. In addition, the demands for market and other information are likely to be greater and more costly.

UNIT 7 WHAT IS THE BEST PATTERN OF DEPARTMENTATION?

No particular type of departmentalization ó functional, place, product or service, or matrix is best. Managers must choose a structure that matches the firm's specific conditions. The following characteristics could help a manager decide which structure is best for a given situation.

Organisation characteristics	Type of Departmentalisation favoured
Small	Functional
Global or national scope	Place
Depends highly on competitive state-of-the	
Art-technology	Matrix
Critical to use scarce resources appropriately	Matrix
Customers' base is:-	
Changing	Matrix
Diverse	Product or service
Stable	Functional
Makes use of specialized equipment	Product or service
Requires skill specialization	Functional
High transportation costs for raw materials	Place

COORDINATION

Departmentalization divides the organisation's work and allows for specialization and standardization of activities. However, in order to achieve organizational objectives, managers also need to coordinate people, projects and tasks. Coordination is the process of integrating the efforts of individuals and departments to achieve the organisation's purpose. Without coordination, people's efforts are likely to end in delay, frustration, and waste.

Coordination involves several structural issues: formalization, complexity, integration, differentiation and the linking-pin concept.

Formalisation is the extent to which written documentation occurs within an organization. It focuses on objectives and related job descriptions but may also include policies, strategies, procedures, and systems manuals. A highly formalized organizational structure would have policies and strategies; detailed job descriptions, objectives, and procedures; and detailed sets of rules ó all in writing. Family-type organizations are not very formalized. However, as an organization grows, it eventually becomes necessary to formalize its structure in order to avoid confusion, clarify roles, and eliminate ambiguity. It is also important to ensure that not only is the structure formalized as the organization grows, but also to make certain that the resultant written statements are accepted as valid and necessary by employees.

Complexity of an organization ó refers to the number of different jobs and departments it encompasses and their interrelationships. An organization's structure is said to be complex if it includes a large number of different jobs and departments and/or if there are a number of loosely structured arrangements among them ó for example, autonomous teams in a horizontal arrangements or internal or external networks. Normally, the more complex an organisation's structure, the more numerous and difficult the problems encountered in managing it. Complex organizations tend to have slower communications and to make decisions more slowly (unless they are highly decentralized) than less complex organizations. One of the reasons why complex organisations are slow in making decisions is that so many of their internal units must have a role in the decision process. Complex organizations also often tend to be too tightly controlled. Members of such organizations frequently feel that they are tied up with ðred tapeö. Overcoming the negative consequences of complexity may require changes in certain organizational behaviours. It may be necessary, for example, to increase the level of participation by subordinates in decision making. Computerized information systems offer a means of dealing with complexity. Organisations that become mired in bureaucracy may also require major restructuring.

Integration is the measure of the similarity among various departments with respect to their goals and structure. If departments have similar goals, are organized in a similar way, and work together as a team to accomplish organizational objectives, an organization is highly integrated.

Differentiation is the measure of the difference among various departments with respect to their structure, tasks, and managerial orientation. If departmental managers have different goals and structure their department differently, an organization can be classified as highly differentiated.

Linking pin rests on the idea that the manager of each work unit serves as a linking pin among at least three groups: the group the he or she leads and manages, the group of managers at the same level (peer managers) of which he or she is a member, and the group of managers higher in the organizational hierarchy, of which the manager's boss is a member. In addition to linking basic work groups, a manager may also serve as a link between autonomous, or self-managed, work teams and units outside the organization. The manager thus is the vital connecting point for many of the elements in the organization structure, i.e. span of control, departmentation, delegation, decentralization, formalization, acceptance of authority, and parity. As a linking pin, the manager is primarily responsible for implementation. This requires coordination of the organizational objectives that come from higher levels. Influencing motivation is also an essential task. Coordination with peer managers also facilitates these processes. Because of the increasing emphasis on team approaches and the increased use of networks, managers need to develop the skills that will enable them to perform the linking function more effectively.

Principles of Coordination

There are three basic principles of coordination: the unity of command principle, the scalar principle, and the span or management principle.

1. **Unity of command principle** states that an employee should have only one boss. Every employee needs to know who is giving the orders and to whom he or

- she reports. Managers must minimize any confusion over who makes decisions and who implements them, because uncertainty in this area can lead to serious productivity and moral problems.
2. **Scalar principle** ó states that a clear and unbroken chain of command should link every person in the organization with someone a level higher, all the way to the top of the organization chart. Tasks should be delegated clearly, with no overlapping or splitting of assignments.
 3. **Span of management principle** ó states that the number of people reporting directly to any one manager must be limited because one manager cannot effectively supervise a large number of subordinates.

Problems of Coordination

Problems of coordination are caused by a number of factors:

1. In large organizations, problems of coordination may arise from the very nature of the productive process. A capital-intensive process, for example, may require less continuous coordination than a labour intensive operation.
2. Another cause of coordination problems arises from the division of labour, departmentalization and specialization of large-scale organization. Where people perform a variety of differing tasks within the organization, perception of goals, roles and relationships will vary, so that there will always exist the possibility of individuals, groups and departments forgetting their wider roles and pursuing self-interest at the expense of the overall objectives of the organization. As a result, deviation from plans may become widespread, making coordination more difficult. In short, the employment of specialists within large organizations is essential, but it does present added problems of coordination.
3. The greater number of persons involved in large organizations presents, in itself, added problems of coordination, for to control and coordinate the activities and efforts of thousands of people is a difficult task.

Methods of Improving Coordination

Coordination can be improved in a number of ways:

1. Careful and detailed plans which are understood and accepted by those involved make coordination easy. This implies that an efficiently coordinated organization in which each sub-unit works in harmony with the others, individuals and units have received precise instructions as to their specific roles and the tasks of combining with others, and work programmes have been kept up-to-date facilitates coordination.
2. A managerial hierarchy with a clear structure of authority, able to produce and utilize policies, rules and procedures is the basis of coordination.
3. There should be mechanisms of interdepartmental communication, so that horizontal communication between managers on the same organizational level be intensified to the point where misunderstanding and conflict are reduced, making coordination more effective.

Additional Coordination Devices

Richard L. Draft has identified several devices in addition to objectives and planning that organizations can use to improve coordination. These include the following:

1. Add levels of positions to the hierarchy ó if the manager is overworked, adding positions may improve coordination.
2. Use information systems better ó providing managers with better information in periodic reports may improve their ability to coordinate. Electronic mail can be especially useful.
3. Exchange paperwork ó managers can improve coordination by exchanging information with other managers.
4. Increase personal contact ó have more direct contact with subordinates and other managers.

5. Emphasize liaison ó liaison roles can be created to improve the coordination of individuals, groups, and departments. It may be necessary to appoint a full-time integrator.
6. Employ task forces ó a person in liaison role can usually coordinate two or more departments. When more departments need to be coordinated, temporary task forces can be established, made up representatives from each department affected by a problem. They join to solve the problem, or at least to coordinate efforts to solve it.
7. Teams can be created to achieve coordination ó in addition, networks groupware (software for grouping decision-making), and horizontal structures can be used to improve coordination.

Coordination becomes more effective, where it is based on balancing, timing and integrating. Balancing involves the provision of support where it is needed; timing requires that the variety of organizational activities be brought into phase with one another. Integrating involves unification of interests in relation to overall objectives.

UNIT 8 COORDINATION VERSUS DEPARTMENTATION

In any organization there is tension between coordination and departmentalization. Where the forces of coordination are stronger than those of departmentalization, a functional departmentalization provides the necessary degree of coordination. To provide speedy, efficient service to customers, coordination of departmental activities must be smooth and flawless. When a problem arises, top managers must be able to quickly coordinate the actions of various functional departmentsø need to provide technical help. Employees move from product, depending on which tasks must be completed next.

Where forces for departmentalization are strong than those for coordination a place or product or service departmentalization work best. Managers decide what is appropriate for only their product or service, and they decide without having to consider the impact of their decisions on other product lines. Since each product line is unique, there is little need for coordinating activities between lines. Some coordination, however, might take place across products (or services) by having managers of each line use similar reporting forms or techniques for financial, accounting, or purchasing information so that comparable data are collected at the corporate level.

AUTHORITY

Def.: Authority is the right to act or make a decision. It is also the right to require someone else to do it.

The principle governing this relationship is **the principle of coequal Authority and responsibility**. This principle states that a commensurate amount of authority should accompany a delegation of responsibility.

DELEGATION OF AUTHORITY

Def.: Delegation is the actual process of assigning job activities and corresponding authority to specific individuals within an organization.

It involves dividing up work, entrusting some part of it to subordinates and creating the conditions necessary to hold subordinates accountable for their performance. It is a two-way activity, involving the giving and acceptance of responsibility and authority. The primary purpose of delegation is to make organization possible. Just as no one person in an organization can do all the tasks necessary for accomplishment of group purpose, so it is impossible, as an organization grows, for one person to exercise all the authority for making decisions. There is a limit to the number of persons managers can effectively supervise and for whom they can make decisions.

Delegation is the most important of all the skills a manager must possess. Delegation, the ability to get results through others, is important because it is both the gauge and the means of a manager's accomplishment. Once a supervisor's job grows beyond his personal capacity, his success lies in his ability to multiply himself through other people. How well he delegates determines how well he can manage. The overworked manager, who carries a full brief case home, is often overloaded because he does not know how to delegate. One of the greatest failures of managers is the unwillingness or inability to delegate responsibility and authority. Yet delegation of responsibility and authority is essential if managers are to provide opportunities for the development of people.

Step in the Delegation Process

There are four steps in the delegation process:

- i) Assigning specific duties to the individual ó the manager must be sure that the subordinate has a clear understanding of what these duties entail. Whenever, possible, care should be taken to state the activities in operational terms so that a subordinate knows exactly what action must be taken to perform the assigned duties.
- ii) Granting appropriate authority to the subordinate ó the subordinate must be given the right and power within the organization to accomplish the duties assigned.

- iii) Acceptance by the subordinate of the obligation involved in the delegated task- the subordinate must be fully aware of what the task involves and what is demanded by way of added responsibility.

The final step is completion of the delegated tasks to the satisfaction of the superior ó at this point careful assessment and evaluation may be necessary.

Many managers and supervisors complain that they do know how to delegate effectively. Even after delegating responsibilities to others, some managers still want to know everything about anything that is going on; they insist on being kept informed of all details affecting their area of responsibility.

Advantages of Delegation

1. Delegation leads to a quicker action and faster, better decisions ó action can be taken much faster by subordinates if they do not have to go to their superiors for each decision. When routine matters are handled at a higher level than necessary, time is wasted and work output is reduced.
2. Delegation is an important facet of training and developing personnel in the organization. Employees or managers cannot learn to perform certain functions or make decisions unless they are given the opportunity.
3. Delegation is essential if the firm wants to develop its personnel to assume more challenging and demanding jobs in the future.
4. Delegation may lead to higher levels of motivation among personnel since they believe they are being trusted and their managers have confidence in their abilities.
5. Delegation not only builds the confidence of personnel but also improves attitudes and morale generally.
6. Decision-making making may be more effective where the subordinate is nearer the situation to which the delegated task refers
7. Delegation is said to lead to a widening of awareness of the general problems of the organization and a deepening of understanding, on the part of those whose

- duties have been widened, of how the sub-units of the organization are related to the whole.
8. Managers are assisted by subordinates to complete tasks they simply would not have time for otherwise.
 9. The supervisor has more free time to accomplish other tasks.

Disadvantages of Delegation

1. There is possibility of a manager losing track of the progress of a task once it has been delegated.
2. Ensuring that the subordinate is capable of carrying out the task may not be easy particularly when potential for accepting additional responsibilities has not been established.
3. Delegation can fail if the degree of responsibility and authority is not clearly defined and understood.
4. Problems can result if an employee is given responsibility for a job but is not given sufficient authority to perform the task.

Barriers in Superiors

1. Lack of confidence in subordinates ó supervisors may be afraid that their subordinates will not do a job well.
2. Lack of self-confidence ó some supervisors fear that surrendering some of their authority may be seen by others as a sign of weakness.
3. Fear of competition from subordinates
4. Desire to be involved in all the details of work
5. Belief that, ñif you want it done right, do it yourselfö.
6. If supervisors are insecure in their job of see specific activities as being extremely important to their personal success, the may find it difficult to put the performance of these activities into the hands of others
7. Lack of experience in delegating
8. Belief that being busy is the same as being productive
9. Failure to define responsibilities so that they can be delegated.

Barriers in Subordinates

1. Subordinates may be reluctant to accept delegated authority for fear of failure or because of a lack of self-confidence.
2. Desire to avoid responsibility ó subordinates fear that accepting additional authority may complicate comfortable working relationships that presently exist.
3. Preferring to be dependent on the boss ó some subordinates fear that the supervisor may not be available for guidance once the delegation is made.
4. Lack of trust in the superior
5. Aversion to risk taking
6. Real lack of job skills
7. Lack of understanding of policies and procedures.

Barriers in organisations

1. Delegation
2. Understaffing in organizations hinders delegation
3. The need for quick action can be a barrier to delegation
4. The characteristics of the organization itself may make delegation difficult. For example, a very small organization may present the supervisor with only a minimal number of activities to be delegated.
5. The organisational history can be a roadblock to delegation. If every few job activities and little authority have been delegated over several years in an organisation, attempting to initiate the delegation process could make individuals very reluctant and apprehensive. In essence, the supervisor would be introducing a change in procedure that some members of the organisation may resist very strongly.
6. Uncertainty and ambiguity about job requirements make it difficult to delegate.
7. An organisational culture that discourages mistakes can discourage delegation.

Eliminating Barriers to Delegation

1. The art of successful delegation demands the establishment of clear objectives for subordinates.

2. Managers should build subordinate confidence in the use of delegated authority. Coaching them in their new job would be very helpful
3. Supervisors themselves should have the willingness to seriously consider the ideas of others
4. A balance of trust and the need for control characterizes many successful acts of delegation. Supervisors should give subordinates the freedom to carry out their responsibilities. They should trust in the abilities of subordinates who should be given the chance to learn from their mistakes without suffering unreasonable penalties for making them.
5. Authority, which is needed in the new situation, should be granted to subordinates.
6. For the superior who is either unwilling or unable to carry out delegation, training which explains its purpose and its advantages is essential.

UNIT 9 GUIDELINES FOR MAKING DELEGATION EFFECTIVE

The following guidelines are practical in making delegation real:

1. Define assignments and delegate authority in the light of results expected i.e. grant authority to make possible the accomplishment of goal assignments.
2. Maintain open lines of communication ó since plans change and decisions must be made in the light of changing conditions, there would be a free flow of information between superior and subordinate, furnishing the subordinate information with which to make decisions and to interpret properly the authority delegated. Delegations, then, do depend on situations.
3. Establish proper controls ó because no manager can relinquish responsibility, delegations should be accompanied by techniques to make sure the authority is properly used. But if controls are not to interfere with delegation, they must be relatively broad and designed to show deviations from plans rather than interfere with detailed actions of subordinates.
4. Reward effective delegation and successful assumption of authority

Degrees of Delegation

As the delegation process occurs in an organization, the result is some dispersion of decision-making authority throughout the organization. In referring to the degree of this dispersion, two commonly used terms are centralization and decentralization.

CENTRALISATION

Centralisation is a condition in which an organisation's top managers retain most decision-making authority. Centralisation of authority is characterized by authority concentrated at the top of an organization or department.

Advantages of Centralisation

- Easier to coordinate the activities of those who report to top strategic management
- Assures that decisions and policies will be consistent with the organisation's goals.
- Economises on administrative overhead costs by avoiding duplication of administrative work.
- Allows experienced top managers to make better decisions that affect the organization.
- Allows for quick response to major unanticipated events.
- Facilitates organizational identity by focusing authority in a small group of managers.
- Provides for economies of scale in operations by avoiding duplication of facilities.
- Enables an organization to handle emergencies. When emergency decisions, which affect all units of the company, must be made, centralization of decision-making is highly desirable.
- Enables closer control of operations.
- Utilizes the skills of central and specialized experts.

Disadvantages

- It creates pressure of work at top management levels.
- It causes delays in handling of issues since all cases have to be referred to the central body.
- It may lead to frustrations of employees at lower levels who may feel not capable of handling issues.
- Accountability becomes very difficult since all activities are controlled at the top level.

DECENTRALISATION

Decentralisation is a condition in which meaningful decision-making authority is distributed to lower levels in the organization. Decentralisation of authority is characterized by a high degree of delegated authority throughout an organization or department. Decentralisation of authority is characterized by a high degree of delegated authority throughout an organization or department. Decentralisation is an approach that requires managers to decide what and when to delegate, to carefully select and train personnel, and to formulate adequate controls. There is a trend in business firms today toward greater decentralization. The major impetus for the trend is the belief that more decentralization will make the firms perform better in dynamic environments. The trend is supported by the existence today of technology capable of providing management with information and decision support systems. These systems enable top managers to keep informed and to retain adequate control without personally being involved in decision making.

Advantages of Decentralisation

- Relieves top managers to concentrate on more strategic issues.
- Provides a major source of motivation for a large number of organization members.
- It is an invaluable way to develop managerial talent and to assure they have the competence needed to handle responsibilities.
- Allows organizations to respond more quickly to environmental uncertainty by placing decision making authority at the level where problems arise.
- Allows problems to be handled by people who are most familiar with the problems.
- Allows achievement of effective managerial control by making managers of decentralized units accountable for results.
- Encourages development of managers by giving managers a management job to do and delegating to them the authority to make important decisions.

Disadvantages

- It leads to delay in decision-making due to the need to consult the central body.
- There is a possibility of poor co-ordination at lower levels.
- There is a danger of deviating from overall objectives.

There is no organization which is totally centralized or totally decentralized. No one manager makes all the decisions, even in a centralized setting. Within an organization that centralizes authority for making strategic and tactical decisions, authority for making operating decisions may be decentralized. Conversely, in organizations regarded as highly decentralized in some functions, (i.e., marketing or production), other functions (i.e. finance, strategic planning, legal) may be centralized.

Factors affecting Centralisation and Decentralisation

- Costliness of decision ó the more costly the action to be decided, the more probable it is that the decision will be made at the upper levels of management. The need for top control depends on the kind of decision. In large organizations, authority over the expenditure of capital funds is usually not delegated.
- Uniformity of policy ó organizations which value consistency are in favour of centralized authority, since this is the easiest road to such a goal.
- Geographic dispersion of the organization customers ó the more physically separated the customers of the organization, the greater the need for decentralization.
- Geographic dispersion of the organization ó when difficulties of are compounded by geographic dispersion, the organization has a greater need for decentralization. Time loss and perhaps even transportation costs associated with shipping raw materials over great distances from supplier to manufacturer could support the need for decentralization of certain functions.
- History of the enterprise ó decentralization of authority depends upon the way the business has been built. If the organization has grown by acquiring other organizations, it will tend to be more decentralized. If a company grows

simply by selling more of what it is already involved in it may remain fairly centralized.

- Corporate culture ó a firm's culture will play a large part in determining whether authority will be centralized. Corporate culture refers to the norms, values, and practices characterizing the organization.
- Control mechanisms ó all organizations insist on controls to determine whether actual events are meeting expectations. If a department's operations are not within certain guidelines, then management can take some decision-making responsibility away from it.
- Availability of managers ó many organizations work hard to ensure an adequate supply of competent managers, an absolute necessity for decentralization. These organizations believe that practical experience is the best training for developing managerial potential. They are therefore willing to permit managers to make mistakes involving small costs.
- Environmental influences ó external factors, such as unions, federal and state regulatory agencies, and tax policies, affect the degree of centralization within a firm. Government policy on the employment of minorities, for example, makes it hard for a company to decentralize hiring authority.
- Desire for creativity ó if creativity is a desirable feature of the organization then some decentralization probably is desirable.

Line Authority and Staff Authority

Line authority belongs to managers who have formal authority to direct and control immediate subordinates who perform activities essential to achieving organizational objectives. Line authority thus flows through the primary chain of command, according to the scalar principle.

Staff authority direct and control subordinates who support line activities through advice, recommendations, research, and technical expertise. Staff managers and employees support line functions with specialized services and information.

MODULE 6

GROUPS IN ORGANIZATIONS

UNIT 1 INTRODUCTION

Def.: A group is two or more freely interacting individuals who share a common identity and purpose.

Relationships rule in organizations.

The more managers know about building and sustaining good working relationships, the better.

Characteristics:

All groups may be collections of individuals, but all collections of individuals are not groups.

What does it take to make a group? Four important dimensions of groups:

First, a group must be made up of two or more people if it is to be considered a social unit.

Second, the individuals must freely interact in some manner.

Generally, larger organisations with bureaucratic tendencies are made up of many overlapping groups.

Third, the interacting individuals must share a common identity.

Each must recognize himself as a member of the group.

Fourth, interacting individuals who have a common identity must also have a common purpose.

Types of groups:

Human beings belong to groups for many different reasons.

Groups fulfil very different needs.

Groups display common characteristics: Formality of structure, Permanence, Purpose.

Formality of structure: Groups can be formal or informal in nature.

Formal Groups:

A formal group is a group created for the purpose of doing productive work.

It may be called a team, a committee, or simply a work group.

It is usually formed for the purpose of contributing to the success of a larger organization.

The completely formal group exhibits the characteristics of a formal organization ó rigidity and bureaucracy.

A hierarchy of authority is established, with specified member roles and functions.

Rules, regulations, incentives and sanctions guide the behaviour of formal group members.

Rather than joining formal tasks groups, people are assigned to them according to their talents and the organization's needs.

One person normally is granted formal leadership responsibility to ensure that the members carry out their assigned duties.

Thus, formal groups are those groups in an organization which have been consciously created to accomplish the organization's collective purpose.

Informal Groups:

An informal group is a collection of individuals who become a group when members develop interdependencies, influence one another's behaviour and contribute to mutual need satisfaction.

An informal group results if the principal reason for belonging is friendship.

Informal groups usually evolve spontaneously when individuals band together but without setting up a formal structure.

They serve to satisfy esteem needs because one develops a better self-image when accepted, recognized and liked by others.

Sometimes, as in the case of a group of friends forming an investment club, an informal group may evolve into a formal one.

Managers cannot afford to ignore informal groups because grassroots social networks can either advance or threaten the organization's mission.

Informal groups are highly flexible and adaptive.

Member roles are loosely defined.

Member behaviour is guided by an internalized perception of appropriateness.

Such behaviour is sanctioned by granting or withholding social approval.

Permanent or Temporary:

A group may be relatively permanent, like a church, or quite temporary, like a task group which is disbanded after the accomplishment of a task.

Task or Social purpose:

The purpose around which a group is formed may be either task-oriented or socially oriented.

Accomplishing a particular task may tend to direct group members' activities in ways different from the activities of members of the purely social group.

Most groups fall somewhere in the middle along this spectrum, with a mixture of task and social purposes.

Characteristics of a Mature Group:

1. Members are aware of their own and each other's assets and liabilities vis-a-vis the group's tasks.
2. These individual differences are accepted without being labelled as good or bad.
3. The group has developed authority and interpersonal relationships that are recognised and accepted by the members.
4. Group decisions are made through rational discussion. Minority opinions and dissension are recognized and encouraged.

Attempts are not made to force decisions or a false unanimity.

5. Conflict is over substantive group issues such as group goals and the effectiveness and efficiency of various means for achieving those goals. Conflict over emotional issues regarding group structure, processes or interpersonal relationships is at a minimum.
6. Members of mature groups tend to be emotionally mature, which paves the way for building much-needed social capital.

Group Structures

Group structure is the relatively stable pattern of relationships among the differentiation within a group occurs along several dimensions:

Status: Status structure of a group

Individual commitment to either an informal or formal group hinges on two factors.

- (a) The first is attractiveness, the outside-looking-in view.

A non-member will want to join a group that is attractive and will shy away from a group that is unattractive.

- (b) The second factor is cohesiveness ó the tendency of group members to follow the group and resist outside influences.

This is the inside-looking-out view.

Cohesive group members stick together.

Factors that either enhance or destroy group attractiveness are listed below.

Table 6.1: Factors That Enhance or Detract from Group Attractiveness and Cohesiveness	
Factors That Enhance	Factors That Detract
1. Prestige and Status	1. Unreasonable or disagreeable demands on the individual
2. Cooperative relationship	2. Disagreement over procedures, activities, rules and the like
3. High degree of interaction	3. Unpleasant experience with the group
4. Relatively small size	4. Competition between the group's demands and preferred outside activities
5. Similarity of members	5. Unfavourable public image of the group
6. Superior public image of the group	6. Competition for membership by other groups
7. A common threat in the environment	

Both the decision to join a group and that to continue being a member depend on a net balance of the factors above.

Roles:

Def.: A role is a socially determined prescription for behaviour in a specific position.

Every employee has one or more organizational roles to play.

An organization that is appropriately structured, in which everyone plays her role(s) effectively and efficiently, will have a greater chance for organizational success.

The term role refers to:

- (1) a set of expectations concerning what a person in a given position must, must not, or may do;
- (2) the actual behaviour of the person who occupies the position.

Thus, any person occupying a position and filling a role behaves similarly to anyone else who could be in that position.

Roles evolve out of the tendency for social units to perpetuate themselves, and roles are socially enforced.

Role models are a powerful influence.

Norms:

Def.: Norms are general standards of conduct that help individuals judge what is right or wrong or good or bad in a given social setting (such as work, home, play, or religious organization)

Norms define degrees of acceptability and unacceptability.

Because norms are culturally derived, they vary from one culture to another

Norms have a broader influence than do roles, which focus on a specific position.

Although usually unwritten, norms influence behaviour enormously.

Every mature group, whether formal or informal, generates its own pattern of norms that constraints and directs the behaviour of its members.

Norms are enforced for at least four reasons:

- (a) To facilitate survival of the group
- (b) To simplify or clarify role expectations

- (c) To help group members avoid embarrassing situations (protect self-images)
- (d) To express key group values and enhance the group's unique identity.

Norms tend to go above and beyond formal rules and written policies.

Compliance is shaped with social reinforcement in the form of attention, recognition and acceptance.

Those who fail to comply with the norm may be criticized or ridiculed.

Worse than ridicule is the threat of being ostracized.

Def.: Ostracism is the rejection from the group.

Ostracism is the capital punishment of group dynamics.

Informal groups derive much of their power over individuals through the ever-present threat of ostracism.

Thus, informal norms play a pivotal role in on-the-job ethics.

MODULE 7

MOTIVATION AND LEADERSHIP

UNIT 1 NATURE OF MOTIVATION

People work for a variety of reasons. Some want challenge and some want security. The things that each individual in an organization want from work play an instrumental role in determining motivation to work. Motivation is vital to all organizations and hence to their managers. Often the difference between highly effective organizations and less effective ones lies in the motivational profiles of their members. Thus, managers need to understand the nature of individual motivation, especially as it applies to work situations. Motivation is defined as the human process that activates, directs, sustains and stops behaviour. The starting point in the motivational process is a need. A need is anything an individual requires or wants. Motivated behaviour usually begins when an individual experiences a deficiency in one or more important needs. Individuals go through the motivation cycle as they attempt to satisfy their needs.

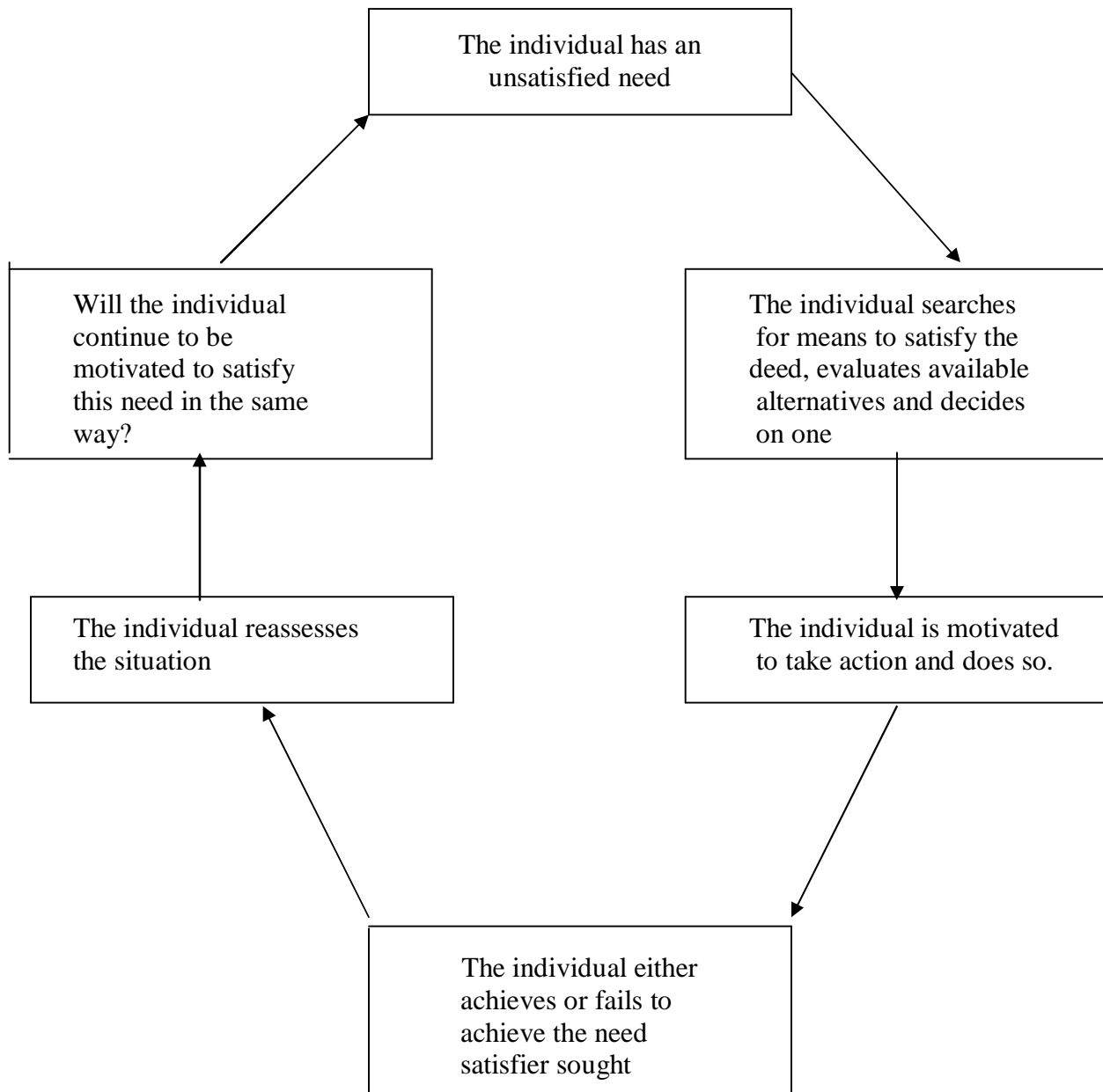
The Motivation Cycle

Motivation is a cyclical process consisting of six stages:

1. An individual has unsatisfied need
2. Because the individual is driven to attempt to satisfy this need, he or she searches for alternatives that might satisfy it.
3. The individual chooses the best way to satisfy the need
4. The individual is motivated to take action to obtain the need satisfier.
5. The individual re-examines the situation, contemplating what has taken place depending on the outcomes of these efforts, the individual may or may not be motivated again by the same type of need or need satisfier.

The stages in the motivation cycle are presented in the following figure:

Fig. 7.1: The Motivation Cycle



The cycle begins when a person becomes consciously or subconsciously aware of personal needs. The person then proceeds through a series of steps aimed at satisfying those needs until the cycle begins again.

To achieve organizational goals, managers must understand basic human nature. What motivates a person to work hard? What does a person want or need from work? One of the manager's major functions is to influence the motivation cycle in order to achieve the organization's objectives. At each stage of the motivation cycle the manager must take certain actions and design a system to satisfy these wants and needs.

Factors Affecting Motivation:-

- Individual differences are those personal needs, values, attitudes, and interests that people bring to their jobs. Because these characteristics vary from person to person, so will what motivates people. One employee may be motivated by money and hold out for a job paying a high salary. Another may be motivated by security and accept a lower paying job that involves few risks or unemployment. Still another may thrive on challenges and seek a position that stretches her or his abilities to the limit. Learning to handle the challenges of such a job gives an employee advantages in today's increasingly global organizations.
- Job characteristics are the dimensions of the job that determine its limitations and challenges. These characteristics include the variety of skills required, the degree to which the employee can do the entire task from start to finish (task identity), the significance attributed to the job, autonomy (the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling work and determining the procedures to be used in carrying out tasks) and the type and extent of performance feedback (the degree to which carrying out work activities requires by the job results in the individual's obtaining direct and clear information about his or her performance) that the employee receives. Different jobs may rate high on some characteristics and low on others. For example, a repetitive task would rate low on autonomy, skill variety (the degree to which the job involves a variety of different work

activities or requires the use of a number of skills and talents) and task significance (the degree to which the job has a substantial impact on the goals or work of others in the company) but high on task identity. In contrast, a specialized job of a mechanic rates high on skill variety and task identity. An employee who derives satisfaction from the job and its particular characteristics will be more motivated to perform well than one who does not.

- Organisational practices are the rules, personnel policies, managerial practices and reward systems of an organization. Policies defining fringe benefits (such as bonuses or commissions) can attract new employees and convince older employees to remain with a company. Rewards can motivate employees, but if they are to do so effectively, they must be administered fairly and based on performance.

In working with employees on motivation, managers need to consider all three factors. Managers must understand, for instance, that the way they apply certain rules and rewards can either motivate or demotivate subordinates.

MOTIVATION THEORIES

Over the years many people have attempted to develop theories to describe how motivation affects work behaviour. Theories of worker motivation attempt to explain people's inner working, initiatives, and aspirations.

Three basic types of motivation theories namely content, process and reinforcement will be discussed.

CONTENT THEORIES OF MOTIVATION

Content theories (also called need theories) are based on the idea that people are driven to meet basic needs that produce satisfaction when they are met. A need is a strong feeling of deficiency in some aspect of a person's life. This sense of deficiency creates an uncomfortable tension, which the individual strives to reduce, usually by taking some action to satisfy the need. Some people are driven by a need to succeed; others by the

need to be well liked, to gain power or wealth, or to feel secure in their jobs. If an individual succeeds in reducing the sense of deficiency, the intensity of the motivating force is also reduced.

These theories include:

- Maslow's hierarchy of needs.
- Clayton Alderfer's Erg theory
- Herzberg's two factor theory
- McClelland's Achievement Motivation theory

UNIT 2

PROCESS THEORIES OF MOTIVATION

ABRAHAM MASLOW: HIERARCHY OF NEEDS THEORY

Abraham Maslow (1908-1970), an American psychologist, viewed the motivation of human beings as arising from levels of hierarchy of needs. His theory is based on four assumptions:

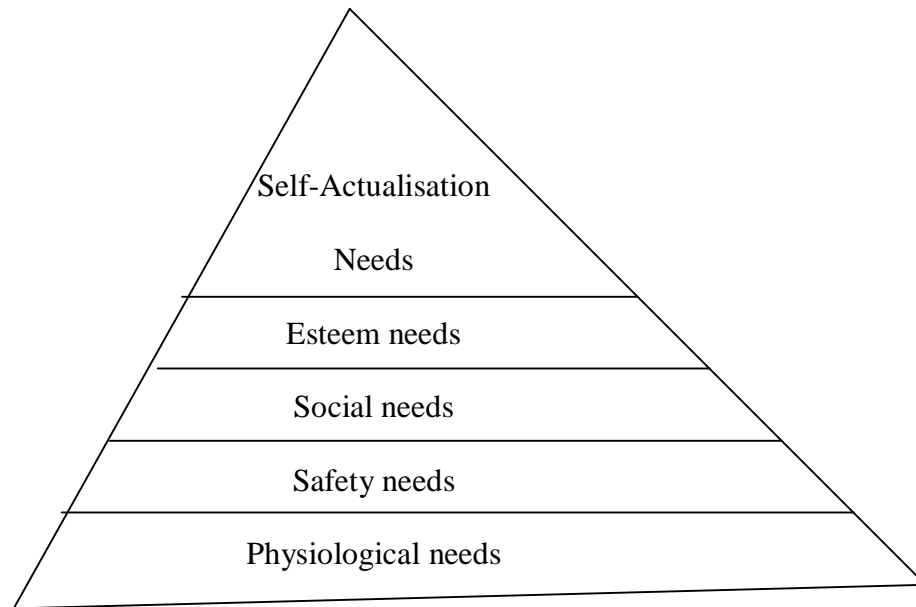
1. Human needs, in general, cannot all be satisfied since on the satisfaction of one need, another arises.
2. Different needs are active at different times, and only needs not yet satisfied can influence behaviour.
3. Some needs are innate (e.g. the need for food and water), while others are acquired from social experience (e.g. the need for social esteem).
4. Human beings attempt to satisfy their needs in a specific order, based on a hierarchy. As soon as a lower order need is satisfied, a higher order need emerges and demands satisfaction.

According to Maslow's theory behaviour is triggered by a need deficit which drives the individual to reduce the tension it creates. Tension leads to behaviour that will potentially satisfy the need.

Maslow identified five categories of needs and explained each level of hierarchy as follows:-

1. Physiological needs – these are needs which are of a basic nature and which may require satisfaction repeatedly within short periods of time e.g. the need for food, water, shelter, sleep and other bodily needs. Where they remain unsatisfied they will dominate almost all other needs. It is only when these needs are satisfied that needs on the next level emerge.

2. Safety needs ó once the basic physiological needs are satisfied, safety needs emerge so as to dominate behaviour. A perceived need for protection from physical danger, threats, or a desire for economic security is examples of safety needs.



3. Social needs ó the need for friendship, affection, acceptance by one's workmates and admission to formal or informal groups are significant motivating factors. Satisfaction of the need to feel needed becomes a matter of importance.

4. Esteem needs ó internal esteem factors such as self respect, freedom and achievement, and external esteem factors such as status, recognition must be satisfied though not fully. Their total non-satisfaction will breed feelings of insecurity and inferiority.

5. Self actualization needs ó at the summit of the hierarchy is the need to realize one's potentialities so as to satisfy what Maslow referred to as 'the desire to become everything that one is capable of becoming'.

Maslow hypothesized that the journey up the hierarchy would take most of a lifetime. In fact, some people might never reach the highest levels. Moreover, if a formerly satisfied need were no longer satisfied the individual would drop back to a lower level of the hierarchy. If an individual who was dominated predominantly by social needs lost his or

her job, for example, security might become the most important need. If he or she were unemployed long enough, physiologically need might become dominant.

Maslow also noted that some people might ignore lower-level needs because their focus is on a higher-level need. Martyrs, for example, seem to ignore the need for security altogether. Teachers, nurses and other people in low-paying but socially beneficial occupations are often satisfying higher level needs at the expense of lower-level ones. Maslow emphasizes the importance of studying the nature of man's needs, their interrelationships and their significance as motivators. To understand these matters is, according to Maslow, to understand better why those who work in organizations act as they do.

The hierarchy of needs gives managers a straightforward way of understanding how various work condition satisfy employee needs. Certain basic conditions of employment (such as pay) satisfy physiological needs. Safety needs are met by safe work conditions and job security. Social needs are satisfied by interaction and communication with fellow workers, and finally, work that is fulfilling can satisfy self-esteem and self-actualisation needs.

Limitations

1. There is some question as to whether five need levels for individuals are found in all organizations. Some research has shown that the number of need levels can range from two to as many as seven.
2. Managers must acknowledge that need are not static, but are quite dynamic: in other words one can go down the hierarchy as fast, or as faster than up. For example. Managers in troubled organizations can go from being motivated by ego needs to security needs quite quickly after the announcement of impending manpower cutbacks.
3. More than one level need can be operative at any one time, which is counter to the theory.

4. The theory states that a satisfied need is not a motivator. Although in a general sense this may be true, it is also true that individuals needs are never fully or permanently satisfied as a result of a single act or behaviour.

CLAYTON ALDERFER'S ERG THEORY

Alderfer combined Maslow's five needs into three need levels: ERG

Existence need ó include the various forms of material and physiological desires, such as food and water, as well as work related forms such as pay, fringe benefits and physical working conditions.

Relatedness needs ó needs that address our relationships with others, such as families, friendship groups, work groups, and professional groups. They deal with our need to be accepted by others, achieve mutual understanding on matters that are important to us, and exercise some influence over those with whom we interact on an on going basis.

Growth needs ó needs that impel creativity and innovation, along with the desire to have a productive impact on our surroundings.

According to ERG theory, we generally tend to concentrate first on our most concrete requirements. As existence needs are resolved, we have more energy available for concentrating on relatedness needs, which offer a potential source of support that can help us in satisfying growth needs. Then, as relatedness needs are somewhat fulfilled, we have the energy and support needed to pursue growth needs. Thus ERG theory incorporates a **satisfaction-progression principle** similar to that of Maslow in that satisfaction of one level of need encourages concern with the next level.

FREDRICK HERZBERG'S TWO-FACTOR THEORY

Hertzberg's two-factor theory or the motivator hygiene theory is a second popular content theory of motivation. He proposed a theory of employee motivation based on satisfaction. Hertzberg and his colleagues were interested in identifying those factors that caused workers to be satisfied with their work.

To investigate this idea, Hertzberg designed a study in which data was gathered from accountants and engineers. He asked participants in the study to think of times when they felt especially good and especially bad about their jobs. Each participant was then asked to describe the conditions or events that caused those good or bad feelings. The participant identified different work conditions for each of the two feelings. That is, while the presence of one condition (e.g. fulfilling work) made the participants feel good, the absence of that condition (fulfilling work) made the participants feel bad, the absence of that condition (fulfilling work) did not make them feel bad.

Hertzberg discovered two factors that separately explained satisfaction and dissatisfaction. Dissatisfaction tended to be associated with complaints about the job context or factors in the immediate work environment. Hertzberg described eight general factors of work which employees disliked about their job:-

1. Company policy and administration
2. Working conditions
3. Quality of technical supervision
4. Quality of interpersonal relations among peers, supervisors and subordinates
5. Fringe security
6. Job security
7. Salary
8. Status

These he called dissatisfies, which serve primarily to prevent job satisfaction. They have been named hygiene factor or maintenance factors meaning preventive. Hygiene factors refer to aspects of work that border the task itself and more related to the external

environment (the job context). They are preventive factors that produce dissatisfaction. Hygiene factors if absent in the job, lead to high levels of dissatisfaction; if present, they create "zero dissatisfaction" or neutrality. By themselves, hygiene factors do not motivate individuals to better performance.

Hertzberg then drew up his list of factors whose presence lead to satisfaction. These are called satisfier or, simply motivational factors. Motivational factors relate directly to the job content (the specific aspects of a job). The presence in a job of factors such as job challenge is motivational. When these factors are absent, the level of satisfaction is reduced to the zero point. Absence of these factors, is however not dissatisfying. He identified the following motivator or satisfier factors workers liked:-

- 1 Recognition
- 2 Advancement
3. The task or work itself
4. The workers potential for personal learning or growth
5. he workers responsibility

He concluded that enriched jobs were the key to self-motivation e.g. changing jobs to remove the routineness, boredom, and the lack of challenge.

According to Hertzberg, the opposite of job satisfaction is not job dissatisfaction, but rather no job satisfaction and similarly, the opposite of job dissatisfaction is not job satisfaction, but no dissatisfaction.

The two-factor theory has received a great deal of notice and acceptance among managers in many types of organizations. Hertzberg observations are useful because they point managers toward types or groups of satisfiers that can be offered to meet different kinds of employees needs.

Limitations

The two-factor theory fails to account for differences in individuals. Hertzberg assumes that all employees will react similarly to motivational factors. A close examination of the people reveal, however, that some people will indeed be motivated by an advancement,

but on the other hand, there are many people who are highly motivated by money, security and status. In other words, trying to motivate employees through the content of the job is bound to result in only partial success.

DAVID McCLELLAND'S ACHIEVEMENT MOTIVATION THEORY

McClelland's initial work centred on the need for achievement in individuals rather than in the general population of workers. For more than three decades, McClelland has studied mainly three needs:

The need for achievement is the desire to accomplish challenging tasks and achieve a standard of excellence in one's work. Individuals with a high need for achievement typically seek competitive situations in which they can achieve results through their own efforts and can receive relatively immediate feedback on how they are doing. They like to pursue moderately difficult goals and take calculated risks. Managers who want to motivate high achievers need to make sure that such individuals have challenging, but reachable, goals that allow relatively immediate feedback about achievement progress.

The need for affiliation is the desire to maintain warm, friendly relationships with others. To motivate high need for affiliation individuals, managers need to provide a cooperative, supportive work environment in which individuals meet both performance expectations and their high affiliation needs by working with others. Individuals with a high need for affiliation can be assets in situations that require a high level of cooperation with and support of others, including clients and customers.

The need for power is the desire to influence others and control one's environment, as a particularly important motivator in organisations. Need for power has two forms, personal and institutional. Individuals with a high need for personal power want to dominate others for the sake of demonstrating their ability to wield power. They expect followers to be loyal to them personally rather than to the organization. In contrast, individuals with a high need for institutional power focus on working with others to solve problems and further organizational goals. Individuals with a high need for institutional power like getting things done in an organized fashion. They also are willing to sacrifice

some of their own self-interests for the good of the organization. Motivating individuals with a high need for institutional power involves giving them opportunities to hold positions that entail organizing the efforts of others. Individuals with a high institutional-power need make the best managers because they are oriented toward coordinating the efforts of others to achieve long-term organizational goals.

MANAGERIAL APPLICATION OF CONTENT THEORIES

McClelland's need for achievement and affiliation, and Herzberg's intrinsic motivators-responsibility, personal growth and the work itself-are consistent with quality expert W. Edwards Deming's belief that motivation and worker commitment come from pride of workmanship and the joy of work. But managers often underestimate employees' need for achievement.

A climate of achievement in the work place can be cultivated in several ways.

First, work that is challenging and gives the employee a sense of responsibility is motivational.

Second, managers can identify and recognize individual employees' contributions rather than simply attributing a firm's success to managers.

UNIT 3 PROCESS THEORIES OF MOTIVATION

Process theories include Expectancy and Equity. Process theories are concerned with how people are motivated ó specifically, with how they choose need satisfiers and how external factors affect that process. Thus, according to process theory, a worker is likely to consider a variety of methods, weighing each method in terms of how attractive its expected outcome might be, before engaging in an activity.

EXPECTANCY THEORY – VICTOR H. VROOM

Expectancy theory argues that people choose among alternative behaviours according to their expectation that a particular behaviour will lead to one or more desired outcomes (such as pay, recognition, or new challenges). Expectancy theory further predicts that an employee will be motivated to improve performance if the employee knows that he or she is capable of the desired behaviour, believes that satisfactory performance will result in the desired outcome, and places a high value on that outcome.

Vroom's expectancy theory rests on three basic assumptions:-

1. Forces at work in the individual and in the job situation combine to motivate and determine behaviour - people seek to satisfy different needs. Forces in the job situation influence how they go about doing so.
2. People make conscious decisions about their own behaviour ó for example, an individual decides whether to accept a job with the organization, come to work or call in sick, put in overtime, strive for a promotion, and so forth.
3. Selecting a course of action depends on the expectation that a certain behaviour will lead to a desired outcome ó in essence, individuals tend to behave in ways that they believe will help them achieve their objectives (such as a promotion or job security) and avoid behaving in ways that will lead to undesirable consequences (such as demotion or criticism).

To sum up, the theory is based on the assumption that motivational strength is determined by perceived probabilities of success. For example, an employee's expectation for pay

rise diminished after being turned down, later rebounds when the supervisor indicates a willingness to reconsider the matter.

The theory contends that motivation depends on four key concepts or factors:-

- a) **Expectancy** is the individual's subjective assessment that effort will produce the desired results. At work employees may question whether increasing their level of effort will increase their level of job performance as evaluated by their supervisor. Their experience may be that no matter how hard they work their supervisor does not notice it. How supervisors appraise their employees performance can be more important to the employees than actual performance.
- b) **Instrumentality** is the employee's assessment of how instrumental or likely it is that successful task performance will be rewarded with a rise. Thus instrumentality is a measure of the relationship between performance and rewards. For example, in some work environments high performers are the only one who receive the promotions and pay increase when employees see this, they are likely to believe there is a strong and clear relationship between high performance and desired outcome.
- c) **Outcomes** are outcomes that employees receive as a result of their job behaviour can be external or internal outcomes are largely controlled by others in the organization e.g. pay, promotions, employee benefits, training opportunities etc. Internal outcomes which are controlled by the person include feelings of satisfaction, feelings of frustration, etc.
- d) **Valence of the outcome** is the value or weight that an individual attaches to the outcome. Thus the valences of various outcomes can motivate behaviour and influence decisions. Desirable rewards encourage effort, undesirable rewards discourage effort. A valence can range from negative to positive depending on whether the individual believes the outcome is personally undesirable or desirable.

Expectancy theory provides a general guide to the factors that determine the amount of effort a worker puts forth. It also helps explain how a worker's goals influence his efforts. Managers with polished listening skills can readily discover what particular rewards specific individuals value.

EQUITY THEORY: BY STACY J. ADAMS

Equity theory is based on the assessment process workers use to evaluate the fairness or justice of organizational outcomes. Employees perceive what they get from a job situation (outcomes) in relation to what they put into it (inputs) and then compare their input-outcome ratio with the input-income ratio of others. If they perceive their ratio to be equal to the others with whom they compare themselves, a state of equity exist. If the ratios are unequal, inequity exists that is they view themselves as under rewarded or over rewarded.

Equity theory recognizes that individuals are concerned not only with the absolute rewards they receive for their efforts but also with the relationship of these rewards to what others receive. Based on one's inputs, such as effort, experience, education and competence, one compares outcomes such as salary levels, recognition and other factors. When people perceive imbalance in their input-outcome ratio relative to others, tension arises and they may:-

- 1) Increase their inputs to justify higher rewards ó when they feel that they are over rewarded in comparison with others.
- 2) Decrease their inputs to compensate for lower rewards when they feel under rewarded.
- 3) Change the compensation they receive through legal or other actions, such as leaving work early, stealing the company's supplies, and so on.
- 4) Modify their compensations by choosing another person to compare themselves against
- 5) Distort reality by rationalizing that the inequalities are justified.
- 6) Leave the situation (quit the job) if the inequities cannot be resolved.

Equity theory provides managers with a framework for analyzing the factors that might lead to perceived inequity, an important component of perceived justice, between individuals and groups.

UNIT 4 REINFORCEMENT THEORIES OF MOTIVATION

Reinforcement theory contents that behaviour is a function of its consequences. Behaviour that produces rewarding consequences is likely to be repeated, whereas, behaviour that produce no rewards or has punishing consequences is less likely to be repeated.

Reinforcement theory identifies four types of reinforcement:

1. **Positive Reinforcement** ó Offers rewards to increase the likelihood that a desired behaviour will be repeated. Anything that encourages an individual to repeat a desired behaviour can be classified as a positive reinforcer. Some common positive reinforcers used by organizations include praise, recognition of accomplishment, promotion and salary increase.
2. **Punishment** ó is the application of negative consequences whenever undesired behaviour occurs. The purpose of punishment is to decrease the likelihood that the individual will repeat the undesired behaviour. For example, a manager may discipline an employee who comes to work late or neglects to clean up the work area. The disciplinary action might take the form of a verbal reprimand, a monetary fine, a demotion, or if the employee persists, a suspension ó all with the intention of discouraging the behaviour.
3. **Avoidance** – is the maintenance of desired behaviour in order to escape or avoid the known unpleasant consequences. Some students come to class on time in order to avoid a reprimand from the instructor.
4. **Extinction** – is the absence of any reinforcement, either positive or negative, following an incidence of undesired behaviour. The theory states that if undesirable behaviour is simply ignored, it will eventually cease.

Schedules of Reinforcement

Reinforcement theory emphasizes using positive reinforcement to encourage desired behaviours. In studying positive reinforcement, researchers have discovered that different patterns of rewarding affect the time required to learn a new behaviour and the

degree to which the behaviour persists. These different patterns, called **schedules of reinforcement**, specify the basis for and timing of positive reinforcement.

There are two major types of schedules of reinforcement: Continuous and partial.

A continuous schedule of reinforcement involves rewarding a desired behaviour each time it occurs.

For example a manager might praise a worker every time the worker performs a task correctly.

A partial schedule of reinforcement, involves rewarding the desired behaviour intermittently rather than each time it occurs.

There are four major types of partial reinforcement schedules:

1. Fixed-interval schedule ó provides reinforcement at fixed time intervals ó for example, a weekly, twice-monthly, or monthly paycheck.
2. Fixed-ratio schedule ó reinforcement is given after a fixed number of desired behaviours.
3. Variableóinterval schedule ó provides reinforcement at irregular intervals of time. Inspection crews work on this type of schedule. If employees don't know when their manager is going to drop in, they will maintain a reasonably high level of desired behaviour.
4. Variable ratio schedule ó reinforcement occurs after a varying number of behaviours occurs regardless of the time elapsed.

Managers should emphasise positive reinforcement to encourage desired behaviours and to let subordinates know what behaviours will be rewarded.

Principles of Reinforcement

1. Positive reinforcement should take the form of incentive bonuses and praise. Earning incentive bonuses and receiving praise from management provide strong extrinsic rewards.
2. Immediacy ó to get maximum productivity, reinforcement must be immediate.
3. Contingency ó rewards (positive reinforcement) should be contingent on performance level.

4. Individualization of incentive programmes should be designed to reward individual performance. Thus low performers do not adversely affect high performers.
5. Measure output, not process of reinforcement programmes should focus on how much employees produce, not how they do it.

UNIT 5 CONTEMPORARY ISSUES IN MOTIVATION

1. Motivation through job design

A job serves two but related functions. It is a productive unit for the organization and a career unit for the individual. Considering that the average adult spends about half of his or her working life at work, a challenging and interesting job can add meaning to one's life. Boring and tedious jobs can become a serious threat to one's motivation to work hard.

a) Fitting people to jobs

Through realistic job previews, job rotation and limited exposure, the organization can boost motivation. Each of the three mentioned alternative involves adjusting the person rather than the job in the person-job match. This is the first strategy.

Realistic Job Previews: - Unrealized expectations are a major cause of job dissatisfaction and low motivation. Managers commonly create unrealistically high expectations in recruits to entice them to accept a position. Realistic job previews, honest explanations of what a job actually entails, have been useful in this area.

Job rotation: - This involves periodically moving people from one specialized job to another. Doing this prevents stagnation.

Limited Exposure:- Another way of coping with a tedious job is to limit the individual's exposure to it. This technique called contingent time off (CTO), involves establishing a challenging yet fair daily performance standard and letting employees go home when it is reached.

b) Fitting jobs to people

This second design strategy calls for managers to consider changing jobs instead of people. This is mainly through two techniques namely job enlargement and job enrichment.

- i) Job Enlargement: Is the process of combining two or more specialized tasks in a work flow sequence into a single job.
- ii) Job Enrichment: Job Enrichment:- Job Enrichment builds more complexity and depth into jobs by introducing planning and decision making responsibility normally carried out at higher levels.

Jobs can be enriched by upgrading five core dimensions of work namely:-

- Skill variety ó is the degree to which a job requires a variety of different activities in carrying out the work, involving the use of a number of different skills and talents of the person.
- Task identity ó the degree to which a job requires completion of a whole and identifiable piece of work that is doing a job from beginning to end, with a visible outcome.
- Task Significance ó the degree to which the job has a substantial impact on the lives of other people.
- Autonomy ó The degree to which the job provides substantial freedom, Independence and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.
- Job feedback ó the degree to which carrying out the work activities required by the job provides the individual with direct and clear information about the effectiveness of his or her performance.

2. Motivation Through Rewards

All workers, including volunteers who donate their time to worthy causes, expect to be rewarded in some way for their contributions.

Def.: Rewards may be defined as the material and psychological payoffs for doing something.

Job performance and satisfaction can be improved by properly administered rewards.

Rewards, if they are to motivate job performance effectively need to be administered in ways that:

- i) Satisfy individual needs ó whether it is a pay rise or a pat on the back, there is no motivational impact unless the reward satisfies the individual's need. Not all people need the same things, and individual may need different things at different times. Money is a powerful motivator for those who seek security through material wealth. Others seek recognition.
- ii) Foster positive expectations ó An employee will not try to attain an attractive reward unless it is perceived as attainable.
- iii) Ensure equity distribution ó Something is equitable if people perceive it to be fair and just.
- iv) Reward results ó There should be a relationship between work and rewards. Managers can strengthen motivation to work by making sure that those who give a little extra through for instance, merit, pay, bonus etc.

3. Motivation through Quality – of-Work- Life innovations

Def.: Quality-of-work life (QWL) is a process by which an organization attempts to unlock the creative potential of its people by involving them in decision affecting their work lives.

Quality of work-life programmes include:-

- i) Flexible work schedules ó allowing employees to determine their own arrival and departure times within specified limits.
- ii) Participative Management ó Employees may participate in setting goals, making decisions, solving problems and designing and implementing organizational changes. By being personally and meaningful involved in one or more of these overlapping areas, employee motivation and performance are paid to improve.
- iii) Workplace Democracy ó encompasses all efforts to increase employee self determination.

MODULE 8

LEADERSHIP

UNIT 1 INTRODUCTION

Leadership is a skill that can and must be learned in order to motivate subordinates to be productive. Many large businesses, and even countries, have achieved success as a result of good leadership.

There is a distinction between the terms *õleaderö* and *õmanagerö*.

A manager is one who performs the functions of planning, organizing and controlling and who occupies a formal position in an organization.

A leader is anyone who is able to influence others to pursue certain goals.

It is important for individuals to be both leaders and managers.

Bennie contends that a business short on capital can borrow money, and one with a poor location can move. But a business short on leadership has little chance for survival.

THE NATURE OF LEADERSHIP

Leadership can be thought of as both a property of individuals and as a process carried out by individuals.

As a property, leadership is a set of qualities possessed or attributed to those who carry out the leadership process.

As a process, leadership is the ability of one individual or a small group of individuals to influence other individuals positively in order to accomplish group goals.

Power is the foundation of the leadership process. It is a resource that leaders can call upon in order to influence or control others.

Def.: Power is the capacity or potential to get other people to do things they might not otherwise have done.

There are six principal sources, or bases of power coercive power, reward power, legitimate power, expert power, reference power and information power.

Coercive Power is a form of power, which uses threats and punishment to achieve its ends. Examples include the threat of dismissals for non-cooperating staff. Coercion is important as a potential influence e.g. the threat of being disciplined for not arriving at work on time is effective in influencing the arrival time of many employees.

Reward Power this is the use of rewards (such as pay rise, promotions and praise) to influence people's compliance.

Legitimate power ó this is generally known as 'authority' i.e. power conferred on an individual by the organization

Expert power ó this is the power that comes from possessing specialized knowledge and skills. Computer specialists and engineers often have substantial power in organizations because of their technical knowledge that others need.

Reference power or charisma ó is power based on the leader's possession of personal characteristics that make him or her attractive to other people.

Information power ó is power that derives from information they possess and people and activities in the organization.

Power acts as a motive force for leadership. It influences who gets what, when and how.

EFFECTIVE LEADERS

Different situations call for different types of leadership. Most mergers need a sensitive negotiator at the Helm, whereas turnarounds require a more forceful authority. However, the most effective leaders are alike in one crucial way: they all have a high degree of what has come to be known as **emotional intelligence**. This does not imply that IQ and technical skills are irrelevant. They do matter, as they are entry requirements for executive positions.

Emotional intelligence is the sine qua non of leadership. Without it, a person can have the best training in the world, an analytical mind, and an endless supply of smart ideas,

but he still won't make a great leader. Emotional intelligence not only distinguishes outstanding leaders but can also be linked to strong performance. People can, if they take the right approach, develop their emotional intelligence. However, the process is not easy. It takes time and commitment.

THE FIVE COMPONENTS OF EMOTIONAL INTELLIGENCE

1. **Self-awareness** ó means having a deep understanding of one's emotions, strengths, weaknesses, needs and drives. Rather, they are honest with themselves and with others; they recognize how their feelings affect them, other people and their job performance. Thus a self-awareness person who knows that tight deadlines bring out the worst in him plans his time carefully and gets his work done well in advance.

2. **Self-regulation** – It is the ability to control or redirect disruptive impulses and moods. People who are in control of their feelings and impulses are able to create an environment of trust and fairness. People who have mastered their emotions are able to roll with the changes. Self-regulation enhances one's integrity.

3. **Motivation** – is a passion to work for reasons that go beyond money or status. Effective leaders have a deep desire to achieve for the sake of achievement. Such people seek out creative challenges, have to learn, and take great pride in a job well done. They are forever raising the performance bar and are always tracking progress- their own, their team's and their company's.

4. **Empathy** – is the ability to understand the emotional make up of other people. It means thoughtfully considering employees' feelings-along with other factors-in the process of making intelligent decisions.

5. **Social Skill** ó is the proficiency in managing relationships and building networks. Social skill is friendliness with a purpose, i.e. moving people in the right direction. Socially skilled people are expert persuaders. They know when to make an emotional plea. Leaders need to manage relationships effectively, no leader is an island. After all,

the leaders need to manage relationships effectively, no leader is an island. After all, the leader's task is to get work done through other people, and social skills make that possible.

APPROACHES TO LEADERSHIP

TRAIT THEORY

The trait approach to leadership is based on early leadership research studies, which attempted to compare the traits of effective and ineffective leaders.

Researchers identified several common traits that are essential to leadership success:-

1. **Decisiveness** ó nothing is possibly more damaging to the morale of an organization than a vacillating and hesitating leader. A clear and constant focus on a central purpose builds trust by letting others know where the leader stands.
2. **Clarity of Vision** ó a leader must know what he wants and what he does not want.
3. **Unerring Judgment** ó a leader judgment has to be more correct than incorrect.
4. **Building up of Subordinates** ó the extent to which an executive can change individual's bad behaviour into good behaviour is an index of his good leadership. He must win the confidence and trust of his staff and inspire them.
5. **Participative Management** ó a leader should be a good organizer and should also be able to create in the worker a feeling of participating in managing the organization.
6. **Good Public Relations** ó the executive should have the skill to build relationships and defend the integrity of his company.
7. **Improvement in Consciousness** ó the leader should be progressive and be zealous about improving performance of the organization.
8. **Management of self-** successful leaders nurtures their strength and learns from their mistakes.

STYLES OF LEADERSHIP

Authoritarian Style

This style of leadership has the following characteristics:-

- The leader makes most of the decisions without consulting group members

- The leader controls the actions of group members by using the power to provide rewards and discipline. There is very little individual freedom of action.
- The leader tries to develop obedient and predictable behaviour from group members.
- The leader establishes group goals, provide coordination and plan activities.
- The leader has little concern for the attitudes, feelings and value of the group members.

Democratic (participative style)

- The leader consults with members and involves them in the decision making process.
- The leader delegates authority and responsibility to group members.
- The leader considers the attitudes, feelings and values of group members in making decisions.
- The leader uses two-way communication and is directly involved with group members in setting goals and conducting activities.

Laissez-faire (permissive) style

- Group members are allowed to make decisions without any input from the leader
- The leader does not attempt to coordinate or control the actions of group members.
- The individual desires of the group members are the major influence on group goals and methods of operation.
- The leader's primary role is to help individual group members achieve their personal objectives.

THE MANAGERIAL GRID

Perhaps the most widely known of all leadership theories is the managerial grid developed by researchers in Michigan. The Michigan studies looked at the differences between high producing and low-producing groups to see if they could identify any differences in leadership behaviour. What they found was that supervisors in high-producing groups were employee centred in their approach to their work targets, whereas supervisors in low-producing groups were production centred.

Some supervisors adopted characteristics of both extremes, and the resulting model of leadership styles was presented as a continuum of alternatives. Blake and Mouton created a grid depicting five major leadership styles representing the degree of concern the leader has for "people, and "production" (Fig. 8.1).

Fig. 8.1: The Managerial Grid

High C o n c e r n f o r P e o p l e	9	1,9								9,9
	8	CCM								TM
	7									
	6									
	5					5,5				
	4					OMM				
	3									
	2	IM								AO
	1	1,1								9,1
Low	Low	1	2	3	4	5	6	7	8	9
		Concern for Production								High

- i) **Impoverished management (IM)** ó the manager has little concern for either people or production.
Exertion of minimum effort to get required work done is appropriate to sustain organizational membership.
- ii) **Authority-obedience (AO)** ó the leader concentrates on task efficiency but shows little concern for the development and moral of subordinates.
Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree.
- iii) **Country club management (CCM)** ó the leader focuses on being supportive and considerate and has little concern for output.
Thoughtful attention to needs of people for satisfying relationships leads to a comfortable, friendly organization atmosphere and work tempo.

- iv) **Organisation man management (OMM)** ó adequate task efficiency and satisfactory morale are the goals of this style. The leader attempts to balance and trade off concern for work in exchange for a satisfactory level of morale ó a compromiser.

Adequate organization performance is possible through balancing the necessity to get out work with maintaining morale of people at satisfactory level.

- v) **Team management (TM)** ó the leader seeks high output through committed people. Achieved through mutual trust, respect and a realization of interdependence.

Work accomplishment is from committed people; interdependence through a common stake in organization purpose leads to relationships of trust and respect.

From these findings, Blake and Mouton recommended team management. They argue that using team management approach results in improved performance, lower employee turnover and absenteeism, and greater employee satisfaction.

THE OHIO STATE LEADERSHIP STUDIES

Beginning 1945, researchers in the bureau of business Research at Ohio State University made a series of detailed studies of the behaviour of leaders in a wide variety of organisations. The key concern of the Ohio State leadership studies was the leader's behaviour in directing the efforts of others towards group goals. After many studies, researchers identified two important dimensions of leader behaviour.

1. **Initiating structure** ó the extent to which leaders establish goals and structure their roles and the roles of subordinates toward the attainment of the goals. It is behaviour that is principally concerned with organizing the task where task requirement is given priority.

2. Consideration of the extent to which leaders have relationships with subordinates characterized by mutual trust, respect, and consideration of employees' ideas and feelings. It is behaviour that is essentially relationships oriented i.e. where employees' needs are taken into consideration.

High	High consideration and Low structure (A)	High structure and High consideration (B)
Low	Low consideration and Low structure (C)	High structure and Low consideration (D)
	Low	High

Initiating Structure

Fig. 8.2: Ohio State Leadership Styles

The figure illustrates four basic leadership style representing different combinations of leadership behaviour. A manager can be high in consideration and initiating structure, low in both, or high in one and low in the other.

The following observations can be made with regard to the type of leadership styles proposed in the Ohio state model:-

- **High Structure, Low Consideration (D):** Leader devotes primary attention to getting the job done. Personal concerns are strictly secondary.

If a group expects and wants authoritarian leadership behaviour, it is more likely to be satisfied with that type of leadership.

- **Low Structure, High Consideration (A):** Leader strives to promote group harmony and social need satisfaction.

If group members have less authoritarian expectations, a leader who strongly emphasizes initiating structure will be resented.

- High Structure, High Consideration (B): Leader strives to achieve a productive balance between getting the job done and maintaining a cohesive, friendly work group.

If the work situation is highly structured by technology and the pressures of time, the supervisor who is high in consideration is more likely to meet with success.

- Low Structure, Low Consideration (C): Leader retreats to a generally passive role of allowing the situation to take care of itself.

If employees must work and interact continuously, they usually want the superior to be high in consideration.

The optimum style is one where the tension between high consideration and high structure has been successfully resolved so the leader pays thorough attention to people's needs and organizes the work very efficiently.

PATH-GOAL THEORY – ROBERT HOUSE

The essence of the theory is that it is the leader's job to help his or her followers attain their goals and to provide the necessary direction and support to ensure that their goals are compatible with the overall objectives of the organization. It gets its name from the idea that if an employee sees high productivity as a path that leads to one or more personal goals the employee will tend to be a high producer, and the leader's job is to help the employee move along the path to his or her goals satisfaction. According to the path goal approach, effective job performance results if the manager clearly defines the job, provides training for the employee, assists the employee in performing the job effectively, and rewards the employee for effective performance.

The path-goal theory identified four different leadership style that managers need to rely on:-

1. Directive leadership so the leader tells people what is expected of them and provide specific guidance, schedules, rules, regulations and standards.

2. Supportive leadership ó the leader treats subordinates in a friendly manner and shows concern for subordinatesøstatus, well being and needs.
3. Participative leadership ó the leader consults with subordinates about issues and takes their suggestions into account before making a decision.
4. Achievement oriented leadership ó involves setting challenging goals, expecting subordinates to perform at their highest level, and showing strong confidence that subordinates will put forth effort and accomplish goals.

Thus, path-goal theory emphasizes the use of different leader behaviour depending upon the situation

HERSEY AND BLANCHARD'S SITUATIONAL LEADERSHIP THEORY

Paul Hersey and Kenneth Blanchardø situational leadership theory is based on the notion that the most effective leadership style varies according to the level of maturity of the followers and the demands of the situation. Successful leadership is achieved by selecting the right leadership style, which Hersey and Blanchard argue is contingent on the level of the followers maturity and situation demands.

Maturity is not defined as age or psychological stability. The maturity level of the followers is defined as:-

- The ability and willingness of people to take responsibility for directing their own behaviour
- A desire for achievement
- Education or experience and skills relevant to the particular task.

A leader should consider the level of maturity of his or her followers only in relation to the work or job to be performed. Certainly employees are mature on some tasks when they have the experience and skills as well as the desire to achieve and are capable of assuming responsibility. The appropriate leadership style used by a manager varies according to the maturity level represented by M1 through M4 stages:-

- M1: People are both unable and unwilling to take responsibility for doing something. They are neither competent nor confident.
- M2: People are unable but willing to do the necessary job tasks. They are motivated but currently lack the appropriate skills.
- M3: People are able but unwilling to do what leaders want.
- M4: People are both able and willing to do what is asked of them

Hershey and Blanchard identified four leadership styles that are appropriate given different levels of subordinate's maturity. These are classified as:

- S1: Telling ó the leader defines roles and tells people what, how, when, and where to do various tasks. It emphasizes directive behaviour.
- S2: Selling ó the leader provides both directive behaviour and supportive behaviour
- S3: Participating ó the leader and follower share in decision making,. With the main role of the leader being facilitating and communicating.
- S4: Delegating ó the leader provides little direction or support.

The S1 style is very appropriate when dealing with subordinates who are relatively new and inexperienced employees. Inexperienced employees need to be told what to do and how to accomplish their jobs.

As employees learn their jobs, the manager begins to use an S2 leadership style. There is still need for guidance and support since the employees do not yet have the experience or skills to assume more responsibility. The manager encourages the employees and demonstrates greater trust and confidence in them.

The S3 leadership style is suitable when employees possess considerable task-relevant maturity. As employees become more experienced and skilled, as well as more achievement motivated and more willing to assume responsibility the leader should encourage participation.

The S4 leadership style is for followers with the highest level of task maturity. At this stage, the employees are very skilled and experienced, possess high achievement motivation and are capable of exercising self-control. The employees no longer need or expect a high level of support.

A leader must have insight into the abilities, needs, demands, and expectations of the followers and be aware that these can and do change over time. Also, managers must recognize that they must adapt or change their style of leadership whenever the level of maturity of followers changes. Maturity levels can change for many reasons ó for instance, change in jobs, personal or family problems, and a break in a relationship, or switch in the present job to new technology.

Situational leadership is only effective if:

- (i) The leader is flexible in behaviour
- (ii) The subordinate is recognized as a major situational determinant

UNIT 2 AN INTEGRATED APPROACH TO LEADERSHIP

There is no one best leadership style that can be used to manage diverse groups. The most effective style is one that meets the needs of each particular situation. This requires a careful consideration of characteristics of the leader, the followers, and the specific situation.

The development of an integrated approach to effective leadership requires consideration of several important situational factors. Characteristics of the leader, the followers, and the situation all interrelated to determine the most effective leadership style. The followers represent the personnel. The situation includes the structure, the technology, objectives, and the external environment. The leaders represent managers.

Leader

Everyone has a different combination of abilities, personalities, experiences and expectations. Because of these factors each person develops different patterns of doing work. A person who has found that being an autocratic manager will get the job done will likely continue this pattern unless something happens to show that this style is no longer appropriate. A participative style may also continue to be used until it is no longer effective. The leader should use a style that meets the needs of the followers and the situation. A leader's flexibility is important.

Followers

Like the leader followers have varying abilities, personalities, experiences and expectations. Followers are a major factor for consideration in the integrated approach to leadership. If the followers are inexperienced, lack the necessary education or skills and do not seek more individual responsibility for their job, the most effective leadership. Managers must take into consideration the needs, goals, capabilities and experiences of the followers if they are to be effective.

Situation

The four factors of structure, technology, objectives and the external environment comprise the situation. Each must be considered if leaders are to determine their most effective style. The organizational structure and the environment in which the manager operates affect the leadership style. In a loosely structured environment like a research lab, a more participative style may be more appropriate.

Technology is another major factor that affects the selection of the most appropriate leadership style. Technology has an impact on the design of work, which may in turn determine the most appropriate leadership style. For example, if the technology the firm is using is well understood and the workers have a great deal of experience with it, managers will probably not have to exercise close supervision of employees. Conversely, if the firm is experimenting with a new technology and does not understand it well, management may have to supervise workers closely until the technology becomes familiar.

As the objective of the firm changes, a change in leadership style may be necessary. For example, if a firm determines that it should be innovative, it may require personnel changes and a modification of leadership styles. The personnel who are hired to make the transition to an innovative firm may not accept an autocratic style. As the level of professional and technical capabilities increases, the style of leadership may lean toward a more relationship-oriented leadership style. Still, if the firm's goal is survival, the leadership style may again move toward a greater emphasis on task accomplishment.

The external environment has considerable influence on determining the most effective leadership style. Obviously economic, political, social, and cultural forces must be considered. For example, during periods of economic difficulty, some managers tend to become more autocratic and place greater emphasis on the efficiency of task accomplishment. The interaction of all the situational variables must be a consideration by managers who wish to use the most effective leadership style.

MODULE 9

CONTROLLING

UNIT 1 INTRODUCTION

The managerial function of controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that organizational objectives and plans devised to attain them are being accomplished.

Def.: Control refers to the methods and mechanisms used to ensure that behaviours and performance conforms to an organization's objectives, plans and standards.

Control is necessary if all activities are to conform to the plans.

Prerequisites of control systems

Two major prerequisites must exist before any manager can devise or maintain a system of controls.

- Controls require plans ó there is no way that managers can determine whether their organizational unit is accomplishing what is desired and expected unless they first know what is expected. Controls must be based on plans. The clearer, more complete, and more integrated plans are, the more effective controls can be. Controls are the reverse side of the coin of planning. First, managersø plan; then plans becomes the standards by which desired actions are measured. It is fruitless to try to design control without first taking into account plans and how well they are made.

- Controls require organization structure ó control of activities operates through people. Hence, important that responsibilities are clearly defined. The existence of a clear, complete and integrated organization structure makes control more effective. It is frustrating for managers to know that something is going wrong in their organization and not knowing exactly where the responsibility for the trouble lies.

Preventive and Corrective Controls

There are two types of organizational controls:

- Preventive controls are intended to reduce errors and thereby minimize the need for corrective action. Rules and procedures are examples of preventive controls. They all direct and limit the behaviours of employees and managers. The assumption is that, if employees comply with these restrictions, the organization is likely to achieve its objectives. Again control mechanisms are needed to make sure that rules and regulations are being followed and are working.
- Corrective controls are intended to change unwanted behaviours and make performance conform to establish standards or rules.

Sources of Control

There are four primary sources of control in most organizations:

- Stakeholder control refers to pressure from outside sources, such as customers, governmental agencies, stockholder, or banks, on organizations to change their behaviours.
- Organisational control refers to a company's formal strategies and mechanisms for pursuing its objectives. Examples include rules, standards, budgets and audit.
- Group control refers to the norms and values that group members share and maintain through rewards and punishments.
- Individual self-control consists of control mechanism operating consciously or unconsciously within each person.

Managerial controls

Corrective control methods are tools that help managers assess how well their departments are doing. There are five categories of managerial control.

Bureaucratic Controls

Bureaucratic controls have the following characteristics:

- Use of detailed rules and procedures whenever possible
- Top-down authority, with emphasis on positional power
- Activity based job descriptions that prescribe day-to-day behaviours
- Emphasis on extrinsic rewards (wages. Pensions) for controlling performance.

- Team control is disregarded on the understanding that team objectives conflict with organizational objectives.
- Organisational culture is not recognized as a source of control.

Organic Control

Organic controls have the following characteristics:

- Rules and procedures are used only when necessary.
- Flexible authority, with emphasis on expert power and networks of control.
- Results-based job descriptions that emphasize objectives to be achieved.
- Emphasis on both extrinsic and intrinsic rewards (meaningful work) for controlling performance.
- Group controls promoted on the understanding that group objectives and norms assist in achieving organizational objectives.
- Organisational culture is seen as a way of integrating organizational, group, and individual objectives for greater overall control.

Market Controls

Market control occurs when price competition is used to evaluate the output and productivity of an organization. In order to be effective, market controls must generally satisfy the following requirements:-

- Competition must be present for efficient pricing.
- Costs of the resources used in the outputs can be measured monetarily.
- The value of the outputs can be clearly defined and monetarily priced.
- Competitively based prices can be set for these outputs.

Financial Controls

Financial controls include a wide range of methods, techniques and procedures that are intended to prevent the misallocation of financial resources and provide timely financial information so that corrective action can be taken if needed.

Some of the methods for financial control include:-

(i) Comparative financial analysis.

Comparative financial analysis evaluates a firm's financial condition for two or more time periods. The most common method of comparisons is ratio analysis.

(ii) Budgeting

Budgeting is the process of categorizing proposed expenditures and linking them to objectives. Budgeting has three primary objectives:-

- To assist in resource allocation
- To assist managers in planning their work more effectively.
- To assist in controlling and monitoring resource utilization during the budget period.

The control aspect of budgeting may be either corrective or preventive. When budgeting is used as a corrective control, the emphasis is on identifying deviations from the budget. Deviations alert managers to the need to identify and correct their causes or to change the budget itself. The power of a budget, especially when used as a preventive control, depends on whether managers and employees view it as an informal contract to which they have agreed.

The different types of budgets used in business include:-

- Sales budget ó a forecast of expected revenues, generally stated by product line on a monthly basis and revised at least annually.
- Materials budget ó expected purchases, generally stated by specific categories, which may vary from month to month because of seasonal variations and inventory levels.
- Labour budget ó expected staffing, generally stated by number of individuals and dollars for each job category.
- Capital budget ó targeted spending for major tangible assets.
- Research development budget ó targeted spending for the refinement or development of products or services, materials, processes etc.
- Cash budget ó expected flow of monetary receipts and expenditures.

Machines Controls

Machine controls are methods that use instruments or devices to prevent and correct deviations from desired results.

UNIT 2 THE BASIC CONTROL PROCESS

The basic control process involves three steps:-

1. Establishment of standards ó because plans are the yardsticks against which controls must be devised, it follows logically that the first step in the control process would be to establish plans. However, since plans vary in detail and complexity and since managers cannot usually watch everything, standards are established. Standards are criteria or performance. Standards may be of many kinds. The best standards are the verifiable goals or objectives, whether stated in quantitative or qualitative terms.
2. Measurement of performance ó once standards are drawn, it becomes easy to measure the performance of subordinates.
3. Correction of deviations ó control is not confined to measuring performance against standards without doing anything when the performance falls short. Once standards are drawn to reflect organization structure and if performance is measured in these terms, the correction of negative deviations is expected, since the manager then knows exactly where in the assignment of individual or group duties the corrective measures must be applied.

Requirements For Adequate Controls

Control systems can only be adequate and effective if they are designed for the specific task and person they are intended to serve. This implies that:-

- Controls should be tailored to plans and positions ó since the purpose of control is to make sure that plans are accomplished, they must relate to plans. This means that deviations from plans should be reported quickly and also the manager should have a system that will give an indication of possible deviations before they occur so that there is time to do something about them. Controls should also be tailored to positions. For example, controls for the sales department will differ from those for finance department.

- Controls should be tailored to individual managers and their personalities- control systems and information are intended to help individual managers carry out their function of control. Control information which is not understood by a manager will not be useful. Individual managers and their personalities-control systems and information are intended to help individual managers carry out their function of control. Control information which is not understood by a manager will not be useful. It is important that controls be tailored to individual personalities. Some people, such as statisticians and accountants, like their information in forms of complex tables of data or voluminous computer printouts. In such cases, let them have it that way. Other people like their information in chart form; if so, it should be furnished this way.
- Controls should point up exceptions at critical points ó effective control requires primary attention to those points which are critical to appraising performance. Such controls allow managers to detect those places where their attention is required and should be given. A manager, for example, might be concerned if the cost of labour deviated from budget by 5 percent, but be unworried if the cost of postage stamps deviated from budget by 20 percent.
- Controls should be objective ó effective control requires objective, accurate and suitable standards. Objective standards can be quantitative, such as costs or labour hours per unit or date of job completion; they can also be qualitative, as in the case of a training program that is designed to accomplish a specific kind or upgrading of the quality of personnel. In either case, the standard is determinable and verifiable.
- Controls should be flexible ó if controls are to remain effective, despite failure or unforeseen changes of plans, flexibility is required in their design. In production scheduling, the production manager must be prepared for failures occasioned by the breakdown of a machine or the illness of a key worker. If the control system is too inflexible to account for such hitches, the slowdown may affect control. Much flexibility

in control can be provided by having alternative plans for various probable situations. In fact, flexible control is normally best achieved through flexible plans.

- The control system should fit the organizational climate ó a tight control system applied in an organization where people have been given considerable freedom and participation may not work. On the other hand, if subordinates have been managed by a superior who allows little participation in decision-making, a generalized and permissive control system would hardly succeed. People, who have not been accustomed to participating, are likely to want to have clear standards and measurement and be told what to do.
- Controls should be economical ó control must be worth their cost. A small company cannot afford the extensive control system of a large company. Complex budgetary control programmes may be well worth their cost to the large organization, but only a simple system would be economical for the small one.
- Controls should lead to corrective action ó an effective control system is one which discloses where failures are occurring and who is responsible for them. Control is justified only if deviations from plans are corrected through appropriate planning, organizing, staffing and leading.

Critical Control Points and Standards

The establishment of standards furnishes the yard-stick against which actual or expected performance is measured. In a simple operation, a manager might control through careful personal observation of the work being done.

However, in most operations this is not possible because of the complexity of the operations and the fact that a manager has far more to do than personally observe performance. A manager must choose points for special attention and then watch them to be sure that the whole operation is proceeding as planned.

Effective control requires attention to those factors critical to performance as measured against individual plans. The ability to select critical points of control is one of the arts of management.

Types of Critical-Point Standards

The different types of standards are as follows:-

- Physical standards ó these deal with nonmonetary measurements and are common at the operating level where materials are used, labour employed, services rendered, and goods produced. They may reflect quantitative performance, such as labour-hours per unit of output or units of production per machine-hour. Physical standards may also reflect quality, such as hardness of bearings.
- Cost standards ó are a variety of cost standards arising from the application of monetary measurements to physical items. They deal with the capital invested in the firm e.g. return on investment.
- Revenue standards ó these arise from attaching monetary values to sales e.g. average sales per sales personnel.
- Intangible standards ó standards not expressed in either physical or monetary measurements e.g. determination of the competence of the purchasing agent or a public relations officer.
- Goals as standards ó clearly defined goals can be used as performance standards.

MODULE 10

COMMUNICATION AND STAFFING

UNIT 1 COMMUNICATION

Def.: Communication is the transfer of information and understanding from one person to another, or within a system or organization.

Communication is a social process and the chief purpose of communication is to make the receiver of a communication understand what is in the mind of sender. Communication is incomplete unless it is received and understood.

Function of Communication

Communication has five functions:-

- (i) To express emotions ó people have emotions, which they express to others through communication. The emotive function is oriented toward feelings and is aimed at increasing acceptance of the organisation's goal and actions.
- (ii) To activate motivation ó communication concerned with motivation is designed to promote commitment to the organisation's objectives. Most of the major activities of leaders such as informing subordinates about objectives, rewarding, disciplining and defining roles, all require communication.
- (iii) To inform ó the objective of the information function is to provide the information necessary for decision-making. Whenever, a manager is ready to make a decision he or she needs information.
- (iv) To control ó reports, policies, and plans function to control the behaviour of an organisation's members. They define roles, clarify duties, authority and responsibilities, and reinforce organizational structure which defines jobs and the authority to do them. By providing a means of checking for the achievement of objectives, these types of communication further the organisation's mission.

- (v) To provide feedback on performance

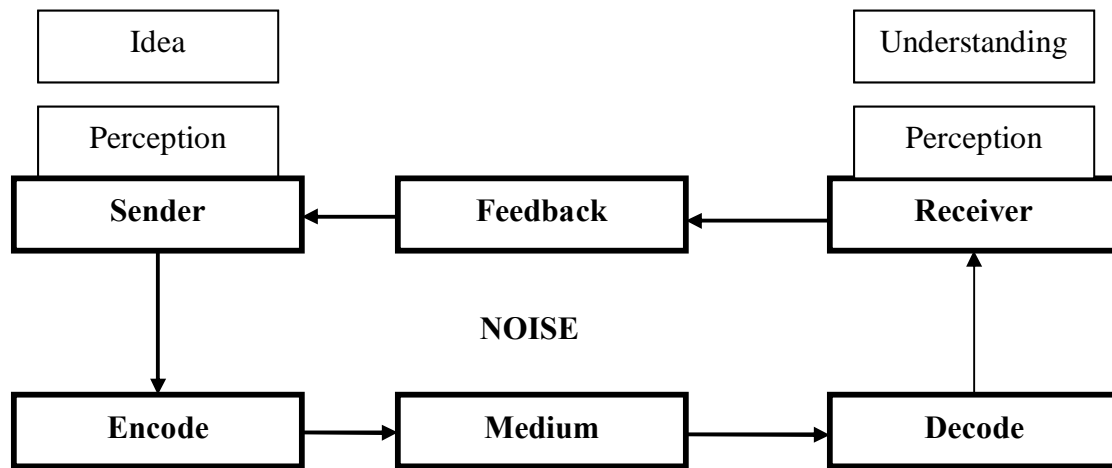


Fig. 10.1: The Basic Communication Process

Elements of the Communication Process

There are six basic elements of the communication process. These are:-

- (i) A sender ó a person, group or organization that has a message to share with another person or group of persons.
- (ii) Encoding ó translating internal thought patterns into a language or code that the intended receiver of the message is likely to understand. When encoding a message, the sender must use symbols that represent ideas and concepts that are familiar to the intended receiver. There are five principles for increasing encoding accuracy:-

Relevancy ó make the message meaningful and significant, carefully selecting the words, symbols, or gestures to be used.

Simplicity ó put the message in the simplest possible terms, reducing the number of words, symbols, and gestures used to communicate the intended thoughts and feelings.

Organisation ó arrange the message into a series of points in order to facilitate understanding.

Repetition ó restate key points of the message at least twice. Repetition is particularly important in oral communication.

Focus ó focus on the essential aspects or key points of the message. Make the message clear, and avoid unnecessary detail.

- (iii) Selecting a Medium of Transmission (a means of carrying an encoded message from the source to the receiver) ó when selecting the channel of communication, the sender should consider the following factors:-
- The intended purpose of the message.
 - The number of receivers.
 - The characteristics of receivers

Possible media include telephone calls, memos, letters, computers, bulletins boards, photographs, meetings, publications, advertising on television, and radio etc. If a sender relays a message through inappropriate medium of transmission, its message may not reach the right receivers.

- (iv) Decoding ó is the process by which the receiver interprets the symbols (coded message) sent by the source by converting them into concepts and ideas. A message will not accomplish its purpose unless it is understood.
- (v) Feedback ó is the receiver's response to the sender's message. During feedback, the Receiver becomes the source of a message that is directed back to the original source, who then becomes a receiver. Without feedback, senders have no way of knowing whether their ideas have been accurately understood.
- (vi) Perception ó is the meaning given to a message by both the receiver and the sender. If the perception differs, then there can be a breakdown in communication

Methods of Communicating

As already indicated, we communicate when we speak or write. But there are other methods of communicating.

1. ORAL

People communicate with each other most often by talking or oral communication.

Popular forms of oral communication include speeches, informal discussions and the informal rum or mill or grapevine.

Advantages

The advantages of oral communications are quick transmission and quick feedback. A verbal message can be conveyed and a response received in a minimum amount of time.

Disadvantages

The major disadvantages surfaces whenever a message has to be passed through a number of people. The more people involved, the greater the potential of distortion.

2. WRITTEN

Written communications include memos, letters, organizational periodicals, bulletin boards or words symbols.

Advantages

Written communications is permanent, tangible and verifiable. Typically, both the sender and receiver have a record of the communications. The message can be stored for an indefinite of time.

Disadvantages

They are time consuming and sometimes feedback is either delayed or not received.

Written communications do not have a built-in feedback mechanism. The result is that

mailing a memo is no assurance that it will be received, and if it is received, there is no guarantee that the recipient will interpret it as the sender-meant.

3. NONVERBAL

Some of the most meaningful communications are neither spoken nor written. These are nonverbal communications. A loud siren or red light at an intersection tells you something without using words. The most well known areas of nonverbal communications are body language and verbal intonation.

Body language refers to gestures, facial expressions and other movements of the body. Expressions and other gestures can communicate emotions or temperatures such as aggression, fear, shyness, arrogance, joy and anger.

4. ELECTRONIC MEDIA

Today we rely on a number of sophisticated electronic media to carry out communications, e.g. telephone, public address system, television etc.

Organisational Communication Versus Interpersonal Communication

Interpersonal Communication is face to face. It is person-to-person exchange that conveys meaning.

Organisational Communication is the deliberate establishment and use of a system to transmit information-conveying meaning to large number of people, both within and outside the organization. Organisational Communication is more complex in that people in organisations play roles and operates in an authority hierarchy.

In every organization, there are actually two communication systems. One is formal, and the other is informal.

Formal Communications

Refer to those that follow the authority chain of command and are part of the communications required to do one's job.

Informal Communications (or grapevine)

Def.: The communication that is not approved by management not defined by any structural hierarchy.

Employees form friendships which in turn allow them to fill in communication gaps within the formal channels. Informal communication can also improve an organisation's performance by creating alternative and frequently faster and more efficient channels through which to communicate to get that same information through formal channels might require three levels of management and several days time. Thus informal communication can act as a support system to the formal channels.

DIRECTION OF COMMUNICATION FLOW

Organizational Communication can flow downwards, laterally or diagonally.

Downward Communication

Is any communication that flows from a manager down the authority hierarchy. Downward communication is used to inform, direct, coordinate and evaluate subordinates. When managers assign goals and tasks to subordinates they are using downward communication. They also use it when they provide subordinates with job descriptions, inform them of organizational policies and procedures, etc.

Upward Communication

Is the communication that flows from subordinates to higher-level managers and also serves the primary function of providing information about what occurs at lower levels. This type of information provides management with knowledge about potential problems as well as suggestions for improvement. Upward communication keeps manager aware of how employees feel about their jobs, their co-workers and the organization in general. Some examples of upward communication include performance reports prepared by lower management for review by middle and top management. The extent of upward communication, particularly that which is initiated at the lowest level depends on the organizational culture. If management has created a climate of trust and respect, there is

likely to be extensive use of participative decision-making. As such, there will be considerable communication as employees provide inputs decisions.

Lateral Communication

Is communication that takes place among members of the same work-group at the same level or among any horizontally equivalent personnel?

Horizontal Communication

Horizontal communications are often necessary to save time and facilities coordination. Since an organization is a system of interrelated parts, management must ensure that the specialized parts are working together, pulling the organisation in a desired direction.

Diagonal Communication

Cuts across functions in an organization. When a supervisor in the credit department communicates directly with a regional marketing manager, who not only is in a different department, but at a higher level in the organization, he or she is engaged in diagonal communication.

The vertical and horizontal dimensions in organizational communications can be combined into a variety of patterns, or into what is referred to as communication networks.

UNIT 2 **BARRIERS TO EFFECTIVE COMMUNICATION**

Problems of communication directly retard the success of managers in the performance of their functions. If messages are poorly transmitted, or if the action is not effected management cannot plan or control activities properly. The barriers to good communication required constant attention. There are organizational and individual barriers to effective communication.

Organisational Barriers

- Differing specialisations of members ó distortion is likely to result from inadequacy of words in carrying the precise ideas of the sender. If an accountant submits a report on 'costs' to an economist, distortion may result because of differences in meanings of the word 'cost'.

An important means of overcoming the distortion barrier is to use what the psychologist calls empathy ó attempt to project one's self into the viewpoint of the other person.

- Differing departmental objectives ó this can result into misunderstandings and conflict.

Management should enthuse the vision of the organisation into every member so that effort is directed towards a common goal.

- Environment ó a noisy environment can affect communication.
- Information overload is the receipt of more information than can be effectively observed. Organisations with large structures process a lot of information. Latest methods of processing and transmitting data have increased the amount of communication, which flow to executives. Technology makes it possible for managers to have at their fingertips, up-to-date information on those activities for which they are responsible. When

managers allow themselves to be flooded with information, given the time and limits under which they operate the effectiveness of communication is likely to suffer. Managers are forced to ignore or review many messages; consequently, they overlook or misinterpret some messages.

- Timing of communications ó can result in problems for management. Some types of messages need to be released so that everyone will receive them simultaneously. Other types of messages being transmitted should be timed sequentially so that issues that are not important to them at the moment will not confuse receivers.
- Routing ó If official information is first received by persons outside the organisation, the employee may be placed in an insecure position. The solution to the problem lies in the proper planning of a communications system and in the recognition of its human elements.

Individual Barriers

- Failure to listen ó the receiver of a message should be attentive when a message is being transmitted.
- Emotions ó One's mood can be a barrier to effective communication.
- Communication skills ó lack of communication skills hinders effective communication.
- Complexity of message ó if the message is too complex, there is a danger of misinterpreting it.
- Attitude to tasks/people ó a poor attitude to tasks and people can affect one's ability to listen and communicate.
- Conflicting interests ó communication is affected if personal interests are conflicting with the interest of the organisation.
- Clarity of instructions ó instructions that are not clear will not be understood.
- Lack of trust ó can affect communication

- Attention Span ó people have different levels of concentration. People with a short attention span will lose attention if subjected to listening for too long.

National Culture Differences

Misunderstandings have occurred because of differences in behaviours, gestures and ways of saying things, which are directly due to the cultural background of the parties concerned.

Overcoming Barriers

Determinations of the flow of communications and recognition of the many barriers to good communication are basic to the communication function. Communication networks, communication channels and barriers to communicate must continually receive attention.

Barriers to communication can be overcome in the following ways:-

- Regulate the flow of information ó managers who receive too much information suffer from information overload. They should set up a system that identifies priority messages for immediate attention. One way of doing this is to instruct subordinates to bring the manager information only when significant deviations from objectives and plans occur. Encourage feedback ó managers and others should follow up to determine whether important messages have been understood.
- Simplify the language of the message ó because language can be a barrier, managers and others should choose words that subordinates will understand.
- Listen actively ó employees need to become good listeners as well as good message senders. Recently, several organisations have developed training programs to improve listening.
- Restrain negative emotions ó like everyone else, managers convey emotions when communicating, but negative emotions can distort the content of the message. When a manager is emotionally upset, he or she is more likely to phrase the message poorly.

- Use nonverbal cues ó managers and other employees should use nonverbal cues to emphasize points and express feelings.
- Use the grapevine ó this is the organisation's informal communication system. Managers should use it to send information rapidly, test reactions before announcing a final decision, and obtain feedback,

Guideline for Effective Communication

To be effective communicators, managers must understand the guidelines for effective communication. These guidelines are as follows;

- Clarify your ideas before communicating ó analyse the problem to clarify it in your mind before sending a message. Communication often is ineffective because the message is inadequately planned. Part of good message planning is considering the goals and attitudes of those who will receive the message.
- Examine the true purpose of the communication ó before you send a message, ask yourself what you really want to accomplish with it. Decide whether you want to obtain information, convey a decision, or persuade someone to take action.
- Consider the setting in which the communication will take place ó you convey meaning and intent by more than words alone. Trying to communicate with a person in another location is more difficult than doing so face-to-face.
- Consult with others, when appropriate, in planning communications ó encourage the participation of those who will be affected by the message. They can often provide a viewpoint that you might not have considered.
- Be mindful of the nonverbal messages you send ó tone of voice, facial expression, eye contact, personal appearance, and physical surroundings all influence the communication process. The receiver considers both the words and the nonverbal cues that make up your message.

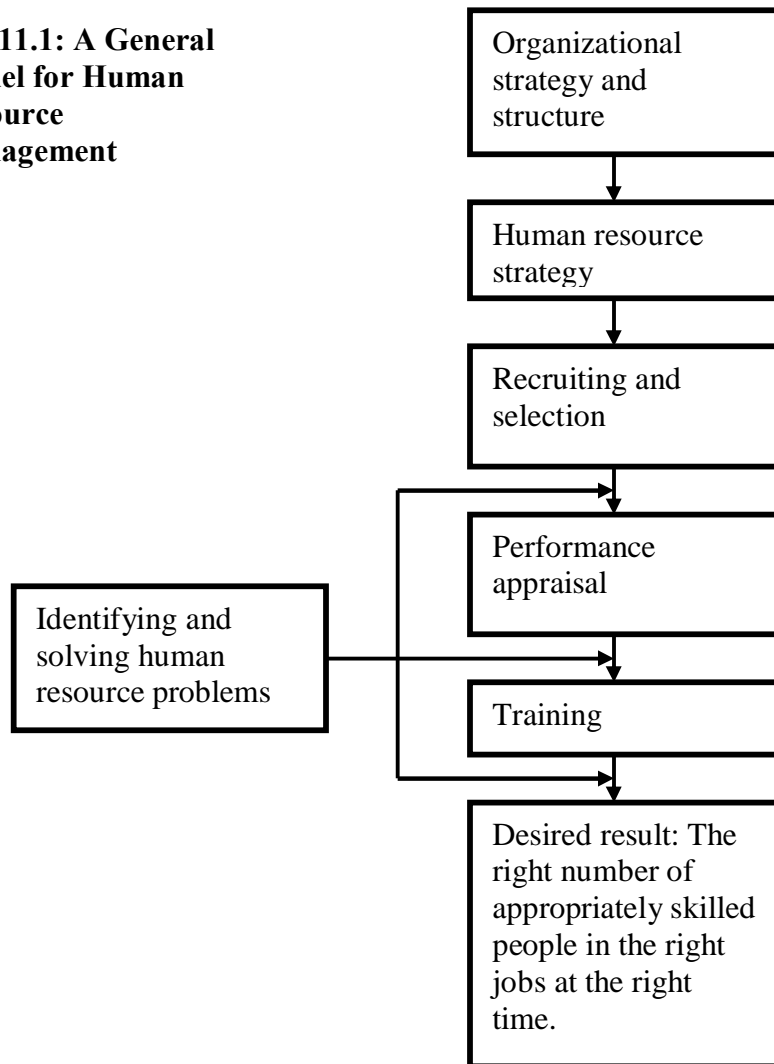
- Take the opportunity to convey something helpful to the receiver ó considering the other person's interests and needs often presents opportunities to the sender. You can make your message clear by imagining yourself in the other's position. Effective communicators really try to see the message from the listener's point of view.
- Following up the communication ó your best efforts at communication can be wasted unless you succeed in getting your message from the listener's point of view.
- Be sure your actions support your communication ó the most effective communication is not in what you say but in what you do. Actions speak louder than words.

MODULE 11
HUMAN RESOURCE MANAGEMENT

UNIT 1 INTRODUCTION

Definition: Human resource management involves the acquisition, retention, and development of human resources necessary for organizational success.

Fig. 11.1: A General Model for Human Resource Management



This broader definition underscores the point that people are valuable resources requiring careful nurturing.

In fact, what were once called personnel departments are now called human resource departments.

Progressive and successful organizations treat all employees as valuable human resources.

Fig. 11.1 reflects this strategic orientation.

A logical sequence of human resource management activities of human resource strategy, recruiting, selection, performance appraisal and training- all derive from organizational strategy and structure.

Without a strategic orientation, the management of people becomes haphazardly inefficient and ineffective.

THE STAFFING PROCESS

Staffing has long been an integral part of the management process.

Like other traditional management functions, the domain of staffing has grown throughout the years.

This growth reflects increasing environmental complexity and greater organizational sophistication.

Today, the traditional staffing function is just one part of the more encompassing human resource management process.

Staffing is the process by which organizations satisfy their human resource needs. They forecast future needs, recruit and select candidates to meet these needs, and then orient new employees to their jobs and to the organization.

The staffing process has the following components:-

- Planning of before hiring anyone, the organization needs to forecast its human resource requirements. By doing so, a firm can determine the number of employees to hire and the types of skills they will need.

- Recruitment ó the organization should then develop a pool of job candidates from which to select qualified employees.
- Selection and hiring ó after recruiting candidates for available positions, the organization selects and hires those people who are most likely to perform well on the job.
- Orientation ó once employees are hired, they must be oriented to their jobs and the organization in general.
- Compensation and benefits ó is the wages or salaries, bonuses, and other monetary items paid to employees in exchange for their labour.
- Performance appraisals ó once employees begin working, managers are responsible for providing them with feedback about their performance.
- Separation ó the final stage in the staffing process is separation of the employee from the organization.

1. Recruitment and Selection

a) Recruiting for Diversity:

The ultimate goal of recruiting is to generate a pool of qualified applicants for new and existing jobs.

Everyday recruiting tactics include internal job postings, referrals by present and past employees, campus recruiters, newspaper ads, Web sites, public and private employment agencies, head-hunters, job fairs, temporary-help agencies, and union halls.

But today's recruiting is extremely challenging since applicant pools need to be demographically representative of the population at large if diversity is to be achieved.

b) The Selection Process:

Equal employment opportunity (EEO) legislation in the United States and elsewhere attempts to ensure a fair and unprejudiced race for all job applicants.

The first two hurdles are résumé screening and reference checking; both are very important because an estimated 40% of job applications include false information.

Background checks for criminal records and citizenship/immigration status are more essential than ever in an age of workplace violence and international terrorism.

Other hurdles may include psychological tests, physical examinations, interviews, work-sampling tests, and drug tests.

A respected author and trainer summarizes the overall employee selection process with the acronym PROCEED, with each letter representing one of the seven steps involved. This model encourages managers to take a systems perspective, all the way from preparation to the final hiring decision.

Step 1 is where job analysis and job descriptions come into play.

Def.: Job analysis is the process of identifying basic task and skill requirements for specific jobs by studying superior performers.

Def.: A job description is a concise document outlining the role expectations and skill requirements for a specific job.

Up-to-date job descriptions foster discipline in selection and performance appraisal by offering a formal measuring stick.

Table 11.1: The Employee Selection Process- The PROCEED Model

Step 1: PREPARE

- Identify existing superior performers
- Create a job description for the position
- Identify the competencies or skills needed to do the job
- Draft interview questions

Step 2: REVIEW

- Review questions for legality and fairness

Step 3: ORGANIZE

- Select your interview team and your method of interviewing
- Assign roles to your team and divide the questions

Step 4: CONDUCT

- Gather data from the job candidate

Step 5: EVALUATE

- Determine the match between the candidate and the job

Step 6: EXCHANGE

- Share data in a discussion meeting

Step 7: DECIDE

- Make the final decision

c) Equal Employment Opportunity (EEO):

EEO law now provides a broad umbrella of employment protection for certain categories of disadvantaged individuals.

The result of this legislation has been that in virtually all aspects of employment, it is unlawful to discriminate on the basis of race, colour, sex, religion, age, national origin, etc.

This means managers cannot lay off or discharge, refuse to hire, promote, train, or transfer employees simply on the basis of the characteristics listed above.

Selection and all other personnel decisions must be made solely on the basis of objective criteria such as ability to perform or seniority.

Lawsuits and fines by agencies such as the EEO Commission are powerful incentives to comply with EEO laws.

d) Employment Selection Tests:

The definition of an employment selection test has been broadened to include any procedure used as a basis for an employment decision.

Thus, in addition to traditional pencil-and paper tests, numerous other procedures qualify as tests, such as unscored application forms; informal and formal interviews; performance tests; and physical, educational, or experience requirements.

Historically, women and minorities have been victimized by invalid, unreliable, and prejudicial employment selection procedures.

Similar complaints have been voiced about the use of personality tests, polygraphs (lie detectors), drug tests, and AIDS and DNA screening during the hiring process.

e) Effective Interviewing:

Interviewing is the most common employee selection tool.

Line managers at all levels are often asked to interview candidates for job openings and promotions and should be aware of the weaknesses of the traditional unstructured interview.

The traditional unstructured or informal interview, which has no fixed question format or systematic scoring procedure, has been criticized for being highly subjective and unreliable.

For example, these interviews are notorious for being culturally insensitive.

f) Structured Interviews:

Structured interviews are the recommended alternative to traditional unstructured or informal interviews.

Def.: A structured interview is a set of job-related questions with standardized answers applied consistently across all interviews for a specific job.

Structured interviews are constructed, conducted, and scored by a committee of three to six members to try to eliminate individual bias.

The systematic format and scoring of structured interviews eliminate the weaknesses inherent in unstructured interviews.

Four questions typically characterize structured interviews: (1) situational (handling difficult situations), (2) job knowledge (possession of required knowledge), (3) job sample simulation (doing essential aspects of the job), and (4) worker requirements (coping with job demands).

g) Behavioural Interviewing: Behavioural scientists believe that past behaviour is the best predictor of future behaviour.

We are, after all, creatures of habit.

Situational-type interview questions can be greatly strengthened by anchoring them to actual past behaviour (as opposed to hypothetical situations).

Structure, job-related, behaviourally specific interview questions keep managers from running afoul of the problems associated with unstructured interviews.

If the questions are worded appropriately, the net result should be a good grasp of the individual's relevant skills, initiative, problem-solving ability, and ability to recover from setbacks and learn from mistakes.

UNIT 2 PERFORMANCE APPRAISAL

Annual performance appraisals are a common part of modern organizational life.

But both appraisers and subjects tend to express general dissatisfaction with performance appraisals.

Def.: Performance appraisal is the process of evaluating individual job performance as a basis for making objective personnel decisions.

Formally documented appraisals are needed both to ensure equitable distribution of opportunities and rewards and to avoid prejudicial treatment of protected minorities. Two important aspects of performance appraisal are legal defensibility and alternative techniques.

a) Making Performance Appraisals Legally Defensible:

Lawsuits challenging the legality of specific performance appraisal systems and resulting personnel actions have left scores of human resource managers questioning the legality of their organizations' performance appraisal systems.

Managers need specific criteria for legally defensible performance appraisal systems.

Employers can successfully defend their appraisal systems if they satisfied four criteria:

- A job analysis was used to develop the performance appraisal system.
- The appraisal system was behaviour-oriented, not trait-oriented.
- Performance evaluators followed specific written instructions when conducting appraisals.
- Evaluators reviewed the results of the appraisals with the rates.

Each of these conditions has a clear legal rationale.

Job analysis anchors the appraisal process to specific job duties, not to personalities.

Behaviour-oriented appraisals properly focus management's attention on how the individual actually performed her job.

Performance appraisers who follow specific written instructions are less likely to be plagued by vague performance standards and/or personal bias.

Finally, by reviewing performance appraisal results with those who have been evaluated, managers provide the feedback necessary for learning and improvement.

b) Alternative Performance Appraisal Techniques:

- Goal setting. Within an MBO framework, performance is typically evaluated in terms of formal objectives set at an earlier date.
This is a comparatively strong technique if desired outcomes are clearly linked to specific behaviour.
- Written essays. Managers describe the performance of employees in narrative form, sometimes in response to predetermined questions.
- Critical incidents. Specific instances of inferior and superior performance are documented by the supervisor when they occur.
Accumulated incidents then provide an objective basis for evaluations at appraisal time.
- Graphic rating scales. Various traits or behaviour are rated on incremental scales. Behaviourally anchored rating scales (BARS), defined as performance rating scales divided into increments of observable job behaviour determined through job analysis, are one of the strongest performance appraisal techniques.
- Weighted checklists. Evaluators check appropriate adjectives or behavioural descriptions that have predetermined weights that are unknown to the evaluator. Following the evaluation, the weights of the checked items are added or averaged to permit interpersonal comparisons.
- Rankings/ comparisons. Co-workers in a subunit are ranked or compared in head-to-head fashion according to specified accomplishments or job behaviour.
- Multirater appraisals. This is a general label for a diverse array of non-traditional appraisal techniques involving more than one rater for the focal person's performance.

UNIT 3

TRAINING AND DEVELOPMENT

No matter how carefully job applicants are screened and selected, typically a gap remains between what employees do know and what they should know.

Training is needed to fill in this knowledge gap.

Companies spend billions of dollars annually on training.

Huge as this number sounds; it still is not nearly enough.

Most of this money is spent by big companies training already well-educated managers and professionals.

Clearly, managers need to rethink the country's training priorities.

Remedial education and basic skills training for non-management personnel are good for both the employer and the employee.

Definition: Training is the process of changing employee behaviour and/or attitudes through some type of guided experience.

TODAY'S TRAINING: CONTENT AND DELIVERY.

Fig 11.1 lists the ten most common types of training.

Fig. 11.1: The Content and Delivery of Today's Training			
General Types of Training	Percentage	How Training is Delivered	Percentage
Performance Appraisals	71	Instructor-led (classroom)	77
New Employee Orientation	69	By computer (no instructor)	11
Sexual Harassment	68	Instructor-led (from remote location)	5
Safety	64	Other	7
Leadership	60		
Product Knowledge	56		
Customer Education	54		
Team Building	53		
Diversity	53		

Problem Solving/ Decision Making	52		
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Despite the hype over the Internet, the vast bulk of today's training is remarkably low-tech. The typical college classroom is still a realistic preview of what to expect in the world of workplace training.

Given variables such as interpersonal differences, budget limitations, and instructor capabilities, there is no one best training technique.

It is up to the trainers to do their absolute best because they are key facilitators for people's hopes and dreams.

THE INGREDIENTS OF A GOOD TRAINING PROGRAM.

Every training program should be designed along the following lines to maximize retention and transfer learning to the job.

1. Maximize the similarity between the training situation and the job situation.
2. Provide as much experience as possible with the task being taught.
3. Provide for a variety of examples when teaching concepts or skills.
4. Label or identify important features of a task.
5. Make sure that the trained behaviours and ideas are rewarded in the job situation.
6. Design the training content so that the trainees can see its applicability.
7. Use adjacent questions to guide the trainee's attention.

SKILL VERSUS FACTUAL LEARNING.

The ingredients of a good training program vary according to whether skill learning or factual learning is involved.

Effective skill learning should incorporate four essential ingredients:

- | | | |
|-----|--------------|---------------------------------------------|
| (1) | Goal setting | What should be done |
| (2) | Modelling | Showing how it should be done |
| (3) | Practice | Trying out what has been shown |
| (4) | Feedback | Telling them what they are doing correctly. |

In factual learning, meaningful presentation of the materials is substituted for modelling.

The object of training is learning.

Learning requires thoughtful preparation, carefully guided exposure to new ideas or behaviour, and motivational support.

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