

# **ESSENTIALS OF MANAGEMENT**

**Chapter 1. Management: Science,  
Theory, and Practice**

## **AFTER STUDYING THIS CHAPTER, YOU SHOULD UNDERSTAND**

1. The nature and purpose of management.
2. That management applies to all kinds of organizations and to managers at all organizational levels.
3. That the aim of all managers is to create a "surplus"
4. That the nature of excellent and admired companies and their characteristics.
5. The trends in information technology and globalization.
6. The concepts of productivity, effectiveness, and efficiency.
7. That management as practice is an art in which the underlying theory and science are applied in light of situations.
8. The evolution of management and some recent contributions to management thought

# **DEFINITION OF MANAGEMENT: ITS NATURE AND PURPOSE**

- Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims

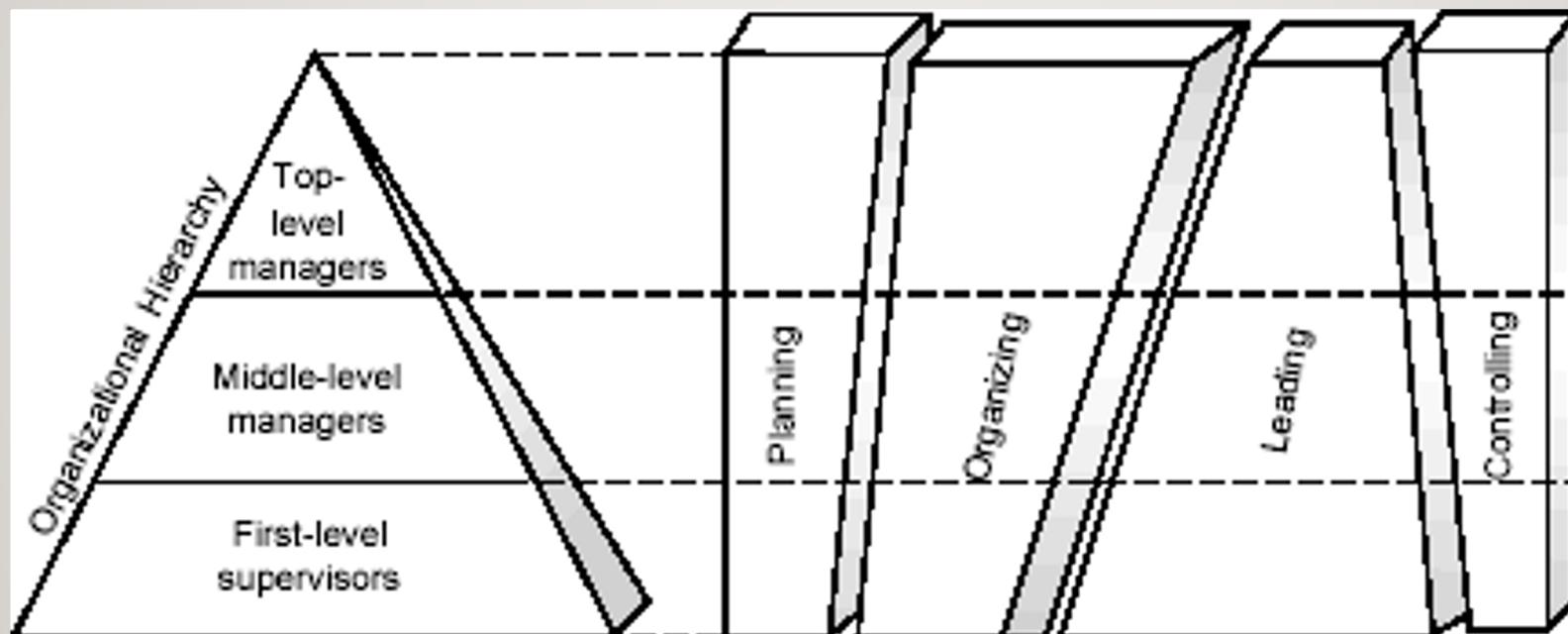
# THE FUNCTIONS OF MANAGEMENT

- The five managerial functions around which managerial knowledge are organized are: planning, organizing, staffing, leading, and controlling

# MANAGERIAL FUNCTIONS AT DIFFERENT ORGANIZATIONAL LEVELS

- No basic distinction is made between managers, executives, administrators, and supervisors
- All managers carry out managerial functions. However, the time spent for each function may differ

# TIME SPENT IN CARRYING OUT MANAGERIAL FUNCTIONS



# Managerial Skills and the Organizational Hierarchy

The four skills for administrators are:

- technical,
- human,
- conceptual, and
- design skills

# The Goals of All Managers and Organizations

- The aim of all managers should be to create a surplus. Thus, managers must establish an environment in which people can accomplish group goals with the least amount of time, money, materials, and personal dissatisfaction

# CHARACTERISTICS OF EXCELLENT COMPANIES (PETERS & WATERMAN)

These firms

- \* Were oriented toward action
- \* Learned about the needs of their customers
- \* Promoted managerial autonomy and entrepreneurship
- \* Achieved productivity by paying close attention to the needs of their people
- \* Were driven by a company philosophy often based on the values of their leaders
- \* Focused on the business they knew best
- \* Had a simple organization structure with a lean staff
- \* Were centralized as well as decentralized, depending on appropriateness

## DEFINITION OF PRODUCTIVITY

- Productivity is the output-input ratio within a time period with due consideration for quality

# DEFINITIONS OF EFFECTIVENESS AND EFFICIENCY

- Productivity implies effectiveness and efficiency in individual and organizational performance
- **Effectiveness** is the achievement of objectives
- **Efficiency** is the achievement of the ends with the least amount of resources (time, money, etc.)

# MANAGING: SCIENCE OR ART?

- Managing as practice is an art; the organized knowledge underlying the practice may be referred to as a science

# THE EVOLUTION OF MANAGEMENT THOUGHT & PATTERNS OF MANAGEMENT ANALYSIS

- Frederick Taylor and Scientific Management
- Fayol, the Father of Modern Operational Management Theory
- Elton Mayo and F. Roethlisberger and the Hawthorne Studies
- Recent Contributors to Management Thought

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

- 1. Replacing rules of thumb with science (organized knowledge)**
- 2. Obtaining harmony in group action, rather than discord**
- 3. Achieving cooperation of human beings, rather than chaotic individualism**
- 4. Working for maximum output, rather than restricted output**
- 5. Developing all workers to the fullest extent possible for their own and their**

# FAYOL, THE FATHER OF MODERN OPERATIONAL-MANAGEMENT

- Theory. authority is a combination of official-factors and personal factors
  - Unity of Command. Employees
  - should receive orders from one superior only
    - Scalar Chain. A "chain of superiors" from the highest to the lowest ranks should be short-circuited when to follow it scrupulously would be detrimental
    - Esprit de Corps. This is the principle that "in union there is strength"

# **ELTON MAYO AND F. ROETHLISBERGER AND THE HAWTHORNE STUDIES.**

- In general, that the improvement in productivity was due to such social factors as morale, satisfactory interrelationships between members of a work group (a "sense of belonging"), and effective management--a kind of managing that would understand human behavior, especially group behavior, and serve it through such interpersonal skills as motivating, counseling, leading, and communicating

# RECENT CONTRIBUTORS TO MANAGEMENT THOUGHT

- Peter F. Drucker
- Keith Davis
- Edwards Deming
- Joseph M. Juran
- Peter Laurence
- William Ouchi
- Thomas Peters and Robert Waterman

# **PATTERNS OF MANAGEMENT ANALYSIS: A MANAGEMENT THEORY JUNGLE?**

- (1) the empirical, or case, approach,
- (2) the managerial roles approach,
- (3) the contingency, or situational, approach,
- (4) the mathematical, or "management science," approach,
- (5) the decision theory approach,
- (6) the reengineering approach,
- (7) the systems approach,

## **PATTERNS OF MANAGEMENT ANALYSIS:**

### **-- continued**

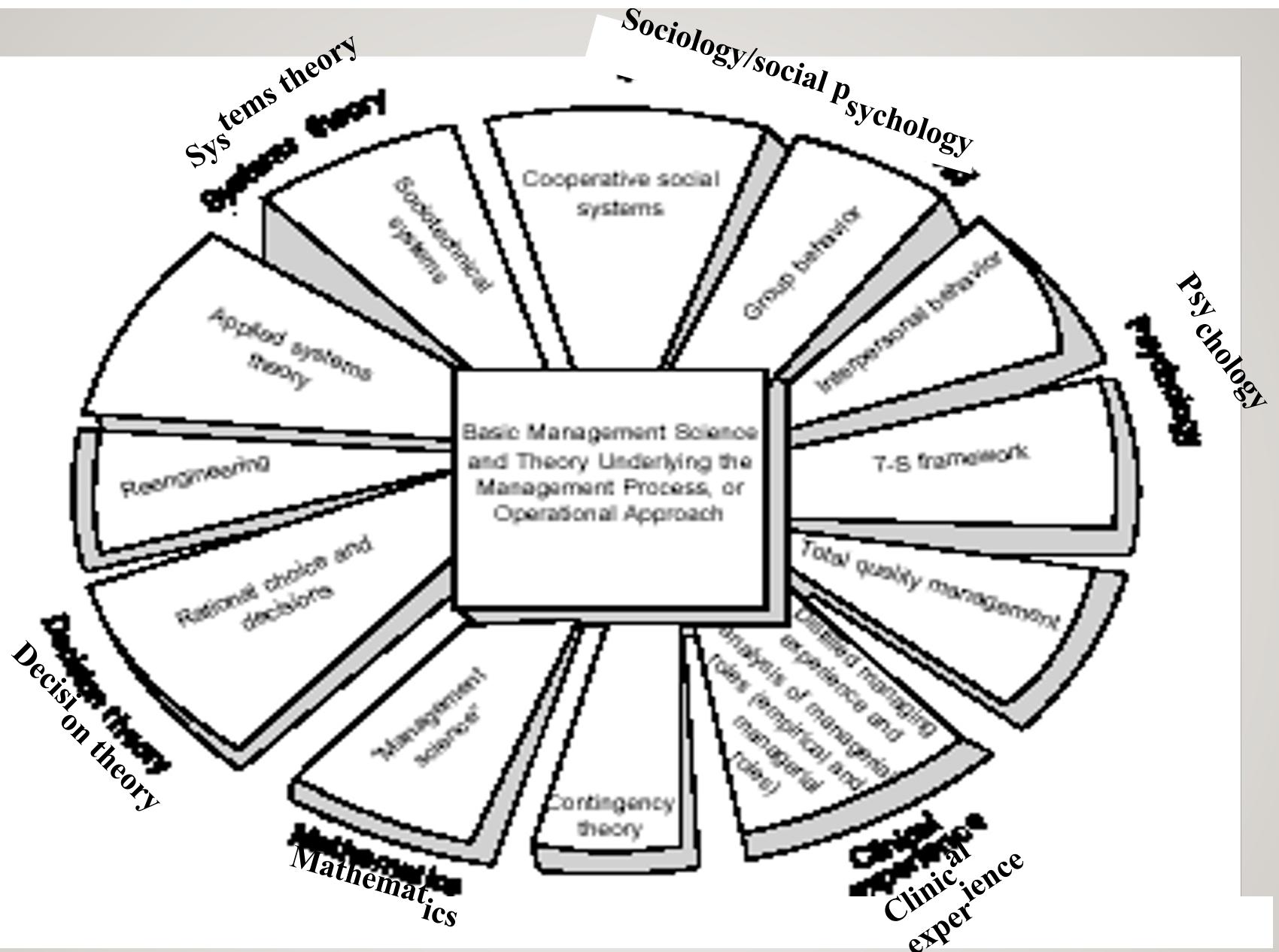
- (8) the sociotechnical systems approach,
- (9) the cooperative social systems approach,
- (10) the group behavior approach,
- (11) the interpersonal behavior approach,
- (12) McKinsey's 7-S framework,
- (13) the total quality management approach,
- (14) the management process, or  
operational, approach.

# THE MANAGERIAL ROLES APPROACH (MINTZBERG)

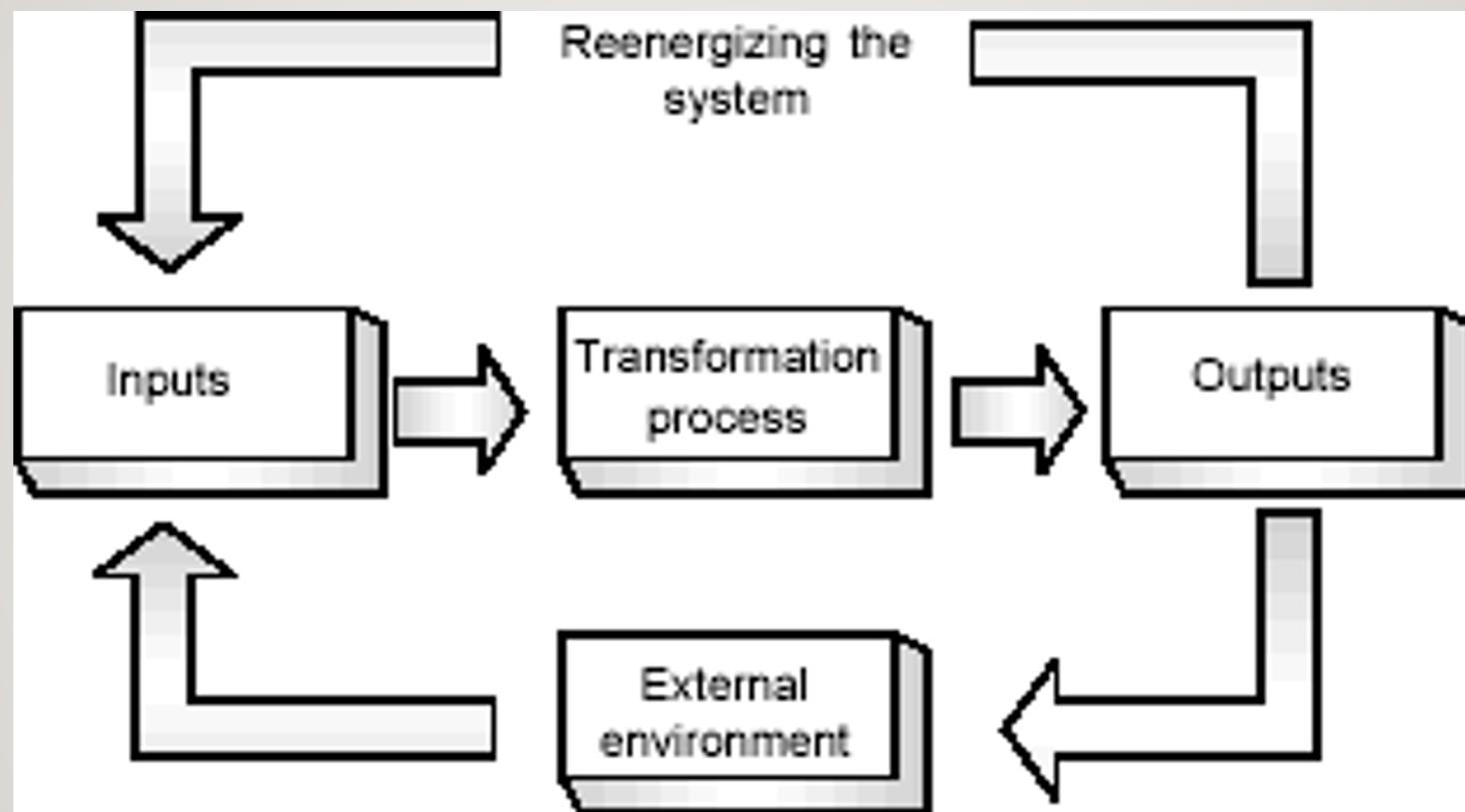
- 3 Interpersonal roles
- 3 Informational roles
- 4 Decision roles

## THE MANAGEMENT PROCESS, OR OPERATIONAL, APPROACH

- This approach draws together the pertinent knowledge of management by relating it to the managerial job--what managers do
- It tries to integrate the concepts, principles, and techniques that underlie the task of managing



# A BASIC INPUT-OUTPUT MODEL



# THE FIVE MANAGERIAL FUNCTIONS

- Planning
- Organizing
- Staffing
- Leading
- Controlling

## DEFINITION OF PLANNING

- Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making

# DEFINITION OF ORGANIZING

- Organizing involves establishing an intentional structure of roles for people to fill in an organization

# DEFINITION OF STAFFING

- Staffing involves filling, and keeping filled, the positions in the organization structure

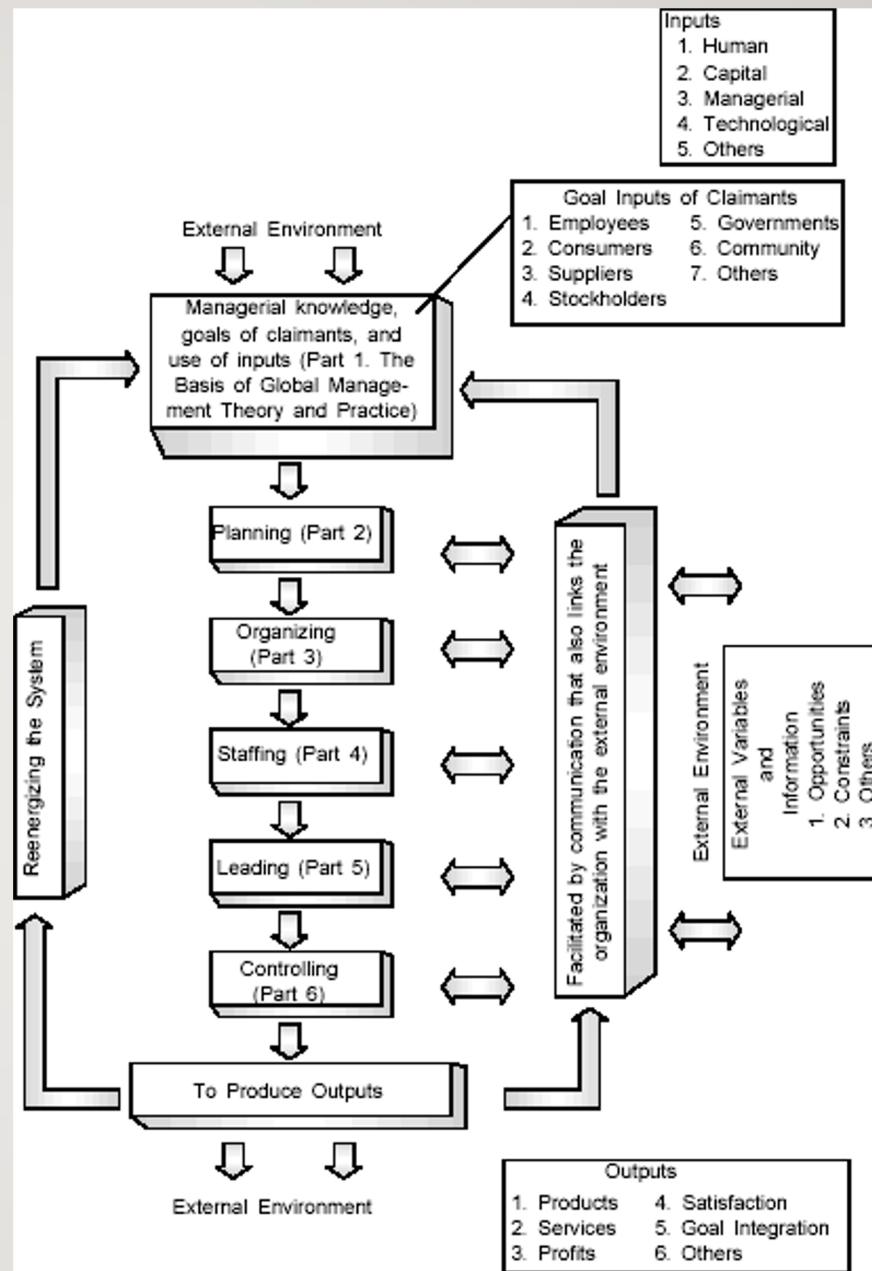
## DEFINITION OF LEADING

- Leading is influencing people so that they will contribute to organization and group goals

## DEFINITION OF CONTROLLING

- Controlling is measuring and correcting individual and organizational performance to ensure that events conform to plans

# THE SYSTEMS MODEL OF MANAGEMENT AND THIS BOOK



# **Evolution of Management Thought**

# I – Classical Approach

# 1. Principles of Scientific Management – Frederick Winslow Taylor

- Replacing rules of thumb with science (Organized knowledge)
- Obtaining harmony in group action
- Achieving cooperation of human beings, rather than chaotic individualism
- Working for maximum output rather than restricted output
- Developing all workers – for benefit of individual and the company

# F. W. Taylor



## **2. Time and motion study - Frank and Lillian Gilbreth**

- Developed while studying the job of bricklayers
- Still in use in manufacturing plants:
  - Process of determining the most efficient motions for a given task and to determine the appropriate elapsed time for completion of the job

# Frank and Lillian Gilbreth



### **3. Modern Management – Henri Fayol**

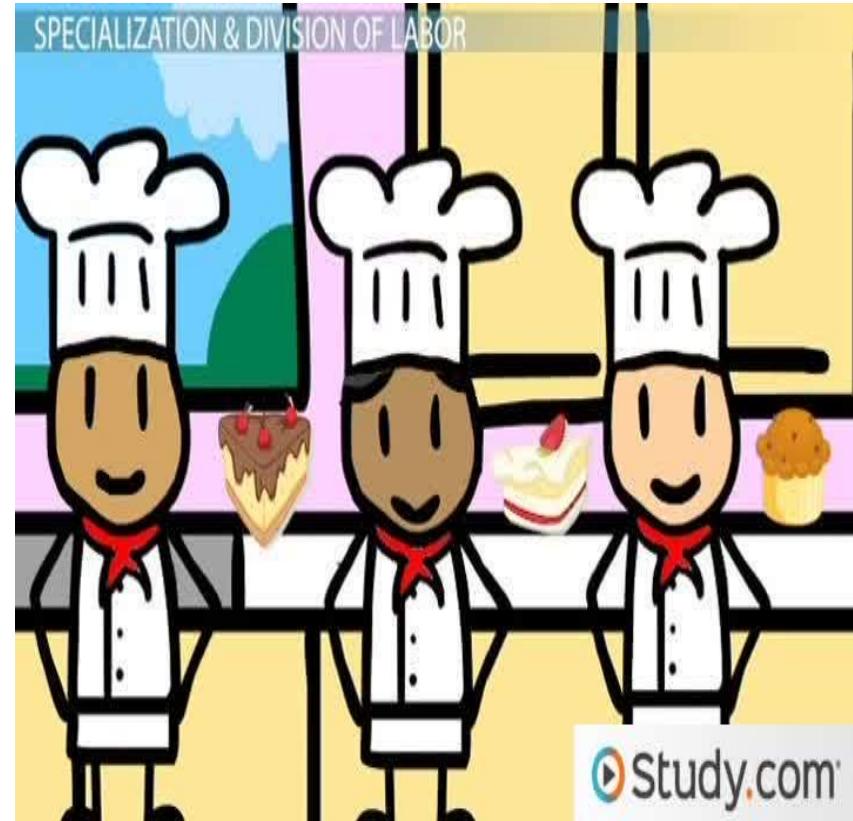
- **14 Principles of Management**

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of command
5. Unity of direction
6. Subordination of individual interest to general interest
7. Remuneration of personnel
8. Centralization
9. Scalar chain
10. Order
11. Equity
12. Stable personnel
13. Initiative
14. Esprit de corps

# Henri Fayol

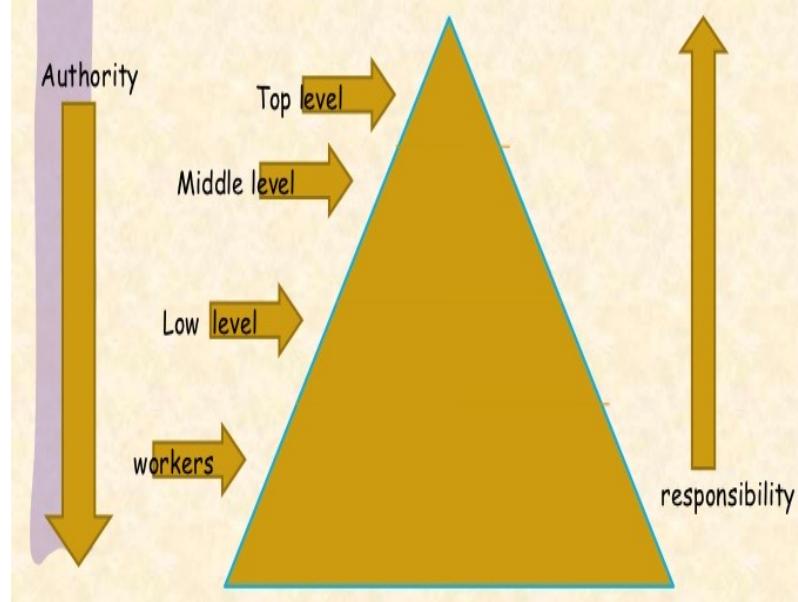


# Division of work



# Authority and Responsibility

2. Authority always flows downwards,  
while responsibility always flows  
upwards.



**YOU CAN DELEGATE  
AUTHORITY, BUT  
NOT  
RESPONSIBILITY.**

QUOTEHD.COM

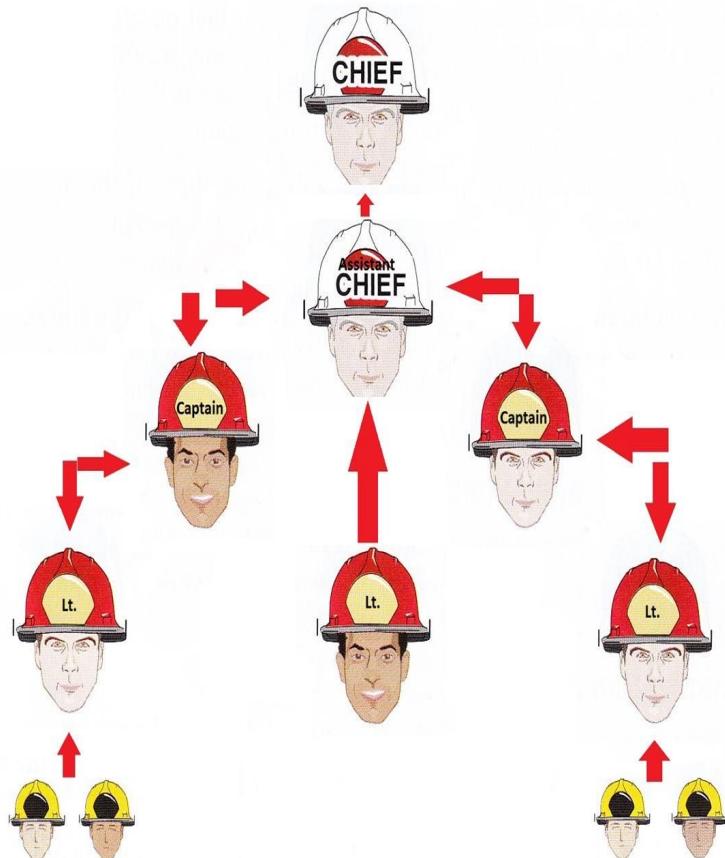
Stephen W. Comiskey

# Discipline



# Unity of Command

Chain of Command



DEFINITION AND PRINCIPLES OF UNITY OF COMMAND

## Unity of Command

*An employee is responsible to only one supervisor, who in turn is responsible to only one supervisor, and so on up the organizational hierarchy*



# Unity of Direction

Unity Of Direction

Marketing Department



Production Department

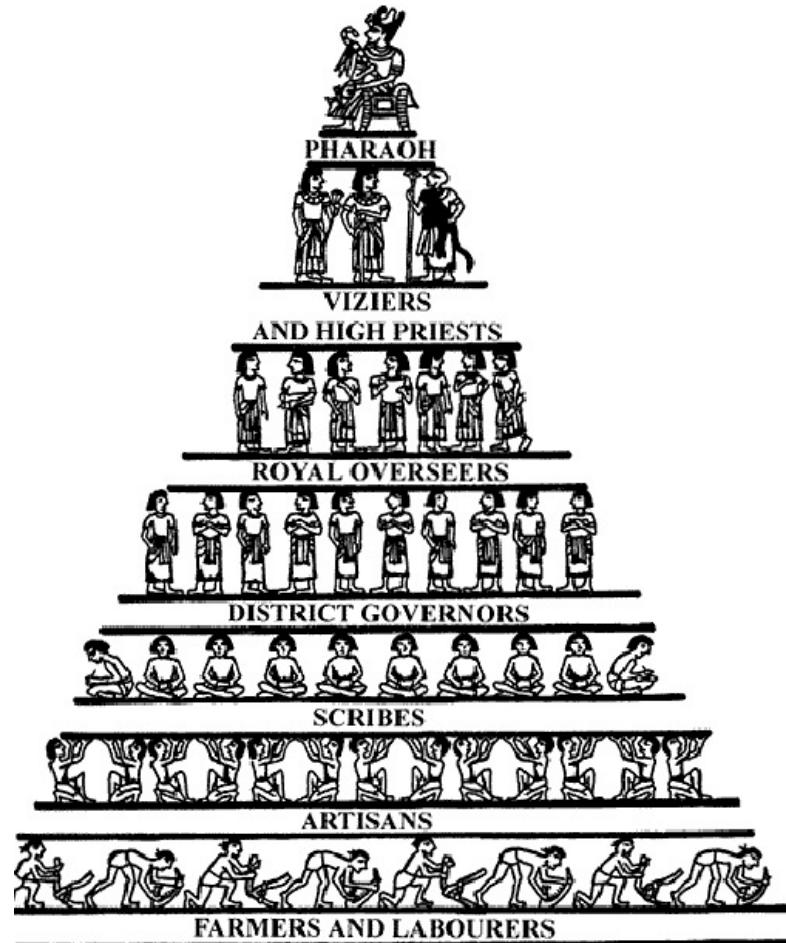
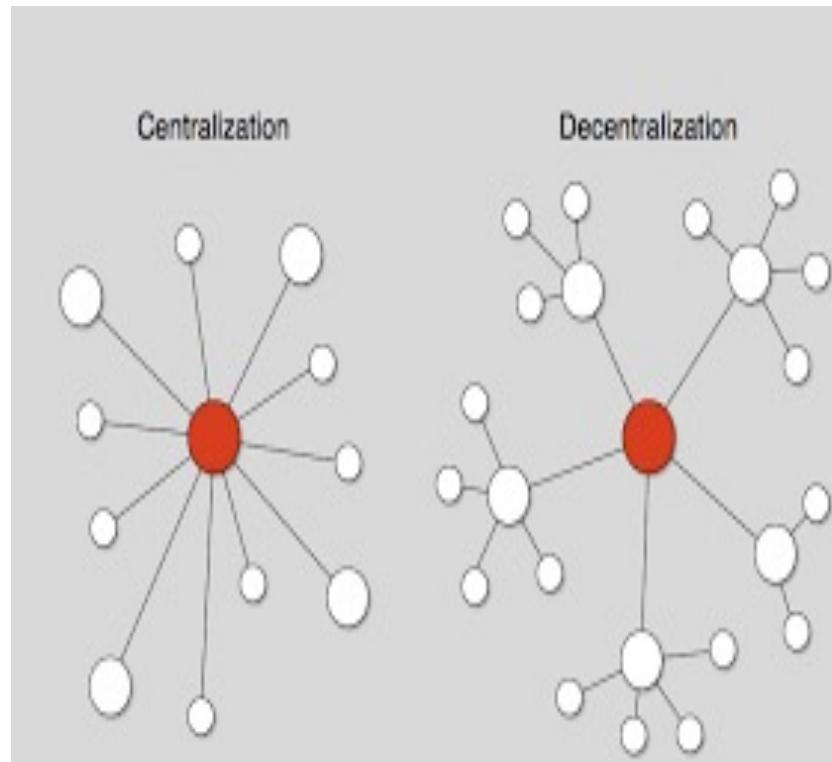


- Subordination of individual interest to general interest
- Remuneration of Personnel

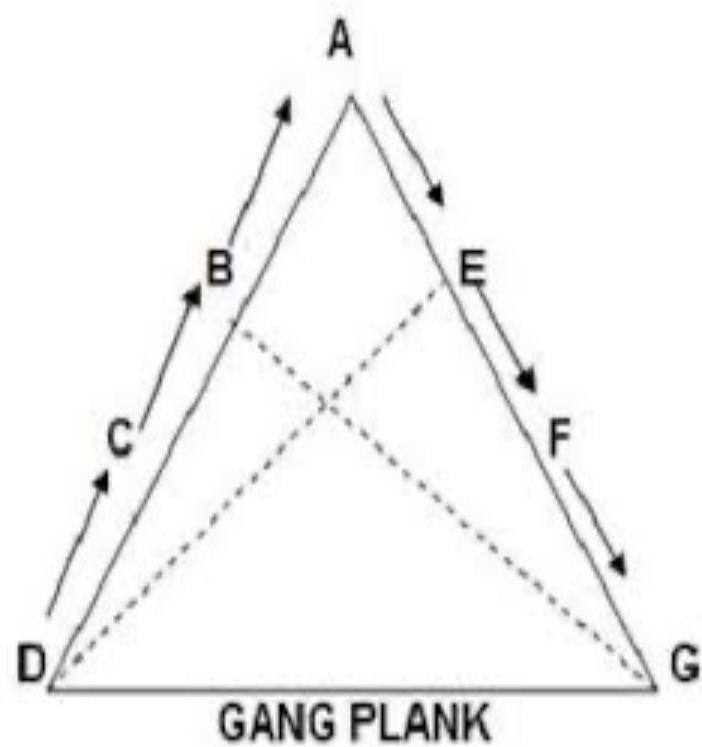
#### 6. Subordination of Individual Interests to the General Interest :-



# Centralization and Decentralization



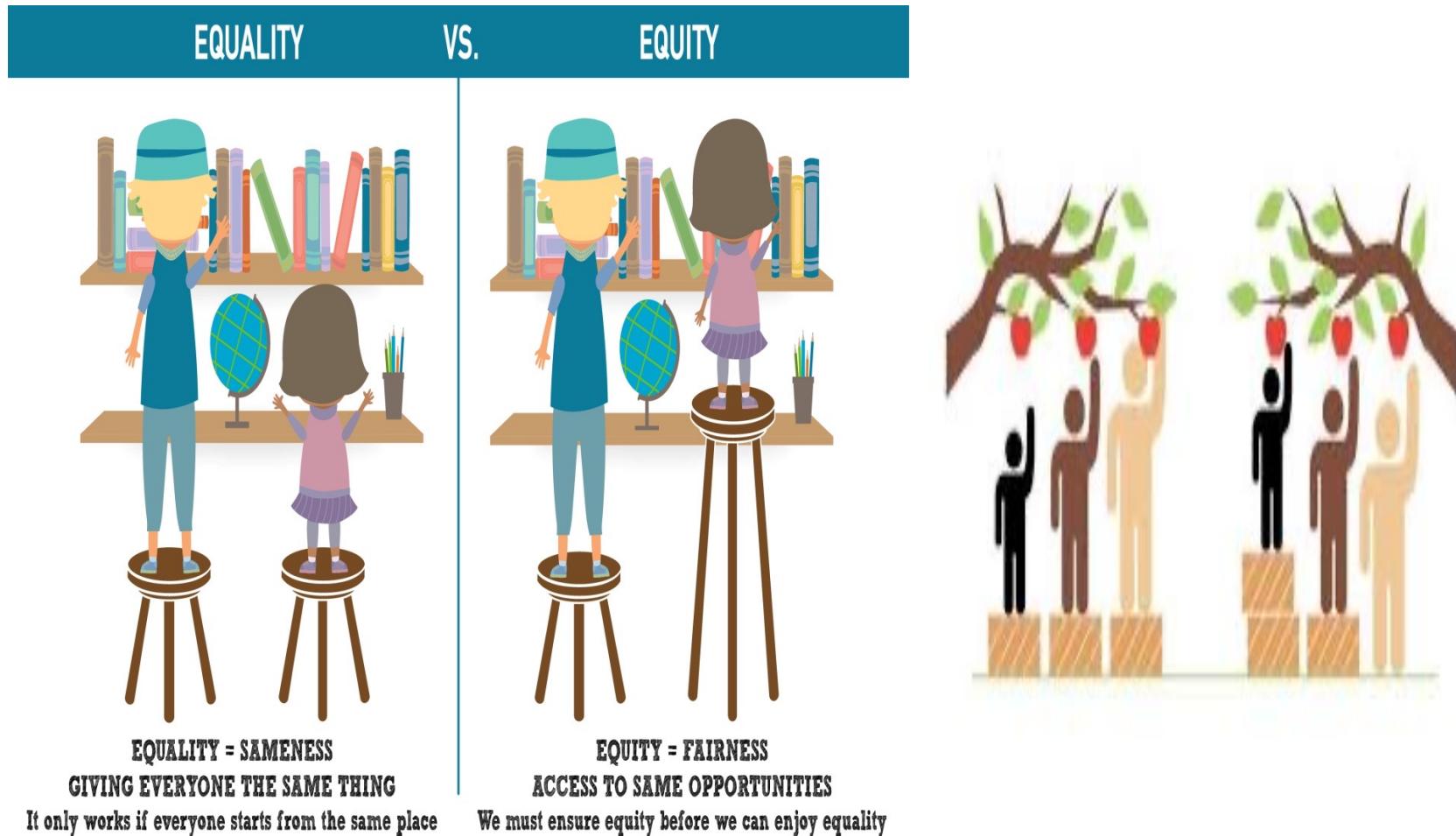
- Scalar Chain



- Order



# Equity



# Stable Personnel



# Initiative



# Esprit De Corps



## **4. Theory of Bureaucracy (1946 - 1947) – Max Weber**

- Characteristics of Bureaucratic Management
  - Division of labor
  - Hierarchy
  - Formalized rules
  - Impersonality
  - Selection and promotion of employees based on ability

## **II – Neo-Classical / Behavioural Approach**

# 1. Human Relations Approach

- Elton Mayo and Colleagues
- Studies conducted at the Hawthorne Works of the Western Electric Co.
  - Illumination experiments
  - Relay assembly room experiments
  - Bank Wiring Observation Room Experiment
  - Mass interview Programme

## 2. Behavioural Science

- Behavioural science movement started after 1940.
- Drawn heavily on the work of Maslow
- Knowledge drawn from behavioural sciences like psychology, sociology and anthropology is applied to explain and predict human behaviour.
- Herzberg, Vroom and D. McGregor are the other important contributors to this field

# **III - Modern Management**

# 1. Quantitative Approach

- Management science approach.
- A mixed team of specialists from relevant disciplines are called in to analyze the problem and offer a course of action to the management.
- The OR (Operations Research)team presents the management with a rational base for making a decision.
- Use of Mathematical models and expressions.

## **2. System Approach**

- The systems approach looks upon the management as a system as an ‘organized whole’ made up of sub-systems integrated into a unit or orderly totality.
- Department is a sub-system of the system called Organisation

### **3. Contingency Approach**

- Situational approach
- This approach emphasizes the fact that what managers do in practice depends upon a given set of circumstances (a contingency and situation).
- This approach not only takes into account only given situation but also the influence of given solution on behaviour pattern of an enterprise

# Management: Science, Theory and Practice

# Defining Organisation and Management

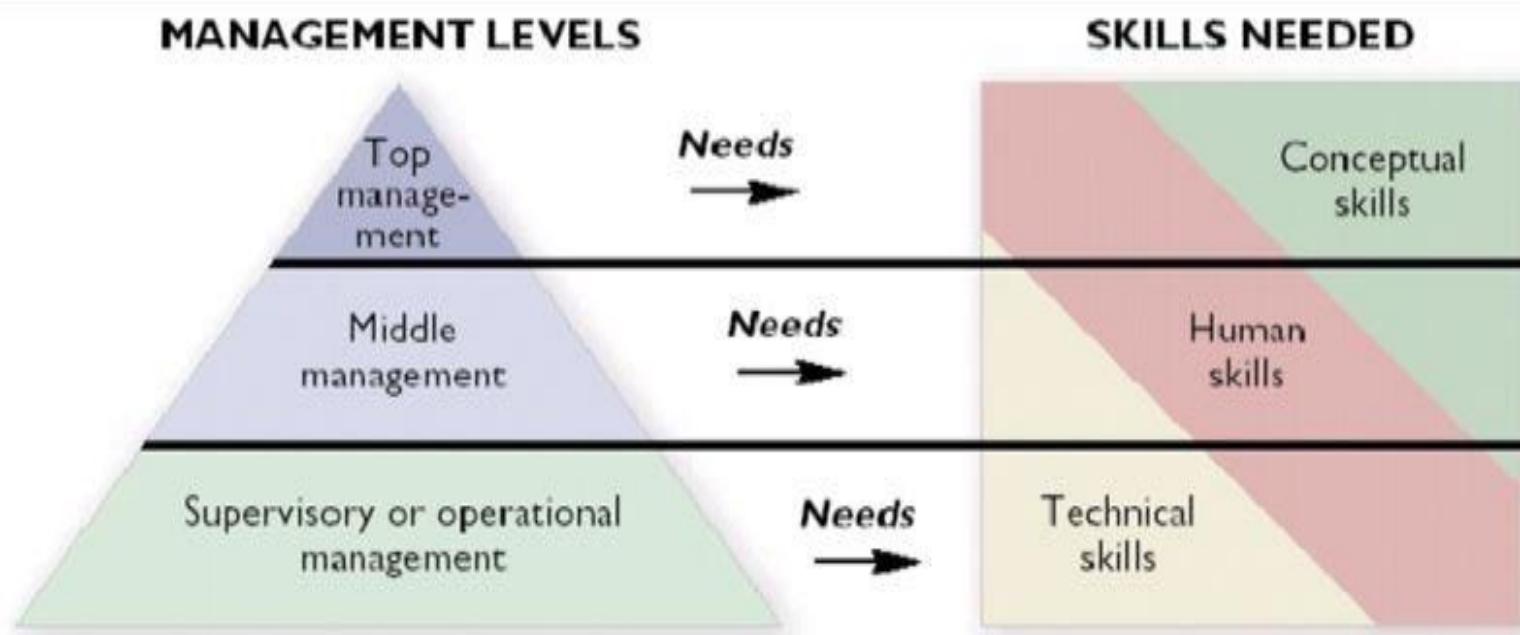
- Organisation is defined as a group of people working together to create a surplus.
- Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.

- Management is the art of getting things done
- Management is concerned with group of people working together making it a continuous process
- Management as a group of managers
- Management as a discipline

# Nature / Feature

- Goal oriented
- Economic resource
- Distinct process
- Integrative force
- Intangible force
- Results through others
- Universal application

# Management Level and Skills



# Management as Science

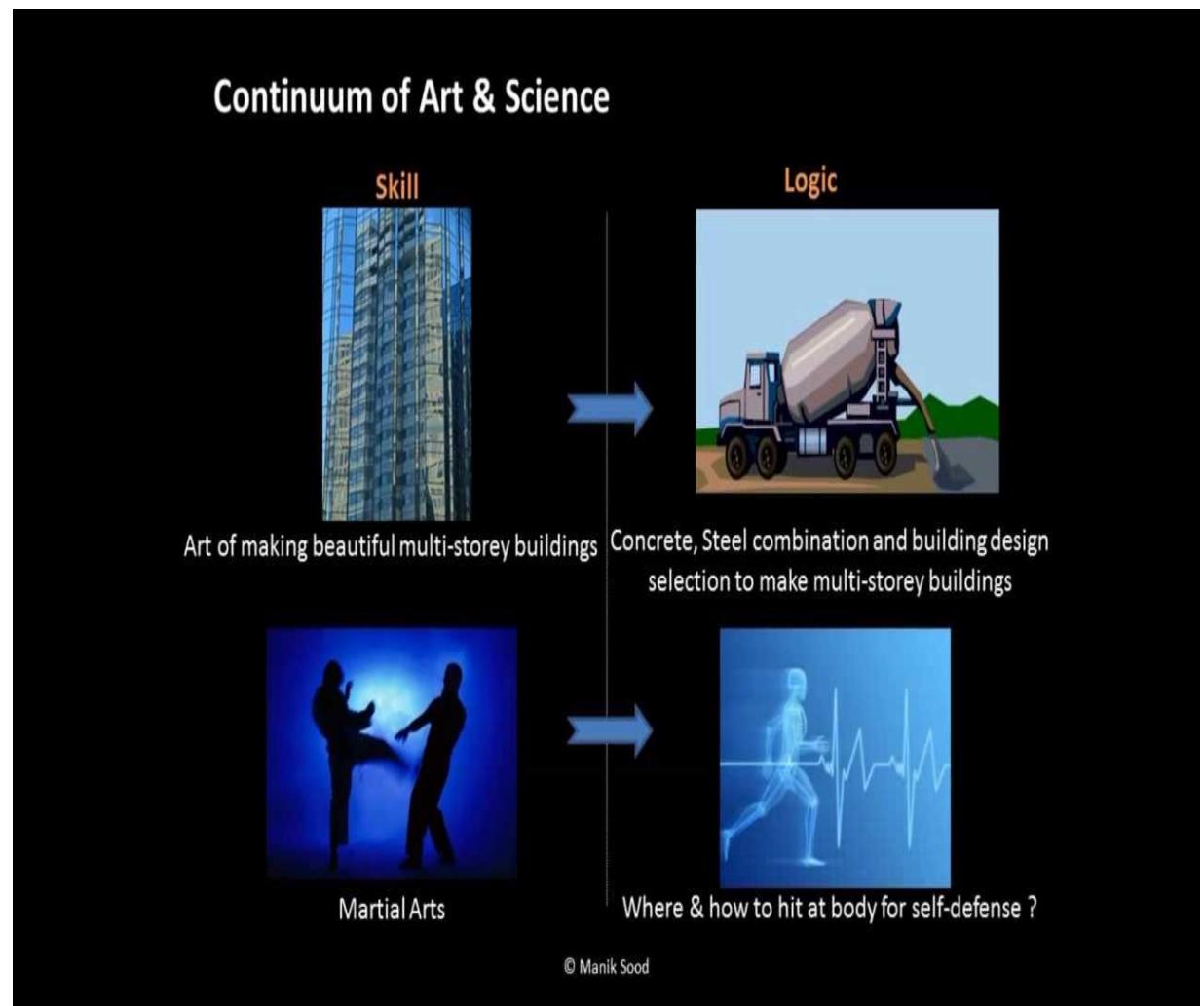
- Scientifically developed (Using Scientific techniques) and Universally accepted
- Researchers have verified cause and effect relationships pertaining to human behaviour
- It is not a perfect Science but falls in the area of Social Sciences
- It is a Behavioural Science

# Management as an Art

- Involves the use of Know how and skills
- Directed towards accomplishment of concrete results – Implementing the knowledge
- It is creative in nature
- It is personalized –there is no best management

# Managing: Science or Art?

- Art
  - Know-how
  - Practice
- Science
  - Knowledge
  - Theory



# **Management is both Science and Art**

- It has an organized body of knowledge but requires necessary skills on the part of the manager
- Science provides the knowledge about certain things and Art teaches to do certain things by the application of knowledge and skills

**A manager should be an Applied Scientist**

# Approaches to Management

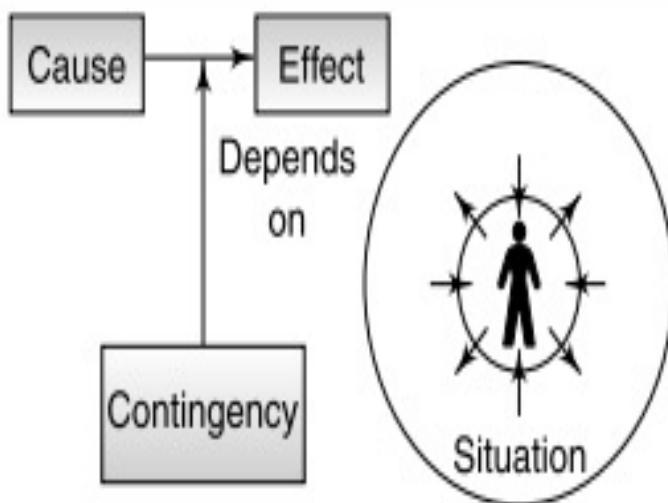
## Approaches to Management.

Characteristics/ Contributions	Limitations	Illustration
<b>EMPIRICAL OR CASE APPROACH</b>		
Studies experience through cases. Identifies successes and failures.	Situations are all different. No attempt to identify principles. Limited value for developing management theory.	<pre>graph LR; CS[Case situation] --- F[Failure]; CS --- S[Success]; CS --- W[Why?]</pre>
<b>MANAGERIAL ROLES APPROACH</b>		
Original study consisted of observations of five chief executives. On the basis of this study, ten managerial roles were identified and grouped into interpersonal, informational, and decision roles.	Original sample was very small. Some activities are not managerial. Many activities are evidence of planning, organizing, staffing, leading, and controlling. Some important managerial activities are left out (e.g., appraising managers).	<pre>graph TD; Center(( )) --- I1[Three interpersonal roles]; Center --- I2[Four decision roles]; Center --- I3[Four decision roles]; Center --- I4[Three informational roles]</pre>

## CONTINGENCY OR SITUATIONAL APPROACH

Managerial practice depends on circumstances (i.e., a contingency or a situation). Contingency theory recognizes the influence of given solutions on organizational behavior patterns.

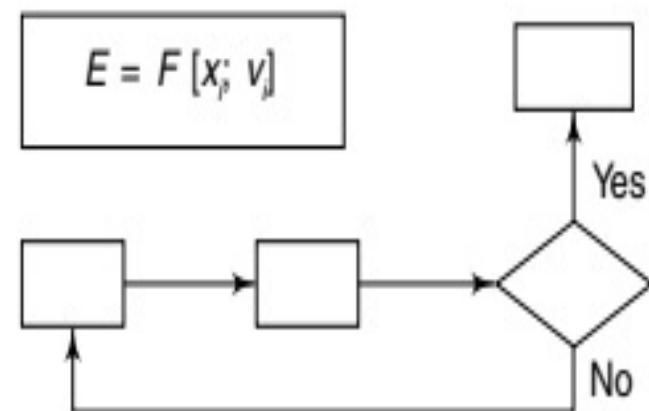
Managers have long realized that there is no one best way to do things. Difficult to determine all relevant contingency factors and to show their relationships. Can be very complex.



## MATHEMATICAL OR "MANAGEMENT SCIENCE" APPROACH

Sees managing as mathematical processes, concepts, symbols, and models. Looks at management as a purely logical process, expressed in mathematical symbols and relationships.

Preoccupation with mathematical models. Many aspects in managing cannot be modeled. Mathematics is a useful tool, but hardly a school or an approach to management.



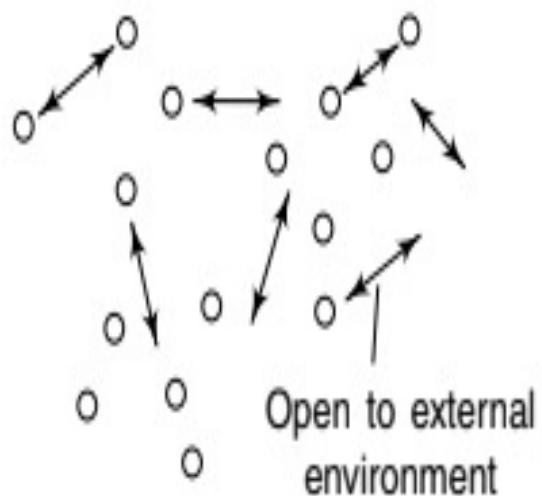
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Characteristics/ Contributions	Limitations	Illustration
<b>DECISION THEORY APPROACH</b>		
<p>Focuses on the making of decisions, persons or groups making decisions, and the decision-making process. Some theorists use decision-making as a springboard to study all enterprise activities. The boundaries of study are no longer clearly defined.</p>	<p>There is more to managing than making decisions. The focus is at the same time too narrow and too wide.</p>	<pre> graph TD     DT{Decision theory} --- PM[Process of decision-making]     DT --- IDM[Individual decision-making]     DT --- VD[Values of decision-makers]     DT --- ED[Entire area of business activity]     DT --- NO[Nature of organization structure]     DT --- ID[Information for decision]     DT --- GD[Group decision-making]     </pre> <p>The diagram illustrates the Decision Theory Approach. At the center is a diamond-shaped box labeled "Decision theory". Six lines radiate from this central box to six surrounding boxes: "Process of decision-making" (top), "Individual decision-making" (top-right), "Values of decision-makers" (right), "Entire area of business activity" (middle-right), "Nature of organization structure" (bottom-right), and "Information for decision" (bottom).</p>
<b>REENGINEERING APPROACH</b>		
<p>Concerned with fundamental rethinking, process analysis, radical redesign, and dramatic results.</p>	<p>Neglects external environment. Possibly ignores customers' needs. Neglects human needs. Ignores total management system, unlike the management process, or operational approach.</p>	<pre> graph TD     Operations[Operations] --&gt; Input[Input]     Input --&gt; Transformation[Transformation]     Transformation --&gt; Output[Output]     </pre> <p>The diagram illustrates the Reengineering Approach. It shows a linear flow starting with a box labeled "Operations" at the top. An arrow points down to a box labeled "Input". Another arrow points from "Input" to a box labeled "Transformation". A final arrow points from "Transformation" to a box labeled "Output".</p>

## SYSTEMS APPROACH

Systems concepts have broad applicability. Systems have boundaries, but they also interact with the external environment; that means organizations are open systems. Recognizes the importance of studying interrelatedness of planning, organizing, and controlling in an organization as well as in the many subsystems.

Can hardly be considered a new approach to management, as claimed by some proponents of this approach.



Characteristics/ Contributions	Limitations	Illustration
<b>SOCIOTECHNICAL SYSTEMS APPROACH</b>		
<p>Technical system has a great effect on social system (personal attitudes, group behavior). Focuses on production, office operations, and other areas with close relationships between the technical system and people.</p>	<p>Emphasizes only blue-collar and lower-level office work. Ignores much of other managerial knowledge.</p>	<p>The diagram illustrates the Sociotechnical Systems Approach. It features two main sections: 'Technical system' and 'Social system'. The 'Technical system' is divided into 'Machines' (represented by icons of a grid and a striped grid) and 'Office operation' (represented by four squares). The 'Social system' is divided into 'Personal attitudes' (represented by a single female icon) and 'Group behavior' (represented by four male icons). Horizontal double-headed arrows connect the 'Machines' and 'Office operation' sections to the 'Social system' sections, indicating their interaction.</p>
<b>COOPERATIVE SOCIAL SYSTEMS APPROACH</b>		
<p>Concerned with both interpersonal and group behavioral aspects leading to a system of cooperation. Expanded concept includes any cooperative group with a clear purpose.</p>	<p>Too broad a field for the study of management. At the same time, it overlooks many managerial concepts, principles, and techniques.</p>	<p>The diagram illustrates the Cooperative Social Systems Approach. It shows a triangle with three vertices: 'Organization structure' (along the left edge), 'Common goal' (at the top vertex), and a group of four people (along the bottom edge). Arrows indicate interactions: a vertical arrow points upwards from the group towards the 'Common goal'; horizontal arrows point from the group towards the 'Organization structure' and from the 'Organization structure' back to the group; a curved arrow at the bottom indicates a feedback loop between the group and the 'Organization structure'.</p>

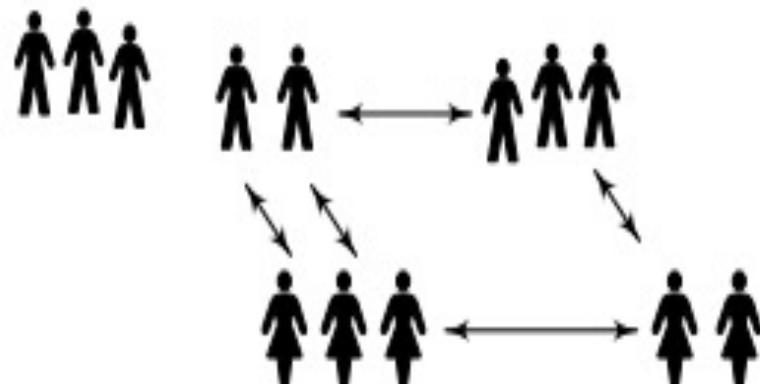
### GROUP BEHAVIOR APPROACH

Emphasizes behavior of people in groups. Based on sociology and social psychology. Primarily studies group behavior patterns. The study of large groups is often called organizational behavior.

Often not integrated with management concepts, principles, theory, and techniques. Need for closer integration with organizational structure design, staffing, planning, and controlling.

Study of a group

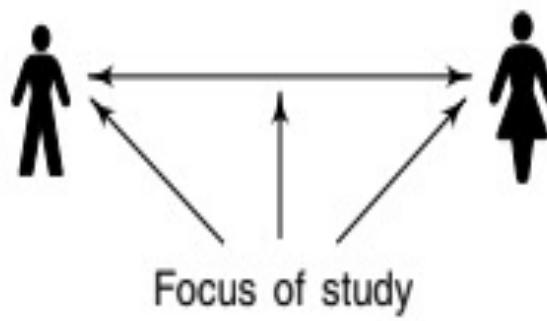
Study of groups interacting with each other



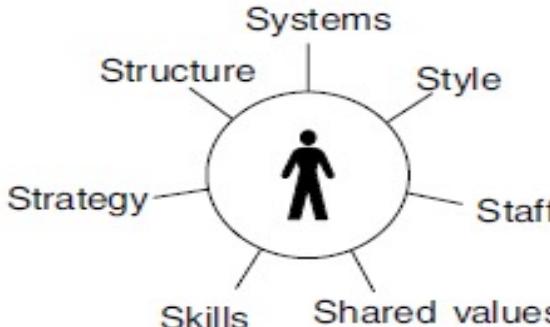
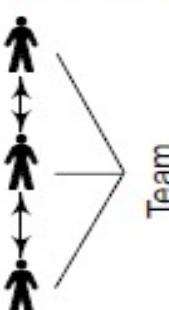
### INTERPERSONAL BEHAVIOR APPROACH

Focuses on interpersonal behavior, human relations, leadership, and motivation. Based on individual psychology.

Ignores planning, organizing, and controlling. Psychological training is not enough for becoming an effective manager.



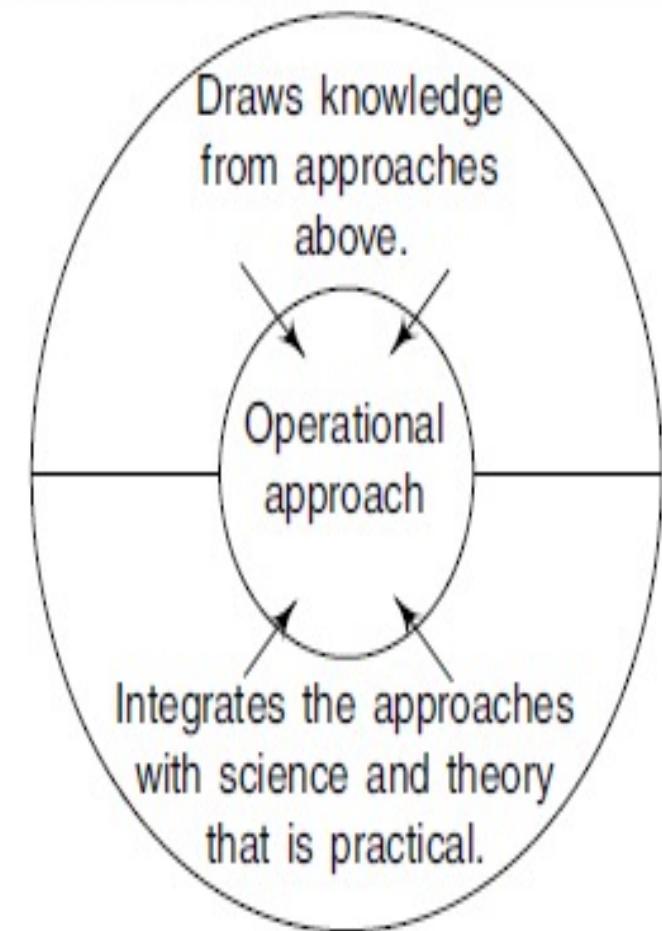
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Characteristics/ Contributions	Limitations	Illustration
<b>McKINSEY's 7-S FRAMEWORK</b>		
<p>The seven S's are            (1) strategy,            (2) structure,            (3) systems, (4) style,            (5) staff, (6) shared            values, and (7) skills.</p>	<p>Although this experienced consulting firm uses a framework similar to that found useful by Koontz and colleagues since 1955 and confirms its practicality, the terms used are not precise and topics are not discussed in depth.</p>	 <pre>     graph TD       Center(( )) --- Systems       Center --- Structure       Center --- Style       Center --- Staff       Center --- SharedValues[Shared values]       Center --- Skills       Center --- Strategy       Systems --- Structure       Structure --- Style       Style --- Staff       Staff --- SharedValues       SharedValues --- Skills       Skills --- Strategy       Strategy --- Systems   </pre>
<b>TOTAL QUALITY MANAGEMENT APPROACH</b>		
<p>Focuses on providing dependable, satisfying products and services (Deming) or products or services that are fit for use (Juran), as well as conforming to quality requirements (Crosby). The general concepts are continuous improvement, attention to details, teamwork, and quality education.</p>	<p>No complete agreement on what total quality management is.</p>	 <p><i>Focus:</i>            Customer needs:            Quality Products            and Services            Concern for quality            and cost</p>

## MANAGEMENT PROCESS OR OPERATIONAL APPROACH

Draws together concepts, principles, techniques, and knowledge from other fields and managerial approaches. The attempt is to develop science and theory with practical application. Distinguishes between managerial and nonmanagerial knowledge. Develops a classification system built around the managerial functions of planning, organizing, staffing, leading, and controlling.

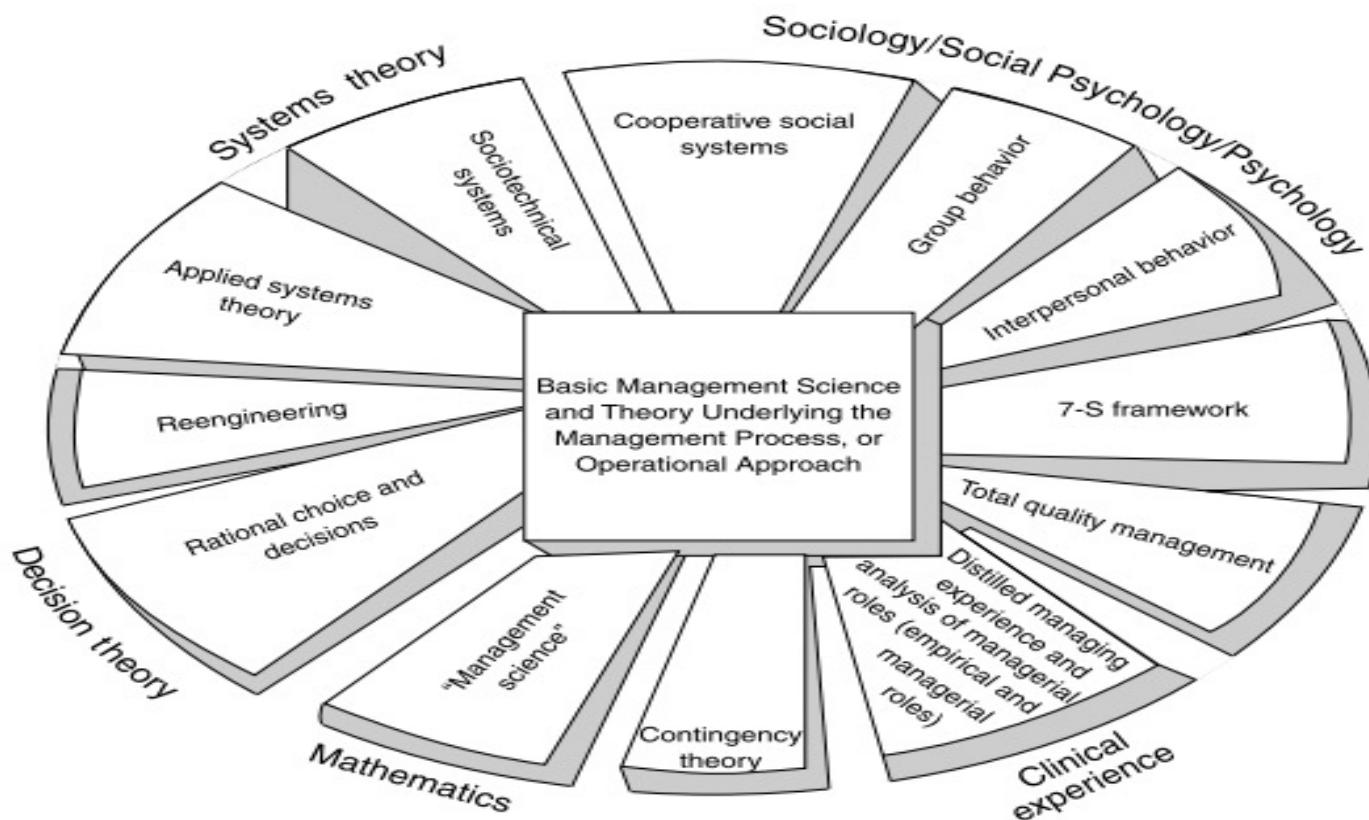
Does not, as some authors do, identify representing or coordination as a separate function. Coordination, for example, is the essence of managership and is the purpose of managing.



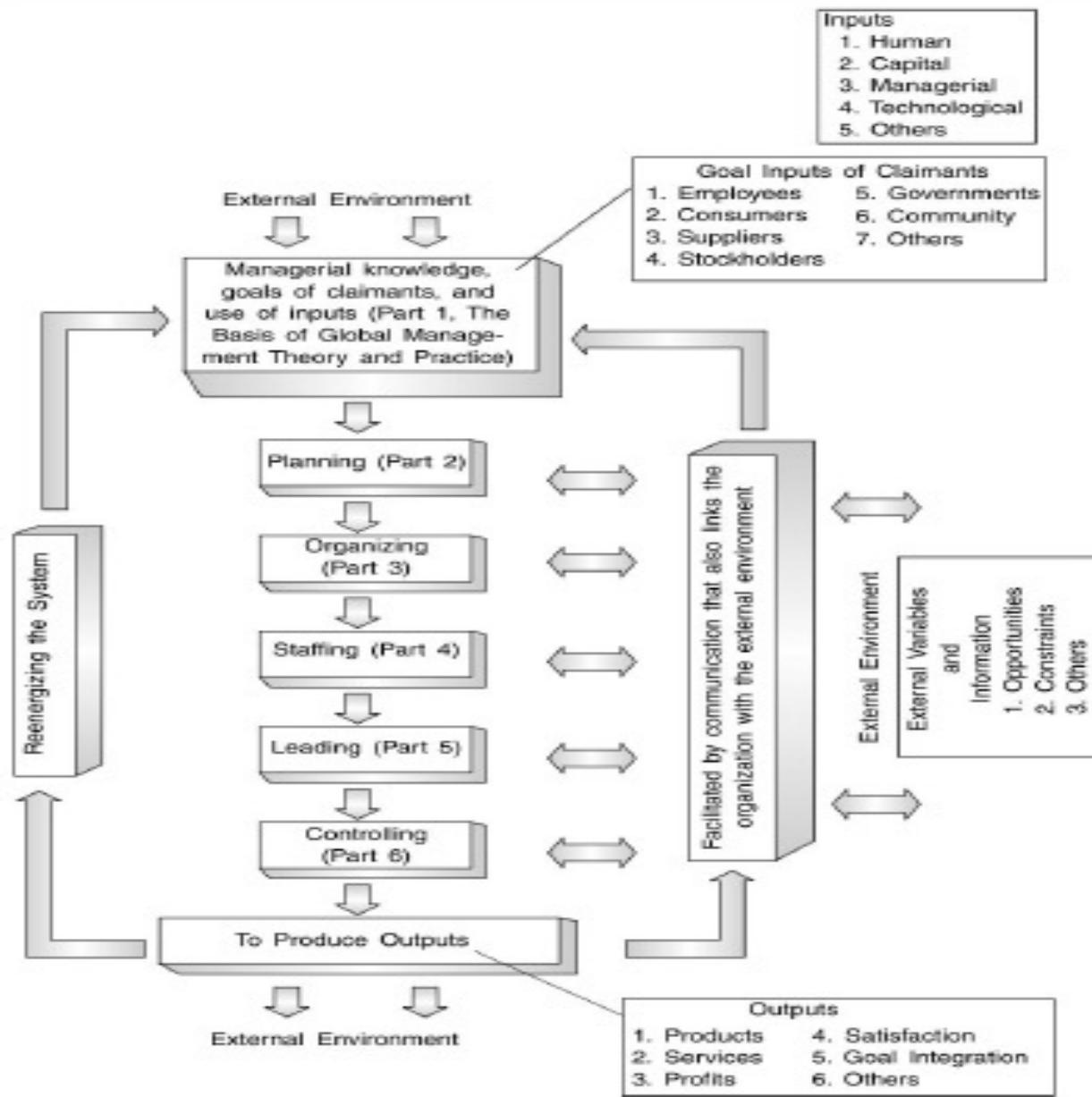
# THE SYSTEMS APPROACH TO THE MANAGEMENT PROCESS

## The Management Process or Operational Approach.

Management theory and science as a system draw on other areas of organized knowledge. The figure shows how operational management theory and science, here enclosed in the circle, have a core of basic science and theory and draw from other fields of knowledge pertinent to understanding management. Basic management is thus, in part, an eclectic science and theory.



## Systems Approach to Management.



# Managerial Roles

## 1. Interpersonal roles

- Figurehead
- Leader
- Liaison

## 2. Informational roles

- Monitor
- Disseminator
- Spokesperson

### 3. Decision roles

- Entrepreneur
- Disturbance handler
- Resource allocation
- Negotiator

- [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=2ahUKEwjGosae6PPmAhV0xzgGHWj7BYoQtwIwA3oECA8QAQ&url=https%3A%2F%2Fwww.youtube.com%2Fwatch%3Fv%3DHKY\\_ZBU\\_Cdo&usg=AOvVaw0CcAgiz2cQmibZCvEzk3ru](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=2ahUKEwjGosae6PPmAhV0xzgGHWj7BYoQtwIwA3oECA8QAQ&url=https%3A%2F%2Fwww.youtube.com%2Fwatch%3Fv%3DHKY_ZBU_Cdo&usg=AOvVaw0CcAgiz2cQmibZCvEzk3ru)

# Management and Society

# External Environment

- **Pluralistic Society** – A Society where many organized groups represent various interests.
- **Technological Environment** - The sum total of the knowledge we have of ways to do things.
- **Ecological Environment** – The relationship of people and other living things with their environment.

# The Social Responsibility of Managers

- **Social Responsibility** – seriously considering the impact of the company's action on society.
- **Social Responsiveness** – the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to society.

# Arguments for Social Involvement of Business

- Changed expectations of public
- Better social environment
- Discourages Government intervention
- Power and Responsibility
- Interdependent system

- Interest of stockholders
- Problems can become profits
- Creates favorable public image
- Solve problems
- Business has the resources
- Prevention not cure

# Arguments against Social Involvement of Business

- Reduction of economic efficiency
- Society has to pay higher prices
- Weakened balance of payment situation
- Increase power
- Lack of Social skills
- No full support

# Ethics in Managing

- Webster's Dictionary – Ethics is defined as “  
the discipline dealing with what is good and  
bad and with moral duty and obligation”
- Business Ethics is concerned with truth and  
justice and has a variety of aspects such as the  
expectations of society

# Institutionalizing Ethics

Theodore Purcell and James Weber

- By establishing an appropriate company policy or a code of ethics
- By using a formally appointed ethics committee
- By teaching ethics in management development programs

# Code of Ethics and its implementation

- A code is a statement of policies, principles or rules that guides behaviour

## Functions of a Formal Committee

1. Holding regular meeting
2. Dealing with gray area
3. Communicating the code
4. Checking for possible violations of the code

5. Enforcing the code
6. Rewarding compliance and punishing violations
7. Reviewing and updating the code
8. Reporting activities of the committee to the board of directors

# Ethics

- In Marketing - products
- In advertising – false claims
- In Finance – Insider trading

# Global and Comparative Management

# International Management

- It is concerned with managerial issues related to the flow of people, goods and money, with the ultimate aim being to manage better in situations that involve crossing national boundaries.

# Forms of Interactions

- Exportation – Goods and Services
- Licensing agreement
- Management Contracts
- Joint ventures
- Subsidiaries

# Transactions between Parent and Host Country

- Transfer of
  - Goods
  - Services
  - Technology
  - Managerial knowledge
  - capital

# Multinational Corporations (MNCs)

- Have head quarters in one country but operations in many countries
- Advantages:
  - Business opportunities
  - Raise money
  - Establish production facilities
  - Access to Natural resources and materials
  - Worldwide labor pool

- Challenges
  - Increasing Nationalism
  - Developing Countries are acquiring skills
  - Countries have become more aware
  - Difficulty in maintaining good relationship

From Multinational to Global or Transnational Corporations

# From Ethnocentric to Geocentric orientation

- Ethnocentric orientation :The style of the foreign operations is based on that of the parent company.
- Polycentric orientation :The foreign subsidiaries are given a great deal of managerial freedom.
- Regio-centric orientation : The foreign operations are staffed on a regional basis
- Geocentric orientation :The entire organization is viewed as an interdependent system operating in many countries.

# COUNTRY ALLIANCES AND ECONOMIC BLOCS

- European Union
- North American Free Trade Agreement and Other Latin American Free Trade Blocs
- Association of Southeast Asian Nations (ASEAN)

# INTERNATIONAL MANAGEMENT: CULTURAL AND COUNTRY DIFFERENCES

**Table 3.2** Five Dimensions of Behavior

<i>Individualism</i>	<i>Collectivism</i>
People focus on their own interests and the people close to them. Tasks more important than relationships.	Emphasis on the group, with group support expected. Relationships more important than task orientation.
<b>Large power distance</b> Society accepts unequal distribution of power. Respect for authority. Emphasis on titles and ranks. Subordinates expect to be told what to do. Centralization emphasized.	<b>Small power distance</b> Society less accepting of power. Employees more open to the idea of dialog with their superior. Less emphasis on authority, titles, and ranks. Inequality minimized. Decentralization emphasized.
<b>Uncertainty tolerance</b> People accept uncertainty and are open to risk taking. Willing to take risks.	<b>Uncertainty avoidance</b> Afraid of ambiguity and uncertainty. Structure and formal rules preferred.
<b>Masculinity*</b> Aggressive and assertive behavior. Emphasis on material things, success, and money.	<b>Femininity</b> Relationship-oriented. Quality of life favored. Concern for the welfare of others; caring. Emphasis on modesty.
<b>Long-term orientation</b> Characterized by hard work and perseverance. Savings-driven.	<b>Short-term orientation</b> Less emphasis on hard work and perseverance. Consumption-driven.

\*Some authors prefer to use the terms *quantity versus quality of life* or *aggressive versus passive goal orientation* instead of *masculinity versus femininity*, the terms Hofstede used originally.

# **Management styles in selected countries**

- **France: Le Plan and the Cadre**
- In France, government planning on a national scale (legal-political environment factor) helps coordinate the plans of individual industries and companies (managerial function of planning).
- The government's aim is to utilize most effectively the country's resources and to avoid expansion in uneconomic areas.
- Although government planning—which is also extended to regional areas—is carried out by relatively few, but competent, people, other government departments, employers' organizations, unions, and consumers provide cooperation and assistance.

# Drawbacks

- limit managers in dealing with non-quantifiable and “non-rational” data and in responding quickly to changes in the environment.
- limit managers in dealing with non-quantifiable and “non-rational” data and in responding quickly to changes in the environment
- Managerial characteristics may also be limiting in terms of obtaining a global Outlook.

# Germany: Authority and Codetermination

- Codetermination requires labour membership in the supervisory board and the executive committee of the corporation

# Selected Factors Influencing Managing in Other Western Countries

- Managing in Australia is influenced by the country's moralistic stance and its emphasis on political and social values, achievement, and risk taking.
- Italian managers operate in an environment of low tolerance for risks.
- Italians are very competitive, but at the same time they like group decision-making.

Management in Austria (and Germany) is characterized by self-realization and leadership.

Independence and competitiveness are valued.

Tolerance for risk taking is rather low.

In Britain, job security is important, and so are resourcefulness, adaptability, and logic. Individualism is also highly valued

# Is There a European Management Model?

## **Commonalities:**

- More people-oriented
- A great deal of negotiation-The practice of codetermination
- Great skills in managing international diversity.
- European managers operate between the extremes of short-term profit orientation(of American managers, as perceived by European managers) and the long-term growth orientation of Japanese managers.

# Korean Management

- Chaebol is characterized by a tight collusion between government and industrial conglomerates.
- In Japan, managers emphasize group harmony and cohesion expressed in the concept of *wa*; the Korean concept of *inhwa* also translates into harmony, but with less accent on group values.

# Japanese Management and Theory Z

- **lifetime employment and consensus decision-making.**
- Typically, employees spend their working life with a single enterprise, which in turn gives employees security and a feeling of belonging. This practice brings the culturally induced concept of **wa** (harmony) to the enterprise, resulting in employee loyalty and close identification with the aims of the company

# **Decision-making in Japan**

- New ideas and change should primarily come from below.
- Major decisions, top management retains its power.
- Decision-making by consensus to deal with everyday problems.

# Theory Z

- **Professor William Ouchi.**
- The adaptation of selected Japanese managerial Practices to the U.S. environment.

# How theory formed

## Theory X

- People dislike work and will avoid it if possible
- People must be coerced, controlled, directed and threatened with punishment to get them to work
- Managers emphasize the chain of command, reward or punishment motivational techniques along with close supervision of subordinate behavior
- Assumes that individual are interested in safety and physiological needs

## Theory Y

- Managers assume that the people they supervise are as committed to work and as capable of finding solutions to work-related problems as they are themselves
- Assume that people inherently prefer to work rather than not to work
- Managers attempt to structure the work environment so that employee goals coincide with organizational goals, resulting presumably in greater creativity and productivity

## Theory Z

- Workers are more participative, and capable of performing many and varied tasks
- Emphasises things such as job rotation, broadening of skills, generalisation versus specialisation, and the need for continuous training of workers
- Workers have a high need to be supported by the company, and highly value a working environment
- Workers have a very well developed sense of order, discipline, moral obligation to work hard, and a sense of cohesion with their fellow workers.
- Assume workers can be trusted to do their jobs to their utmost ability, so long as management can be trusted to support them and look out for their well being

# Theory z

## Theory Z by William Ouchi: characteristics

---

- |   |                                 |
|---|---------------------------------|
| 1 | Collective decision-making      |
| 2 | Long-term employment            |
| 3 | Job rotation                    |
| 4 | Slow promotion                  |
| 5 | Focus on training               |
| 6 | Care for personal circumstances |
| 7 | Formalised measures             |
| 8 | Individual responsibility       |

## **Rise of China: Deng Xiaoping Changed China from the Planned Economy towards a Market Economy**

“Planning and market forces are not the essential difference between socialism and capitalism. A planned economy is not the definition of socialism, because there is planning under capitalism; the market economy happens under socialism, too. Planning and market forces are both ways of controlling economic activity.”

## The Rise of India

- India has grown by the dramatic reform beginning in 1991 which resulted in the reduction of bureaucracy.
- Many restrictions on imports were removed and exports were encouraged.
- India's business leadership contributed to that change especially
- in the high-tech area.

## A Comparison of China and India<sup>32</sup>

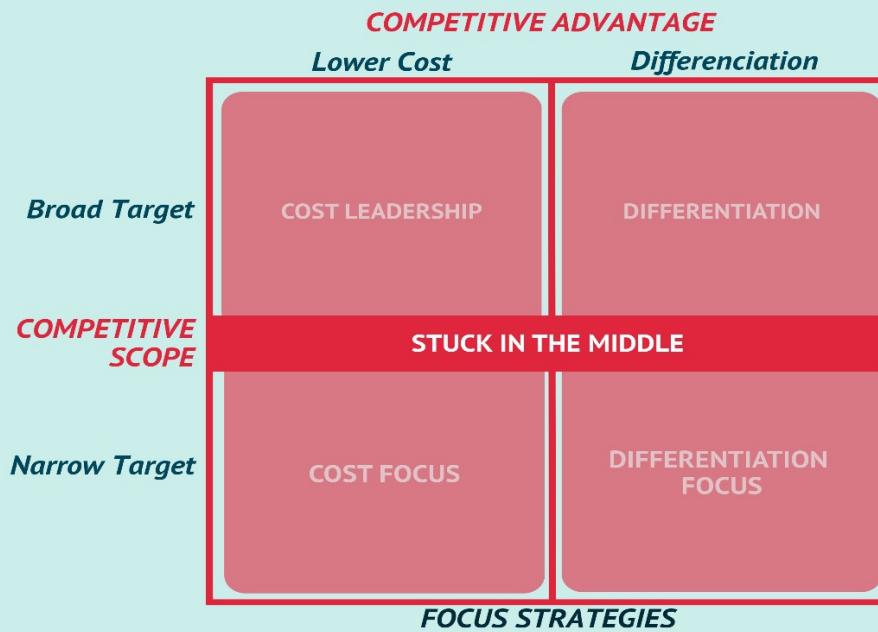
China	India
Den Xiaoping's change, modernization ("socialism with Chinese characteristics")	1991 Historic reforms began; Finance Minister (now Prime Minister) Manmohan Singh
Authoritarian government	Democratic government
Transformation	Same
Large population	Same
Development of middle class	Same
Planned and market driven economy	Increasingly market driven
Communism hindrance to expansion	Past colonialism hindrance
Focus on infrastructure	Poor infrastructure
Fast change because authoritarian direction	Slow consensus-requiring changes
Factory advantage	Back office advantage
Authoritarian government	Government by persuasion
High literacy rate	Low literacy rate



# PORTER'S COMPETITIVE ADVANTAGE OF NATIONS

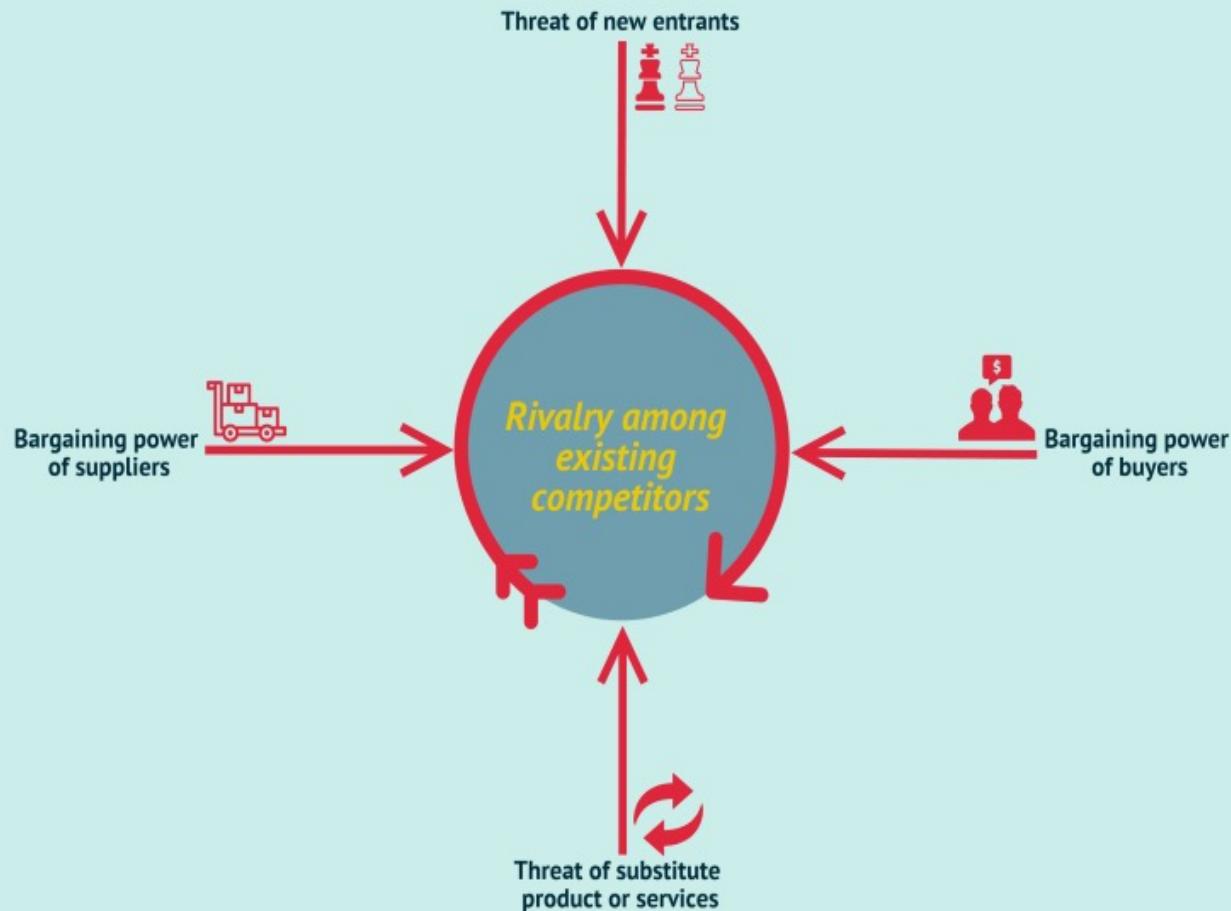
## Porter's Generic Strategies In A Nutshell

According to Michael Porter, a competitive advantage - in a given industry - could be pursued in two key ways: low cost (cost leadership), or differentiation. A third generic strategy is focus (cost focus, differentiation focus). According to Porter a failure to do so would end up "stuck in the middle scenario," where the company will not retain a long-term competitive advantage.



# Porter's Five Forces Model

Porter's Five Forces is a model that helps organizations to gain a better understanding of their industries and competition. Published for the first time by Professor Michael Porter in his book "Competitive Strategy" in the 1980s. The model breaks down industries and markets by analyzing them through five forces: competition in the industry (at the center); potential of new entrants into the industry; power of suppliers; power of customers; and threat of substitute products.



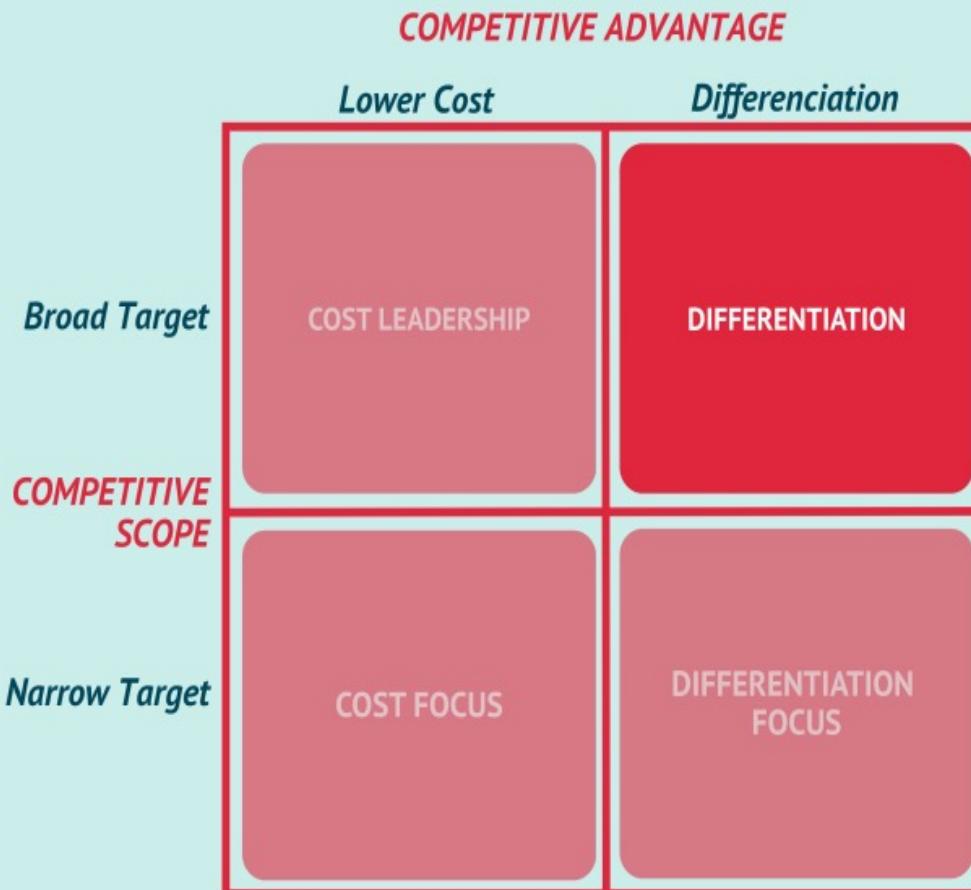
## Cost Leadership In A Nutshell

Cost leadership is straightforward, as the player rolling this out will become the low-cost producer in the industry. As Porter highlighted, a cost leader has to have a broad scope (and scale). Indeed, the broad scope is a key element for cost leadership, in the first place.



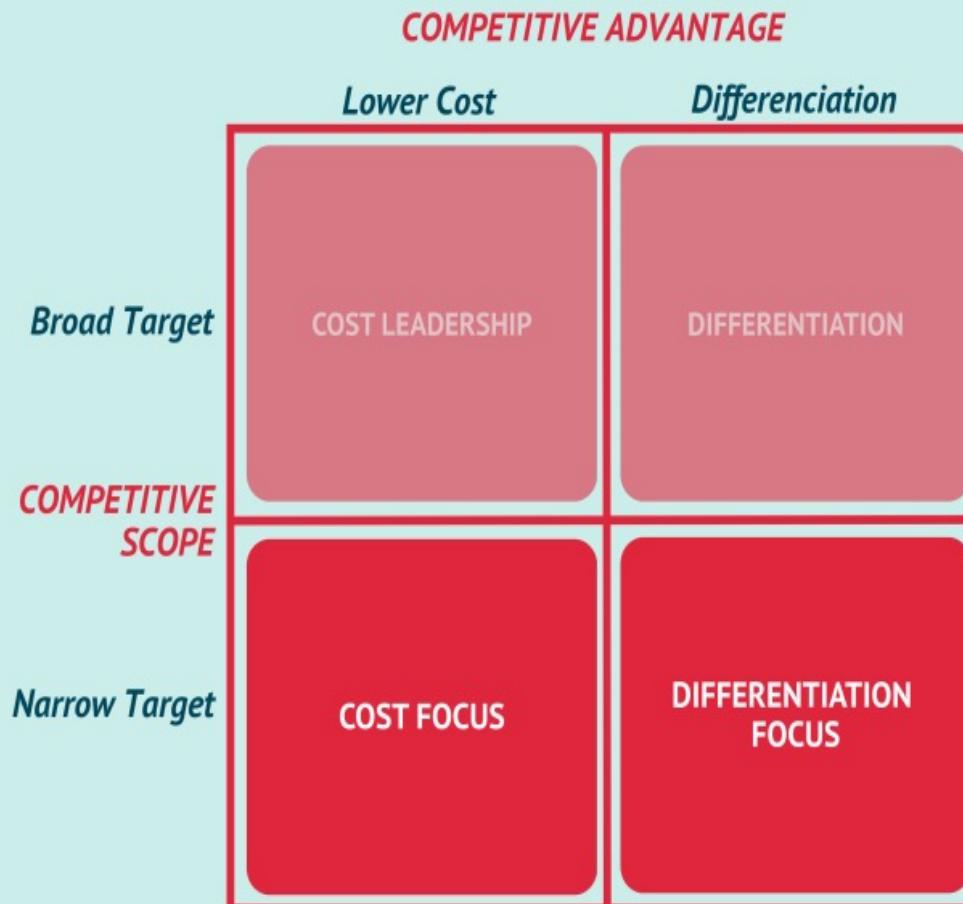
## Differentiation Strategy In A Nutshell

In a differentiation strategy, companies work on being perceived as unique in their industries, for buyers. As the company is able to be perceived as unique it will be able to charge a premium price.



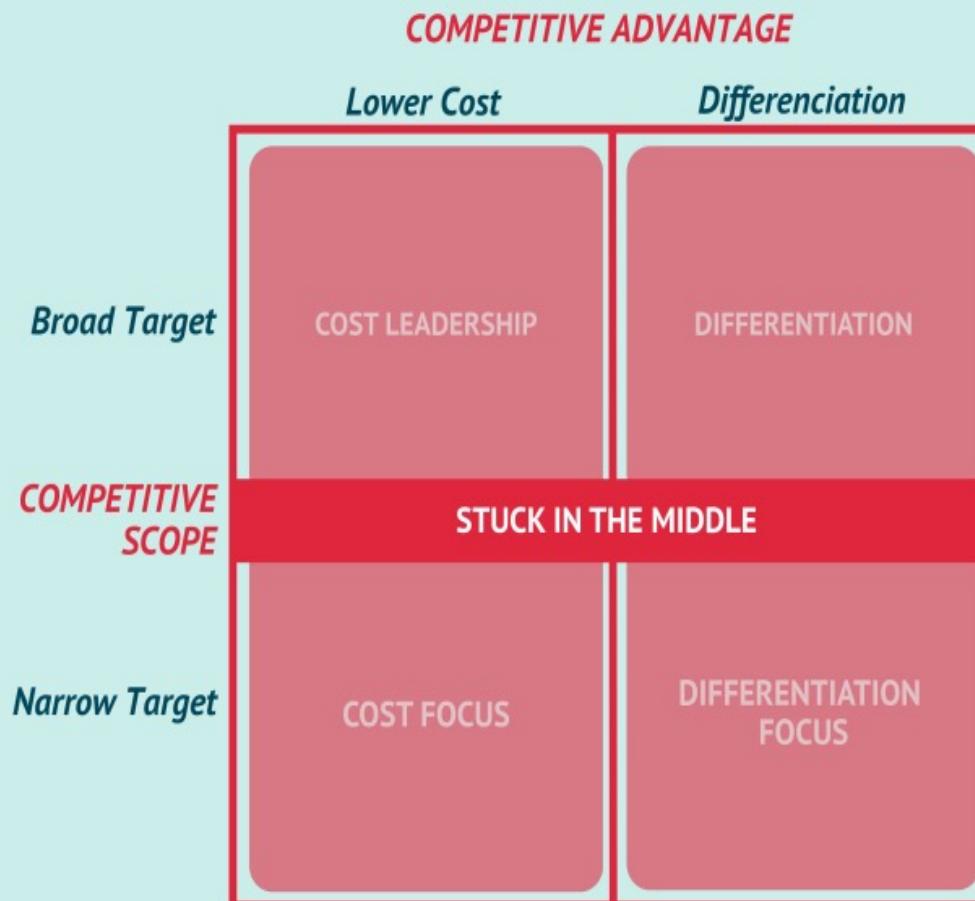
## Focus Strategies In A Nutshell

Where the cost leadership and differentiation seek a competitive advantage "in a broad range of industry segments," focus strategies aim at a narrow segment, either through a cost advantage (cost focus) or differentiation (differentiation focus).



## Stuck In The Middle

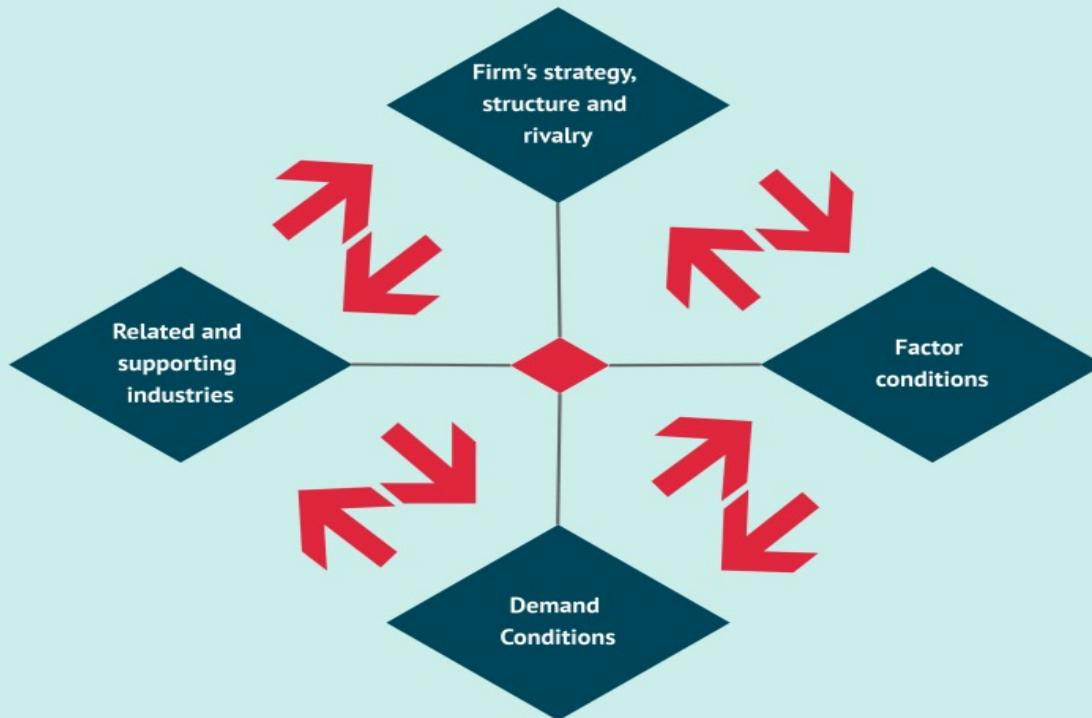
Where a company fails in achieving one of the three generic strategies, it falls in a scenario that Porter calls "stuck in the middle." In this scenario, the company failed to achieve any competitive advantage, as such it will experience a below-average performance.



## PORTER'S COMPETITIVE ADVANTAGE OF NATIONS

### Porter's Diamond Model Framework In A Nutshell

Porter's Diamond Model is a diamond-shaped framework that explains why specific industries in a nation become internationally competitive while those in other nations do not. The model was first published in Michael Porter's 1990 book *The Competitive Advantage of Nations*. This framework looks at the firm strategy, structure/rivalry, factor conditions, demand conditions, related and supporting industries.



# 1. Firm Strategy, Structure and Rivalry

- This characteristic encompasses how companies are structured and managed. It also includes company objectives and the presence of competitive rivalries, if applicable. Rivalry is particularly important because it forces companies to innovate, better preparing them for the international market.
- For example, German carmakers BMW, Mercedes-Benz, and Audi would not have become globally successful brands without the intense competition they face inside their native Germany.

## 2. Factor conditions

- Nations resources
- Factor conditions are more basic in nature and refer to unskilled labour, natural resources, and infrastructure. However, Porter argued that more advanced factor conditions such as skilled and specialist knowledge and access to capital were more important to competitive advantage.

# Demand conditions

- Demand conditions refer to the level of demand in the home market of an industry
- Demand creates competition and in turn, competition creates innovation. Specific demand conditions may include market size and market sophistication.

# Related and supporting industries

- Suppliers.
- Most large companies are only as successful as their supply chains. Indeed, most are dependent on alliances and good relationships with suppliers to make cost savings that can be passed to consumers.
- Nations with high concentrations of large, innovative companies who operate close to each other facilitate the spread of innovation.
- For example, the cluster of tech companies in Silicon Valley, California, facilitates innovation. because of the proximity of innovative and often supportive companies.

# The Managerial Functions in International Business

- Planning
  - Assessment of opportunities and threat in the external environment
  - Internal strengths and weakness
  - Cultural orientation toward time
  - Economic instability

- Organising
  - Geographic areas
  - Product line
  - Mixed organisational designs
- Staffing
  - Nationals of parent Country
  - Nationals of home Country
  - Third Country Nationals

- Leading
  - Understanding of employees and their cultural environment
  - Communication lines
- Controlling
  - Different currencies and ratios
  - Accounting procedures

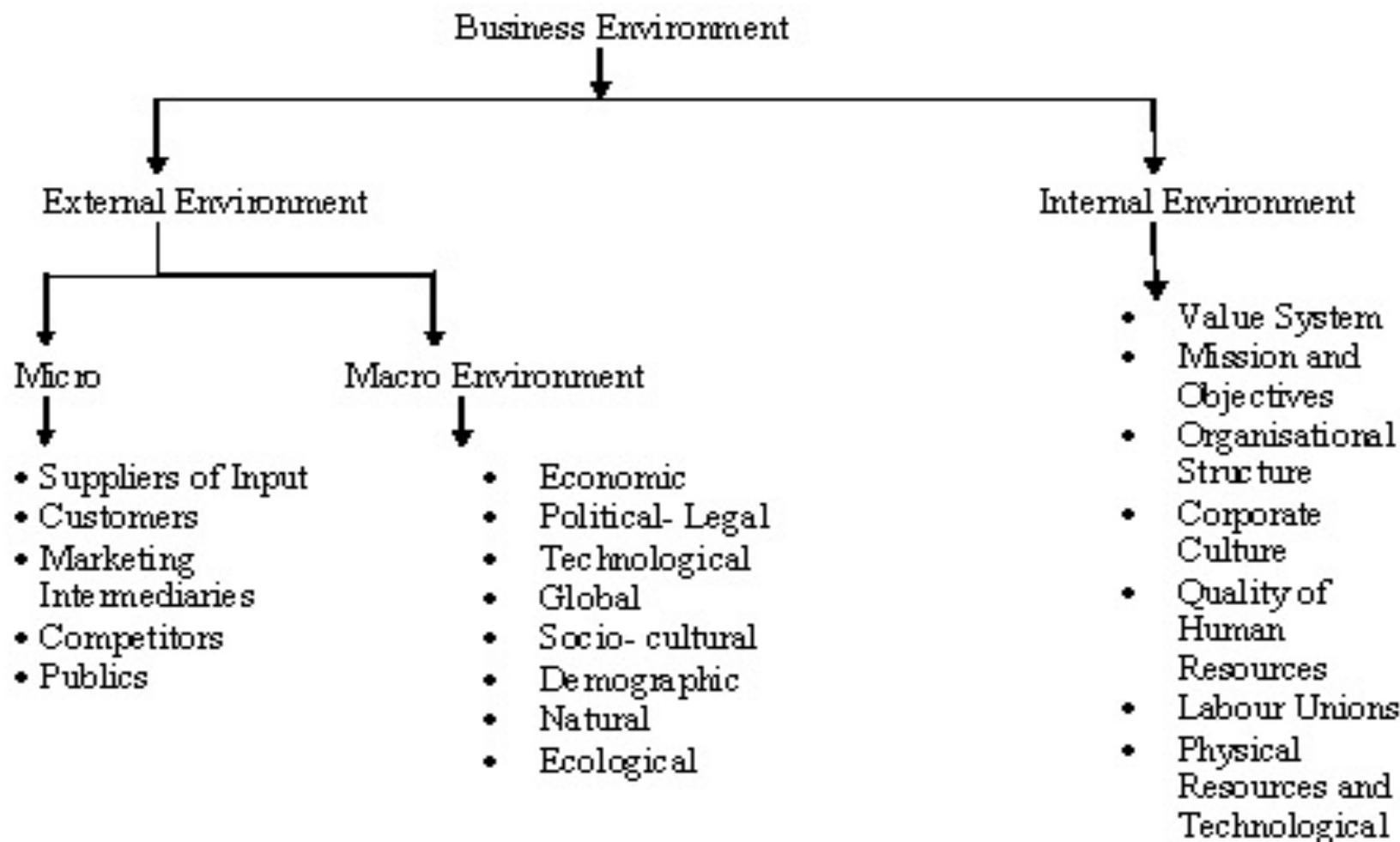
# Managing Domestic and International Enterprises

**Table 3.1** Managing Domestic and International Enterprises

<i>Managerial function</i>	<i>Domestic enterprise (in industrialized country)</i>	<i>International enterprise</i>
<b>Planning</b>		
• Scanning the environment for threats and opportunities	• National market	• Worldwide market
<b>Organizing</b>		
• Organization structure	• Structure for domestic operations	• Global structure
• View of authority	• Similar	• Different
<b>Staffing</b>		
• Sources of managerial talent	• National labor pool	• Worldwide labor pool
• Manager orientation	• Often ethnocentric	• Geocentric
<b>Leading</b>		
• Leadership and motivation	• Influenced by similar culture	• Influenced by many different cultures
• Communication lines	• Relatively short	• Network with long distances
<b>Controlling</b>		
• Reporting system	• Similar requirements	• Many different requirements

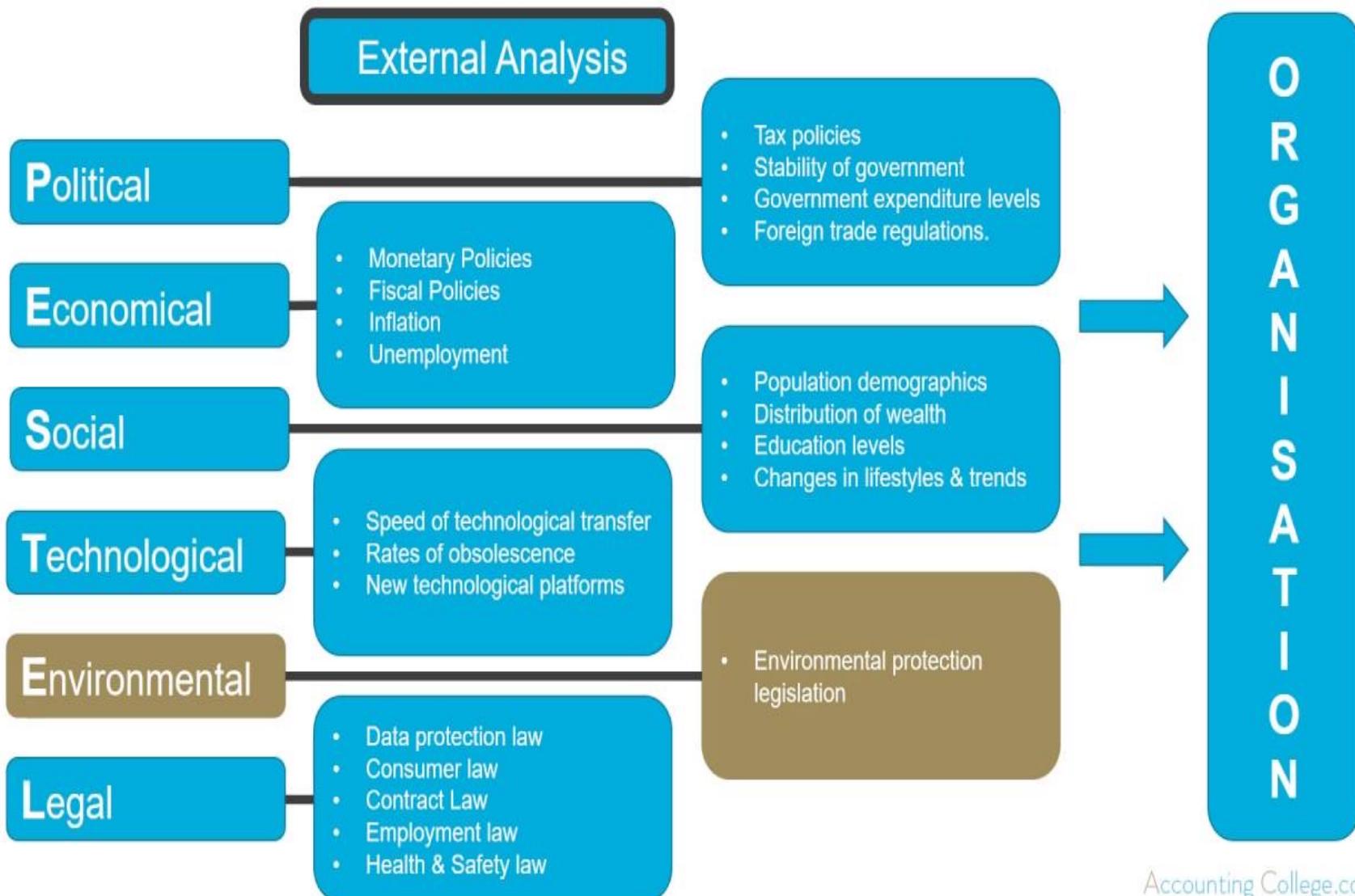
# Comparative Management

- Defined as the study and analysis of management in different environments and the reasons that enterprises show different results in various countries.



*Fig: Components of Business Environment*

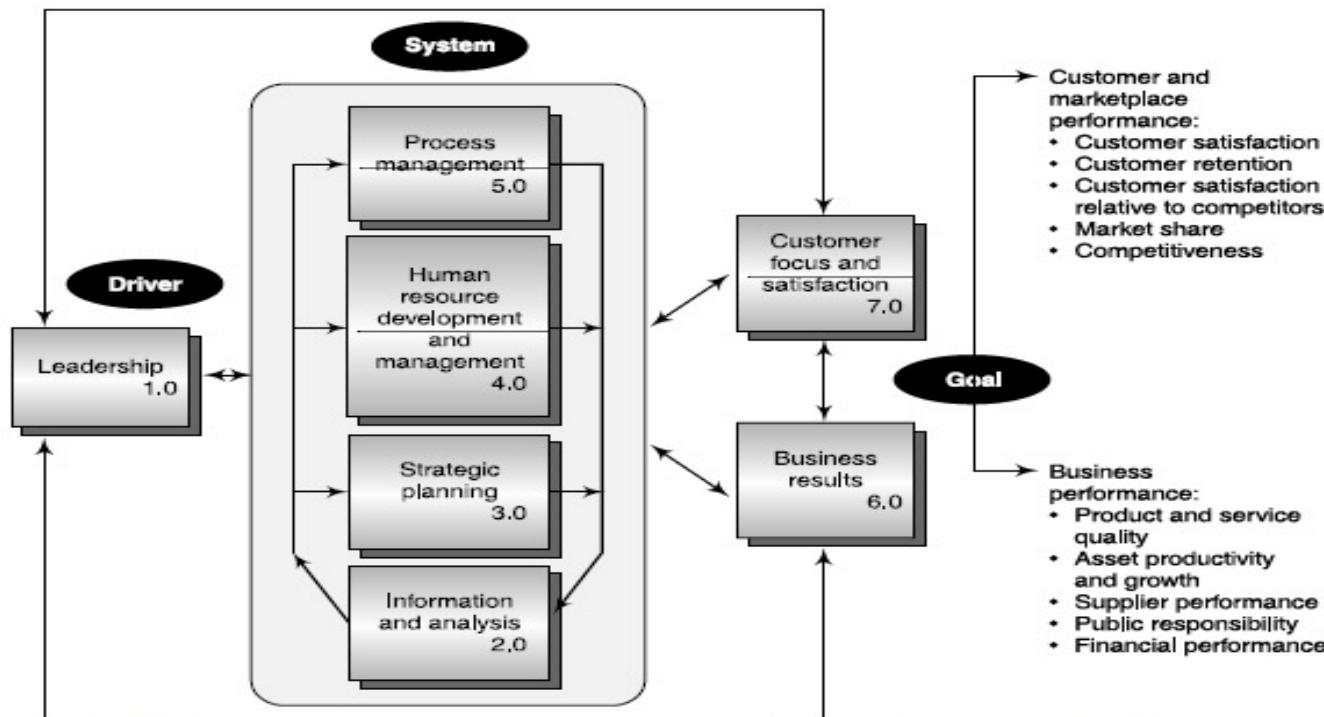
# PESTEL Analysis – Environmental factors



# GAINING A GLOBAL COMPETITIVE ADVANTAGE THROUGH QUALITY MANAGEMENT

Figure 3.2

The Baldrige Award Criteria Framework: Dynamic Relationships.



Source: Malcolm Baldrige National Quality Award 1996 Award Criteria (Gaithersburg, MD: U.S. Department of Commerce, Technology Administration, National Institute of Standards and Technology, undated).

# ISO 9000

- ISO, which is derived from the Greek *isos*, meaning equal, was founded in 1946 in Geneva, Switzerland.
- The ISO 9000 document was first published in 1987 and consists actually of five related standards numbered from 9000 to 9004 (and expanding).
- Although the ISO movement originated in Europe, now more than 100 countries participate in ISO, including Japan, the United States, and European Union nations. Most large companies, such as General Electric, Du Pont, British Telecom, and Philips Electronic, urge and even demand suppliers to be ISO 9000 certified.

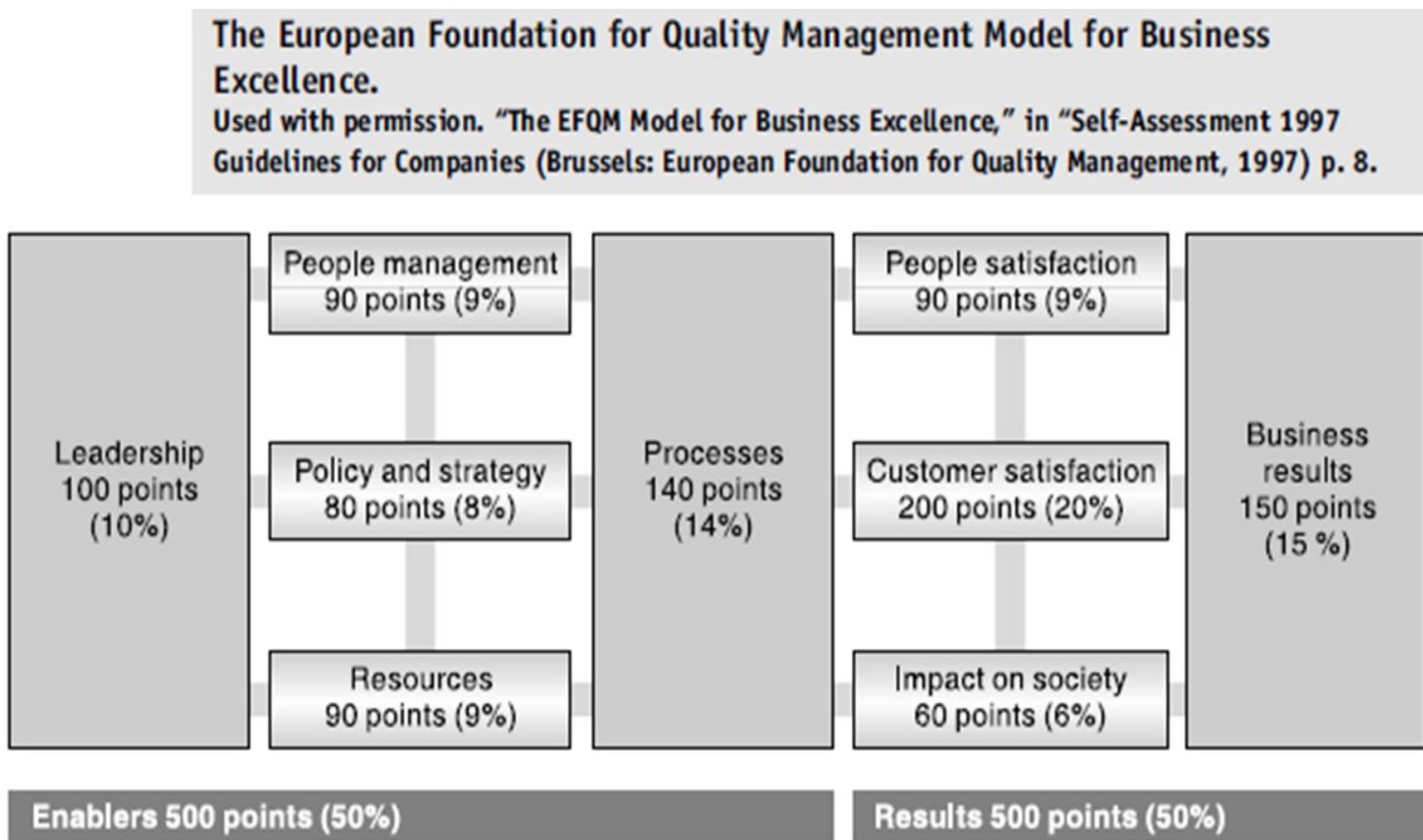
# Benefits

- ISO 9000 requires that the company document its processes and quality system, assure that all employees understand and follow the guidelines of the document, continually monitor and check the quality system through internal and external audits, and make any necessary changes.
- The internal benefits of ISO 9000 are the documentation of processes, a greater quality awareness of the company's employees, a possible change in organization culture resulting in increased productivity, and the installation of an overall quality system.
- The external benefits include an advantage over non-registered competitors, meeting the requirements set forth by customers and the European Union, higher perceived quality and possible greater customer satisfaction, and meeting, for example, the demands of purchasing agents.

# European Model for Total Quality Management

- European Quality Award bestowed upon excellent companies by the
- European Foundation for Quality Management (EFQM).
- “Customer Satisfaction, People (employee) Satisfaction, and Impact on Society
- are achieved through Leadership driving Policy and Strategy, People Management,
- Resources and Processes, leading ultimately to excellence in Business Results

The percentages shown in the figure are used for assigning weights in the award



# Planning

# What is Planning?

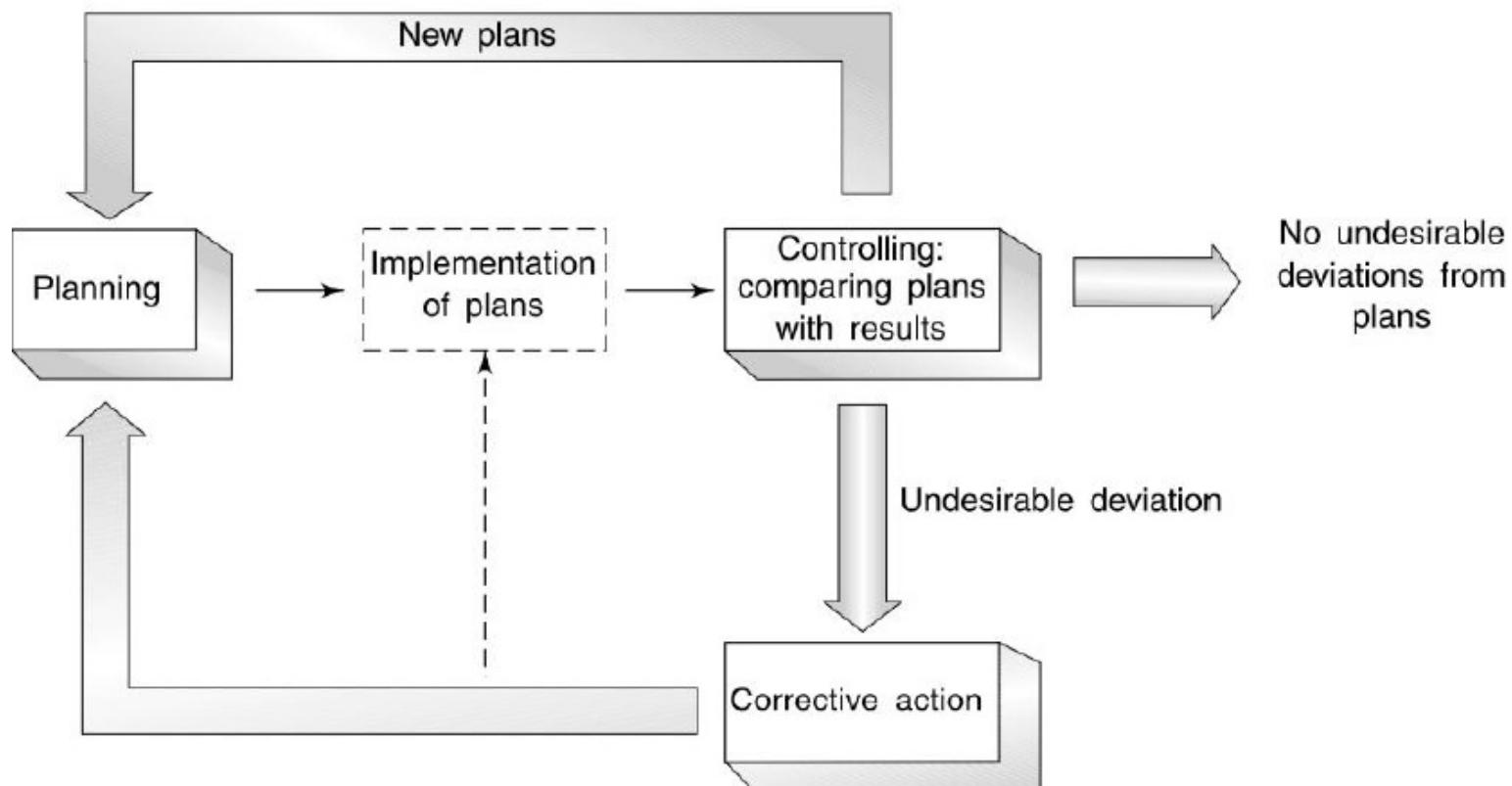
- Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, that is, choosing among alternative future courses of action.
- Planning bridges the gap from where we are to where we want to go.

# Importance of Planning

1. Minimizes risk and uncertainty
2. Leads to success
3. Focuses attention on organization's goals
4. Facilitates control
5. Trains executives

# Planning and controlling

## Close Relationship of Planning and Controlling.



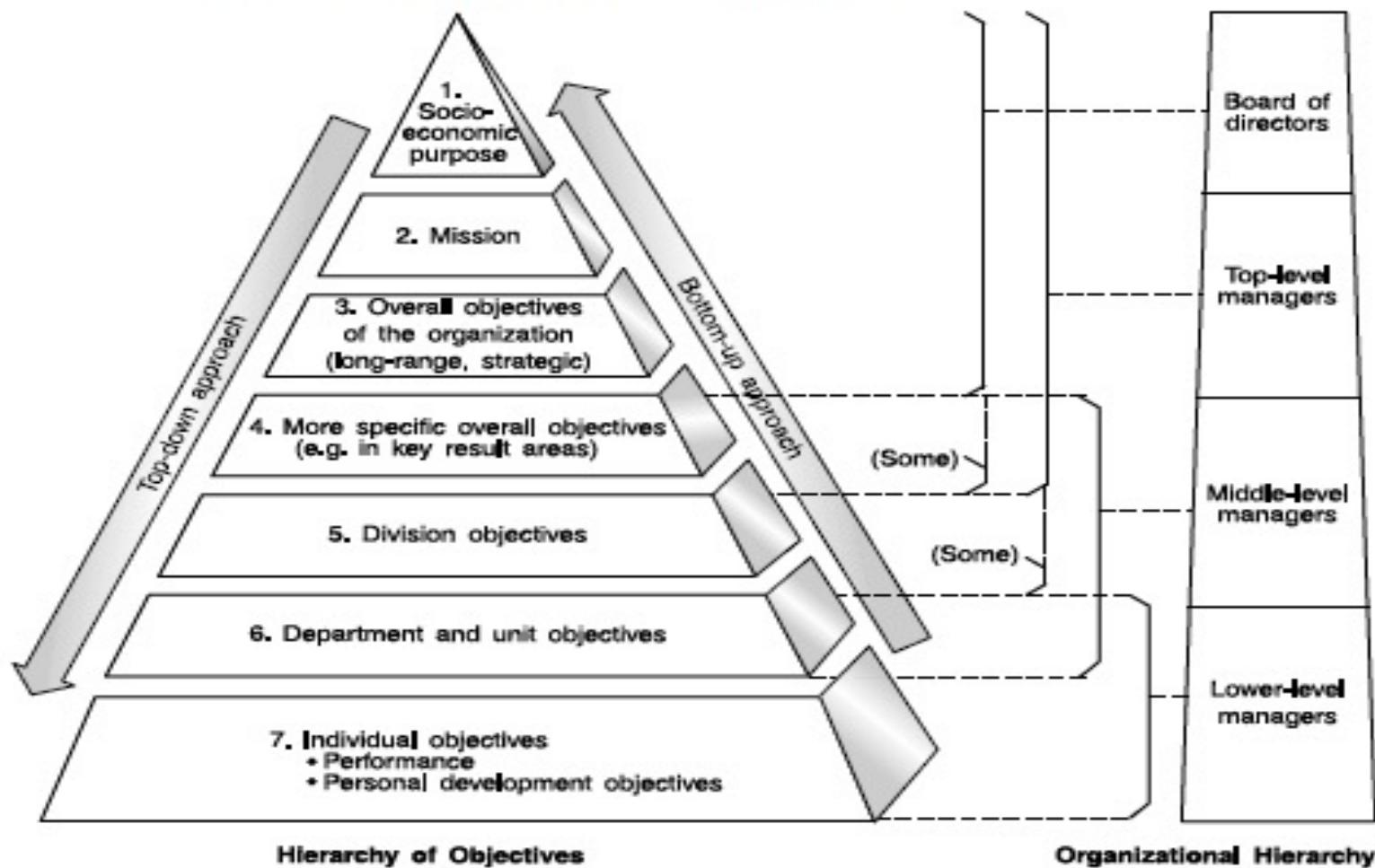
# Types of plans

1. Purposes or missions
2. Objectives or goals
3. Strategies
4. Policies
5. Procedures
6. Rules
7. Programs
8. Budgets

# Objectives and the organizational Hierarchy

## Relationship of Objectives and the Organizational Hierarchy.

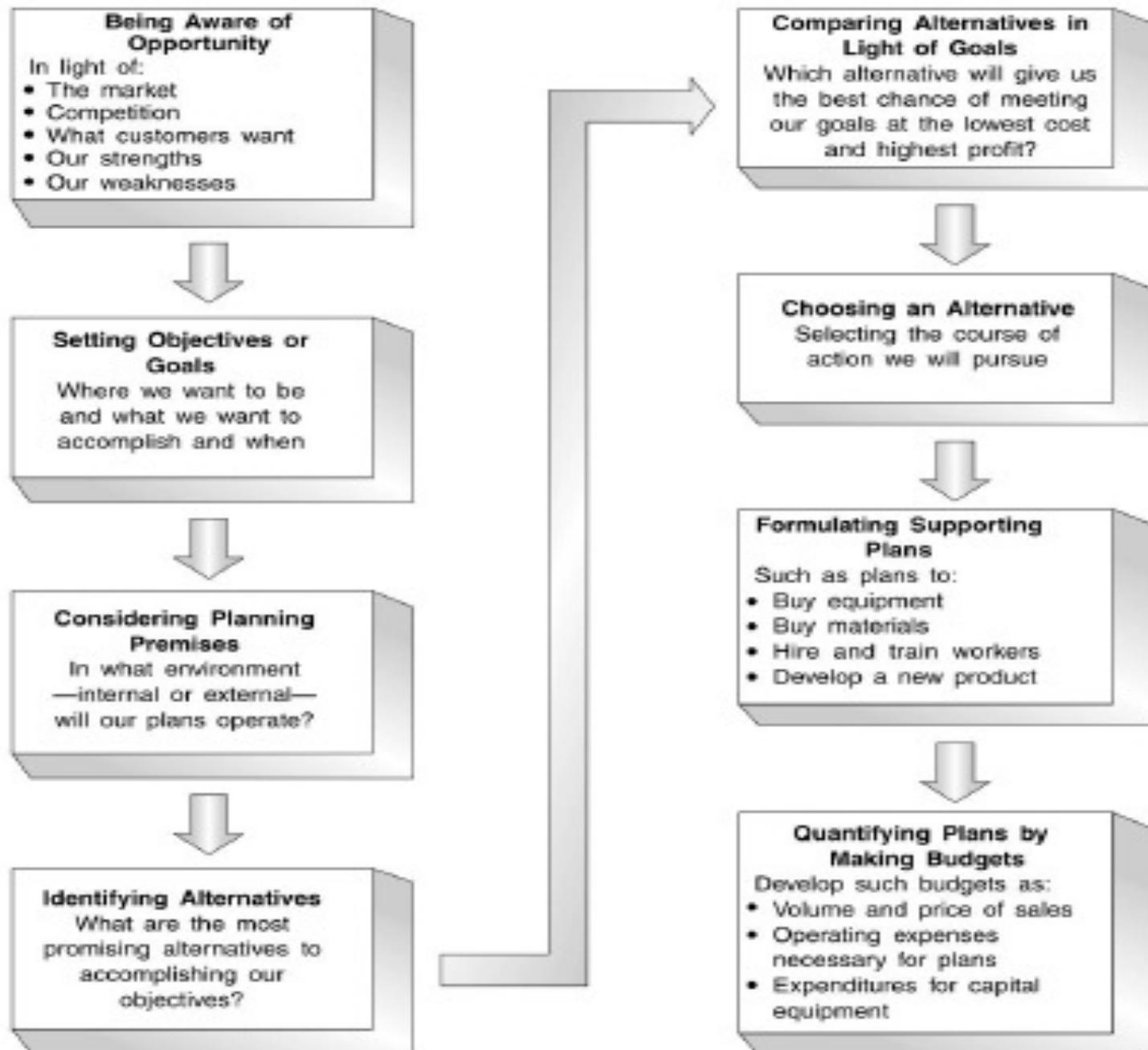
Adapted from H. Weihrich and J. Mendleson, *Management: An MBO Approach* (Dubuque, Iowa: Wm. C. Brown Co., 1978), p. xi. Used with permission.



# Steps in planning / Process of planning

1. Being aware of opportunities
2. Establishing objectives
3. Developing premises
4. Determining alternative courses
5. Evaluating alternative courses
6. Selecting a course
7. Formulating derivative plans
8. Quantifying plans by budgeting

## **Steps in Planning.**



- <https://www.youtube.com/watch?v=No5HkGDYvx0>

# MBO (Management by Objectives)

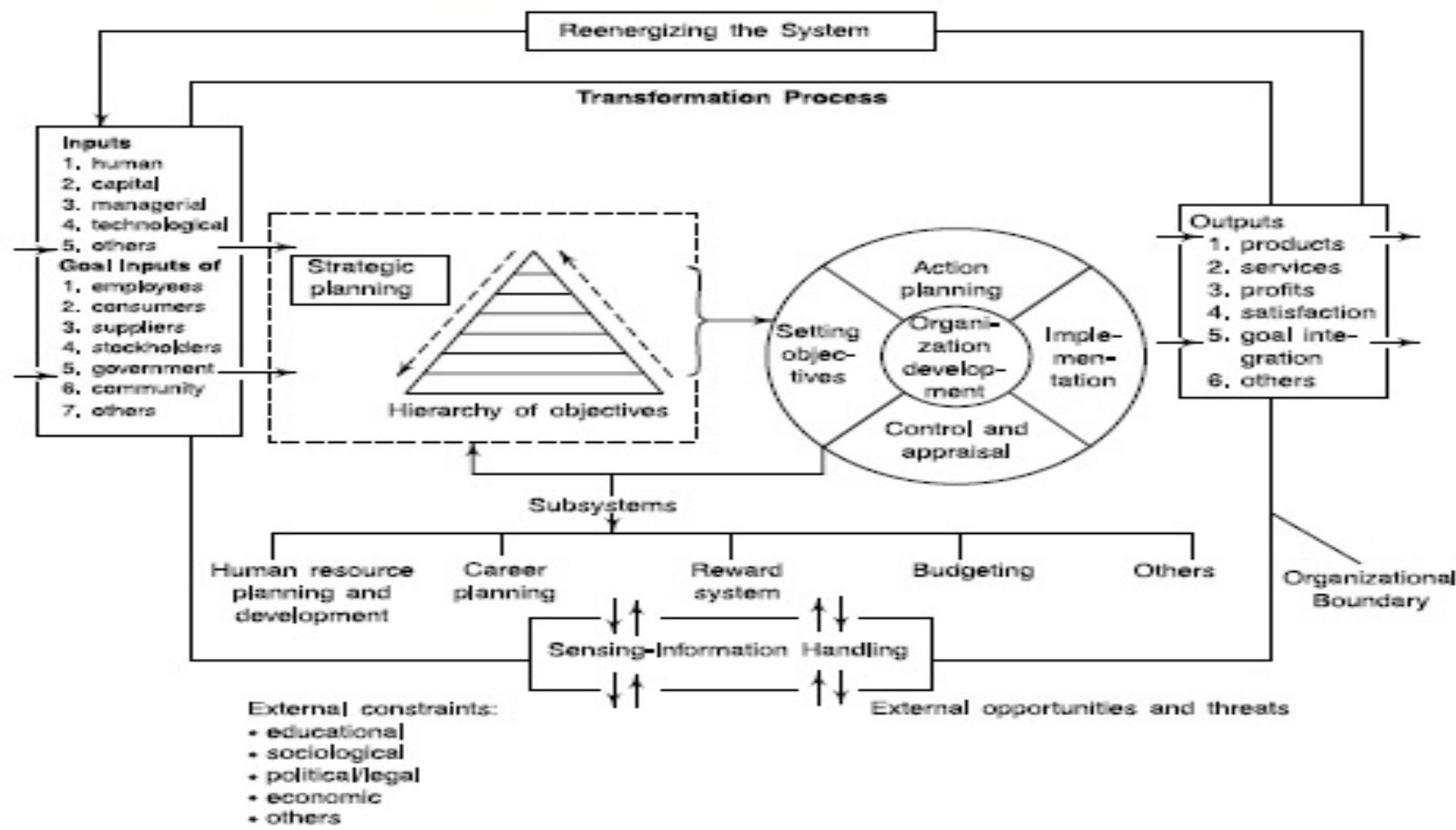
- Comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the efficient and effective achievement of organisational and individual objectives.

# MBO

- Participatory goal setting
- Smart Objectives
  - S - ?
  - M - ?
  - A - ?
  - R - ?
  - T - ?

# System approach to MBO

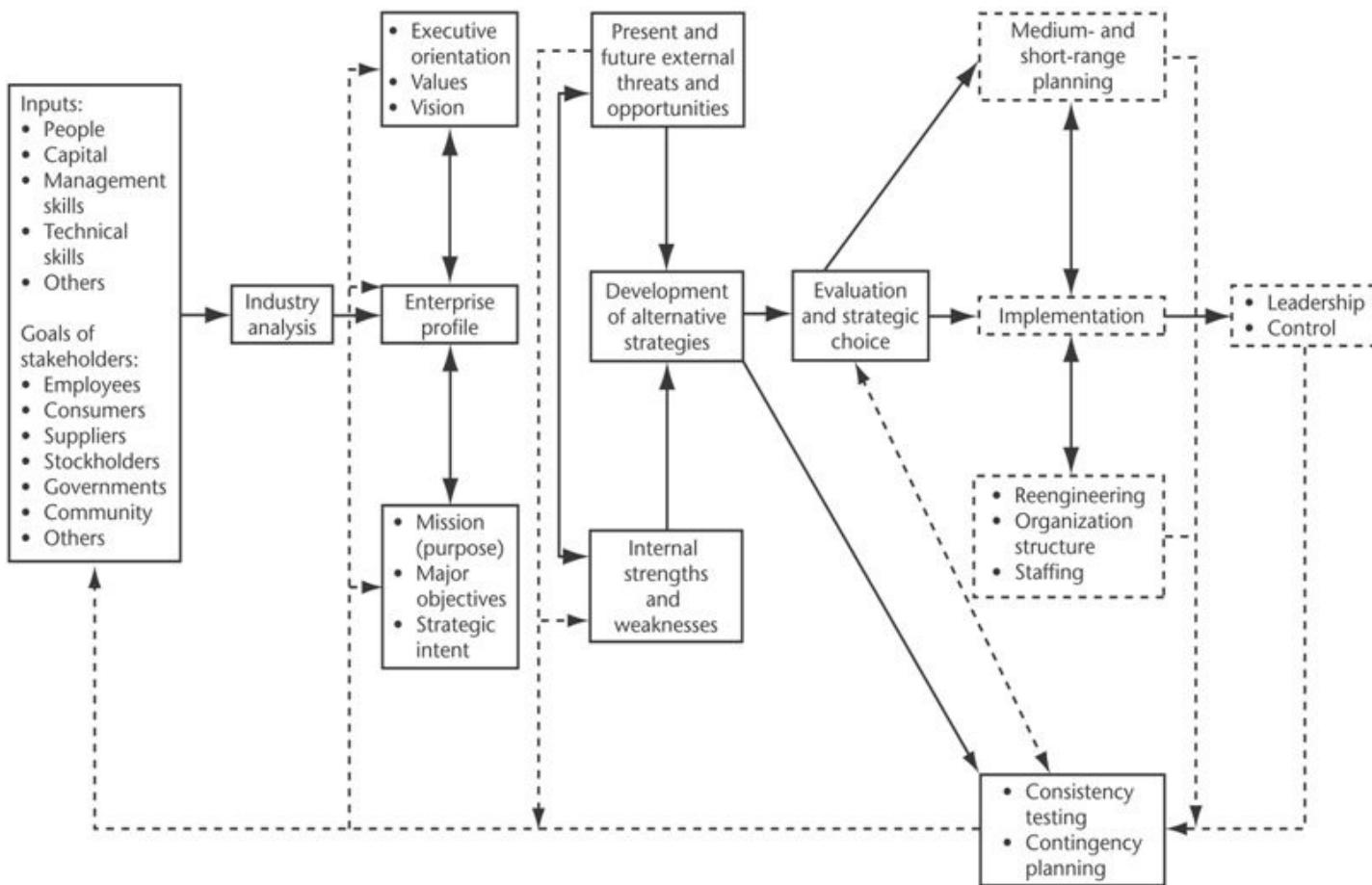
**Systems Approach to Management by Objectives.**  
Adapted from Heinz Weihrich, *Management Excellence—Productivity through MBO* (New York: McGraw-Hill, 1985) p. 18.



# Strategic Planning Process

- Inputs
- Enterprise profile
- Orientation of top managers
- Purpose and major objectives
- External environment
- Internal environment
- Development of alternative strategies
- Evaluation and choice of strategies
- Consistency and contingency

## Fig. 5-1 The Strategic Planning Process



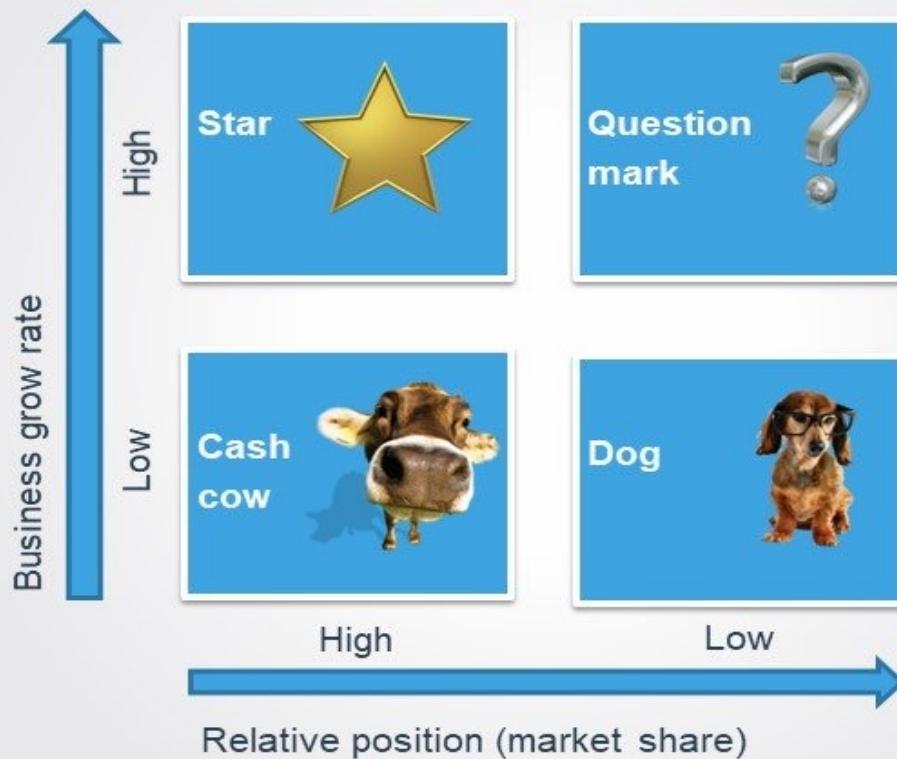
# The TOWS matrix for strategy formulation

<i>Internal factors</i>	<i>Internal strengths (S)</i>	<i>Internal weaknesses (W)</i>
<i>External factors</i>	<i>Strengths of management, operations, finance, marketing, research and development, engineering.</i>	<i>Weaknesses in the spheres mentioned in the cell "internal strengths"</i>
<i>External opportunities (O)</i> <i>(Consider also a risk) such as current and future economic conditions, political and social changes, new products, services and technology.</i>	<i>SO strategy: Maxi - Maxi</i> <i>Potentially the most successful strategy which uses strengths of an organization for utilizing opportunities.</i>	<i>WO strategy: Mini - Maxi</i> <i>Such as a development strategy to overcome weaknesses in order to take advantage of opportunities.</i>
<i>External threats (T)</i> <i>Such as lack of energy, competitiveness and shortcomings in the areas mentioned in the previous cell "external opportunities"</i>	<i>ST strategy: Maxi - Mini</i> <i>Such as the use of internal strengths to overcome the threats or to circumvent them.</i>	<i>WT strategy: Mini - Mini</i> <i>Such as reduction, winding-up or joint venture.</i>

# The Business Portfolio Matrix/BCG Matrix

BCG Matrix

toolshero



Read more: [www.toolshero.com](http://www.toolshero.com)

# BCG MATRIX

## BCG MATRIX

Boston Consulting Group (BCG) Matrix is a simple corporate planning tool, to assess a company's position in terms of its product range  
– also known as the **Boston or growth share matrix**



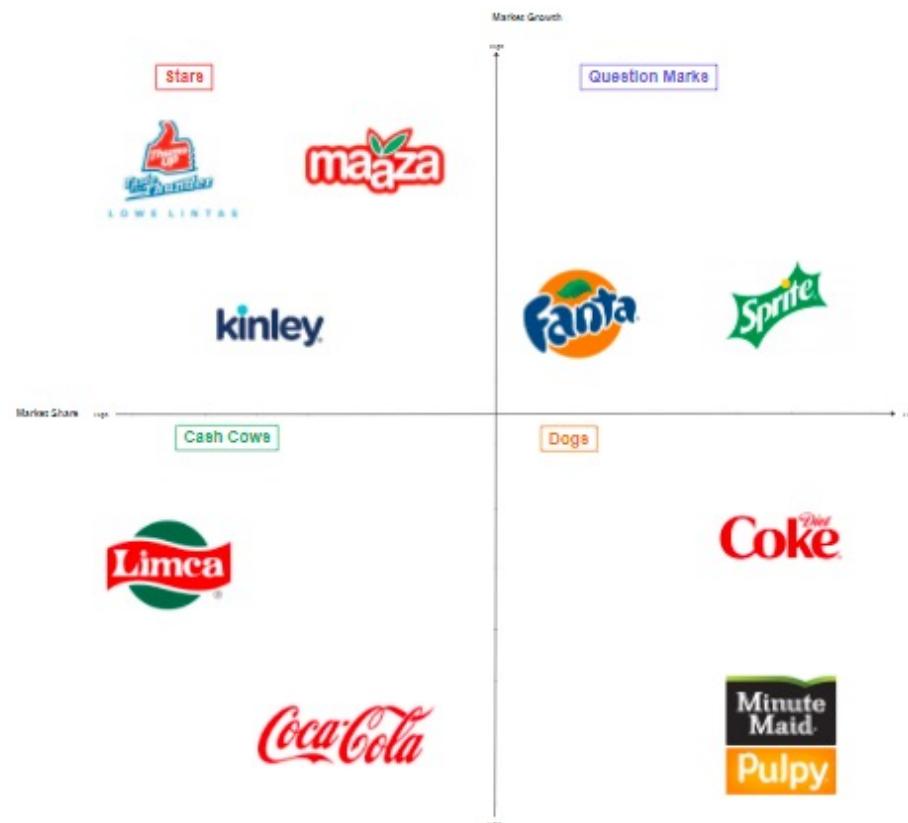
**Question marks** – High Growth, Low Market Share (uncertainty)

**Dogs** – Low Growth, Low Market Share (less profitable)

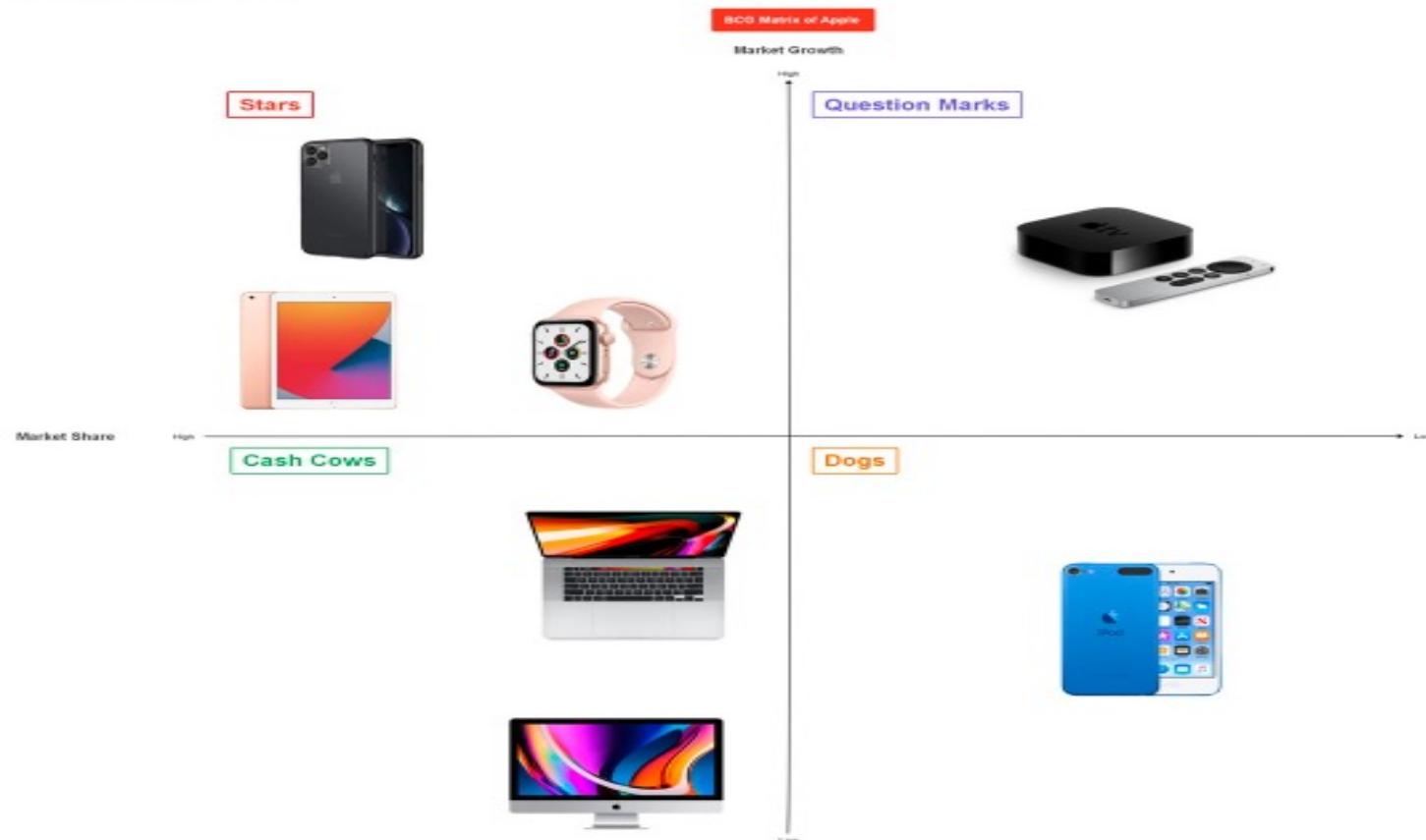
**Stars** – High Growth, High Market Share (high competition)

**Cash cows** – Low Growth, High Market Share (most profitable)

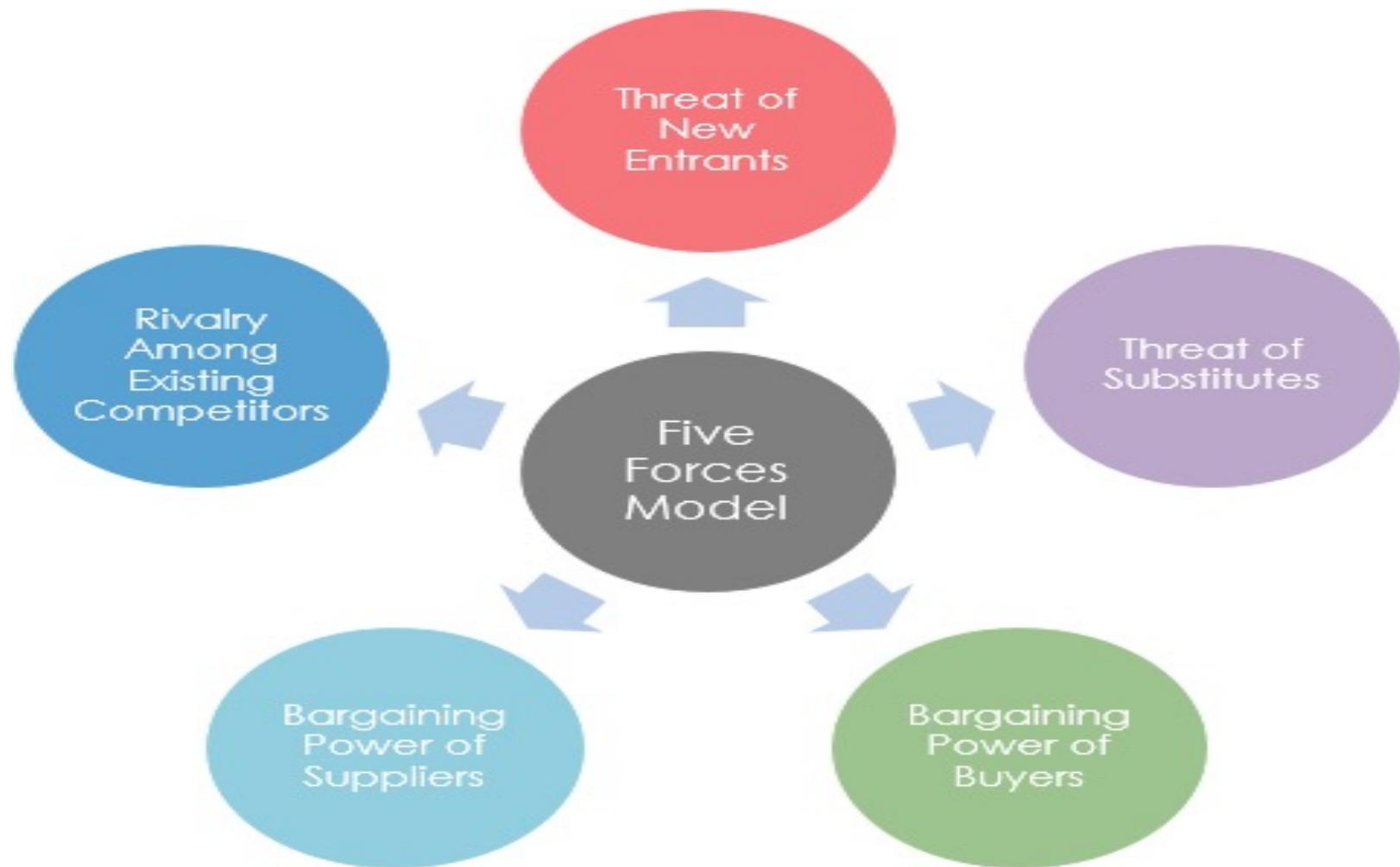
# BCG matrix of Cocacola



## 5. BCG Matrix of Apple



# Industry Analysis – Porters Five force Model



I was enjoying my morning walk and I almost had a heart attack



This is called **Brand positioning**. अगर सही जगह पर हो तो, कुत्ता भी शेर लगाता है!

# Planning premises

- Planning premises are determined as the anticipated environment in which plans are expected to operate.
- It includes assumptions or forecasts of the future and known conditions that will affect the operation of plans.

# Effective premising process

1. Selection of the premises that bear materially on the programs
2. Development of alternative premises for contingency planning
3. Verification of the consistency of premises
4. Communication of the premises

# Decision making

- Decision making is defined as the selection of a course of action from among alternatives; it is the core of planning.
- A plan cannot be said to exist unless a decision – a commitment of resources has been made

# The Process of Rational decision making

- Premising
- Identifying alternatives – consider the limiting factor
- Evaluation of alternatives – quantitative and qualitative factors
- Selecting and Alternative
  - Experience
  - Experimentation
  - Research and analysis

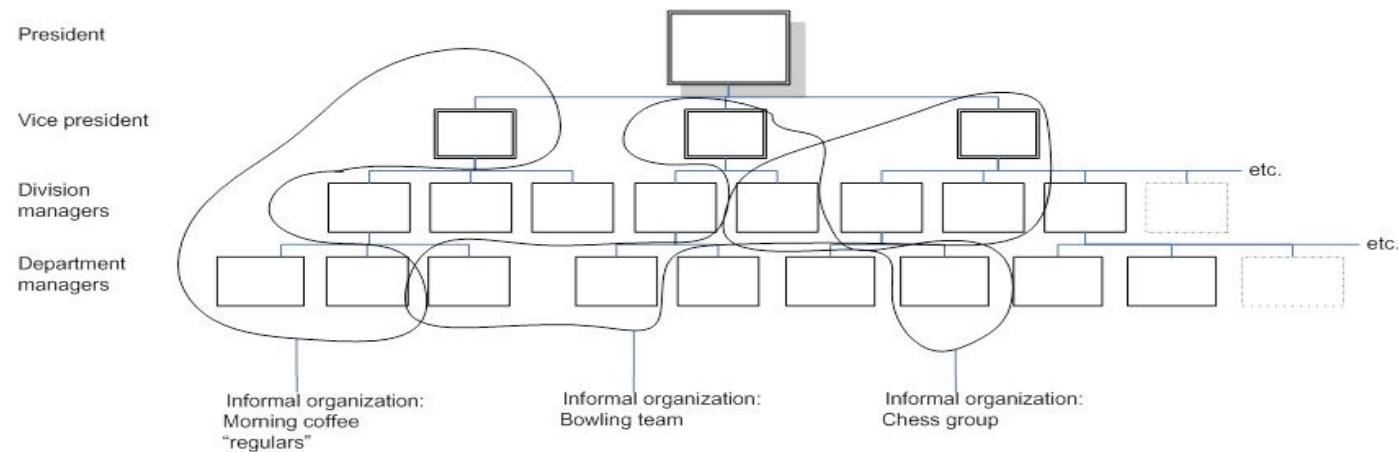
# **Organizing**

- The process of arranging people and other resources to work together to accomplish a goal.
  - The identification and classification of required activities
  - The grouping of activities necessary to attain objectives
  - The assignment of each grouping to a manager with the authority necessary to supervise it
  - The provision for coordination horizontally and vertically in the organisation structure

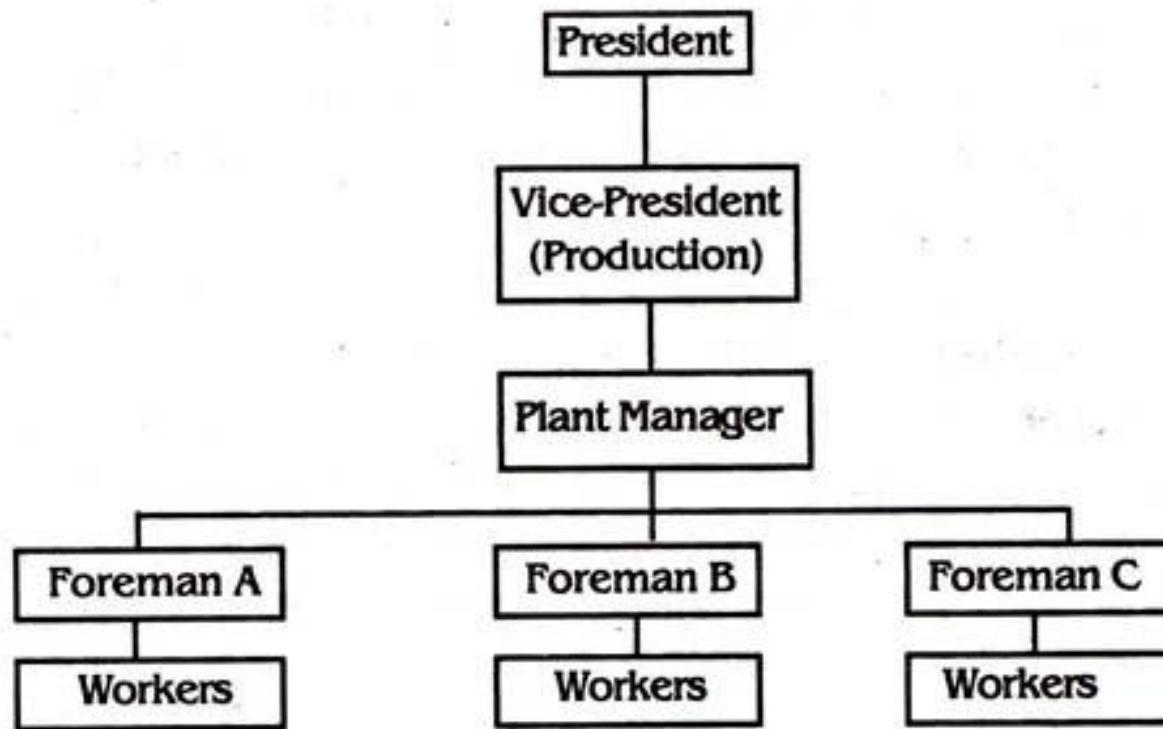
# Formal and Informal Organization

- Formal Organization – Intentional structure of roles in a formally organized enterprise
- Informal organization – a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another

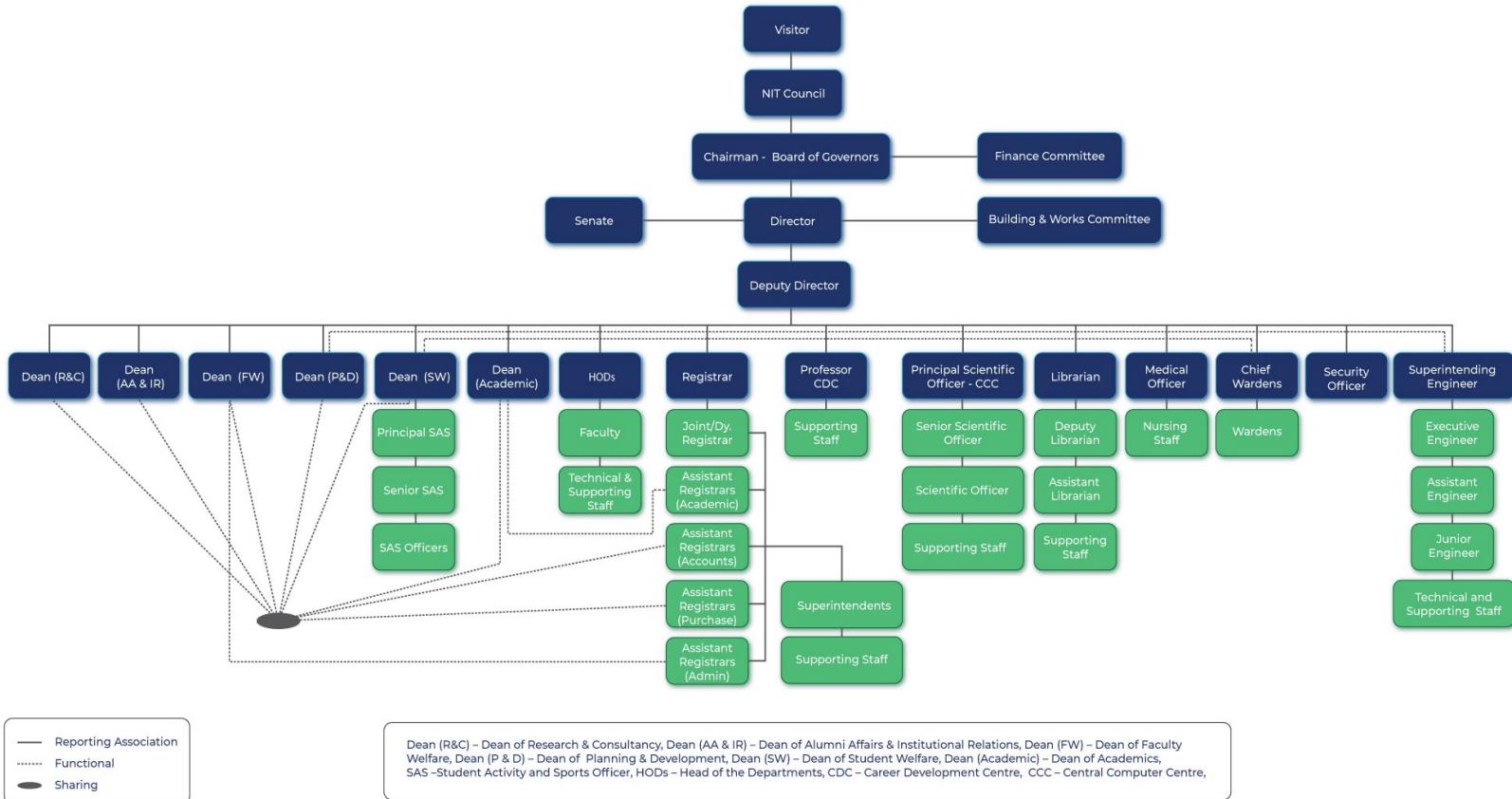
# Formal and Informal Organizations



# Organization structure



## NITK SURATHKAL - ORGANIZATIONAL CHART

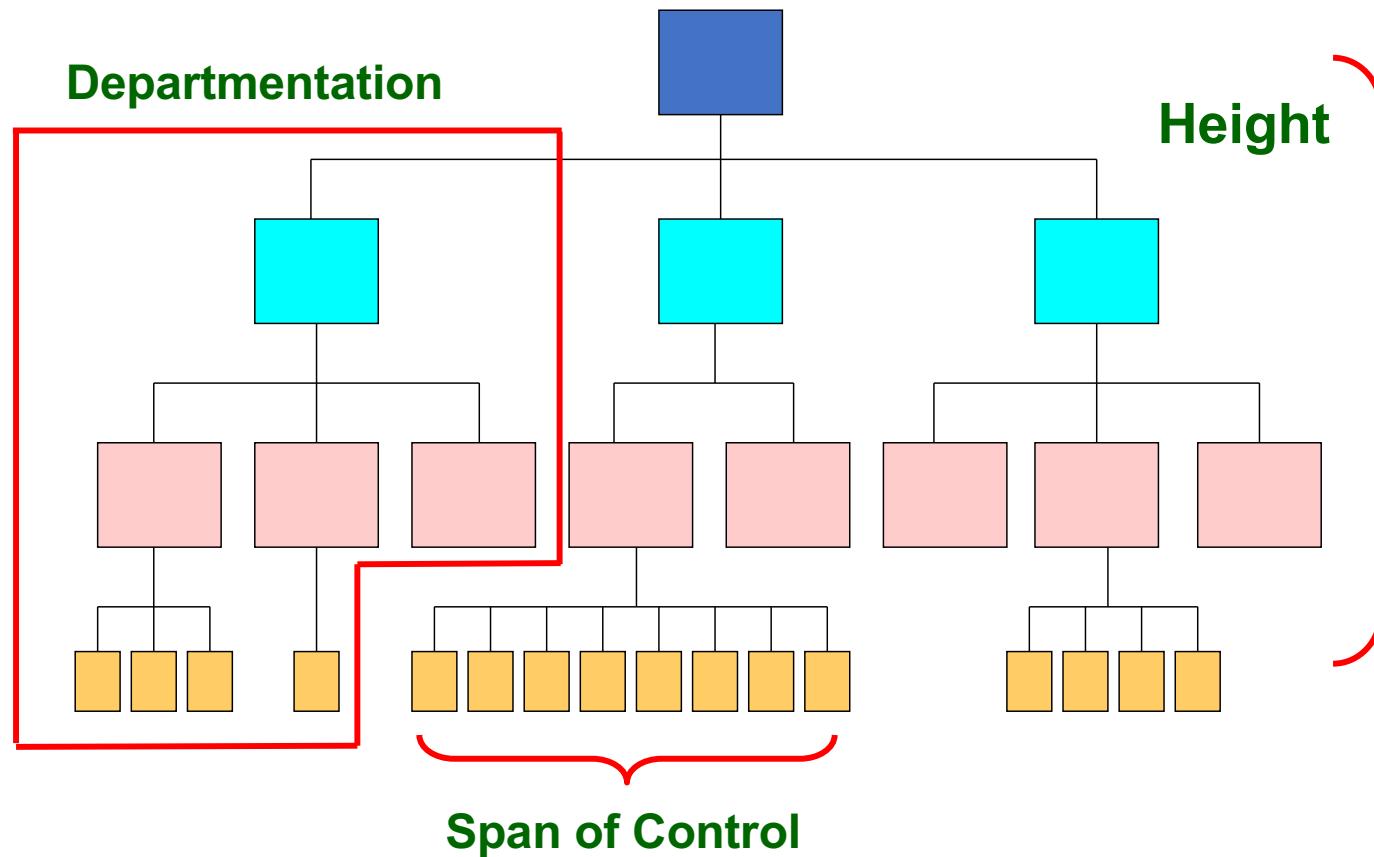


# Organization Structure

Defined as:

1. The set of formal tasks assigned to individuals and departments.
2. Formal reporting relationships.
3. The design of systems to ensure effective coordination of employees across departments.

# Structural Characteristics



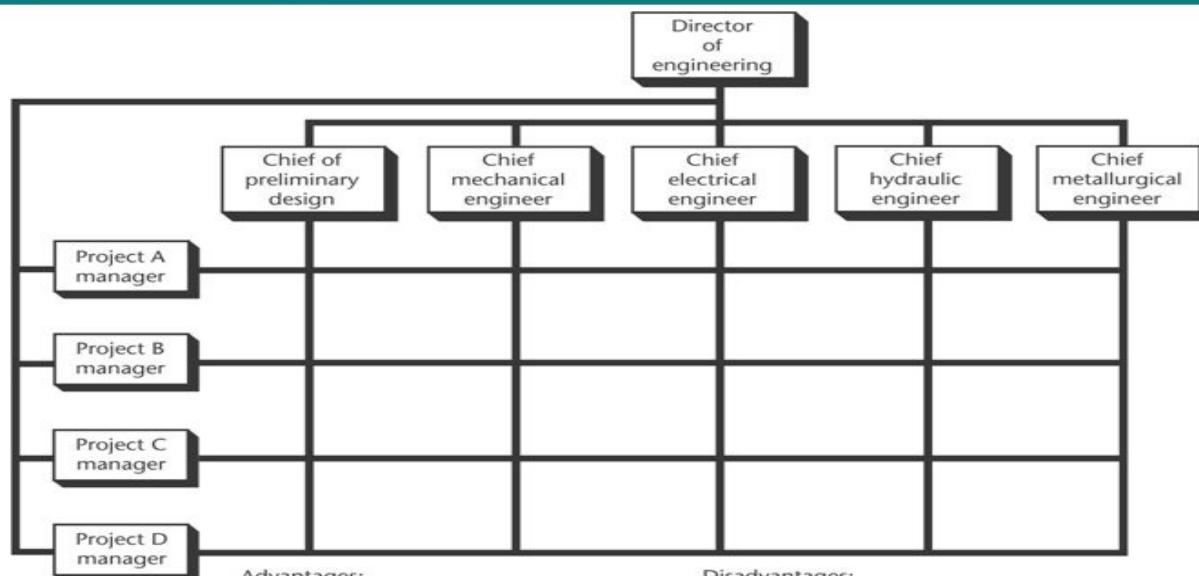
# Department

- A distinct area, division, or branch of an organisation over which a manager has authority for the performance of specified activities
  - Production division
  - The sales department
  - The market research section
  - The accounts receivable unit

# Departmentation

- By enterprise function
- By territory or geography
- By customer group
- By product
- Matrix Organization

## Fig. 8-5 Matrix Organization (in engineering)



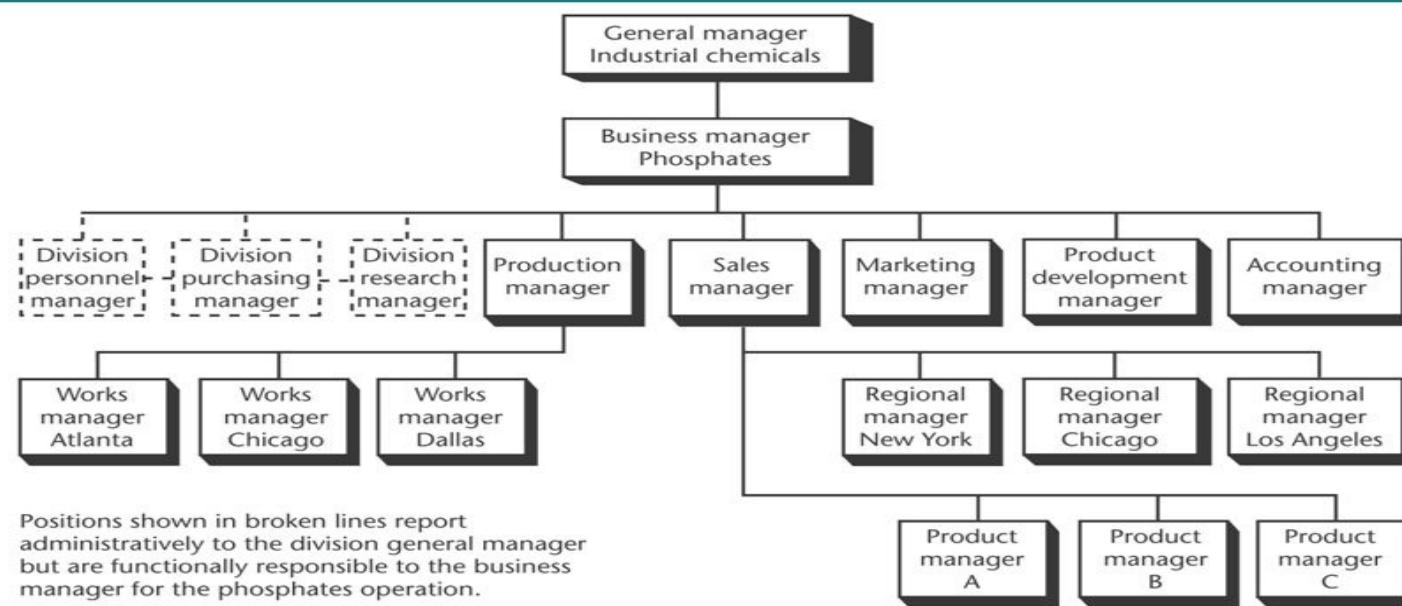
### Advantages:

- Oriented toward end results
- Professional identification is maintained
- Pinpoints product-profit responsibility

### Disadvantages:

- Conflict in organizational authority exists
- Possibility of disunity of command
- Requires a manager effective in human relations

## Fig. 8-6 Strategic Business Units



## Criteria for setting up SBU's

- Own mission statement
- Definable group of competitors
- Prepare its own integrative plans
- Manage its own resources
- Neither too large nor too small

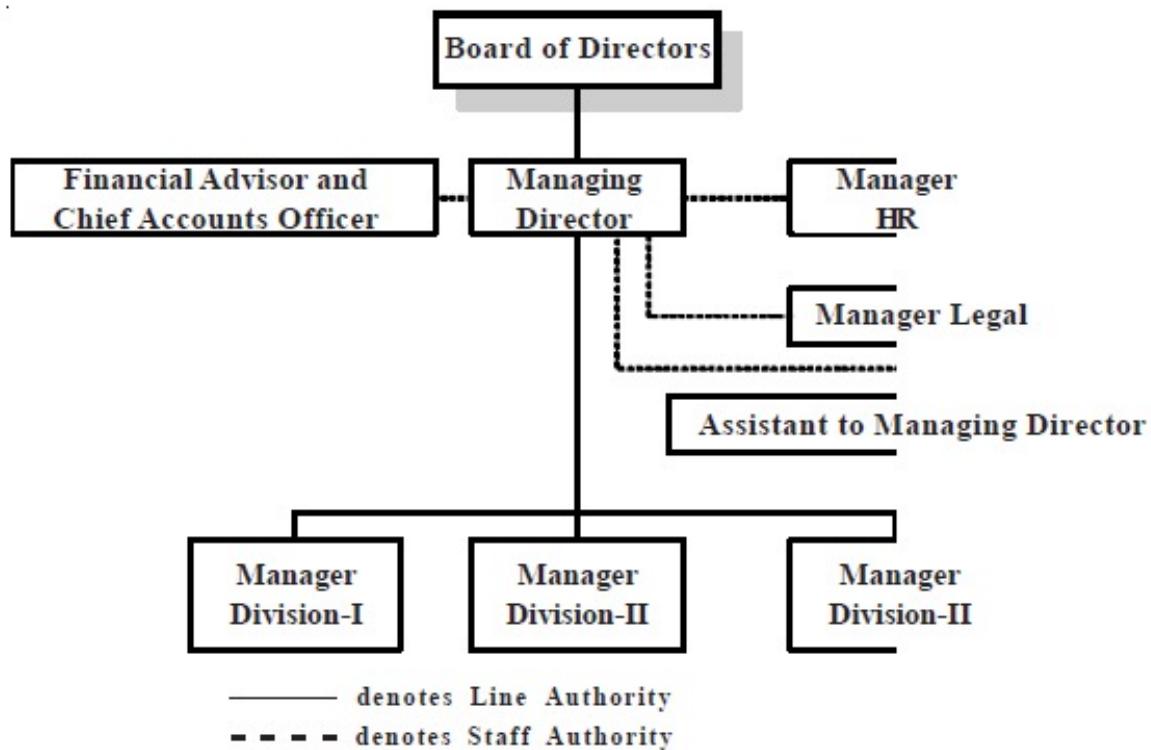
# Span of Management/ Span of Control

- A number of subordinates a superior can manage
- Upper levels – four to eight
- Lower levels – eight to fifteen

## Factors determining an effective span

- Training of subordinates
- Clarity of delegation of authority
- Clarity of plans
- Use of objective standards
- Rate of change
- Communication techniques
- Amount of personal contact needed

# Line and Staff Authority



- Line Authority
- Staff Authority
- Functional Authority

# **Line Authority**

- Line Authority is that relationship in which a **superior** **exercise direct supervision** over a subordinate.
- An authority relationship with a **direct line** or steps

# **Line Authority**

## **Line Manager:**

- A manager who is (1) **in charge of essential activities** such as sales and (2) authorized to **issue orders to subordinates down the chain of command.**

E.g.: The president, production manager, sales manager etc.

# Staff Authority

## Staff Manager:

- A manager without the authority to give orders down the chain of command (except in his or her own department);
- generally **can only assist and advise line managers** in specialized areas such as human resources management.

E.g.: HR manager, Legal Manager etc.

# **Staff Authority**

- The nature of Staff relationship is advisory.
- The **function** of people in a pure staff capacity is to investigate, research, and **give advice to line managers.**

# **Line and Staff Authority**

- In **large organisations**, they are usually Line and Staff managers
- In **small organisations**, only line managers exists.

# **Authority**

**Formal and legitimate right of a manager to make decisions, issue orders, and to allocate resources to achieve organizationally desired outcomes.**

# Authority

Authority is distinguished by three characteristics:

- Authority is vested in organizational positions, not people.
- Authority is accepted by subordinates.
- Authority flows down the vertical hierarchy.

# **Responsibility**

- The **duty to perform** the task or activity an employee has been assigned.
- Managers need **authority commensurate with responsibility**.

# Power

- An individual's capacity to influence decisions.
- It is the **ability** of individuals or groups to **induce or influence** the beliefs or actions of other persons or group

# **Types of Power**

## **Coercive power:**

Power based on **fear**; maintained by the **use of threats and punishment**.

## **Reward power:**

Power based on the ability to **distribute something that others value**.

# **Types of Power**

## **Legitimate power**

Power based on **one's position in the formal hierarchy.**

## **Referent power**

Power based on identification with **a person who has desirable resources or personal traits.**

# Types of Power

## Expert power

Power based on one's **expertise, special skill**, or knowledge.

# **Employee Empowerment**

- **Employee empowerment** is **giving employees** a certain degree of **autonomy and responsibility for decision-making** regarding their specific organizational tasks.

# Empowerment

- Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, **will contribute to their competence and satisfaction**

# Organisation environment for Entrepreneuring, Intrapreneuring, Reengineering

- Intrapreneur
- Entrepreneur
- Innovation and Entrepreneurship
- Reengineering

# Process of Organizing

- Establishing enterprise objectives
- Formulating supporting objectives, policies and plans
- Identifying and classifying the activities necessary to accomplish these
- Grouping these activities
- Delegating authority necessary to perform the activities
- Tying the groups together horizontally and vertically

# **Importance of Organizing Function**

1. Facilitates Administration
2. Encourages Growth & Diversification
3. Encourages Good Human Relations
4. Stimulates Innovation & Technology
5. Ensures Continuity of Enterprise
6. Coordination

# Effective Organising

## 1. Avoiding mistakes in organising by planning

- Centralisation
- SBUs
- Human factor
- Tailor made organisation stucture

## 2. Avoiding organisational inflexibility

- Reorganisation
- Readjustment and change

## 3. Making staff work effective

- Understanding authority relationships
- Line and staff team efforts
- Keeping staff informed

#### 4. Avoiding conflict by clarification

- Organisation charts
- Position description

#### 5. Ensuring understanding of organising

- Teaching the nature of organisation
- Importance of informal organisation

#### 6. Promoting an appropriate organisation culture

# Organization Culture

- The **attitude, traits and behavioral patterns** which govern the **way an individual interacts with others** is termed as culture.
- In the same way **organizations** have **certain values, policies, rules and guidelines** which help them create an image of their own.
- **Organization culture** refers to the **beliefs and principles** of a particular **organization**.
- The culture followed by the organization has a **deep impact on the employees** and their **relationship** amongst themselves.

# Types of organizational culture

## Strong Organization Culture:

- where the employees adjust well, **respect** the organization's policies and adhere to the guidelines.
- In such a culture **people enjoy working** and **take every assignment as a new learning** and try to gain as much as they can.
- They accept their **roles and responsibilities willingly**.

# Types of organizational culture

## Weak Organization Culture:

- Individuals accept their responsibilities *out of fear* of superiors and harsh policies.
- The employees in such a situation **do things out of compulsion**.
- They just treat their **organization as a mere source of earning money** and never get attached to it.

# Google workplace culture

Businesses like Google revolutionized the workplace by creating a corporate culture that was not only fun, but encouraged creativity, flexibility and companionship among colleagues. Often known to have endless perks on-site, Google campuses include play areas, coffee bars, outdoor terraces, free meals, and dog-friendly work environments across the world. Google established their corporate culture definition to focus on having happy employees and creating a productive workplace. The long-term success of Google is indisputably and consistently tied directly back to their company culture.

# Netflix corporate culture

Another business that largely credits its success to its employees and company culture is Netflix. Employees are given unlimited vacation from the start because Netflix created a workplace culture founded on trusting employees and treating them like adults. To promote work-life balance, Netflix promotes working regular hours and producing great work over long hours and subpar results. By defining “What is corporate culture?” within their organization, Netflix was able to deeply root these values throughout their business.

- <https://www.youtube.com/watch?v=4cBN8xH-5Qw>

# Staffing

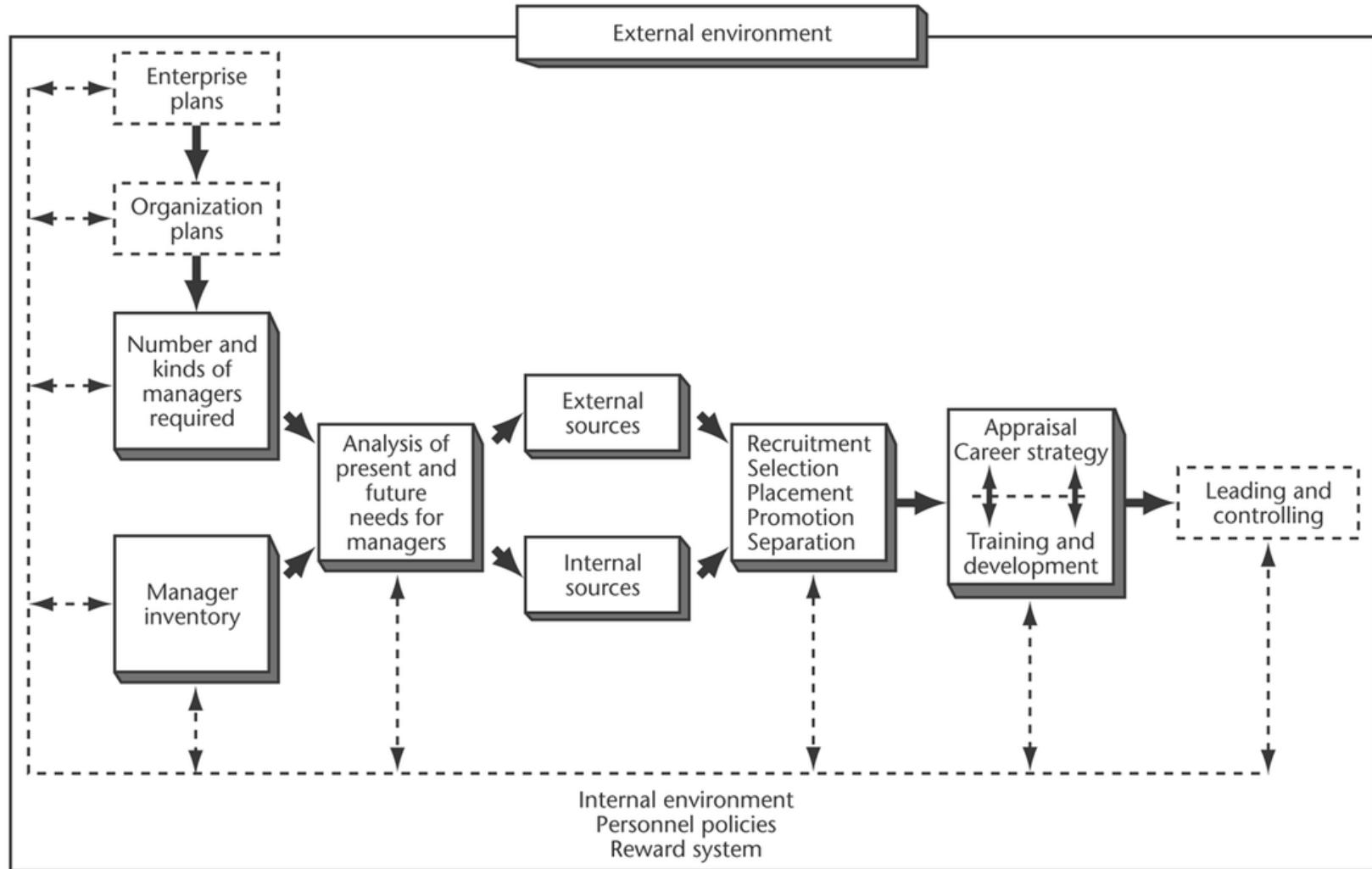
- Staffing is defined as “**Filling and keeping filled**, positions in the organizational structure.”
- Staffing is the process of **acquiring, deploying, and retaining** a workforce of sufficient **quantity and quality** to create positive impacts on the **organization's effectiveness**.

# **Staffing**

This is done by:

- **identifying work-force requirements ,**
- **inventorying the people available,**
- recruiting, selecting, placing, promotion, appraising, planning the careers,
- compensating, training, developing existing staff or new recruits.

# The Systems Approach to Staffing



# **Number and Kinds of Managers Required**

Depends on:

- **Size** of organization
- **Complexity** of organization structure
- Plans for **expansions**
- **Turnover** rate of managerial personnel

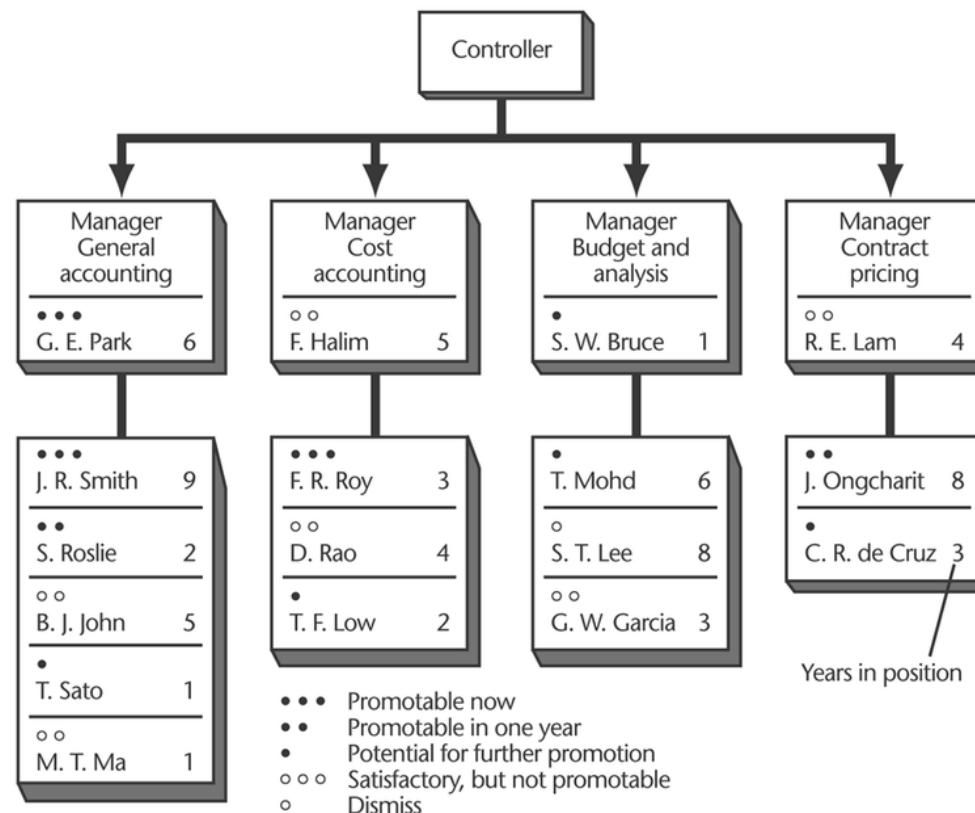
# The Management Inventory

- **Determination of available managerial resources**
- **Less common** for organisations to keep an inventory of available managers.
- **Inventory Chart** overcomes the issue

# **Manager Inventory Chart**

- **Inventory Chart** is an organization chart with **managerial positions** indicated and keyed as to the **promotability** of each **incumbent.**

# Manager Inventory Chart



Years in position

- Promotable now
- Promotable in one year
- Potential for further promotion
- Satisfactory, but not promotable
- Dismiss

# **Analysis of the need for Managers**

- Internal Source of Information - The Management inventory provides a base for deciding the managers needed.
- External factors influencing the demand for and supply of Managers
  - Analysing the labour market
  - Matching demand and supply

- **Recruitment** : Attracting qualified candidates to fill organizational roles.
- **Selection**: process of **choosing** from among the candidates **the most suitable ones**.
- **Placement**: process of **assigning a specific job to the selected candidates**.
- **Promotion**: placing a **manager within** the enterprise in a **new position**, which normally involves **more responsibility**
- **Separation**: It is a **negative recruitment**. It may be in the form of resignation, dismissal or lay-off.

- **Performance Appraisal:**

**Systematic, general and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.**

- **Career strategy:**

**Structured approach to developing an organisation's culture, capabilities and resources, enabling people to successfully navigate their career journey, and the organisation to build capability and ability to change.**

# Training and development

- **Managerial Training**

The use of programs (mostly **short-term**) that facilitate the learning process to help managers **do their jobs better**.

- **Manager Development**

The use of **long-term**, future-oriented programs to **develop a person's ability in managing**.

# **Situational Factors Affecting Staffing**

- The External Environment
  - Equal employment opportunities
  - Women in Management
  - Staffing in the International Environment
- The Internal Environment
  - Promotion from within
  - The Policy of open competition
  - Responsibility for staffing

# Reward system

- Reward system exists in order to motivate employees to work towards achieving strategic goals which are set by entities.
- Reward management is not *only* concerned with pay and employee benefits.
- It is equally concerned with *non-financial rewards* such as recognition, training, development and increased job responsibility.

# Recruitment and Selection

# Sources of Recruitment

- The objectives of recruitment are more likely to be achieved when the recruiting sources used are suitable for the kind of position that is to be filled.
- The selection of recruitment sources have to be economical as well.
- Different sources of recruitment is used, based on various factors such as the level of the position, number of people required, time available and the funds allocated for recruitment.
- Sources of recruitment is classified into:
  - Internal sources
  - External sources



## **Internal Sources**

- Many of the organisations try to identify employees within the organisation, to be grooming to take on higher responsibilities.
- Organisations which go in for an internal source search, announce the vacancy and display in the notice boards, send circulars to different departments or inform through the company website.
- Candidates from within the organisation respond to job posting by sending in their applications.
- Promotions and transfers are also internal sources of recruitment as candidates are identified within an organisation.



(Contd...)

## **External Sources**

- There are various methods of recruiting from external sources.
- Some popular methods are advertisements, campus recruitments, employee referrals, employee exchanges, HR head hunters etc.



## **Advertisement**

- Employment advertisements may be given by an organisation in newspapers, magazines, pamphlets, posters and banners.

## **Employee Referrals**

- Employee referrals form a very good source of recruitment in which employees who are already working in the organisation recommend their friends or acquaintances for the vacant positions in the organisation.

(Contd...)

## **Employment agencies**

- Based on the type of clientele they serve, employment agencies can be broadly classified into:
  - Public or state agencies
  - Private agencies and head hunters

## **Educational institutes**

- These educational institutes offer placement to their students by trying to get few good companies in the market to their campus for recruitment.

## **Interested applicants**

- Candidates interested in working with the organisation send in their applications to the management either through post or e-mails and express their interest to join the organisation.

(Contd...)

## Selection

- The process of choosing the most suitable candidate for a job from among the available applicants is called selection.
- This is the most important stage of employment as the concept of the right candidate for right position, takes its final shape here.
- The selection process involves a series of steps which help in evaluating the candidates.
- The selection process in an organisation has to be in accordance with the organisational requirements.
- The selection process can have four possible outcomes.
- Two of the possible outcomes have a positive effect on the organisation, whereas two have a negative impact.

(Contd...)



- The selection decision outcomes is as tabulated below:

	Accept	Reject
Successful	1. Correct decision	2. Rejection error
Unsuccessful	3. Acceptance error	4. Correct decision

- The first outcome (**1**) is positive outcome of selecting the right candidates.
- An impact of right candidate would be positive and effective for the organisation.
- The second outcome (**4**) is to reject an unsuitable candidate and has positive effect on the organisation, as selecting an unsuitable candidate will affect the productivity of the organisation.

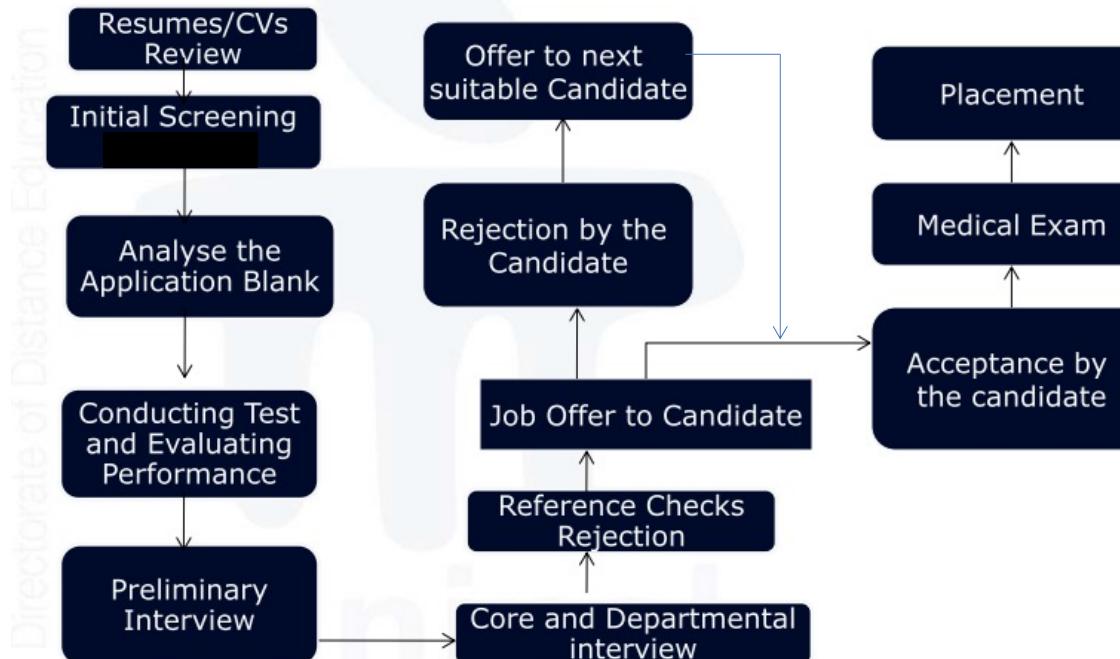
(Contd...)

- One negative outcome is selecting an unsuitable candidate (**3**).
- In this case, the cost of having an unsuitable candidate in the job is high.
- He or she would not add any value to the organisation.
- The organisation will incur costs in training the candidate, would add to the cost of the non-performance.
- The other negative outcome is not selecting the right candidate (**2**)
- This is a loss to the company because they have selected the second or third best candidate instead of the best candidate.
- The cost of not selecting the right candidate could mean continuing the search and thereby increasing the cost of recruitment.

(Contd...)

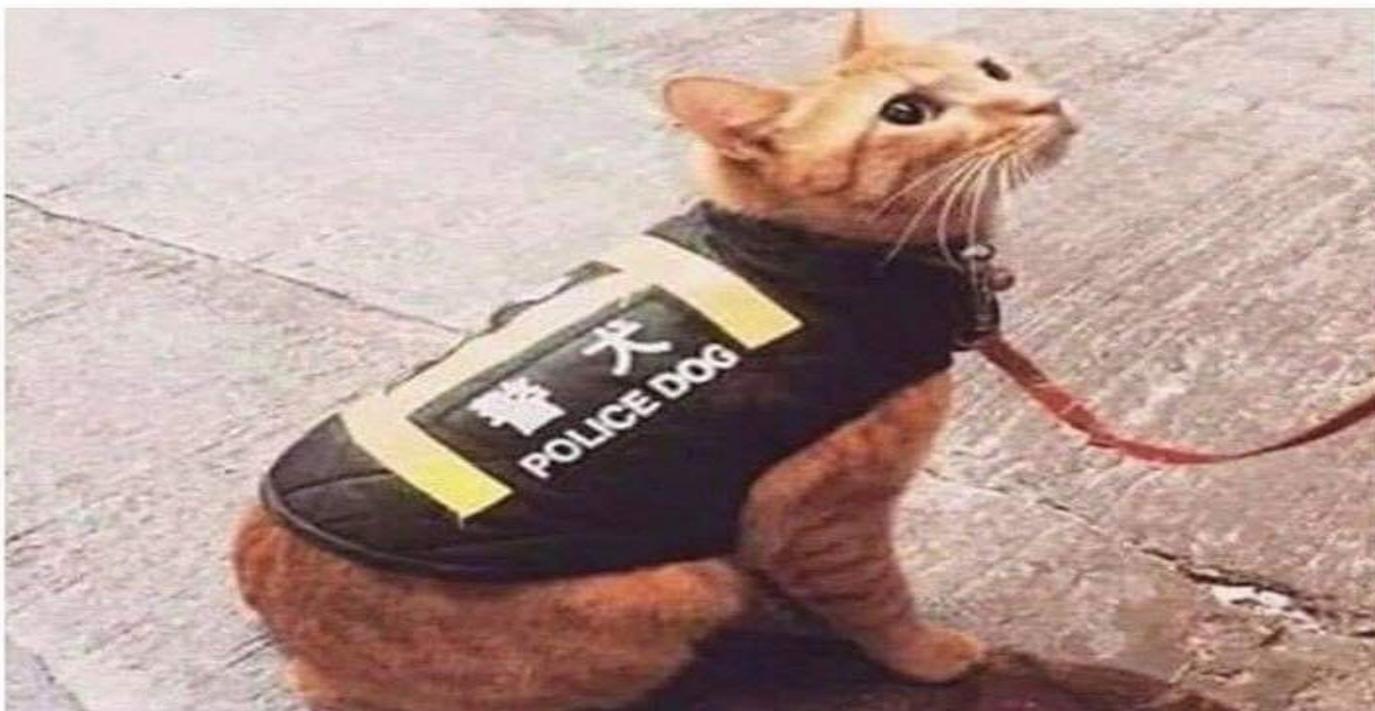
## Selection Process

- The following are the steps involved selection process:



(Contd...)

When you lie on your resume but still get  
the job





**consigliere**  
@moyodre

How would you write “I changed a light bulb” on your resume?

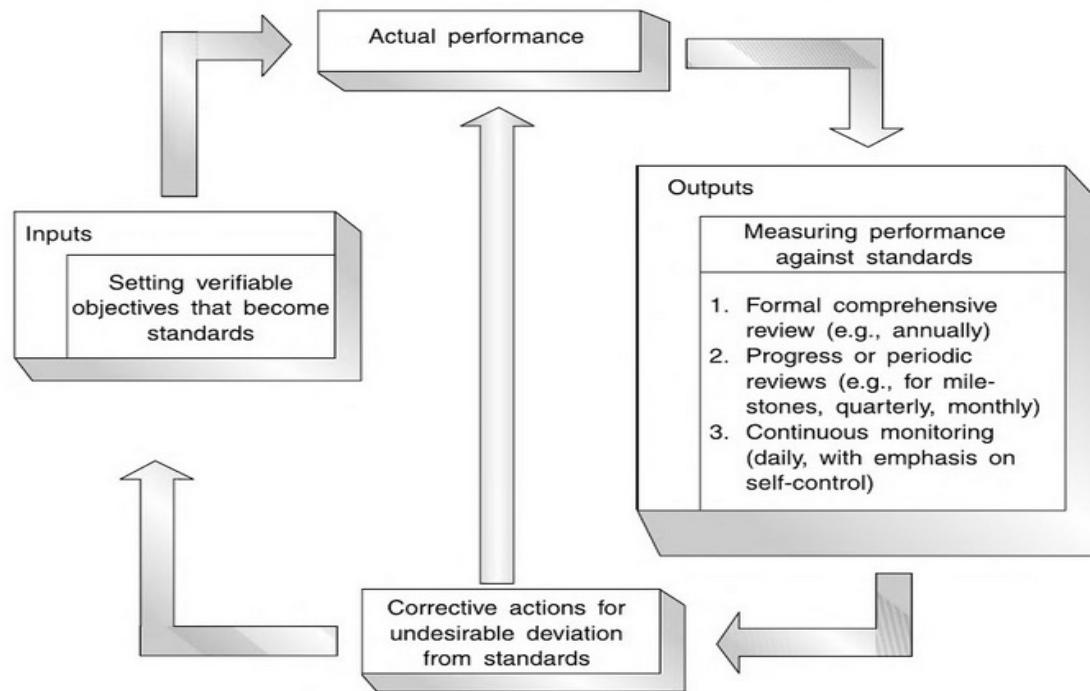


**M**  
@MuyiwaSaka

Single-handedly managed the successful upgrade and deployment of new environmental illumination system with zero cost overruns and zero safety incidents.

- [https://www.youtube.com/watch?v=7W\\_qrc-TkR8](https://www.youtube.com/watch?v=7W_qrc-TkR8)

# Performance Appraisal Process



# Kinds of Reviews

Three Kinds:

- Formal comprehensive appraisal
- Progress or periodic review
- Continuous monitoring

Two-types of systems are used to evaluate performance:  
**Comparative systems** and **absolute system**.

**Comparative systems** base the measurement on  
comparing employees with one other.

**Absolute systems** base the measurement on  
comparing employees with a pre-specified performance standard.

# Comparative Systems

- Simple rank order
- Paired comparisons
- Relative percentile

## Simple Rank Order

In a simple rank order system, employees are **simply ranked from best performer to worst performer.**

This is one of the oldest and simplest techniques of performance appraisal.

In this method, the appraiser ranks the employees from the best to the poorest on the dimension being measured (e.g. **Overall performance**).

# **Paired Comparisons**

- A better technique of comparison than the straight ranking method, this method **compares each employee with all others in the group, one at a time.**
- **After all the comparisons** are done, the employees are **given the final rankings.**

## Ranking Employees by the Paired Comparison Method

<i>FOR THE TRAIT "QUALITY OF WORK"</i>							<i>FOR THE TRAIT "CREATIVITY"</i>						
Employee Rated:							Employee Rated:						
As Compared to:	A Art	B Maria	C Chuck	D Diane	E José		As Compared to:	A Art	B Maria	C Chuck	D Diane	E José	
A Art		+	+	-	-		A Art		-	-	-	-	
B Maria	-		-	-	-		B Maria	+		-	+	+	
C Chuck	-	+		+	-		C Chuck	+	+		-	+	
D Diane	+	+	-		+		D Diane	+	-	+		-	
E José	+	+	+	-			E José	+	-	-	+		

Maria Ranks Highest Here      Art Ranks Highest Here

*Note: + means “better than.” – means “worse than.” For each chart, add up the number of + in each column to get the highest-ranked employee.*

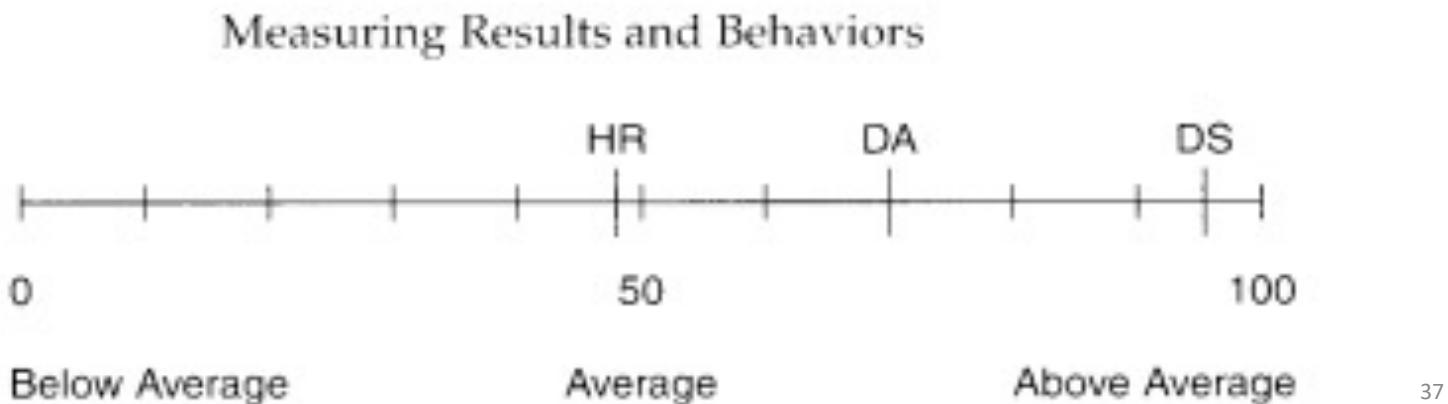
## Relative Percentile

This type of measurement system asks raters to **consider all ratees at the same time** and to estimate the **relative performance of each by using a 100-point scale**.

The 50-point mark on this scale (i.e., 50<sup>th</sup> percentile) suggests the location of an average employee about 50% of employees are better performers and about 50% of employees are worse performers than this individual.

Relative percentile methods may include one such scale for each competency .

Figure below is an example of a relative percentile method scale to measure the competency "communication." In this illustration, the rater has placed employee DS at roughly the 95th percentile, meaning that DS's performance regarding communication is higher than 95% of other employees. On the other hand, HR has been placed around the 48th percentile, meaning that about 52% of employees are performing better than him.



# Absolute Systems

- Essays
- Behavior checklists
- Critical incidents

## **Essays**

In the simplest absolute system, a **supervisor writes an essay** describing each **employee's strengths and weaknesses** and makes **suggestions for improvement**.

## Behavior Checklists

A second type of absolute system involves a behavior checklist, which **consists of a form listing behavioral statements** that are indicators of the various competencies to be measured.

The supervisor's task is to indicate ("check") statements that describe the employee being rated. Behavior checklists usually include a description of the behavior in question (e.g., **"the employee arrives at work on time"**) followed by several response categories such as **"always"**, **"very often"**, **"fairly often,"** **"occasionally"**, and **"never."**

The rater simply checks the response category he/she feels best describes the employee. **Each response category is weighted for example, from 5 ("always") to 1 ("never").** Then, an **overall score for each employee is computed** by adding the weights of the responses that were checked for each item.

## Critical Incidence Method

- Under this method, the manager **prepares lists of statements of very effective and ineffective behavior** of an employee.
- These **critical incidents or events represent the outstanding or poor behavior of employees on the job .**
- *July 20 – Mr. Paul patiently attended to the major customers complaint. He is polite, prompt, enthusiastic in solving the customers' problem.*  
*On the other hand the bad critical incident may appear as under:*
  - *September 28– Mr. Paul stayed 45 minutes over on his break during the busiest part of the day. He failed to answer the store manager's call thrice.*

# Organisation Development

- Organisation Development (OD) is a systematic, integrated and planned approach to improving effectiveness of groups of people and of the whole organisation.
- It is a long- range, situational effort based on action research and problem solving techniques.
- Manager development - Present job , Next job and Future needs

# Approaches to Manager Development

## 1. On - the - job training

- Planned Progression
- Job Rotation
- Creation of 'Assistant-to' Positions
- Temporary Promotions
- Committees and Junior Boards
- Coaching

## 2. Internal and External Training (Off the job training)

- Sensitivity Training
- Conference Programs
- University Management Programs
- Readings, Television and Video Instructions
- Business Simulation, Experiential Exercises and Expert systems
- Special training Programs

# Managing Change

## Changes that affect Organisation Development

- Increased use of computers / technology
- Need for continuous education
- Increase in Proportion of knowledge workers to skill workers
- Interdependence between private and public sector
- Globalisation

## Gap Analysis





Fig. 15.7 : A model for the organisational development process

# Leadership

# Leadership



- Leadership is the art of motivating a group or people to act towards achieving a common goal.

# **The essence of leadership**

- Leadership refers to ability of one individual to influence others.
- The influence is exercised to change the behaviour of others.
- Change of behaviour is caused with an objective of achieving a shared goal.

# **The essence of leadership**

- The person influencing others (leader) possesses a set of qualities or characteristics with which he or she to influence others
- Leadership is a group phenomenon: It involves interaction between two or more people.

## Difference between Managers & Leaders

MANAGERS	LEADERS
Administer	Innovate
Maintain	Develop
Control	Inspire
Short term view	Long term view
Ask how & when	Ask what & why
Accept the status quo	Challenge the status quo
Do things right	Do right things.

# Formal & informal leadership

## Formal leadership

- ✓ Occurs when a manager leads by exercising formal authority.
- ✓ The exercise of formal authority through assigning duties derives from the manager's official position within the organisation's hierarchy of authority.
- ✓ Any employee who is assigned a managerial position has the opportunity and responsibility to exercise formal leadership

## Informal leadership

- ✓ Arises when a person without formal authority is influential in directing the behaviour of others. Although not formally appointed or elected he becomes a leader through his actions or personal attractions.

# **Basic Leadership Style**

- Autocratic
- Bureaucratic
- Laissez-faire
- Democratic

# Autocratic Leadership Style

- The classical approach
- Manager **retains as much power and decision making authority as possible**
- Does **not consult staff, nor allowed to give any input**
- Staff **expected to obey orders** without receiving any explanations
- **Structured set of rewards and punishments**

## **Not always bad!!!**

Sometimes the most effective style to use when:

- **New, untrained staff**
- Effective supervision can be provided only through detailed orders and instructions
- Staff **do not respond to any other leadership style**
- **Limited time** in which to make a decision
- A manager's power challenged by staff

# **Basic Leadership Style**

- Autocratic
- **Bureaucratic**
- Laissez-faire
- Democratic

# Bureaucratic Leadership Style

- Manages “by the book”
- **Everything done according to procedure or policy**
- A police officer, not a leader
- Enforces the rules

## Most effective When:

- Staff performing **routine tasks over and over**
- Staff **need to understand certain standards or procedures**
- Staff performing tasks that require **handling cash**

# **Basic Leadership Style**

- Autocratic
- Bureaucratic
- **Democratic**
- Laissez-faire

# **Democratic Leadership Style**

- Also known as **participative style**
- Encourages staff to be a **part of the decision making**
- Keeps staff informed about everything that affects their work and  
**shares decision making and problem solving responsibilities**

## Most Effective When:

- Wants to **keep staff informed about matters** that affect them.
- Wants staff to share in **decision-making** and problem-solving duties.
- A **large or complex problem** that **requires lots of input** to solve
- Want **to encourage team building and participation**

# **Basic Leadership Style**

- Autocratic
- Bureaucratic
- Democratic
- **Laissez-faire**

# Laissez-Faire Leadership Style

- Also known as the “**free rein**” Leadership style
- The manager **provides little or no direction** and gives staff **as much freedom as possible**
- **All authority or power given to the staff** and they determine goals, **make decisions**, and resolve problems on their own

# An effective style to use when

- Staff **highly skilled, experienced, and educated**
- Staff **have pride in their work** and the drive to do it successfully on their own
- **Outside experts**, such as staff specialists or consultants used
- Staff trustworthy and experienced

# **Transformational Leadership**

# **Transformational Leadership Defined**

- Transformational leadership refers to the process whereby an individual engages with others and creates a connection that raises the level of motivation and morality in both the leader and the follower.

# Transformational Leadership

According to Burns,

Transforming leadership is a process in which "**leaders and followers help each other to advance to a higher level of morale and motivation**".

# Transactional Leadership Defined

- Transactional leadership is **most common** and involves exchanges between leaders and followers.
- It is based on a "**give and take**" relationship

# Transformational Leadership

It is **not based on a "give and take" relationship**, but on:

- The **leader's personality, traits and ability** to make a change through example,
- articulation of an **energizing vision** and
- **challenging goals.**

## **Transformational Leadership (TL)**

- TLs tend to use one or more of the following:

### **Idealised influence**

- It is about building confidence and trust and being a role model through setting examples..

### **Inspirational motivation**

- Charisma leads to motivating the individual but inspiration leads to motivation of the entire organisation to follow a new idea.

### **Intellectual stimulation**

- They stimulate the followers to follow a challenging path and gain results.

### **Individualised consideration**

- This involves catering for the individual needs in the organisation. People are treated individually on the basis of their talents and knowledge and each is encouraged to reach his or her level of achievement and competence.

# Transformational Leadership

- The extent to which a leader is transformational, is measured first, **in terms of his influence on the followers.**

# Managerial grid

# **Managerial grid**

- It describes the **relationship between** the leader's **concern for task** and **concern for people**, but this theory differs in its perspective.
- The managerial grid considers **leadership style based** on their focus **on task and people**.

# **Managerial grid**

The Managerial Grid is based on two behavioral dimensions:

- **Concern for People**
- **Concern for Production**

# **Managerial grid**

- **Concern for People :**

This is the degree to which a leader considers the needs of team members, their interests, and areas of personal development when deciding how best to accomplish a task.

# **Managerial grid**

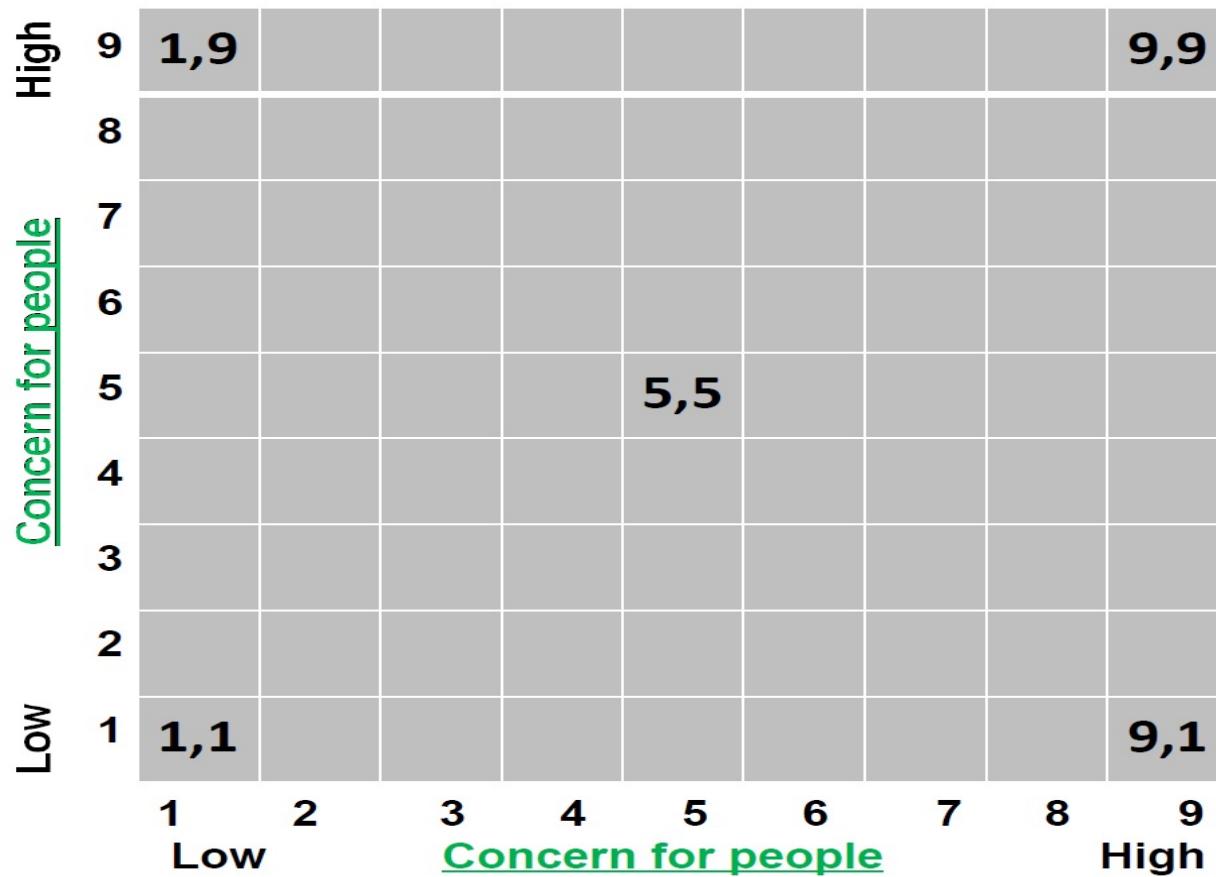
- Concern for Production :**

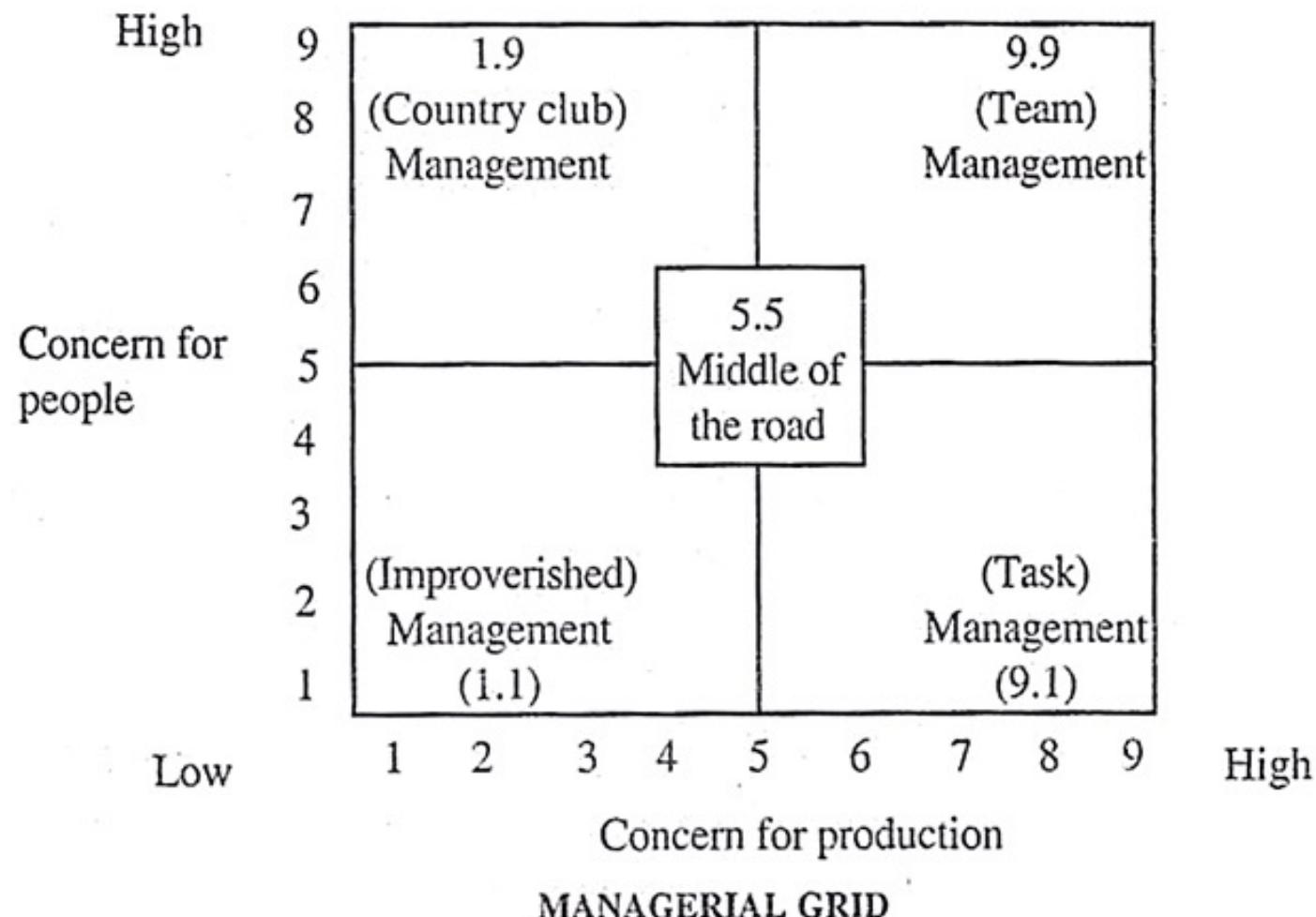
This is the degree to which a leader emphasizes concrete objectives, organizational efficiency and high productivity when deciding how best to accomplish a task.

# **Managerial grid**

- Robert Blake and Jane Mouton -  
A graphical representation of a **2 dimensional view of leadership style.**
- Grid identifies **5 basic styles of leadership.**

# Managerial grid





## **Impoverished Management (1,1)**

- These leaders have **minimal concern for people and production**.
- Employees have a **high degree of dissatisfaction**
- No harmony within the group
- **Inefficient operation**

## The Country Club Management (1, 9)

- These leaders will go above and beyond to **ensure that the needs and desires of his employees are met.**
- These leaders are making the assumption that their **staff will yield maximum results** as they are likely to be **self-motivated** when they are lead in such environment.

# The Country Club Management (1, 9)

- Employees are Happy
- Good team harmony
- Low productivity

## Middle-of-the-Road Management (5, 5)

- These leaders **balance out** the **needs of their staff** with **those of the organization**, while not adequately achieving either.
  - Employees are **not really discontent nor are they happy**
  - Good harmony within the group
  - **Average performance**

## **Task Management (9, 1)**

- These leaders **focus** all of their attention to **production-related matters** and very little towards the needs of their **employees**.

## Task Management (9, 1)

- Employees experience a **high level of dissatisfaction**
- High level of conflict within the group
- High employee turnover
- **Peak performance is short lived**

## Team Management (9, 9)

- These leaders will contribute and are committed, can motivate and are motivated while holding the belief that trust, respect, commitment and employee empowerment are essential for fostering a team environment where team members are motivated, thus resulting in **maximum employee satisfaction as well as the most efficient productivity.**

## **Team Management (9, 9)**

- **Employees are satisfied**
- Employees are motivated and work as a team
- Attracts highly skills employees
- **Efficient organization**

- The five major leadership styles as per the grid are:

**Impoverished leadership**

- This leader is mostly ineffective. He/she has neither a high regard for creating systems for getting the job done nor for creating a work environment that is satisfying and motivating.

**Country club leadership**

- This style of leader is most concerned about the needs and feelings of members of his/her team.

**Produce or perish leadership**

- People in this category believe that employees are simply a means to an end.

**Middle-of-the-road leadership**

- This style seems to be a balance of the two competing concerns.

**Team leadership**

- The employees are involved in understanding the organisational purpose and in determining the production needs

(Contd...)

**“What leadership style work best for me and my organization?”**

- There are many leadership styles from which to choose from.
- **Different styles** were needed **for different situations**
- Each leader needed to know **when to exhibit a particular approach.**

# Conclusion

Three factors that influence which leadership style to use.

1. The manager's personal background
2. Staff being supervised
3. The organization

# Motivation

# Motivation

- Motivation means process of **stimulating people to action to accomplishment of desired goals.**

# Motivation

- Motivation is the **function of a manager** to **induce the employees to work willingly**, efficiently, effectively and **contribute their best** to the achievement of the goals of the organization.

# Motivation

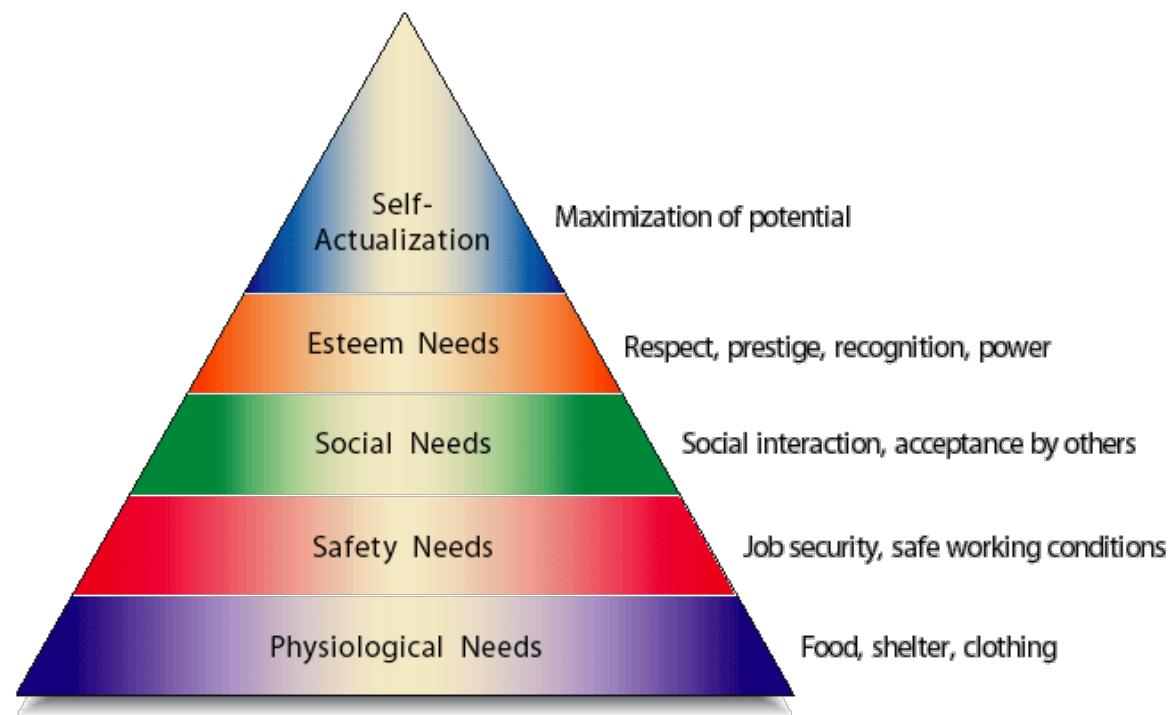
- Motivation is a **general term** that is applicable to the **entire class of** drives, desires, needs, wishes and similar forces.

# Motivation Theories

- Need Hierarchy Theory
- Two-Factor Theory
- Need Theory
- Expectancy Theory
- Equity Theory

# **Maslow's Hierarchy of Needs**

## Maslow's Hierarchy of Needs



## Maslow's Hierarchy of Needs

- Maslow believed people rank their needs into five categories
  - Physiological : basic requirements for survival
  - Safety : job security and safe working conditions
  - Social: need to be part of a group
  - Esteem: respect, prestige, recognition
  - Self-actualization: need to fully reach one's potential

1. **Physiological** – Includes hunger, thirst, shelter, and other bodily needs. So if the workplace does not fulfill these, an individual will not be motivated. If he gets these, he will need the next hierarchy.

- 
2. **Safety** – Includes security and protection from physical and emotional harm and therefore he looks for safer working place, and does not want to be threatened or abused in the workplace.
3. **Social** – Includes affection, belongingness, acceptance, and friendship in the workplace and if he gets this, he will be happy to work hard. Workplaces which guarantee this motivate them. We saw in the Hawthorne experiments, how social relationship led to higher productivity.

4. **Esteem** – Includes internal esteem factors, such as, self-respect, autonomy, and achievement; and external esteem factors, such as status, recognition, and attention. So, when we set goals, supports him to achieve it and rewards him for it, it fulfills his esteem needs and also other needs because of the money he gets as a result which he can use to fulfill the other needs such as buying a house (safety), giving a party (social) or donating for charity (self esteem or self actualisation). The focus of organisations today is to fulfil this need and social need and so combine it with reward that he can fulfil most of his other needs.
5. **Self-actualisation** – The drive to become what one is capable of becoming; includes growth, achieving one's potential, and self-fulfilment.

## Maslow's Hierarchy of Needs

- Once people achieve a given category of needs, they become motivated to reach the next category.

# Motivation Theories

- Need Hierarchy Theory
- **Two-Factor Theory**
- Need Theory
- Expectancy Theory
- Equity Theory

## **Two-Factor Theory**

## Herzberg's 'Two Factor Theory':

He identifies two types of factors

- Hygiene factors.
- Motivators.

## **Herzberg's 'Two Factor Theory':**

He identifies two types of factors

- Hygiene factors - **Dissatisfiers**
- Motivators - **Satisfiers**

# Hygiene factors:

- Factors whose **absence** leads to **lack of motivation**, but does **not necessarily motivate** which he called hygiene factors.

## **Hygiene factors:**

- Extrinsic factors such as:

company policy, **interpersonal relations**, **working conditions** and  
**salaries** are hygiene factors.

## **Herzberg's 'Two Factor Theory':**

He identifies two types of factors

- Hygiene factors - **Dissatisfiers**
- Motivators - **Satisfiers**

# Motivators

- Set of factors which actually motivate are called ***motivators***.
- **Presence** of these factors **ensures job satisfaction**.

# Motivators

- Motivators are intrinsic factors such as advancement, **recognition, responsibility and achievement.**

<b>HYGIENE / MAINTENANCE FACTORS</b>	<b>MOTIVATIONAL FACTORS</b>
Company policies and administration	Achievement of a challenging task
Relationship with supervisors	Recognition for accomplishment
Working conditions	Challenging work
Relationship with peers	Increased responsibility
Money, wages and salaries	Opportunity for growth and development
Status	Enriched challenging job
Security	
Personal life	
supervision	
Relationship with subordinates	



# Motivation Theories

- Need Hierarchy Theory
- Two-Factor Theory
- **Need Theory**
- Expectancy Theory
- Equity Theory

# **NEED Theory**

# The Three Needs Theory (McClelland)

Achievement  
(nAch)

Power  
(nPow)

Affiliation  
(nAff)

## **Contemporary Theories of Motivation**

- **McClelland's Theory of Needs:** This theory focuses on three needs: achievement, power and affiliation.
- **Need for achievement (nAch):** Those predominant in this derive satisfaction from reaching goals.
- **Need for power (nPow):** Those predominant in this derive satisfaction from ability to control others and goal achievement is secondary.
- **Need for affiliation (nAff):** Those predominant in this derive satisfaction from social and interpersonal activities.

(Contd...)

# Motivation Theories

- Need Hierarchy Theory
- Two-Factor Theory
- Need Theory
- **Expectancy Theory**
- Equity Theory

# Expectancy Theory

“Everything that is done in the world is **done in hope.**”

- Martin Luther

The theory is expressed in mathematical terms as:

$$\text{Force} = \text{valence} * \text{expectancy}$$

Where

**Force** = the strength of a person's motivation

**Valence** = the strength of an **individual's preference for an outcome**

**Expectancy** = the probability that a **particular action will lead to a desired outcome.**

# Expectancy Theory

- people's **motivation** towards doing anything will be determined by the **value they place on the outcome** of their efforts, **multiplied** by the **confidence they** have that their efforts will materially aid **in achieving a goal.**

*Figure 5.9 Summary of Expectancy Theory*



Sources: Based on Porter, L. W., & Lawler, E. E. (1968). *Managerial attitudes and performance*. Homewood, IL: Irwin; Vroom, V. H. (1964). *Work and motivation*. New York: Wiley.

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## expectancy

- The first question is whether the person believes that high levels of effort will lead to outcomes of interest, such as performance or success. This perception is labelled **expectancy**.
- For example, do you believe that the effort you put forth in a class is related to performing well in that class? If you do, you are more likely to put forth effort.

## Instrumnetality

- The second question is the degree to which the person believes that performance is related to subsequent outcomes, such as rewards. This perception is labelled **instrumentality**.
- For example, do you believe that getting a good grade in the class is related to rewards such as getting a better job, or gaining approval from your instructor, or from your friends or parents? If you do, you are more likely to put forth effort

## **valence.**

- Finally, individuals are also concerned about the value of the rewards awaiting them as a result of performance. The anticipated satisfaction that will result from an outcome is labelled **valence**.
- For example, do you value getting a better job, or gaining approval from your instructor, friends, or parents? If these outcomes are desirable to you, your expectancy and instrumentality is high, and you are more likely to put forth effort.

# Motivation Theories

- Need Hierarchy Theory
- Two-Factor Theory
- Need Theory
- Expectancy Theory
- **Equity Theory**

# Equity Theory

- J. Stacy Adams
- Equity theory which refers to an **individual's subjective judgments** about the **fairness of the reward he gets, relative to the inputs** in form of efforts he puts in, experience and education he makes use of.

## Equity Theory

- According to this theory, individuals are motivated by a sense of fairness in their interactions. Moreover, our sense of fairness is a result of the social comparisons we make.

# **Equity Theory**

- If people feel that they are **inequitable rewarded**, they may be **dissatisfied, reduce the quantity or quality** of output or **leave** the organization.

Table 5.1 Potential Responses to Inequity

Reactions to inequity	Example
Distort perceptions	Changing one's thinking to believe that the referent actually is more skilled than previously thought
Increase referent's inputs	Encouraging the referent to work harder
Reduce own input	Deliberately putting forth less effort at work. Reducing the quality of one's work
Increase own outcomes	Negotiating a raise for oneself or using unethical ways of increasing rewards such as stealing from the company
Change referent	Comparing oneself to someone who is worse off
Leave the situation	Quitting one's job
Seek legal action	Suing the company or filing a complaint if the unfairness in question is under legal protection

# **Summary**

- Motivation is “the processes that account for an individual’s intensity, direction and persistence of effort toward attaining a goal.”

## **Communication**

### **Introduction**

- Communication is an important component for success in our personal and professional lives.
- It is the key to building favourable relationships.
- It is a part of 'soft skills', as opposed to domain or technical knowledge, which is a part of 'hard skills'.
- Communication involves certain key elements, no matter in what context it takes place.
- A formal study of business communication is important, since the average business executive today spends a good part of his time on the job communicating in some form or the other.



# **Communication**

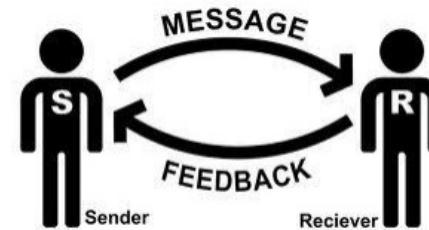
The word communication is derived from the Latin word “**Communis**” which means **common** i.e. sharing of information.

## Communication-Meaning

- Communication in simple terms is a transfer of information between people, resulting in common understanding between them.

### Communication has the following characteristics:

- It is unavoidable
- It is a two-way exchange of information
- It is a process
- It involves a sender and a receiver of information
- It could be verbal or non-verbal
- It is successful when the receiver interprets the meaning in the same way as that intended by the sender
- It is a dynamic process
- It enables understanding



# ELEMENTS OF COMMUNICATION

1. **Sender:** The person who speaks out or sends a written message or ideas to other person.
2. **Receiver:** The receiver is the person to whom the message is communicated.
3. **Message of communication:** The information order, instruction i.e. to be communicated that exists in the mind of communicator.
4. **Encoding:** The communicator organizes his ideas into a series of symbols such as words, signs, actions, pictures, etc. which will be communicated to receiver.

# ELEMENTS OF COMMUNICATION

5. **Decoding:** The receiver converts the symbols received from the sender to give him the meaning of the message.
6. **Ideas:** It refers to the subject of communication which may include opinion suggestion, ideas, orders, etc.
7. **Channel:** These symbols are transmitted to the receiver through certain media, for e.g.TV, telephone, radio, etc.
8. **Feedback:** Feedback refers to the reply or response of the receiver. It is always directed towards sender.

# **IMPORTANCE OF COMMUNICATION**

1. Communication must be for each and every business. A good business can be done with effective communication only.
2. For maintaining proper co-ordination in various department of business, up to date communication system has to be established.
3. Effective communication reduces the gap between management and employees.

# **IMPORTANCE OF COMMUNICATION**

4. Communication plays an important role in negotiation.
5. Acquiring excellent communication skill is an important qualification.
6. It is a tool of collecting information.
7. Communication helps in exchanging ideas and information.

# **TYPES OF COMMUNICATION**

- On the basis of Direction
- On the basis of Expressions

# **TYPES OF COMMUNICATION**

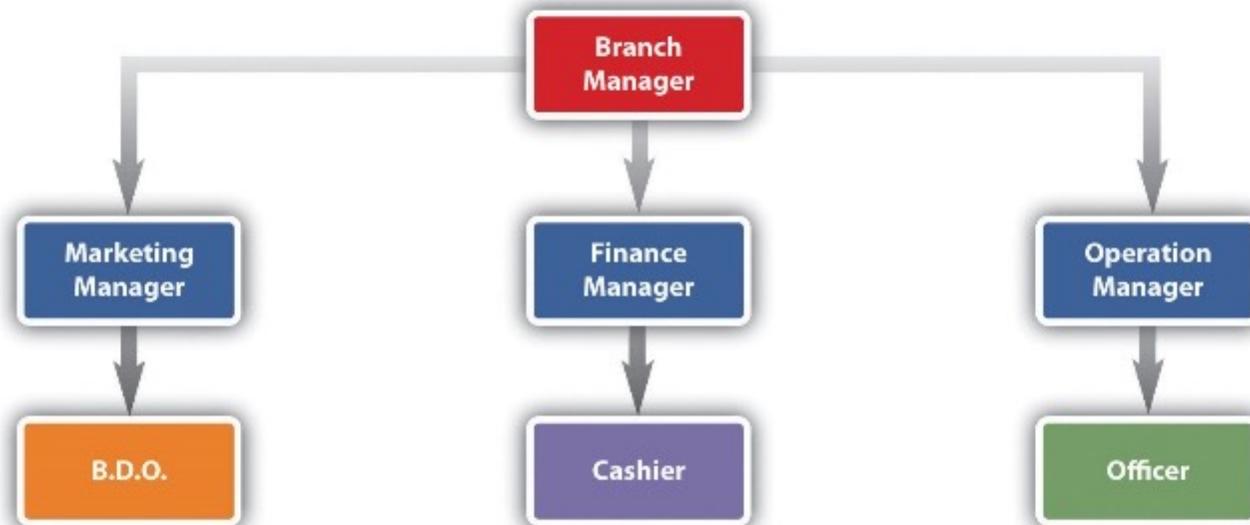
## **On the basis of Direction**

1. Downward communication
2. Upward communication
3. Crosswise communication

# **Downward communication**

- Communication is termed as downward if it flows from the uppermost level of management towards the operating level.
- It includes rules, order, regulations, installations, etc.
- They are directive in nature.

# Downward communication

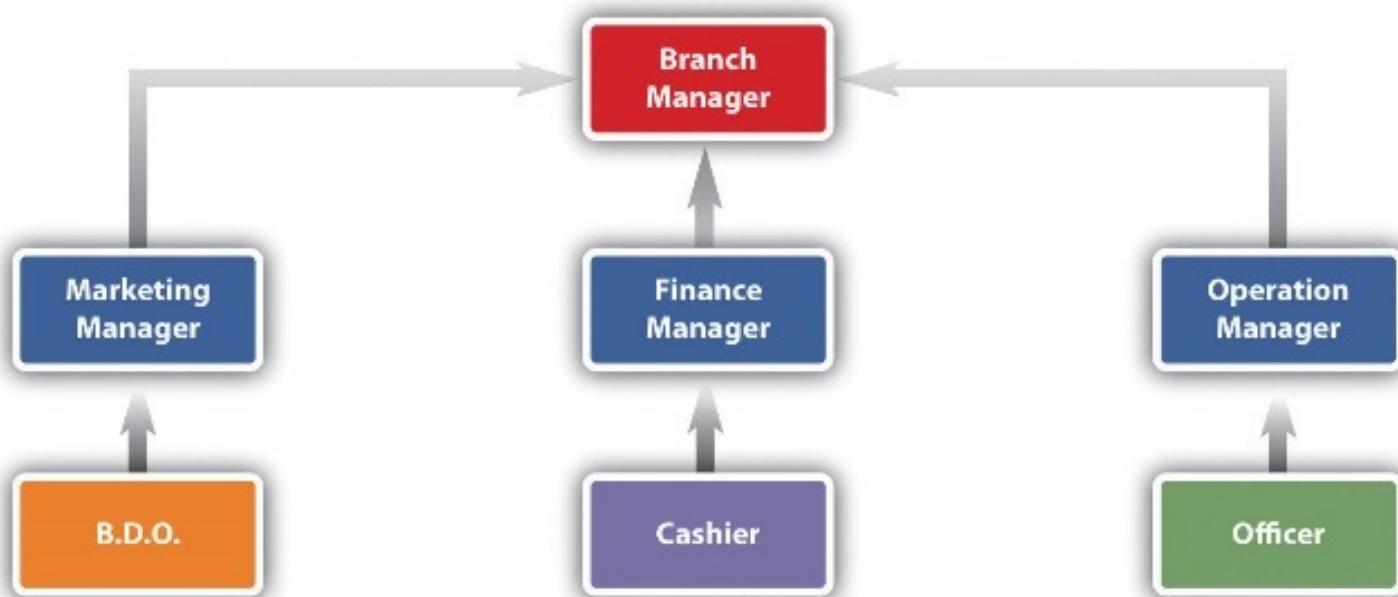


*"Downward"* Communication in a Bank

# **Upward communication**

- Communication is termed as upward if it flows from subordinates to their superior levels such communication includes reaction and suggestions from employees.
- Upper management needs to know production performance facts, marketing information, financial data, what lower-level employees are thinking etc.

# Upward communication



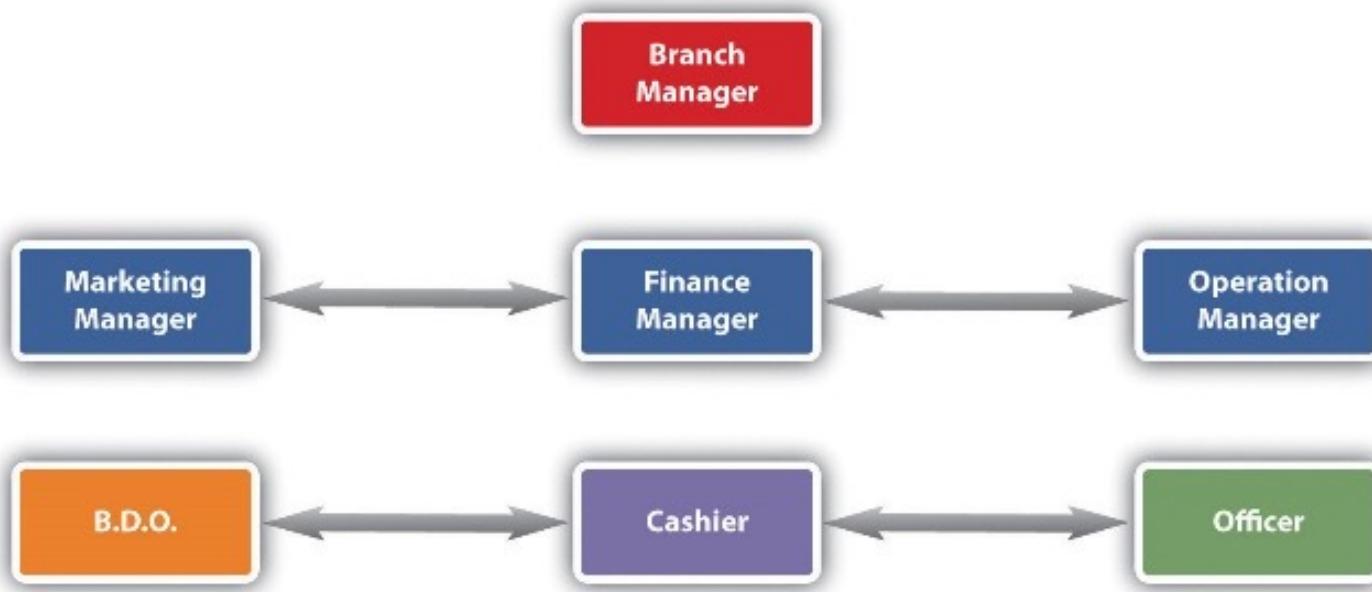
*"Upward"* Communication in a Bank

# Crosswise communication

Includes:

- **Horizontal communication** : among people on the same or similar organizational levels
- **Diagonal communication** : among persons at different levels who have no direct reporting relationships with one another.

# Horizontal communication in the Organization



*"Horizontal"* Communication in a Bank

# **TYPES OF COMMUNICATION**

## **On the basis of Expressions**

1. Written communication
2. Oral communication
3. Nonverbal communication

# **Written communication**

- When information is conveyed by writing, typing, painting or any other mechanical means it is called as written communication.
- Speech comes to us naturally and spontaneously but writing comes after practice and careful organization of thoughts.

# **Written communication**

Medias of written communication:

1. Letters
2. Pamphlets and leaflets
3. Memorandum, articles, reports
4. Written speech
5. Telegrams
6. Books, periodicals, magazines, etc.

# **Oral communication**

- Oral communication implies communication through mouth.
- generally recommended when the communication matter is of temporary kind or where a direct interaction is required.
- It is significant so as to build a rapport and trust.

# **Oral communication**

## **Medias of oral communication**

1. Face to face communication
2. Telephonic talk
3. Social gatherings
4. Conferences or meetings
5. Demonstrations
6. Interviews, lectures, etc.

# Nonverbal communication

- Nonverbal communication includes facial expressions and body gestures.
- Nonverbal communication is expected to support the verbal, but it does not always do so.
- But, nonverbal communication may support or contradict verbal communication, giving rise to the saying that actions speak louder than words.

# Conclusion

- Communication is the nerve centre of business today.
- Communication is also required all the more in this age of information and technology.
- Communication helps to make sense of technology and to manage all this information.
- Communication has assumed even greater importance today, since the new model of business is based on teamwork.
- Effective communication serves the following specific purposes in an organisation:
  - Greater awareness of organisational goals and teamwork
  - Better employer-employee relationships
  - Problem solving
  - Improved performance
  - Stronger link between managers and the external environment

# Controlling

# Controlling

**According to Koontz and O'Donnell:**

- “Controlling implies **measurement of accomplishment against the standard** and the **correction of deviations** to assure attainments of objectives according to plans.”

# **Controlling**

- **Controlling** is the **measurement** and **correction** of **performance** in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished

# **FEATURES OF CONTROL**

- A function of Management
- A continuous process
- flexible and dynamic process
- forward looking

# **Planning and controlling are closely related**

- often considered as a part of planning.
- considered as two sides of a coin
- Planning and controlling are **inseparable functions of management.**

# Planning and controlling are closely related

- Planning precedes controlling and controlling succeeds planning.
- Control has to be **done against some parameter**, which is **laid down by planning**

# Planning and controlling are closely related

- Activities are **put on rails by planning** and they are **kept at a right place through controlling.**
- The process of planning and controlling **works on systems approach**, which is as follows:

**Planning → Results → Corrective Action (through control)**

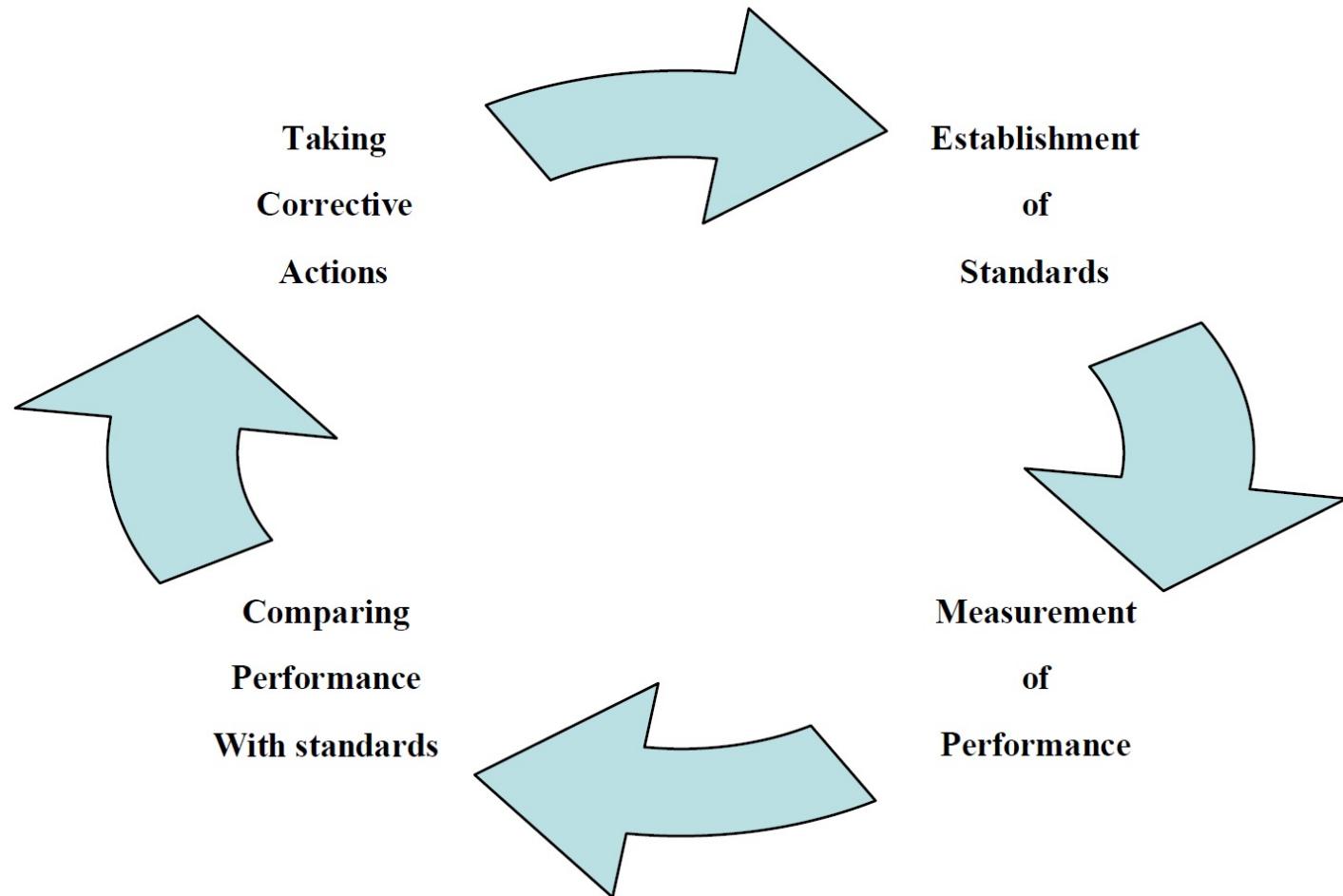
# IMPORTANCE OF CONTROL

- Creates the basis for the future
- Guides to keep goals on track
- Prevents repetition of mistakes
- Enables decentralisation

# IMPORTANCE OF CONTROL

- Enable management by exception
- Assists co-ordination
- Enables HR functions and motivation

# **The Basic Control Process**



# The Basic Control Process

1. Establishment of standards
2. Measurement of performance
3. Comparing performance with standards
4. Taking corrective actions

# Establishment of standards

- **first step** in control process
- Standards represent **criteria for performance**.
- A standard **acts as a reference line** or a basis of comparison of actual performance.
- Different standards of performance are set up for various operations at the planning stage.

# Measurement of performance

- The second step is to **measure actual performance** of various individuals, groups or units.
- Management should measure the performance and compare it with the standards.

# **Measurement of performance**

- The **quantitative measurement** should be done in cases where standards have been set **in numerical terms**.
- This will make **evaluation easy and simple**.

Eg.: Sales, Profit etc.

# **Measurement of performance**

- On other cases the performance should be measured in terms of  
**qualitative factors**

e.g. performance of industrial relations manager. His performance can be measured in terms of **attitude of workers**, frequency of strikes and **morale of workers**.

# Comparing performance with standards

- Deviation can be defined as the **gap between actual performance and the planned targets.**
- Hence, comparison of actual performance with the planned targets is very important.
- We have to find out the extent of deviation and the **cause of deviation.**

# Comparing performance with standards

- Once the deviation is identified, a manager has to think about various causes, which have led to deviations such as erroneous planning, lack of co-ordination, implementation defect, supervision and communication ineffectiveness, etc.

# **Taking corrective actions**

- Once the **causes and extent of deviations are known**, the manager has to detect those errors and **take remedial measures**.
- **First** is by **taking corrective measures** for deviations which have occurred;

# Taking corrective actions

- second is by evaluating the target or standard itself because if things are **not rectified even after corrective actions**, it could be due to erroneous target.
- However, one should take the second option only **with due caution**.

# Types of Control

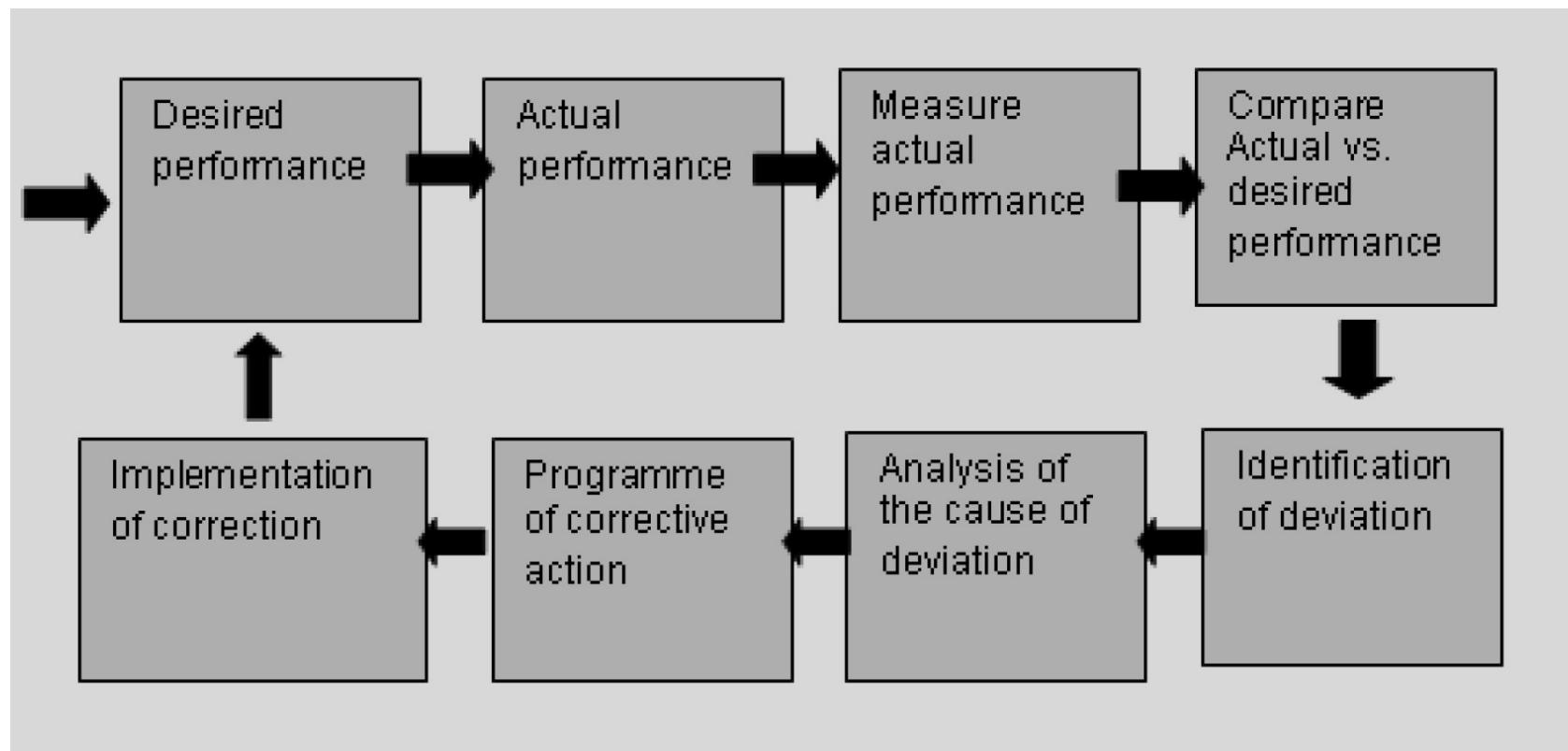
- Feedback Control
- Feed-Forward Control
- Concurrent Control

# Types of Control

## Feedback Control

- Sometimes called **Post-action** controls, they **take place after an action** is completed.
- They **focus on end results**, as opposed to inputs and activities.

# Feedback Loop of Management Control



## Feed-forward Control

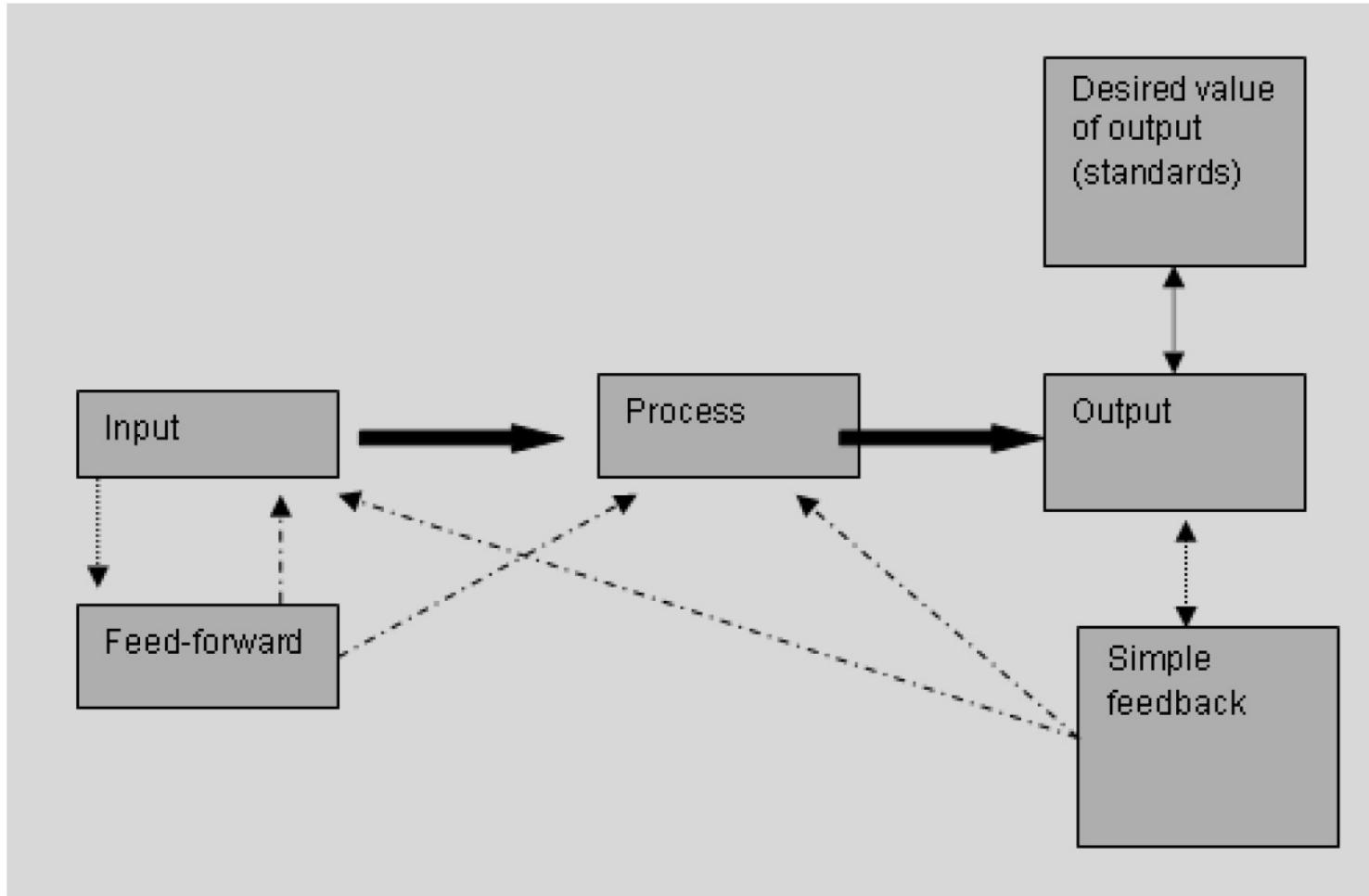
- In feed-forward, the system is **focused on the input**, which can create a **variation in the output** and can be **corrected in time**.
- It is **not about post mortem** but of **proactive action**.

# Types of Control

## Feed-forward Control

- Sometimes called the Preliminary controls, they are accomplished **before a work activity begins.**

They make sure that proper directions are set and that the **right resources are available** to accomplish them.



**Feedback – Feed-forward System- A Comparison**

# Types of Control

## Concurrent Control

- Focus on what happens during the work process.
- Sometimes called steering controls, they monitor ongoing operations and activities to make sure that things are being done correctly.

# Control Techniques

# Control Techniques

- Overall performance control
- Budgetary Control
- Non-budgetary control

# Overall performance control

- It is important to **control the overall performance** and **not confine to some processes.**
- Many overall controls in business are financial in nature.

# Overall performance control techniques

- Profit and loss control
- Control through Return on Investment (ROI)
- Management audits and accounting
- Bureaucratic and clan control

# Profit and loss control

- This is the simplest form and **captures the revenue and cost.**
- It can be **made in perspective** i.e., ahead of its happening by making a budget for the next year so that decisions can influence the revenues and expenses before they actually occur.

# Control through Return on Investment (ROI)

- ROI measures both the absolute and the relative success of a company or unit by the ratio of **earnings to investment on capital**.
- This standard recognises that **capital is the core of business**.

# Management audits and accounting

- Although they look at various financial measures, it is **possible for an audit** to evaluate the systems by **asking penetrating questions on the financial indicators.**
- Thus, for example, if the **cost of procurement has increased substantially** from the average in the last decade, then an **audit process gives the feedback base** on which the process itself can be controlled by **taking corrective actions.**

# Bureaucratic and clan control

- The organisations are **controlled using elaborate rules and regulations**, ‘do it’ instructions, etc. This is called **bureaucratic control**.
- **Clan control** is based on the **norms, shared values, and expected behaviour**.
- Most **organisations have a combination of these** to exercise control.

# Control Techniques

- Overall performance control
- **Budgetary Control**
- Non-budgetary control

# Budgetary Control

- A **budget is a plan for a given period** in numerical terms.
- They may be in terms of financial figures, labour hours, materials, sales volumes, etc.
- If done with flexibility, they are excellent tools of control.

# Budgetary Control

- Usually, budgeting is **done by making incremental changes to the existing budget**, which is one of the reasons why it has got a bad name.

# Zero based budgeting

- usually done for support functions rather than production.
- In this method, **every year**, the activities and their **costs are worked from the base**.
- Hence **every year the necessity of an activity** has to be **established**.

**Fig. 1:** Explaining Zero-Based Budgeting (ZBB)<sup>5</sup>



# Zero based budgeting

- E.g., a training programme and its need have to be established every year and its cost also has to be estimated every year even if the programme itself is an old one. Thus, managers will think of new, more effective, perhaps less expensive faculty, venue, etc. This makes the manager think fresh every year about efficacy and cost.

# Control Techniques

- Overall performance control
- Budgetary Control
- **Non-budgetary control**

# Non-budgetary control

- There are several non-budgetary controls.
- An inspection visit, managing by walking around, use of statistical data, **benchmarking**, operational audit, HR audit, etc. are the non-budgetary controls.

# Benchmarking

- Benchmarking is the process of comparing **one's business processes and performance with industry bests and/or best practices from other firms or industries.**
- Several measures are used like Quality, time and cost.

# Time event network analysis

- Gantt charts
- Program Evaluation and Review Technique (PERT)

# Gantt charts

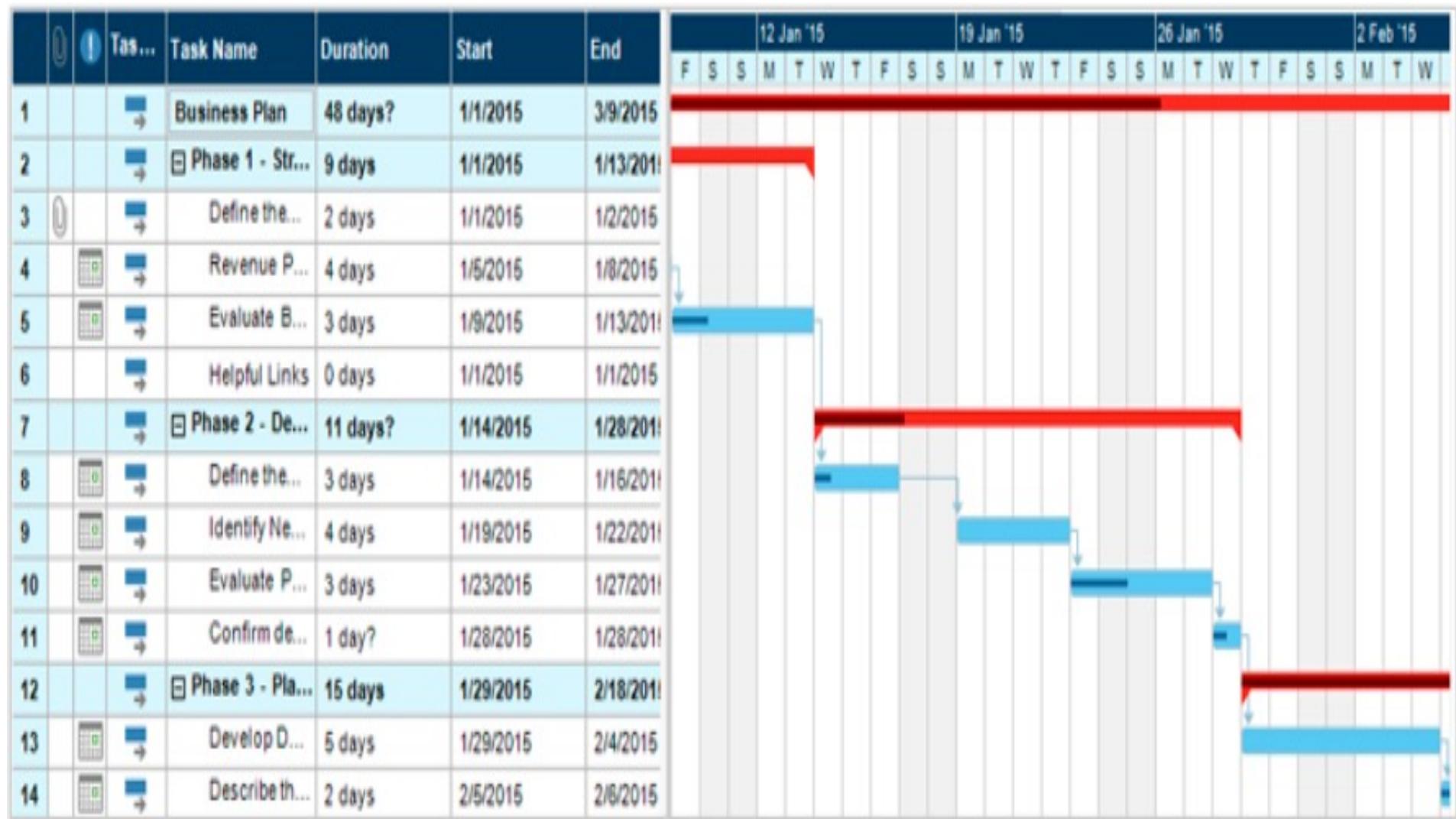
- A Gantt chart is a **type of bar chart**, developed by **Henry Gantt**, which **illustrates a project schedule**.
- Gantt charts **illustrate the start and finish dates of elements** of a project.

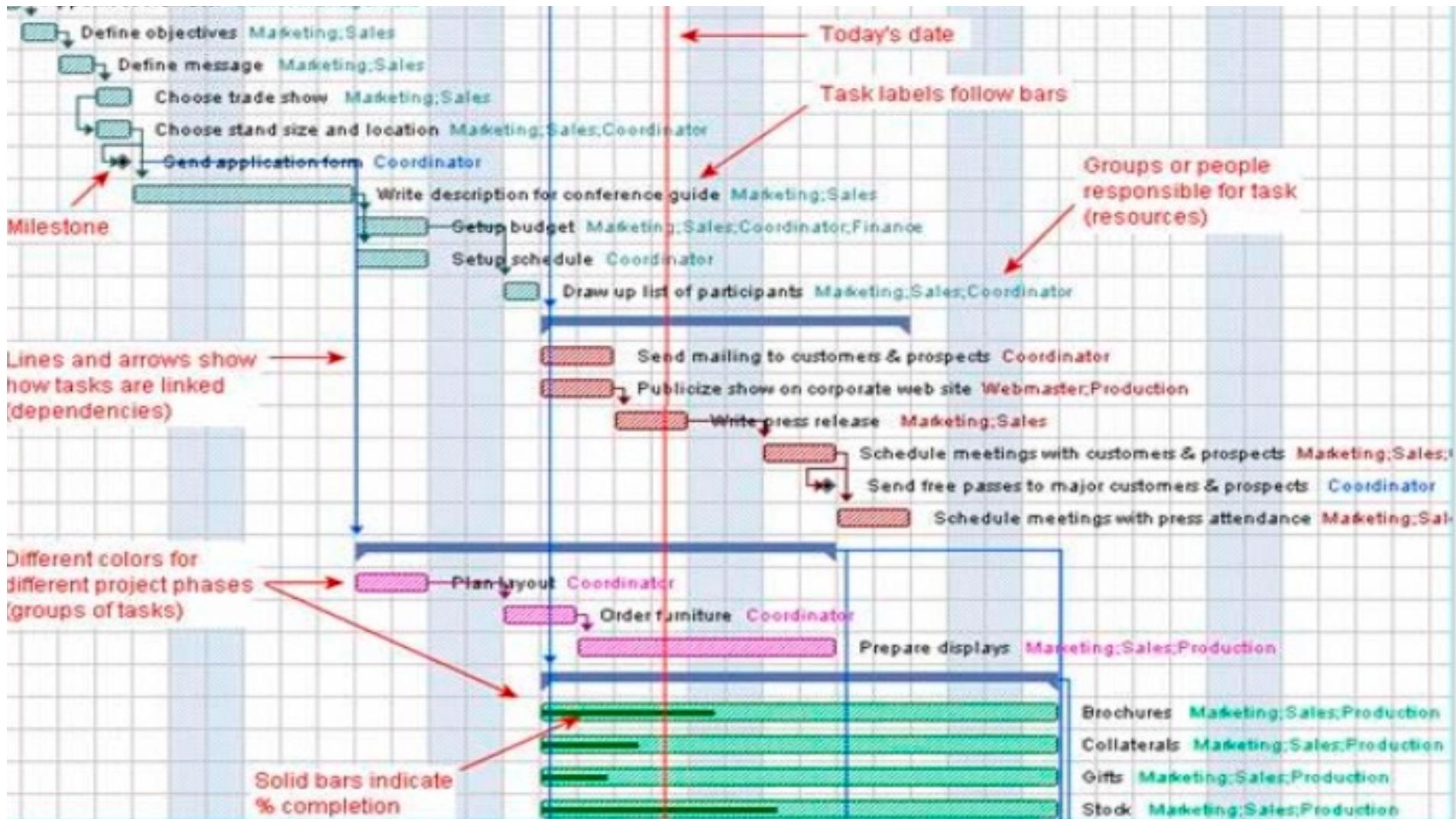
# Gantt charts

- If a **process requires three months** and we know when it should be completed, then we can **plot when it should start and when each of the sub-activities should finish.**

# Gantt charts

- What the various activities are
- When each activity begins and ends
- How long each activity is scheduled to last
- Where activities overlap with other activities, and by how much
- The start and end date of the whole project





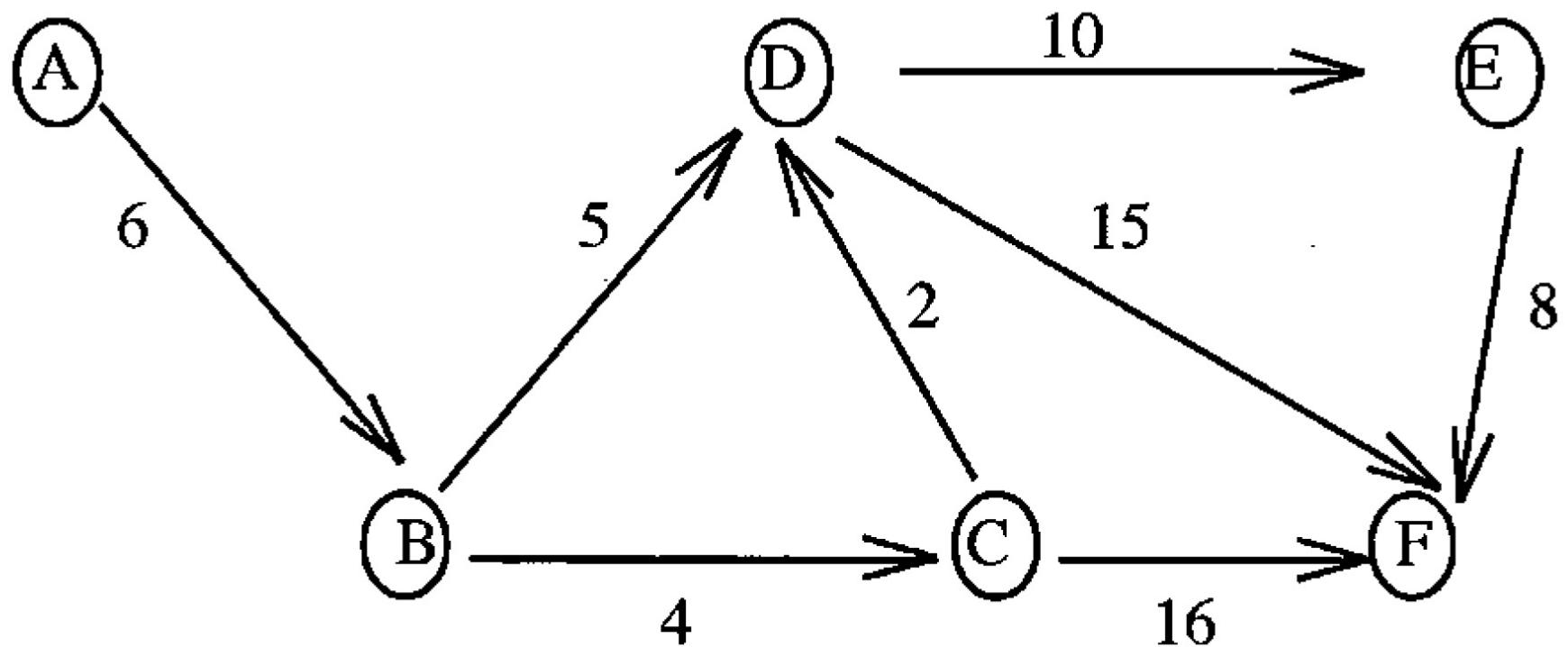
# Program Evaluation and Review Technique (PERT)

- A PERT chart is a **graphic representation of a project's schedule.**
- It **shows the sequence of tasks**
- Every work involves various activities till completion stage.
- Every activity requires certain time.
- According to this technique **time required is being set.**

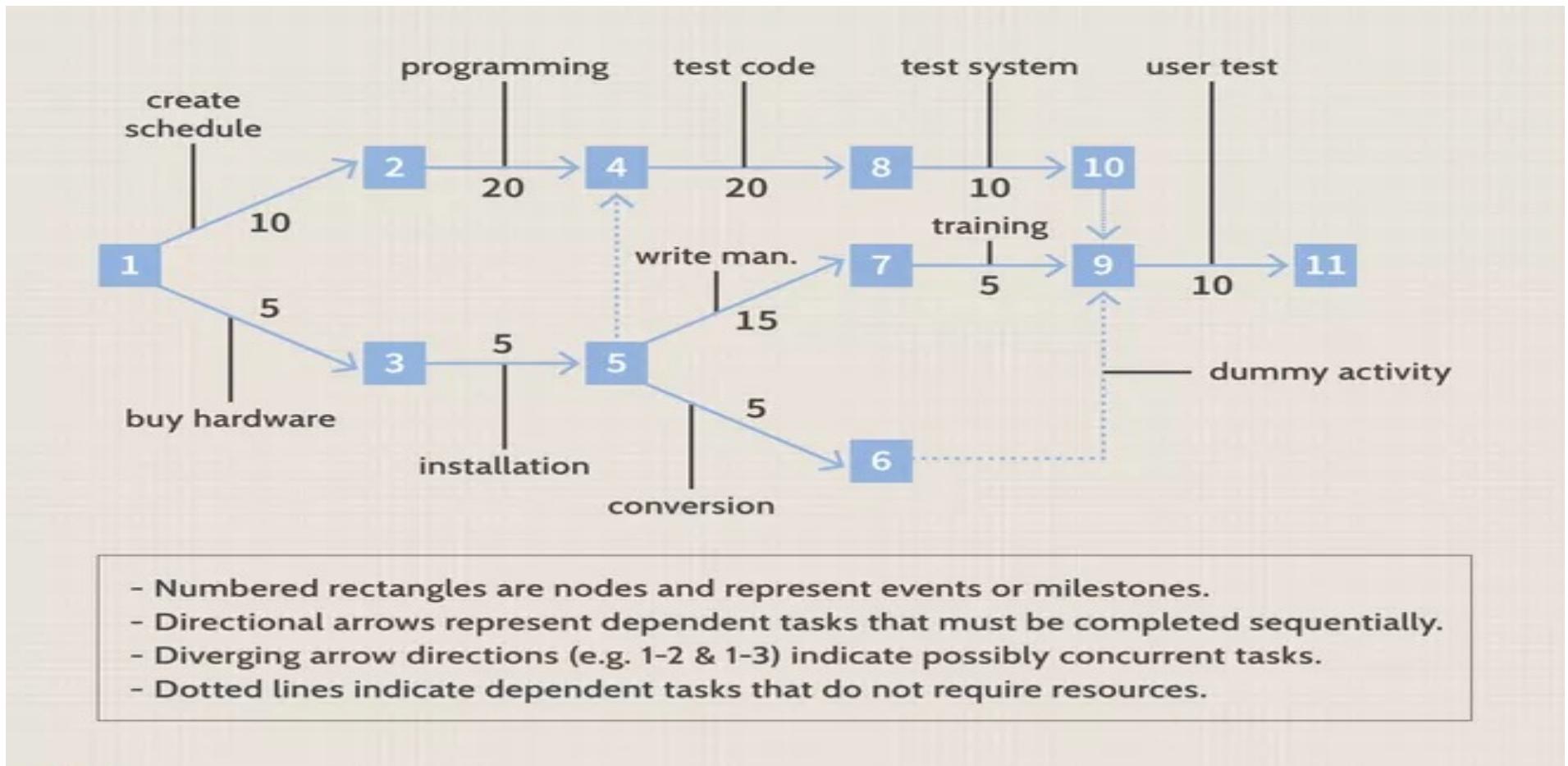
# **Program Evaluation and Review Technique (PERT)**

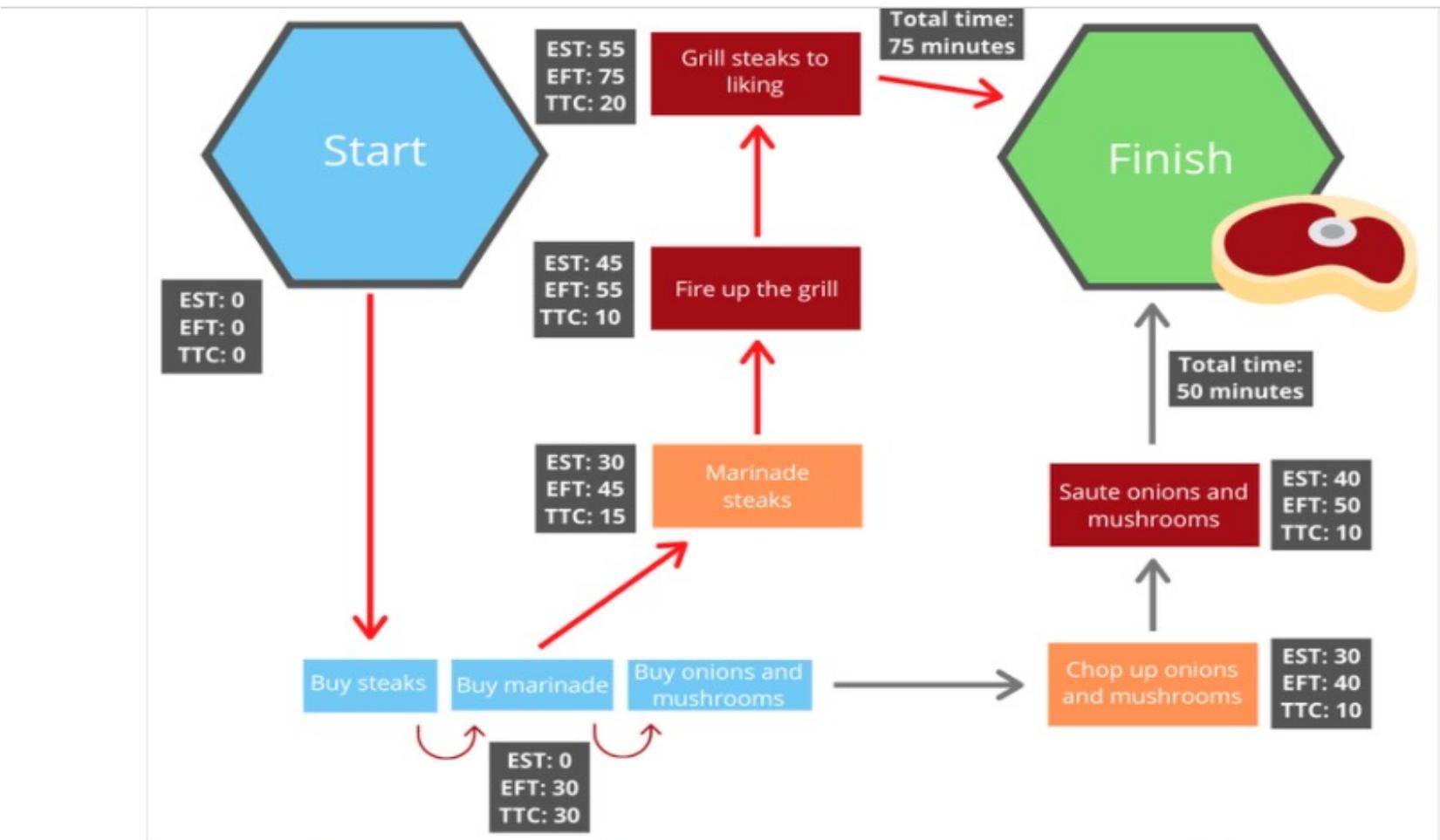
- A map is prepared to show the time required to complete each process.
- E.g.: to complete a work, A, B, C, D, E following events are required.

# Program Evaluation and Review Technique



# PERT





*This is a simplified steak-grilling example of a PERT chart, but it demonstrates all of the necessary ingredients (pun intended).*

# Program Evaluation and Review Technique

- In the above figure A, B, C, D, E, F are the events and arrow shows the time require to complete an activity.

## Advantages of PERT

- It forces the managers to plan since they have to make a time event chart.
- Forces planning all the way down the line because each subordinate manager must plan the event for which he/she is responsible.

## Disadvantages of PERT

- When a programme is new or ambiguous, and no reasonable estimate of time can be made, PERT is difficult to implement.
- It emphasises only on time and not cost.

# Productivity

# What is Productivity?

- Productivity is the **input-output ratio** within a time period  
with due consideration for quality

# Productivity

$$\text{Productivity} = \frac{\text{Outputs}}{\text{Inputs}}$$

# Productivity

The formula indicates that productivity can be improved by:

- Increasing outputs with the same inputs
- Decreasing inputs but maintaining the same outputs
- Increasing outputs and decreasing inputs to change the ratio favorably.

# Total Quality Management (TQM)

# Total Quality Management

- Total Quality Management (T.Q.M.) is a cost effective system for integrating the continuous quality improvement efforts of people at all levels in the organization to deliver products and services which ensure customer satisfaction.

## *Total Quality Management (TQM)*

- It is the belief that **quality can and must be managed**.
- The first realisation takes you the next step i.e., the **problems are created by process and not by people**. So this control makes you **look at the processes rather than employees**.
- **Every employee is responsible for quality** and therefore makes quality control more pervasive or spreads throughout the company

# Total Quality Management (TQM)

- Quality control should be measurable and therefore creates a measure and then goes on to make the improvement continuous.
- It makes quality a long term investment and thus brings an effective control on the product lines, processes, and also overall performance.

- The concept of TQM can be implemented in an organization if and only if there is sufficient involvement, active participation and visible support of all the members of organization including all the workers, supervisors, managers and the top management.

According to John Gilbert:

“Total Quality Management is a process designed to focus on customer expectations, preventing problems, building commitments to quality in the workforce and promoting open decision-making.”

# Limitations of TQM

Implementation of TQM is very difficult, because:

- conservative attitude of management
- involves participative management
- is a slow process and its fruits can be enjoyed in long-run
- Practically it is very difficult to expect team-work and total commitment to quality from the employees all the time which are deciding factors of TQM.

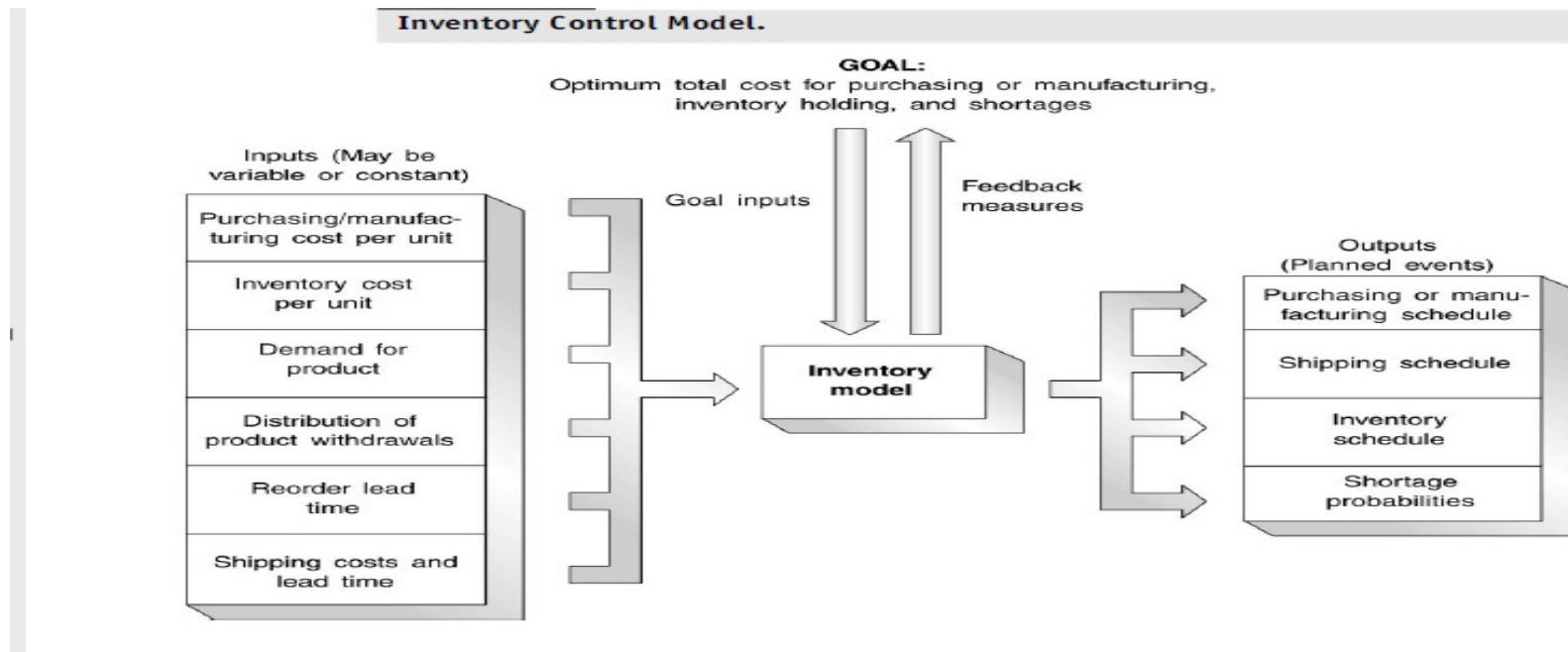
# **Production Management and Operations Management**

# **Production Management and Operations Management**

- **Production management** was the term used to refer to those activities necessary to **manufacture products**
- **Operations management** refers to activities necessary to produce and deliver a **service as well as a physical product**

# TOOLS AND TECHNIQUES FOR IMPROVING PRODUCTIVITY

- Inventory Planning and Control



# EOQ

In mathematical form, these conceptual relationships are expressed by the equation

$$Q_e = \sqrt{\frac{2DS}{H}}$$

where  $Q_e$  = economic order quantity

$D$  = demand per year

$S$  = setup costs

$H$  = inventory-holding (carrying) cost per item per year

## Just-in-time inventory system

- The supplier delivers the components and parts to the production line only when needed and “just in time” to be assembled.

# Outsourcing

- The contracting of production and operations to outside vendors  
That has expertise in a specific area.

Thanks