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DEPARTMENT OF MANAGEMENT

COURSE CODE: BBM1201

COURSE TITLE: PRINCIPLES OF MANAGEMENT

## **THE COURSE OUTLINE FOR THE PRINCIPLES OF MANAGEMENT**

### **BBM1201**

**General Objective:** the learner should be able to distinguish management from other

disciplines and be able to indicate position that management plays in organizations and the country at large

### **WEEK ONE**

#### 1.0 Management

##### 1.1 Definition of Management

##### 1.2 History of Management

##### 1.3 Management as a Science

##### 1.4 Management as an Art

### **WEEK TWO**

#### 2.0 Approaches to Management

##### 2.1 Classical Approach

##### 2.2 Behavioural Approach

##### 2.3 Managerial Roles Approach

##### 2.4 Systems Approach

## **WEEK THREE**

.0 Theories of Management

## **WEEK FOUR**

4.0 Functions of Management

4.1 Planning

4.2 Elements of Planning

4.3 Importance of planning

4.4 Principles of Planning

4.5 Types of Plans

4.6 Steps in the Planning Process

4.7 Limitations of planning

4.8 How to Overcome the Planning Problems

4.9 Strategies Applied by Organisations

## **WEEK FIVE**

5.0 Organising

5.1 Principles of Organising

5.1.1 Factors influencing the Span of Control

5.2 Types of Organisational Structures

5.3 Types of Power

## **WEEK SIX**

6.1 Controlling

6.2 Objectives of Controlling

6.3 Characteristics of Controlling

## 6.5 Importance of Controlling

# **WEEK SEVEN**

## 7 Leadership

### 7.1 Leadership Roles

### 7.2 Attributes of a Leader

### 7.3 Characteristics of successful Leaders

### 7.4 Theories of Leadership

# **WEEK EIGHT**

## 8 Group Formation

### 8.1 Types of Groups

### 8.2 Group Formation

#### 8.2.1 Factors that influences Group Formation

### 8.3 Stages of Group Development

## **WEEK NINE**

### **9 Organisational Culture and Development**

#### **9.1 Elements of Organisational Culture**

#### **9.2 Types of Organisational Culture**

#### **9.3 Organisational Development**

#### **9.4 Characteristics of Organisational Development**

#### **9.5 Goals of Organisational Development**

#### **9.6 The Process of Organisational Development**

## **WEEK TEN**

### **10.0 Human Resource Planning and Management**

#### **10.1 Human Resource Planning**

#### **10.2 Importance of Human Resource Planning**

#### **10.3 Barriers to human Resource Planning**

#### **10.4 Principles of Human Resource Management**

#### **10.5 The Concerns of Human Resource Management**

## 10.6 Management By Objectives

### 10.6.1 How MBO works

## **WEEK ELEVEN**

### 11.0 Staff Motivation

#### 11.1 Reasons for Motivation

#### 11.3 The Role of Non Financial Incentives

## **WEEK TWELVE**

### 12.0 Supervision, Leading and Controlling

#### 12.1 Principles of Supervision

#### 12.2 Roles of Supervision

#### 12.3 Types of Supervisors

#### 12.4 Coordination

##### 12.4.1 Characteristics of Coordination

##### 12.4.2 Principles of Coordination

12.4. 3 Advantages of Coordination

12.5 Techniques of Coordination

## **WEEK THIRTEEN**

13.0 Staffing

13.1 Steps in Staffing Process

13.1.1 Job Analysis

13.1.2 Limitations of Job Analysis

13.2 Recruitment

13.2.1 Internal Recruitment Methods

13.2.2 External recruitment Methods

13.3 Selection

13.4 Retention

## **WEEK FOURTEEN**

14.0 Decision Making Process

14.1 Characteristics of Decision Making



14.2 Types of Decisions

14.3 Steps in Decision Making

14.4 Barriers to Effective Decision Making

14.5 How to Overcome the Decision Making Problems

**BBM1201: PRINCIPLES OF MANAGEMENT CAT WEEK SEVEN**

**ANSWER ALL QUESTIONS**

1. Management is both a science and an art. Give reasons why management is an INEXACT science?
2. Discuss the managerial roles approach as given by Prof. Henry Mintzberg
3. Discuss the application of modern theory of management by Henry Fayol
4. Nelson Mandela is among the successful leaders in Africa. What are the some of the characteristics of successful leaders

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## TOPIC ONE

### 1.0 MANAGEMENT

*By the end of this chapter the learner should be able to:*

- a) define management*
- b) trace the history of management*
- c) state and explain the approaches to management*
- d) distinguish between management being an art and a science*

#### 1.1 Definition of Management

Several definitions of management have been advanced but because of the complex nature of management no one definition has been universally accepted.

The simplest definition of management was given by Mary Parker Follet.

She defined management as "the art of getting things done through people". From this definition we see that managers achieve organizational goals by arranging for others the necessary tasks to be performed to achieve the goals of the organization, hence they do not do the work themselves.

Management has also been defined as the process of planning, organizing, leading and controlling the efforts of organizational members and using all other resources to achieve stated organizational goals.

A process is a systematic way of doing things so management is systematic.

Planning means that the actions of managers are based on some method, or logic

organizing means that manager's co- ordinate the human and non human resources in order to achieve goals.

Leading describes how managers direct and influence subordinates by establishing the proper atmosphere for doing tasks. Controlling means that managers select the right objectives i.e. select the right things to be done.

This definition says that management involves attainment of stated goals. This means the manager's work is aimed at specific goals or ends.

A third definition defines management as a process of grouping together organizational material and human resource activities and directing them to use the scarce resources efficiently and effectively in order to achieve the organizational and individual goals and objectives. Therefore management work involves activity - managers do not sit around all day and think. They talk, listen, read, write, meet, observe etc. However most of their activities are either of planning, organizing, staffing, directing or controlling.

## **MANAGEMENT LEVELS**

### **a) First Line Managers**

Also called first-level or supervisory management. This is the lowest management level in an organization. First line managers only direct operating employees. Examples are Foremen, Office Managers, Supervisors and Department Managers. These managers are the ones in the day-to-day contact with operating employees.

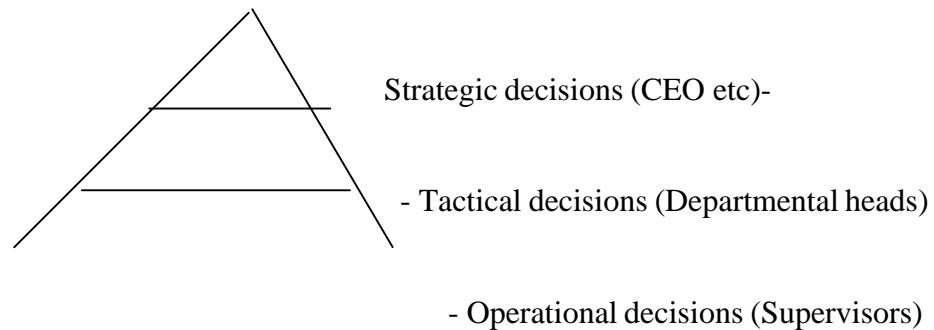
### **b) Middle Managers**

These make up the largest group of managers in most companies. Their positions extend from top management all the way down to those immediately above first line management. Titles here include Plant Manager, Division Manager and Operations Manager. They are the managers who implement the strategies and policies set by top management and also co-ordinate the work of first-line managers.

### **c) Top Managers**

Top managers are those at the upper levels of the organization. They comprise of comparatively small groups of executives who are responsible for the overall management of the organization. They set the overall organizational goals and determine strategy and

operating policies. Titles here may include President, Chief Executive Officer, Managing Director, General Manager, Chief Secretary etc.



### **1.3.2 MANAGEMENT BY FUNCTIONAL AREAS**

Managers when differentiated by their areas of operation fall mainly under: Marketing, Finance Operations and Human Resources.

#### **a) Marketing**

These are responsible for advising on pricing, promoting and distributing the firms products and services. They conduct marketing research, plan advertising campaigns, play a role in setting prices and oversee distribution systems.

#### **b) Operations**

These are responsible for actually creating the goods and services of the organization. Other responsibilities for these managers include production control, inventory control and plant layout.

#### **c) Finance Managers**

Are responsible for managing the Financial Assets of the organization. They oversee the firms accounting systems, manage investments, control disbursement, and maintain and provide relevant information to the CEO about the Financial Health of the company.

#### **d) Human Resource Managers (HRM)**

These are responsible for determining future human resource needs, recruiting, hiring, compensation, performance appraisal and ensuring that the various legal guidelines governing employment are followed.

### **1.4 MANAGEMENT FUNCTIONS**

The management functions are the separate parts (activities) that make up the whole process of management. They can be described as the activities that are inherent in most management jobs. Many of these activities can be grouped into one of the following general functions.

#### **a) Planning**

Planning involves determining the organizations goals and the best ways of reaching them.

Plans permit:

- i. The organization to obtain and commit the resources required to reach its objectives.
- ii. Members of the organizations to carry on activities in line with the chosen objectives.
- iii. Monitoring of progress towards the objectives with view of taking corrective action.

#### **b) Organizing**

This is the second basic managerial function and it is the process of grouping activities and resources in a logical and appropriate fashion. Basically it is creating the organizational chart for a firm. (Determining the structure of the organization - the jobs to be done, who is to do them, how the jobs are to be grouped, how much authority each manager is to have and how many employees each is to supervise).

#### **c) Leading**

Is the set of processes associated with guiding and directing employees towards goal attainment. Attempt to assure that the organization is moving towards its goals. It includes motivation, leadership and communication.

#### **d) Controlling**

This is the final basic management function and it is the process of monitoring and adjusting organizational activities towards goal attainment.

#### **e) STAFFING**

### **1.5.1 MANAGEMENT ROLES**

Henry Mintzberg analyzed how managers spend their time and came to the conclusion that there are three basic roles that managers play:- interpersonal roles, informational roles and decisional roles.

#### **a) Interpersonal Roles**

There are three interpersonal roles in the manager's job. The first is that of Figurehead. As head of a unit the manager puts in an appearance as the representative of the organization by performing certain duties or ceremonies e.g. attending an employees wedding, welcoming guests etc.

The second role is that of leader. As a leader the manager hires employees, trains, motivates and encourages them to perform better.

Third the manager plays the interpersonal role of liaison, which involves dealing with people outside the organization on a regular basis e.g. bankers, suppliers or clients.

#### **b) Information Roles**

According to Mintzberg receiving and communicating information are perhaps the most important aspects of a managers job. First he must act as a monitor i.e. he actively watches the environment for information that might be relevant to the organization.

Secondly the manager must act as a disseminator by relaying the information that he has gathered through monitoring to the appropriate people in the organization.

Third he must act as the spokesman of the organization by presenting information of meaningful content and/or answering questions on the firms behalf. You probably have seen leaders answering questions from the press about issues relating to their organizations or defending their organizations against criticism or allegations levelled against them.

#### **c) Decisional Roles**

These are the roles that managers take when they make decisions about certain issues.

Under the decisional roles the manager acts as the entrepreneur by looking for

opportunities that the organization can pursue to improve itself e.g. a profitable investment. Second the manager acts as the disturbance handler by resolving conflicts between employees and responding to situations beyond him/her control e.g. strikes, bankrupt customers, breach of contract etc.

Third the manager must act as a resource allocator by being responsible for deciding how and to whom the resources of the organization and the managers own time will be allocated.

Fourthly the manager plays the decisional role of a negotiator. In this role the manager attempts to work out agreements and contracts that operate in the best interest of the organization.

**Note:**

The functional definition of management as a process of planning, organizing, leading and controlling is somewhat oversimplified according to Mintzberg. Managers do much more than the four basic functions contained in the definition.

Mintzberg's work calls attention to the uncertain, turbulent environments in which the manager operates.

## **1.5.2 MANAGEMENT SKILLS**

Skills is what separates good managers from others. Like a player in any game, the more skilful a manager is, the greater are his chances of success. Most scholars and writers agree that for effective management the primary skills are technical, interpersonal, conceptual and diagnostic.

### **a) Technical Skills**

They are the skills needed to perform specialized tasks. They enable one to use the tools, procedures or techniques of a specialized field. These skills are gained through formal training. These skills are specially important for Firstline managers as they are the ones in the real operations of the firm.



### **b) Interpersonal (Human Skills)**

These are the skills needed to enable one to work with, understand and motivate others, either as individuals or as groups. They include the ability to understand someone else's position, to present one's own position in a reasonable, amicable manner. The better a manager's human skills are, the more effective he/she is likely to be, since management is basically getting work done through people.

### **c) Conceptual Skills**

These relate to the manager's mental ability to coordinate and integrate all the organization's interests and activities i.e. to be able to think in the abstract, to see relationships between forces that others cannot see and to take a global perspective of the organization and its environment. For example if a manager recognises an opportunity that others have not and then successfully exploits that opportunity he is drawing on conceptual skills. Conceptual skills are most important for top managers who must look for opportunities to be exploited by the organization.

### **d) Diagnostic Skills**

The skills used to define and understand situations and events. They are mainly directed at problem solving. For example, if a manager notices there is too much waste in production, the first step is to define the problem, next determine what is causing the problem and third identify way(s) of solving the problem.

## **1.2 HISTORY OF MANAGEMENT**

The practice of management is as old as human civilization. The progress of mankind over the centuries is attributed to the effective management of resources. The irrigation systems, existence of public utilities, constructions of monuments e.g. Egyptian pyramids, Taj Mahal in India, demonstrates the practice of management in olden days. The ancient civilization of Mesopotamia, Greece, Rome and Indus valley, displays the results of good management practices.

**NB:** The study of management in a systematic way as a distinct body of knowledge, is only of recent origin. It is therefore said that management is described as “oldest of the

Arts and youngest of the sciences”.

### **1.3 MANAGEMENT AS A SCIENCE**

For any branch of knowledge to be considered a science, it should fulfill the following:

- a). Should have a systematic body of knowledge with its own principles (independent).
- b). The principles have to be evolved on the basis of constant inquiry and examination (research).
- c). The principles must explain a phenomenon by establishing a cause-effect relationship.
- d). The principles should be available for verification to be universally acceptable.

Management as a discipline fulfills the above because:

- i) It has emerged as a systematic body of knowledge with its own principles.
- ii) The application of these principles helps any practicing manager to achieve the desired goals.
- iii) (Management is dynamic because it has borrowed heavily from other disciplines to help solve management problems, disciplines e.g. Psychology, Sociology, Philosophy, Religion, Economics.

**NB:** Management cannot be viewed as an exact science but rather inexact science because of the following:-

- i) By definition, management involves getting things done through other people who are unique in respect of aspirations, attitudes, perceptions e.t.c.  
Their differences are so obvious that standard results may not be achieved in otherwise similar environment.
- ii) The behavior of human beings cannot be predicted accurately and therefore standards and ready made solutions cannot be prescribed.
- iii) Management is concerned with the future which is complex and unpredictable so

that if there are changes in the environment, the management plans will be affected.

- iv) Management plans are prone to change due to the changes in the external environment e.g. Technological changes, economic and socio-cultural changes.

#### **1.4 MANAGEMENT AS AN ART**

- i) The word Art refers to the know how or ways of doing to accomplish the desired results.
- ii) The focus is on the skill with which the activities are performed.
- iii) The constant practice of the theoretical concept (knowledge base) contributes to the formation and sharpening of skills.
- iv) Management as an art stresses the need for practice where in management graduate from the best institute may not be very effective and therefore requires creativity and practice.

#### ***Revision questions***

- a) Give various definitions of management*
- b) Management is as old as human civilization. justify this statement*
- c) Give reasons to show why management is inexact science and not an exact science*

#### **Further Reading**

1. George Terry and stephen g. franklin, “Principles of management”,(AITBs, Delhi 1998)
2. Arthur G. Berden,”Management”,Dryolen Press New york, 1993)

## TOPIC TWO

### 2.0 APPROACHES TO MANAGEMENT

*By the end of this chapter the learner should be able:*

- a) To describe the various approaches to management*
- b) To indicate how each approach is important in management*

#### **2.1 CLASSICAL APPROACH (managing work and organization)**

It was the first attempt to study modern management when managers were seeking answers to the basic and practical questions e.g. How to increase efficiency and productivity. Their concern was not about workers, but work in terms of tools and equipment. The second concern was about the organization which was to provide the necessary guidelines including procedures, policies, plans, methods e.t.c

#### **2.2 BEHAVIOURAL APPROACH (managing people)**

It was developed because the classical approach could not achieve the total efficiency and work place harmony.

The behavioral approach uses the concept of psychology, sociology, philosophy, religion, economics e.t.c, to help managers understand the human behavior at work place.

The emphasis in this approach is on the interrelationship workers, work and the organization.

For work place harmony to be realized, the following was recommended:-

- (a). Motivation – The workers performance will increase if they are motivated and managers should give it a lot of concern.
- (b). Communication – The organization should have open channels of communication for

free flow of information vertically and horizontally.

(c). Formation of groups – Workers should be allowed to form and join social groups to advance their interest. The managers should not condemn them but reach out to the perceived leaders of such groups for help.

## **2.3 MANAGERIAL ROLES APPROACH**

It was developed by Prof. Henry Mintzberg after studying 5 Chief Executive Officers, and came to conclusion that managers do not only perform the classical functions. They engage in a variety of other activities like:-

### **(a). Figure head roles**

Just the presence of the manager is enough. When the manager is around, everything is okay.

Leader role – a leader influence others into action.

Liaison – a leader negotiates on behalf of the workers and the department

### **(b) Information Roles**

Recipient role - receives information on behalf off.

Dissemination role – passes the information received to others

Spokesperson role – speaks on behalf off

### **(c). Decision Roles**

Entrepreneur role -seeks opportunities for the company

Disturbance handling role-settles disputes and dispenses justice

Negotiator role-negotiates on behalf off

Resource allocator role- makes decisions on the use of the company's resources

## **2.4 SYSTEMS APPROACH**

This is a way of thinking about the management's problems because one part or department influences the other and therefore managers should not deal with individual parts but instead deal with the entire organization.

The organization being dynamic, the managers must anticipate the intended as well as unintended impacts of their decisions.

Managers in this approach therefore, do not deal with individual departments, but the entire company / organization.

***Revision questions***

***i. What are the main features of managerial roles approach***

***ii. What were the recommendations of the behaviouralists***

***iii. Indicate how managers prepare to fit into the contingency approach***

**Further reading:**

1. Bernard M. Bass, 'organisational decision making' homewood, III:Richard Irvin 1983

2. Richard m. Hodgers, "Management Theory, Process and Practice" ,Academic Press, New york 1990

## **TOPIC THREE**

### **3,0 THEORIES OF MANAGEMENT**

**By the end of this topic the learner should be able:**

- a. To fully explain the different theories of management**
- b. To discuss the relevance of modern theory of management**
- c. To identify the disadvantages of bureaucratic theory of management**

Our study of the theory of management will focus on the three well established schools of management theory.

- The Classical School
- The Behavioural School
- The Management Science School

#### **THE CLASSICAL SCHOOL**

This school of thought emerged around the turn of the twentieth century. It is divided into two sub areas: Scientific management, which historically focused on the work of individuals and classical organization theory (administrative management which was concerned with how organizations should be put together).

#### **SCIENTIFIC MANAGEMENT**

The main objective of Scientific Management in the early days was to determine how jobs could be designed in order to maximise output per employee (efficiency). The main contributor to scientific management was Frederick W. Taylor until the Husband Team of Frank and Lillian Gilbreth also added more light to scientific management.

##### **(a) Frederick W. Taylor and Scientific Management**

Taylor was an Industrial Engineer who worked in the United States at a time when industries were facing shortage of skilled labour. For factories to expand productivity, ways had to be looked for to increase the efficiency of employees. Management faced questions such as, whether some elements

of work could be combined or eliminated, whether sequence of jobs could be improved or whether there was "one best way" of doing a job. In trying to answer these questions Taylor slowly developed a body of principles that constitute the essence of scientific management. Taylor's first job was at Midvale Steel Company in Philadelphia: While here Taylor analysed and timed steel workers movements on a series of jobs. With time he was able to establish the best way to do a particular job. But he noticed the workers did not appreciate the speed factor because they feared that work would finish and they would be laid off. So Taylor encouraged employers to pay the more productive workers at a higher rate based on the profits that would result. This system is called the differential rate system. Taylor was encouraged by the results of his work and decided to become a private consultant. His most significant work was while he was consulting for two companies: Simonds Rolling Machine Factory and Bethlehem Steel Corporation.

At Simonds he studied and redesigned jobs, introduced rest breaks and adopted a piece rate pay system. In one operation he studied 120 women employed in tedious work with long working hours. The work involved inspecting bicycle ball bearings. Taylor started by studying the movements of the best workers and timed them. Then he trained the others in the methods of their more effective co-workers and either transferred or laid off the inefficient ones. He introduced rest periods and the differential rate system and the results were that accuracy of the work improved by two-thirds, wages rose by eighty to hundred percent, worker morale increased and thirty five inspectors were now able to do work previously done by 120.

At Bethlehem Steel Taylor and a co-worker studied and timed the operations involved in unloading and loading railcars. At the time each worker earned \$1.15 per day unloaded an average of 12 1/2 tons. Taylor introduced rest periods in the day and realised that each man could handle about 48 tons a day. He set a standard of 47 1/2 tons and a rate of \$1.85 for those who met the standard. The results were increased efficiency.

However despite his achievements trade unionists and workers started to resist the ideas of Taylor and in defending his philosophy Taylor outlined that it rested on four major principles.



- The development of a true science of management so that for example the methods for performing each task could be determined.
- The scientific selection of the worker so that each worker would be given responsibility for the task for which he/she was best suited.
- The scientific education and development of the worker, and
- Intimate, friendly cooperation between management and labour.

In conclusion Taylor said that the principles could only succeed if there was a complete mental revolution on the part of both management and labour to the effect that they must take their eyes off the profits and together concentrate on increasing production, so that the profits were so large that they did not have quarrels about sharing them. He strongly believed that the benefits from increased productivity would accrue to both management and labour.

### **Principles of the Theory**

#### **(i). The principles of task idea**

It states that favorable conditions at work will make the workers to perform miracles and increase productivity.

#### **(ii). The principle of standardization**

According to this principle, the work activities and method of production should be uniform to avoid biasness so as to achieve the quality product/service.

#### **(iii). The principle of selection and training**

It states that proper policies and guidelines be formulated to ensure that only qualified personnel are employed and those without the skills be trained.

#### **(iv). The principle of division of work**

It states that division of work should be undertaken because it leads to specialization which further leads to increased production.

#### **(v). The principle of proper use of plant**

It states that the organization's resources both human as well as physical should be put to proper use. The managers should minimize their misuse.

(vi). **The principle of planning**

- It states that planning should be the first function for any manager because it helps to achieve the organizational goals with ease and without conflicts.

(vii). **The principle of healthy working environment.**

It states that the work environment should be worker friendly so as to achieve quality output.

(viii) **The principle of incentives**

It states that the organization should their employees reasonable salaries.

**Advantages of the theory**

(i). **Uniformity**

It gave birth to standardization of tools, working methods e.t.c which led to uniformity.

(ii). **Incentives**

Because of incentives, the workers performance increased greatly.

(iii). **Wastage**

It reduced the level of wastage in production process through scientific selection and training.

(iv). It puts emphasis on better utilization of available organization's resources.

(v). The system provides for the satisfaction of the needs of the customers by providing high quality product/services at lower prices.

(vi). It puts emphasis on good harmonious relationships between workers and management.

(vii). It puts emphasis on proper selection, training and promotion of employees.

(viii). It has led to specialization which in turn led to increased productivity and job satisfaction.

**Disadvantages of the theory**

1. It puts a lot of emphasis on employee incentives but less on compensation in an event of an accident.
2. It has overlooked the human desire for job satisfaction.
3. It assumes the social needs of workers such as forming and joining a trade union, welfare society e.t.c
4. The techniques of scientific management dehumanize the workers by making them to

work like mindless machines.

5. It rules out any bargaining about wages by emphasizing on the manager setting salaries and wages.
6. It gives too much power to managers which cause conflict and resistance.

#### **(b) The Gilbreths**

Frank (1888-1924) and Lillian (1878-1972) were a husband and wife team who also contributed to scientific management. Lillian focused her studies on ways of promoting the welfare of the individual worker. To her, scientific management has one ultimate aim: to help workers reach their full potential as human beings. Lillian also assisted Frank in the areas of time and motion studies and industrial efficiency and was an earlier contributor to personnel management. Frank who began his work as an apprentice bricklayer, developed a technique that tripled the amount of work a bricklayer could do in a day. He studied motion and fatigue and said that they were intertwined. Every motion that was eliminated also reduced fatigue. Both Gilbreths argued that motion study would raise morale because of its obvious physical benefits. They developed a three position plan of promotion that was intended to serve as an employee development program as well as a morale booster. According to this plan a worker would do his or her present job, prepare for the next one and train his or her successor all at the same time. Thus every worker would always be a doer, a learner and trainer and hence workers would look forward to new opportunities.

#### **(c) Henry L. Gantt (1861-1919)**

Henry Gantt who was an associate of Taylor developed the Gantt Chart - a device for scheduling work after a span of time. Gantt also developed the bonus system of paying workers. Both the Gantt Chart and the bonus system of paying workers are in use in today's complex organizations.

#### **Limitations of Scientific Management**

- During Taylor's time, the mental revolution he advocated rarely came about and often increased productivity and led to layoffs.
- It assumed people were rational and therefore motivated only by material gains. Taylor and his followers overlooked the social needs of workers.

- They assumed that one had only to tell workers what to do to increase their earnings and they would do it. But people have a need for other things other than money e.g. recognition
- They also overlooked the human desire for job satisfaction and workers became more willing to go out on strike over job conditions than salary.

So the scientific model of the worker as a rational being interested only in higher wages became increasingly inappropriate as time went on and employer and labourers got increasingly dissatisfied with it.

An evaluation of scientific management indicates that scientific management was developed to achieve two objectives to increase workers' productivity and to improve workers' economic welfare. The first objective was achieved because the methods of scientific management such as time and motion, piece rate incentives, Gantt Chart and production standardization were accepted by industries. The second objective was however not fully achieved. Managers used scientific management to improve workers' productivity but they often did not see the benefits. Productivity often led to layoffs or changes in piece rates, so that workers had to produce more for the same income. The enthusiasm for scientific management ended around 1930.

## **THE CLASSICAL ORGANIZATION THEORY**

This is the other branch of classical management. Classical organization theory grew out of the need to find guidelines for managing complex organizations such as factories. Henry Fayol is recognised as the father of classical organization theory because he was the first man to systematize managerial behaviour. Another contributor to classical organization theory was Max Weber.

### **(a) Henry Fayol (1841-1925) and the Classical Organization Theory**

Fayol believed that sound managerial practice falls into certain patterns that can be identified and analyzed. Fayol who was trained as a mining engineer worked his way from a junior executive to director of the French Coal and Iron Combine Company. Fayol often confessed that he did not attribute his success to his personal abilities but rather to the methods that he practised. He strongly believed that management was not a personal talent

but a skill like any other and therefore it could be taught or learned. At the time it was generally believed that managers were born! Fayol's observation on principles of general management first appeared in 1916. He found out that the activities of an industrial undertaking fall into six groups.

- i. Technical (Production)
- ii. Commercial (Buying, selling, exchange)
- iii. Financial (Search for use of capital)
- iv. Security (Protection of employees property)
- v. Accounting (Record, stocks of cost, profits, liabilities etc)
- vi. Managerial

Fayol's main interest was on the last activity. He defined management in terms of five functions:

- Planning which means choosing a course of action that will help the organization achieve its goals.
- Organizing meaning mobilising resources to put plans into action
- Commanding means providing direction to employees and getting them to do their work.
- Coordination means ensuring harmony in the use of resources
- Controlling means monitoring the plans to ensure that they are being followed.

Fayol's model of management remains an approach to management today. Fayol also looked into the qualities that are required by management and concluded that they depended on the level of the person in the enterprise.

These were physical, mental, moral, educational, technical and experience.

**Fayol also developed fourteen principles of management which he felt should be applied by managers at the operational level.** He listed these principles as:

- i. Division of labour: Work be divided among workers
- ii. Authority and responsibility: Managers need authority to carry out responsibility
- iii. Discipline: Workers should respect the rules and regulations of the organization
- iv. Unity of Command: An employee would receive commands from only one supervisor.
- v. Unity of Direction: One manager should have one plan for each organizational objective.
- vi. Individual Subordination: The interests of the organization should come before individual interests.
- vii. Remuneration: Pay should be fair and good performance should be rewarded.
- viii. Centralization: There would be one point in the organization that exercises overall control.
- ix. Scalar Chain: Authority should flow downwards from top to bottom through the chain of command.
- x. Order: People and materials should be in the right place at the right time.
- xi. Equity: Managers should be fair in dealing with employees.
- xii. Stability of tenure: Efficiency can be achieved by a stable labour force.
- xiii. Initiative: Employees should be given freedom to act and be innovative.
- xiv. Espirit de Corps: In union there is strength, teamwork should be encouraged.

Management is universal among all organizations and Fayol argued that those with a general knowledge of the management functions and principles can manage any type of organization. He further advocated that these principles/functions can be learned by anybody who is interested. But qualities such as physical health, mental vigour, moral character, which is essential for management, cannot be learned - one must possess them. Any individual who possesses such qualities can acquire managerial skills by learning the principles of management through formal training.

### **(b) Webers Bureaucracy (1864-1920)**

Weber was a German sociologist who was very sensitive to the abuses of power by people in managerial positions. In order to reduce these abuses of power Weber proposed an organizational system that would be run by rules and regulations commonly known as Bureaucracy. Under Bureaucracy an effective organization had a hierarchical structure based on the formal authority and where people were guided by rational rules and regulations rather than the arbitrary acts by those in management. Weber believed that such rested on the following basic principles:

- managers should strive for strict division of labour and each position should be staffed by an expert in that area, there should be a consistent set of rules that all employees must follow in performing their jobs (the rules must be impersonal and rigidly enforced),
- there should be a clear chain of command
  - everyone should report to one and only one direct superior
  - communication should always follow this chain and never bypass individuals,
- business should be conducted in an impersonal way (managers must maintain an appropriate social distance from their subordinates and not play favourites,
- Advancement within the organization should be based on technical expertise and performance rather than seniority or favouritism,

Legal authority and power—authority and power rest in the institution of office. The power an individual holds is legitimised in the office and does not personally belong to him.

An Evaluation of the Classical Organization Theories (also known as Classical Administrative Theories)

The classical administrative theories of Fayol and Weber have had a lot of impact on management even today. Many current textbooks in management are organized around Fayol's theoretical framework. Fayol's main contribution included the concepts of the Universality and transferability of managerial skills. Even today it is widely accepted that management skills apply to all types of group activity. The concept that certain identifiable principles underlie effective managerial behaviour and that these principles can be taught

also continues to have validity today. Another contribution of these theories is that today many complex organizations are managed by the bureaucratic rules proposed by Weber. These theories however have certain limitations

- First these theories assumed that all organizations can be managed by the same set of rules and regulations. They failed to appreciate the difference between various organizations for example you cannot run a government department on the same rules used in a social organization like a club or a private company.
- Secondly, the classical approach can be effective under a stable environment, but with frequent changes (rampant today) it proves ineffective as conditions require modifications in management principles and bureaucratic rules. Following outdated rules and principles can be counterproductive.
- Third the classical theories undervalued the human element in organizations. It saw people as passive and capable of reacting only to organizational rules and economic incentives. It ignored such qualities as attitudes, emotions, creativity and initiative. It failed to accommodate the fact that people are capable of going against rules. In a bid to cover these inadequacies in the classical theories the human relations movement and the behavioural science approaches were developed.

## **THE BEHAVIOURAL SCHOOL OF MANAGEMENT THEORY**

Although most of the early theories ignored or neglected the human element in the workplace a few individuals dwelt on the basic framework of the classical school and came up with more people oriented theories. Notable among these were Mary Parker Follet and Chester Barnard, Hugo Munsterberg and Elton Mayo.

### **(a) Mary Parker Follet (1868-1933)**

Follet recognised the potential importance of the individual but advocated that no one could become a whole person except as a member of a group. She believed that the artificial distinction between managers as order givers and subordinates as order takers obscured the natural relationship that should have existed between them as members of one group.



She strongly felt that for management and labour to become part of one group the traditional views on workers would have to be abandoned, for instance leadership should not come from the power of formal authority (as traditionally believed) but from the persons with greater knowledge and expertise.

**(b) Chester L Bernard (1886-1961)**

Bernard used his extensive knowledge in sociology and philosophy to develop certain theories on organizational behaviour. He for instance said that people come together in formal organizations to achieve things they cannot achieve working alone. As they pursue the goals of the organization they must also satisfy their individual needs. He strongly believed that for an organization to function effectively, a balance must be maintained between the organizational goal and the goals of the individuals in the organization.

**(c) Hugo Munsterberg (1863-1916) and the birth of Industrial Psychology**

He is remembered as the father of industrial psychology and published his book "Psychology and Industrial Efficiency (1913). He suggested that productivity could be increased through the following ways:

- Finding the best possible person i.e. the worker whose mental ability is the best for the job.
- Finding the best possible work i.e. the ideal psychological conditions for maximising productivity and
- Through use of psychological influence i.e. the best possible effect to motivate employees.

Like Taylor he advocated for more science in management but being a psychologist he argued that the proven techniques of psychology for measuring individual differences be applied to industrial problems. He developed psychological tests for fitting the right person to the right job thus implementing Taylor's idea to select workers scientifically. Generally Munsterberg sought to find the best person for a job and studied and designed the job itself to match it more closely with human characteristics and abilities. He suggested that this would reduce the almost limitless waste of human resources and would return large

economic benefits to both the firm and the employees. Like Taylor he was also interested in the mutuality of interests between managers and employees and argued that his approach was even more strongly aimed at workers and through it he hoped to reduce the working time, increase their wages and raise their standard of living.

#### **(d) Elton Mayo (1880-1949) and the human relations movement**

Elton Mayo is referred to as the father of human relations movement. This trend that started in 1920 up to 1950 concerned itself with the treatment of psychological satisfaction as the primary management concern. Human relations is used to describe how managers interact with subordinates when the management of people leads to better performance then there is good human relations. When morale and efficiency deteriorate human relations in the organization is 'bad'.

Managers need to know why employees behave the way they do and what psychological factors motivate them if they are to create good human relations. The main catalyst of the human relations debate was the Hawthorne studies, conducted by Fayol and his friends.

#### **Hawthorne Experiments:**

These were conducted by Elton Mayo and his associates from Harvard University. The studies were at the Hawthorne Plant of Western Electric Company (US) from 1927 to 1932. Earlier on other researchers had conducted experiments using two groups - an experiment group which was subjected to changes in the lighting (illumination) and a control group whose lighting was kept constant. When lighting conditions were improved productivity went up, but even when lighting conditions were worsened productivity also went up. This was puzzling but what complicated the problem further was that the control groups productivity increased as lighting was altered for the experiment group.

In an attempt to solve this puzzle Mayo triggered off the human relations movement. In a new experiment Mayo used two groups of 6 women each. For the experiment group such variables as salaries were changed, rest periods were added, work hours were shortened and groups were allowed to suggest the changes they wanted made. Again output went up for both groups.

Mayo ruled out financial resources as the causes since the control groups salary remained the same. They concluded that a complex emotional chain reaction had triggered the

increase in productivity. They felt that because the members of the groups had been singled out for special attention, they developed a group pride that motivated them to improve productivity. The experiment made Mayo conclude that special attention (like being selected in a study exposing one to constant contact with top management) caused people to increase their efforts - a phenomenon that has come to be referred to as the Hawthorne Effect.

Mayo further tried to establish why such special attention should cause people to increase their efforts. He found out that the special environment of employees informal work groups have great influence on productivity. Mayo concluded that workers are human beings who are affected more by social interactions. He felt that the concept of "social man" had to replace the old concept of "rational man" advocated by the classical theorists.

#### Contributions and Limitations of the Human Relations Approach

Mayo's human relations had major impacts (contributions) on management thinking and practices.

- It focused on human factors as an important managerial variable which resulted in more and more researches paying attention to the human element in organizations.
- It led to improvements in employee welfare in many organizations
- Labour gained more economic and political power acting through trade unions.
- Mayo also highlighted the importance of a manager's style and therefore revolutionized management training, and managers started thinking more in terms of group processes and group rewards to supplement individual rewards.

The human relations movement also had three major limitations:

- In viewing human factors as the single most important organizational variable it committed the mistakes of earlier theories, searching for one best way of managing. The scientific management method had tried to search for the one best way of designing jobs, while the administrative theory had searched for the one best way to arrange organizational activities.

- The human relations theorist also viewed workers as 'social beings' motivated by social rewards, but this was also too simplistic a view of human beings who are complex and motivated by a variety of factors.
- They also assumed that satisfied workers would be productive and this made firms introduce fringe benefits e.g. vacations but this was not always true - benefits did not always result in increased productivity. This movement however paved the way for the development of behavioural science of the 1960s and 1970s.

The behavioural scientists like Argyris, Maslow and McGregor believed that the concept of "self actualizing man explained human behaviour more accurately (the behavioural scientist theories will be covered later under employee motivation.

## **THE QUANTITATIVE SCHOOL OF MANAGEMENT**

This is the third school of management thought and it focuses on quantitative or measurement techniques and concepts that are relevant to management. It mainly originated with the British Military in the World War II. Britain which was faced by many problems of warfare sought to find better ways to deal with issues like troop movement, arms production etc. This school has three branches:

- Management Science
- Operations Management and,
- Management Information Systems

### **Management Science**

Management Science mainly concerns itself with the development of mathematical and statistical tools and techniques that can be used to improve efficiency. Breakthroughs in computers and other forms of electronic information processing have enhanced the application of management science.

### **Operations management**

Is somewhat like management science but it mainly focuses on application. Main concern is the processes and systems that an organization uses to transform inputs into outputs.

Therefore it will deal with decisions like plant location, plant layout and inventory control and distribution of finished products.

#### **Management Information System (MIS)**

MIS is a system created specifically to process, store and provide information for managers in order to improve decision making.

#### **Evaluation of the Quantitative School**

The techniques of management science are extensively used to solve problems in most organizations today.

The tools and techniques can greatly enhance a manager's decision-making, planning and control and improve their organization efficiency and effectiveness. However many of the key variables in organizations e.g. people, office politics, feelings, attitudes, motivation, personalities leadership cannot be quantifiable. Yet these factors are critical in decision-making.

#### **CONTEMPORARY MANAGEMENT THEORIES**

In the recent past several new perspectives about management have emerged. These are still evolving and have not attained the status of schools of thought but they still provide useful insights into the understanding of management.

Among these we have the contingency theory, systems theory, management theory Z, management excellence and process theory.

##### **a) Contingency Theory**

This theory argues that appropriate management actions depend on the situation prevailing at the time. According to this theory there are no ready made universal answers to management rather the decision that a manager will make will depend on the situation. Every situation that a manager will confront will be somewhat different and therefore will require different reactions.

## **b) Systems Theory**

This theory tries to look at how organizations function and operate as a system that is a subsystem of a much bigger system. It is the process by which an organization receives feedback. A system is an interrelated set of elements that function as a whole. It has four basic parts; it receives inputs, from the environment, it transforms the resources into outputs (finished goods and finally receives feedback from the environment).

The feedback from the environment serves as a source of information about the performance of the firm and hence it serves as a good basis for later decision making. (This notion of a system being only part of a greater system is very useful to management and stands out as the greatest contribution of the systems theory). The other useful concepts of the systems theory are the concepts of Synergy Entropy and Equifinality.

Synergy suggests that two people or units can achieve more working together than working individually. Entropy is what happens when firms adopt a closed-system approach - they fall and die. Equifinality is the idea that two or more strategies (paths) may lead to the same achievements (place).

## **c) Theory Z**

The theory Z of management is a very new approach to management. It has not yet withstood the test of time and it is not certain therefore to evolve into a fully developed theory of management.

Theory Z was popularized in the early 80's by William Ouchi. During this time a great deal of attention was being given to the success of Japanese Companies in America and in world trade and differences between American and Japanese management practices.

Ouchi studied succeeding American firms in order to determine why and how they continued to be successful when other companies were losing ground. He found that most American companies followed a set of business practices which he called type A (A standing for American). The typical Japanese company followed a different set of practices called J (J standing for Japanese). But the highly successful American firms followed neither type A or type J management. Rather they used a modified approach that capitalised

on the various strengths of type J model and also used type A method when cultural factors dictated.

Ouchi attributed the success of these companies to their use of the modified approach. He concluded that a flexible management position incorporating the strengths of both American and Japanese models would lead to successful competition. This approach he called the Theory Z of management.

#### Some Aspects of Japanese Management

- The practice of management always reflects the culture of a society. Japanese management has certain aspects which are predominantly borrowed from their culture.
- Japanese managers place much more emphasis on generating harmony at all levels of the firm.
- Japanese managers more than those from other cultures to a great extent tend to place group goals ahead of individual goals. Unlike American firms they do not overemphasize the big positions in the company.
- Japanese management is characterised more by consultation than by direct order. Even low level officers help in formulating policies. (This however, results in slow decision making).
- Japanese managers rarely reject any contributions by subordinates flatly because to do so is impolite and a threat to their culture of harmony.
- The Japanese worker usually signs for life with a company. Labour turnover is very low in Japanese firms. Companies try hard to keep their workers happy.

#### **d) Management Excellence**

This theory was advocated by Thomas Peters and Robert Waterman in the mid 80's. After studying various American firms they concluded that successful managers were characterised by eight attributes:

- a bias for action
- staying close to the customer

- autonomy and entrepreneurship
- productivity through people
- hands on-value driven management
- remaining with the business: stick to the knitting.
- simple form and lean staff
- climate of dedication to the central values

Because these theories have not been tested and are still evolving, their validity cannot be ascertained but they still do have useful information for managers of today's dynamic and complex organizations.



***Revision questions***

- i. What are the advantages of democratic theory of management***
- ii. State the principles of scientific theory of management***
- iii. What are the similarities between Tailors and Fayols theories***

**Further Reading:**

- 1. George terry and Franklin, "Principles of Management", Delhi, 1998
- 2. Peter Drucker, "Management, Tasks, Responsibilities and Practice", Hauper and Row, 1987

## TOPIC FOUR

### 4.0FUNCTIONS OF MANAGEMENT

***Objectives:***

***By the end of the topic you should be able;***

- a. To state the characteristics of planning***
- b. To discuss the importance of planning***
- c. To highlight the steps in the planning process***
- d. To explain by use of examples the methods that are used in the forecasting***

### DEFINITIONS AND IMPORTANCE OF PLANNING

Whatever individuals or organizations do, they need to plan. Planning is the basic process by which we select our goals and determine how to achieve them.

If order for managers to design an enabling climate for the effective performance of individuals working together as groups in the organization, they must see to it that purposes and objectives and procedures of attaining them are clearly understood. If group effort is to be effective people must know what they are expected to accomplish. This is the essence of planning.

Planning is the most basic of all managerial functions. In defining it Koontz says that planning involves selection from among alternatives future courses of action for the firm as a whole and for every department or section within it.

So when planning managers select organizational objectives and departmental goals and determine ways of achieving them. It thus provides a rational approach to preselected objectives.

It will therefore involve:

- selecting what objectives are to be achieved
- es are to be achieved
- deciding the actions to be take assigned these activities
- deciding who will be responsible for the actn to achieve them

deciding the organizational position to bPlanning can be looked at therefore as the process of developing plans. A plan is a blue print or framework used to describe how the organization expects to achieve its goals. Planning then is simply the process of determining which path among several the organization wishes to follow. When you plan you map out a course of action in advance.

Any goal might be approached in several different ways. Planning is the process of determining which is the best way to approach a particular goal.

### **2.1.1 Importance of Planning**

- a) The purpose of every plan and of all derivative plans is to facilitate the accomplishment of enterprise purpose and objectives.
- b) Planning therefore gives direction to the activities of the organization. Without plans people would not know what is to be expected of them.
- c) Planning also facilitates control. The plans act as standards against which performance can be measured and evaluated. Deviations from plans help to point out weaknesses in the organizational process.
- d) Since managerial operations in organizing, leading and controlling are designed to support the accomplishment of enterprise objectives, planning logically precedes the execution of all other management functions. Without planning other management functions would be impossible.

Given the importance of planning then it is essential to identify planning responsibilities. That is who in the organization does planning? By its very nature it is obvious that the responsibility for planning rests with the management. All managers are involved in the planning process.

Planning starts with top management. These top managers working in consultation with the Board of Directors establish the broad goals and strategies of the firm. Middle managers work together to assist with strategic planning and they work individually to develop and implement planning activities within their respective divisions/or units.

First line managers also plan for their units and develop operational plans to actualise the planning done at middle level.

### 2.1.2 Types of Plans

Given the variety of the areas that organizations plan for, it is obvious that plans fall into different categories. Plans can either be described in terms of different levels of scope or different time frames. Described by different levels of scope we have:

**a) Strategic Plans**

Which are the broad plans developed by top managers to guide the general direction of the firm. They follow from the major goals of the firm and indicate what business the firm is in or what business it intends to be.

Strategic plans therefore indicate how or where the firm will position itself within its environment (They are of large scope and extended time frame).

**b) Tactical Plans**

These have a moderate scope and intermediate time frame. They are concerned with how to implement the strategic plans that are already developed. They deal with specific resources and time constraints. They mainly focus on people and action. Tactical planning is mainly associated with middle management.

**c) Operational Plans**

They have the narrowest focus and shortest time frame. They fall into many types that include:

- **Standing Plans:**

Plans developed to handle recurring and relatively routine situations. They include policies which are general guidelines governing relatively important actions within the organization. Standard operating procedures which are more specific guidelines for handling a series of recurring activities. Finally rules and regulations which are statements of how specific activities are to be performed.

- **Single Use Plans**

This is the second category of operational plans. These are plans set up to handle events that happen only once. The two types are programs and projects. A program is a single use plan for a large set of activities while a

project usually has a narrower scope than a programme otherwise they are similar.

### **2.1.3 Time frame for planning**

Regardless of the kind of plan a manager is developing recognition of the importance of time is essential. Plans either fall under long range, intermediate or short range plans.

Long range planning: Covers several time periods, from five years to as long as several decades. Long range plans are mainly associated with activities such as major expansion of products or facilities, development of top managers, large issues of stocks or change of manufacturing systems. Top managers are responsible for long range planning in most organizations.

Intermediate planning: range in time from one year to five years. Because of the uncertainties associated with long range plans, intermediate plans are the primary concern of most organizations. They are usually developed by both top and middle management. They are the building blocks in the pursuit of long range plans.

Short range planning: covers time periods of one year or less. They focus on day to day activities and provide a concrete base for evaluating progress towards the achievement of intermediate and long range plans.

## **2.2 MAKING PLANNING EFFECTIVE**

### **2.2.1 Introduction**

The plans used/made in an organization are not random but rather they are arranged in a hierarchy that corresponds to the organizations structure. At each level plans have two purposes:

- i. They provide the means for achieving the objectives set in the plans of the next higher level.
- ii. They provide the objectives to be met by the plans in the next lower level.

As already discussed plans are of two major types:

- i. Strategic plans which are designed to meet the broad objectives of the organization
- ii. Operational plans which provide the details of how the strategic plans will be accomplished.

The operational plans are divided into two main types i.e. standing plans which are standardized approaches for dealing with recurrent and unpredictable situations and single use plans which are developed to achieve specific purposes and dissolved when these purposes have been achieved.

Standing plans include policies, standard procedures, rules and regulations. Once established standing plans allow managers to conserve time used for planning and decision making as similar situations are handled in a predetermined and consistent manner.

Single use plans include programs, projects and budgets. These are detailed courses of action that are unlikely to be repeated

Planning being a rational approach to accomplishing objectives should be a flexible process which takes into account the various changes taking place in and outside the organization.

Objectives must be set in the light of the economic, social, cultural, political, technological, legal and ethical elements of the organizations environment.

The interactions of plans with every element of the environment are many and complex and they affect the efficiency and effectiveness of plans. But since planning is a vital part of all managerial jobs managers should strive to make it more effective by:

- i. Understanding and following the steps in planning
- ii. Understanding the barriers to effective planning

Overcoming the barriers to effective planning

### **2.2.2 Steps in the planning process**

Planning is not a random process but one that generally follows certain steps. However the steps vary depending on the nature of the plan i.e. whether major or minor. In an exam situation always use an example to illustrate the planning process such as plan to buy company car, plans to introduce computers etc.

**Step 1: Identification of opportunities**

This step includes a preliminary look at possible future opportunities and deciding what the strengths and weaknesses of the organization are. The manager must have a careful scan of competition, customers, and the external environment.

**Step 2: Establishing objectives**

Here the manager must answer the question of "where the organization wants to go, how and when to get there". Objectives must be established for the entire organization and then for each unit.

**Step 3: Consider planning premises**

Need to establish in what environment internal or external the firm's plans will operate. Questions like what kind of markets will there be? what quantity of sales? what prices? costs? wage rates? tax rates and policies. In premising the manager establishes and obtains agreement to utilize and disseminate critical planning premises, which are forecast data of factual nature applicable to the organizations plans, laws and policies.

**Step 4: Determine alternative courses**

The alternative courses of action should be determined. For each plan there can be several and different ways of approaching the objectives.

**Step 5: Evaluate the alternatives**

The alternative courses should be examined and the strengths and weaknesses determined in the light of the objectives. The risks and returns involved in each alternative should be examined.

**Step 6: Select one course of action**

This is the point of decision making, deciding which out of the alternative course of action should be selected for adoption.

**Step 7: Formulate derivative plans**

To support the basic plan, some derivative plans are required - for example most plans may go with the hiring of staff and this needs other smaller plans.

**Step 8: Numberise the plans by budgeting**

The plans must be given meaning by converting them into budgets, for example by showing the incomes, costs and expenses to be expected. Budgets when well formulated become important standards against which planning progress can be measured.

### **2.2.3 BARRIERS TO PLANNING**

#### **(a) Environmental Barriers**

Most organizations operate in environments that are complex and dynamic where the environmental factors keep changing rapidly e.g. technology, politics and economic conditions. These changes make it harder to develop effective plans. Plans may become obsolete even before they are executed.

#### **(b) Poor Goal Setting**

The beginning step in planning is goal setting. If the goals set are unrealistic either they are unattainable or too low. This will hinder effective planning.

#### **(c) Resistance to Change**

By its very nature, planning involves change. Fear of the unknown, preferences for status quo and economic insecurity causes organizational members including managers to resist change and as such resist planning that might cause such change.

#### **(d) Time and Expense**

Lack of time or financial resources can limit planning. Planning takes time and the managers face many pressures and these pressures may cause them to resist planning.

#### **(e) Other Constraints**

Various situational constraints such as labour contracts, government regulations, scarce resources, natural factors and disasters may all affect planning.

### **2.2.4 AVOIDING THE BARRIERS**

Certain guidelines if followed by managers can help them deal with the roadblocks to planning. These include:

#### **(a) Planning should start at the top**

Top managers should set the goals and strategies that lower level managers will follow.

Top management committed is crucial for any plan to actualise.

#### **(b) Planners should recognize the limits**

Managers must recognize that no planning system is perfect. Planning has limits and cannot be done with absolute precision.

#### **(c) Communication**



Vertical communication within the organization hierarchy can facilitate planning. People should be let to know what is expected of them at all times.

**(d) Participation**

Managers who are involved in planning are more likely to know what is going on and therefore be motivated to contribute.

**(e) Integration**

As much as possible the long term, intermediate and short range plans must be properly integrated and the better they are integrated, the more effective the organizations overall planning system.

**(f) Contingency planning**

Managers should develop alternative actions that a company might follow if conditions change.

**2.2.5 Why people fail in planning**

Besides the barriers outlined above there are several other reasons why people fail in planning. Summarized these reasons are as follows:

- i. Lack of commitment to planning
- ii. Confusion of planning studies with plans
- iii. Failure to develop and implement sound strategies
- iv. Lack of meaningful objectives and goals
- v. Underestimation of the importance of planning premises
- vi. Failure to see the scope of plans
- vii. Failure to see planning as a rational process
- viii. Excessive reliance on experience
- ix. Lack of top management support
- x. Lack of adequate control measures

NB: Managers should remove obstacles to planning and try and establish a climate in which subordinates must plan. The following guidelines could help managers to establish a climate conducive to planning

- i. Planning must not be left to chance
- ii. Planning should start at the top

- iii. Planning must be organized
- iv. Planning must be clear and definite
- v. Goals, strategies, policies and premises must be communicated clearly
- vi. Managers must participate in planning
- vii. Planning must include awareness and acceptance of change

## **2.2.6 Principles of Planning**

### **i. Principle of Contribution to Objectives**

The purpose of all plans is to facilitate the achievement of the goals of the organization.

### **ii. Principle of Primacy of Planning**

Says that planning should precede all other managerial functions. All other management functions cannot be performed without plans.

### **iii. Principle of Efficiency of Plans**

Says that the efficiency of a plan should be measured by its contributions to objectives as offset by its costs.

### **iv. Principle of Planning Premises**

The better the understanding of planning premises, the more co-ordinated the plans.

### **v. Principle of Strategy and Policy Framework**

The more strategies and policies are carefully developed and understood the more consistent and effective plans are likely to be.

### **vi. Commitment Principle**

Logical planning should allow a period in the future necessary to foresee the accomplishment of plans.

### **vii. Principle of Flexibility**

The more flexible the plans the less the loss incurred through unforeseen events.

### **viii. Principle of the Limiting Factor**

In choosing from alternatives, only those factors that are limiting or critical to the attainment of the goals should be considered.

### **ix. Principle of Navigational Change**

The more planning decisions commit for the future, the more important it is that managers periodically check on events and expectations and redraw plans as necessary to maintain a course towards desired goals.

## **2.3 GOALS AND OBJECTIVES**

- Exactly what are organizational goals?
- How are they established?
- What is their importance in the organization?

Answers to these three questions will give the student a clear understanding of goals and help him to see how goals affect all other organizational processes.

### **2.3.1 Definition and Importance of Goals**

We have already said earlier in our discussion of management that every organization has objectives or targets that it wants to achieve. A goal is a statement of where the organization wants to be at a specific time in the future. It is therefore a target that the organization wants to hit.

A goal like any other target provides a clear purpose and direction for the organization's activities. Without goals organization's activities would be haphazard. The organization would be without direction and hence it would be subject to the whims of the environment. Without goals planning is also not possible. The statement of an organization's goal is somewhat like a constitution, it guides the behaviour of the people in the organization. Organizational goals can therefore be looked at as the results that an organization strives to achieve.

Organizational goals therefore play many roles in the organization:

- They provide employees with a sense of direction concerning where the organization wants to go or is headed. So the members are able to pool their resources and efforts together towards the stated goals.
- Goals encourage managers to use their resources more effectively and efficiently.
- Goals provide the basis for achieving organizational co-ordination
- Goals provide the basis for evaluating organizational performance as they can be used as standards against which performance is measured.

### **2.3.2 Steps in Goal Setting**

Goal setting just like planning is not a random activity but rather it is a process that follows certain distinct steps.

- i. Environmental scanning and monitoring to identify opportunities and threats.
- ii. Assessment of organizational strengths and weaknesses.
- iii. Establishment of overall organizational goals.
- iv. Establishment of unit goals.
- v. Establishment of sub-unit goals.
- vi. Monitoring of progress toward goals attainment at all levels of the organization.

This process of goal setting is affected by the various environmental factors. Important aspects of the environment that may affect goal setting include:

#### **i. Political-legal forces**

These are those forces associated with governmental and legal systems.

#### **ii. Economic forces**

These are such aspects of the economy as inflation, economic growth, interest rates and unemployment. For example during inflationary periods firms must pay more for materials and other utilities.

#### **iii. International forces**

Here factors like multinational businesses, foreign investments, foreign pricing must be considered.

#### **iv. Sociocultural factors**

These include customs and value that characterize the society within which the firm operates. These influence consumer tastes, employee attitudes and society preferences.

#### **v. Technological forces**

Which affect modes of production and communication methods also affect goal setting.

There is also the company's task environment which consists of dimensions that affect the organization specifically i.e. they are unique to it and affect it in specific ways e.g. the firms customers, suppliers, competitors and trade unions.

## Notes

- All organizations have multiple goals. Goals may be by level so that at the top goals are mainly the purpose and mission of the organization. Middle management set goals which must follow logically from the strategic goals of top management. Line managers also have goals which relate to specific projects or activities pertinent to the manager's job.
- Goals can also be by areas of function so that we have goals for marketing, financial, production and personnel departments.
- Goals may also be classified according to their time frame so that there are short range, medium range and long range goals.

In dealing with all these different goals, the manager must try to use his or her skills to balance the disparate goals into a congruent set of organizational aims. This balancing is known as goal optimization and involves a trade off between different goals for the sake of organizational effectiveness.

Optimization allows the organization to pursue a unified vision and therefore helps managers maintain consistency in their actions.

### **2.3.3 Barriers to effective goal setting and how to overcome them**

#### **(a) Setting inappropriate goals**

These are goals that do not fit the organizations purpose, mission or strategy - for example a church organization which is non-profit making aiming to earn a specified profit.

#### **(b) Setting unattainable goals**

i.e. Setting goals that are impossible to achieve. Goals should be challenging but if they are unattainable they will finally stop being an effective incentive.

#### **(c) Overemphasizing quantitative goals**

Quantitative goals are good because they can help the manager assess the extent of goal attainment. But if they are overemphasized they can discourage managers. Besides a lot of the managers work cannot be quantified e.g. improvements in morale.

#### **(d) Overemphasizing qualitative goals**

Here the manager pays too much attention to subjective goals at the expense of the quantitative goals. A manager may for example improve morale at the expense of costs.

**(e) Rewarding ineffective goal setting**

If managers who have had poor goal setting are rewarded, then others in the organization may not see the need to work diligently at goal setting.

**(f) Not rewarding effective goal setting**

If managers who set good goals are not rewarded for their efforts, this serves as a discouragement to goal setting.

These barriers to goal setting can be overcome by managers using certain guidelines to effective goal setting.

**i. Understanding the purpose of goals**

Managers must understand and appreciate that goals are only targets that are aimed at but not necessarily hit all the time. A manager who sets goals and comes close to achieving them is doing a good job.

**ii. Stating goals properly**

Goals must be stated clearly and as far as possible they must be concise, specific and they should indicate a time frame for their accomplishment.

**iii. Ensuring goals consistency**

Goals should be consistent both horizontally and vertically i.e. between functional areas and between levels of management. For example middle management goals should not contradict top management goals or goals of the marketing department should not contradict those of production.

**iv. Communication**

Once established goals must be communicated to the members of the organization so that the employees know what they are expected to do and hence work in a unified manner.

**v. Rewarding effective goal setting**

Rewarding effective goal setting can improve the process of goal setting as it serves as a morale booster.

## **2.4 THE PROCESS OF MANAGEMENT BY OBJECTIVES (MBO)**

### **2.4.1 Concept of MBO**

Management by objectives is a process that has been developed to facilitate goal setting.

Some books refer to it as management by results or management by goals.

The concept of MBO was articulated by Peter Drucker, who saw MBO as an integrative management tool that could link the goals of the individuals to those of the firm as a whole.

It is a collaborative goal setting process where the manager and the subordinate work together in setting the subordinate goals.

The MBO system starts with goal setting at the top management level. These goals are reflected as the goal setting process progresses level by level (downward) throughout the organization.

Koontz defines MBO as "a comprehensive managerial system that integrates many key managerial activities in a systematic manner consciously directed at the effective and efficient achievement of organizational and individual objectives (students need to note that there are several views about MBO, some see it as a planning tool and others as a performance appraisal tool).

Being a collaborative goal setting between the manager and his subordinate, both willingly determine goals for the subordinate on the premises that the subordinates future rewards will depend on how well he attains the goals.

It assumes that:

- Goals should start at the top and then flow down to each successive level until the bottom of the organization.
- Through the process of collaboration employees will become more committed to achieving organizational goals. They will take part in setting their own goals and will be rewarded in relation to their success in reaching those goals.

### **2.4.2 How MBO works**

Ideally the process starts at the top of the organization with the top management setting the overall organizational goals. The overall goals are then communicated to all the employees at all levels.

Each employee then meets with his superior to discuss the superior's goals and how the employee can help achieve them. The two together then set them and agree on the subordinate goals.

The superior advises the employee on how to tackle the goals. They also decide on what resources the employee needs to achieve the goals.

As the employee works towards the goals they hold periodic meetings to review and assess progress. At the end of the specified period, the superior and employee hold a meeting to evaluate the degree of goal attainment.

If the employee has succeeded, he is rewarded and they start the process again for the goals of the next period.

So in MBO the manager and his subordinate work together in setting goals, deciding what resources are needed to achieve the goals and evaluating the progress.

### **2.4.3 Strengths and weaknesses of MBO**

#### **Strengths:**

- **Better Managing**

MBO if well implemented can result in much improved managing. MBO forces managers to think planning for results. It also forces them to think of how the objectives will be accomplished, the resources necessary to achieve these objectives e.g. personnel needed. The goals set also act as a good incentive for control.

- **MBO Clarifies Organizations**

Managers are forced to clarify organizational roles and structure. It clearly shows areas of delegation of authority in order to achieve the results.

- **Personal Commitment**

It encourages employees to commit themselves to their goals. Goals which they themselves have set. Employees have a better understanding of their role and authority in the organization. Little time is wasted waiting for instructions. People know what they have to do and with what tools and they become enthusiastic masters of their own fate.

- **Development of Effective Controls**



The goals that are set in the process of MBO serves as clear results against which performance can be measured. Infact even the employee is able on his own to gauge his own performance.

Under MBO organizational energies are focused on organizational goals.

MBO helps elevate morale. If the employee succeeds he is rewarded. Pay is a motivator.

MBO also aids in personnel development and can be a superior tool for evaluation than traits evaluation.

**Weaknesses:**

- MBO is time consuming.
- Conditions in the environment change too frequently for MBO to work.
- Failure on the part of the management to teach the philosophy of MBO i.e. that it is built on self control and self direction.
  
- If not properly implemented it could be resented by subordinates especially because of the difficulties in setting goals (especially verifiable goals).
- Involves dangers of inflexibility, subordinates may stick to goals set even when conditions have changed.
- Failure to give guidelines to goal setters - MBO like any other kind of planning cannot work if those expected to set goals are not given needed guidelines. If corporate goals are vague, unreal or inconsistent then it is impossible for managers to guide employees to set any meaningful goals.
- Other influences outside the control of management.
- Danger of managers forgetting that there is more to management than goal setting.
- The multiple goals faced by managers which are impossible to state in end results or to communicate e.g. favourable company image.

**Note:**

Despite all these weaknesses if used properly MBO can enhance motivation and communication and therefore lay the foundation for a more effective organization.

## **2.5 STRATEGIC PLANNING**

### **2.5.1 Introduction**

The need to study planning starting from the area of strategic planning has been necessitated by three main reasons:

- Strategic planning has increasingly become a fact of organizational life. The presence of a strategic plan or the lack of one is usually the starting point in understanding and evaluating the work of managers. When you think about an organization, the first thing that you are likely to reflect on is "what is its strategy?"
- Strategic planning provides the basic framework within which other forms of planning should take place (all activities of an organization depend on its strategy).
- An understanding of strategic planning makes it easier to understand the other forms of planning.

A vital component in the strategy of strategic planning is the organizational goals. Without a clear grasp of these, the study of strategic planning can prove very difficult.

Organizational goals provide the basic sense of direction for the activities of that organization. The term goals is used to include purpose, mission and objectives terms which most people use interchangeably.

Purpose is the primary role of an organization as defined by the society in which it operates. It is a broad aim that applies not only to a given organization but to all organizations of its type in that society. For example we could say that in Kenya the purposes of all hospitals is to provide Health Care.

### **2.5.2 (a) Mission**

The mission of an organization is the unique aim that sets that organization apart from others of its type. It is the broad aim that a given organization chooses to pursue for itself. While the purpose of all hospitals in Kenya is to provide Health Care, the missions of the various hospitals differ. For example the mission of IDH is to provide Health Care in the field of infectious diseases only, while for Pumwani Hospital it is to provide Maternity Health Care. The mission statement specifies four factors:

- The customers which an organisation caters for

- The identified needs of the customers
- The products or services plus the values to satisfy customers, and
- The boundaries of organisational operations.

The purpose of all universities is to produce graduates but for Kenyatta University the mission is to produce graduates in Education, while Egerton University is to provide graduates in Agriculture.

Objective is the target that must be reached if the organization is to achieve its goals.

Objectives are the translation of the mission into specific, concrete terms against which results can be measured.

Strategy is the broad program for achieving the organizations objectives and thus implementing its mission. Program implies an active conscious and rational role played by managers in formulating the organizations strategy.

Strategy can also be defined as the pattern of the organization's response to its environment over time. It links the human and non human resources of the organization to the challenges and risks posed by the outside world.

### **2.5.2 (b) What is Strategic Planning?**

Strategic planning has been defined (Stoner) as the formalized, long range planning process used to define and achieve organizational goals.

It involves:

- Defining the organisational mission
- Analyzing the situation (internal and external environments)
- Selecting organisation's goals and objectives
- Determining the policies and strategic programs necessary to achieve goals and objectives
- Establishing the methods necessary to assure that the policies and strategic programs are implemented and
- Matching the selected strategies with the identified opportunities and threats in the external environment.

Strategic planning has the following characteristics:

- deals with fundamentals of basic problems by providing answers to such questions as "what is our business?", "what business ought we to be in" "who are our customers and who should they be?"
- provides a basis for more detailed planning and for day to day managerial decisions.
- involves a longer time frame than other form of planning
- it is a top level activity - top management must be actively involved as they are the ones with the information necessary for strategic decisions.
- it helps to integrate and unify the actions of the organization over time.
- it provides guidance and boundaries for operational planning

**Note**

Students must differentiate between strategic planning and operational planning (Operational plan is done at low levels and its main focus is current operations and efficiency).

Summarized the main differences between the two are:

- Operational planning's objective is present profits while strategic planning's objective is on future profits.
- Operational planning mainly focuses on operation problems while strategic focuses on longer term survival and development.
- Operational planning faces present resources environmental constraints while strategic is concerned with future resources environmental constraints.
- Operational planning deals with information relating to present business while strategic deals with information relating to future opportunities.
- For operational planning rewards are mainly current efficiency and stability but for strategic they are the development of future potential.
- Organization in operational planning is traditionally bureaucratic while with strategic planning, it is mainly flexible/entrepreneurial.
- Leadership for operational planning is traditionally conservative but for strategic planning leadership is sensitive to radical change.

- In operational planning problem solving is mainly reactive, relying on past experience and situation analysis while with strategic planning problem solving is flexible always trying to anticipate new approaches. In a nutshell operational planning is low risk while strategic planning is high risk.

### **2.5.3 Why the growing need for strategic planning**

Managers find that the definition of the mission of their organization in specific terms (as advocated by strategic planning) gives their organization direction and purpose.

Strategic planning therefore results in better functioning of the organization because it helps managers develop a clear cut concept of their organization and this in turn makes it possible to formulate the plans and activities that bring the organizations closer to its goals.

Strategic planning helps managers to prepare for and respond to the increasingly complex and dynamic environment. They are able to anticipate changes in the environment and prepare for them. Certain environmental changes that continue to increase the need for strategic planning include:

- a) Increasing rate of technological change
- b) The growing complexity of managerial jobs
- c) Growing complexity of the external environment  
e.g. politics, culture, society and environmental issues etc.
- d) The time lag between current decisions and their future results.

With all these changes managers cannot afford to take a short term perspective of their organizations. They need to look more into the future and integrate it with the present if their organizations are going to survive.

### **2.5.4 The formal strategic planning process after establishing the mission.**

#### **Step 1: Goal formulation**

Setting the goals of the organization is the most essential step in strategic planning, because this step defines the mission of the organization and establishes the objectives that will help translate that mission into concrete terms.

## **Step 2: Identification of current objectives and strategy**

After the mission has been defined and translated into objectives, managers must identify the objectives that are already in place and see how well they fit in the newly defined mission.

## **Step 3: Environmental analysis**

Tries to identify which aspects of the environment will have the greatest impact on the organizations ability to achieve its objectives. This step tries to identify the ways in which changes in any of the environmental factors facing the organization (e.g. economics, technological, political/legal and sociocultural) can indirectly influence the organization.

Only those factors that are crucial should be paid attention to. At this stage managers should also try and anticipate the reactions of such groups as competitors, customers, suppliers and government agencies to a new strategy.

## **Step 4: Resource Analysis**

This step helps to identify the organizations competitive advantages and disadvantages i.e. its strengths and weaknesses. Here management answer questions such as "what do we do well or poorly" "what are we able to do better/worse than others" "in which resources are we weak?" "which resources do we possess in abundance?"

In these steps, profiles of the organization's resources should be developed, key success requirements of the product/market segments should be determined and a comparison made between the resource profile and the key success requirements to determine the major strengths on which a strategy can be based. A comparison between the organizations strengths and weaknesses and those of major competitors.

### ***Revision questions:***

- I. What are some of the growth strategies that can be applied by an organization**
- II. Discuss the importance of planning**
- III. Highlight the principles of planning**

**Further Reading:**

1. George terry and Franklin, "Principles of Management", Delhi, 1998
2. Peter Drucker, "Management, Tasks, Responsibilities and Practice", Hauper and Row, 1987

## **TOPIC FIVE**

### **5.0 ORGANIZING**

*By the end of the topic you should be able to:*

- 1. State the principles of organizing*
- 2. Discuss the organizational structures that are easily available in companies*
- 3. State the factors that are considered in choosing the span of management*

#### **MEANING OF ORGANIZING FUNCTION**

The word organization has two common meanings. The first meaning signifies an institution, for example we refer to a school as an organization. The second deals with organization as a process i.e. the process of organizing which is the second basic managerial function and which mainly refers to the way work is divided and allocated among members of the organization with the aim of goal attainment.

The process of organizing involves balancing a company's needs for both stability and change. It is the structure of an organization that gives stability to the actions of its members. Change is adapted by altering an organizations structure. This lesson is going to focus on the process of organizing with particular attention to the basic elements of the process of organizing which include:

Division of work, departmentation, co-ordination, span of management, authority and power, line and staff relations and organizational design.

#### **3.1.1 Definition of Organizing**

Koontz defines organizing as "the grouping of activities necessary to attain objectives, the assignment of each grouping of activities to a manager with authority necessary to



supervise it, the provision for coordination vertically and horizontally in the enterprise structure.”

Another definition refers to organizing as the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of ensuring people to work together effectively.

Specifically organizing is the process of grouping activities and resources in a logical and appropriate fashion.

Most organizations start in one form and then evolve into other forms as they grow, shrink or otherwise change. Organization process involves shaping the organization as it grows, shrinks or changes.

Any step or activity that is undertaken and which leads to changes in the organization e.g creating new jobs is part of the process of organizing. One can never truly finish the process of organizing. New opportunities, threats and challenges keep arising and these cause the manager to modify or adjust his organization.

## **3.2 THE PROCESS OF ORGANIZATION**

### **3.2.1 The Key Organizing Components and Concepts**

The process of organizing involves certain key components and concepts which actually constitute various aspects of an organizational structure. These include:

- (a) Job design
- (b) Grouping of jobs
- (c) Authority and responsibility
- (d) Coordination
- (e) Span of management
- (f) Line and staff relations

#### **(a) Designing Jobs**

Job design is the process of determining what procedures and operations are to be performed by the employees in each position.

The basis for all design job activities is job specialization which involves a definition of the tasks that distinguish one job from others. Jobs are broken into small simple and separate operations in which each work can specialize.

Because no one person is physically able to perform all the operations in most complex tasks, and no one person is able to acquire all the needed skills for a job, there is need to specialize and divide work according to the areas of specialization. Job specialization therefore has certain advantages: People are able to become experts in their areas of function, simplified tasks can be learned in a relatively short time and can be completed quickly, the availability of a variety of jobs makes it possible to choose. Managers are able to exercise greater control over workers, as they can easily observe and monitor employees doing simple jobs. However it is possible to overspecialise and this has various disadvantages: It can lead to boredom and dissatisfaction, and staff may look for more exciting work elsewhere, too much time may be spent passing the work from one person to another so that efficiency is actually reduced.

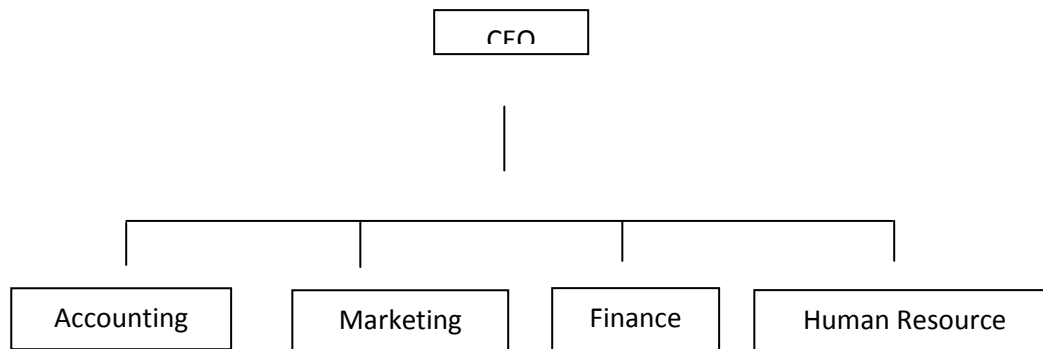
The limitations of job specialization can however be overcome by using other alternatives to specialization. These include:

- Job rotation: where employees are rotated across several narrowly defined and standardized jobs.
- Job enrichment: where there is more discretion or freedom how jobs may be completed.
- Job enlargement: where the job is changed to include more activities.

#### **(b) Grouping jobs (departmentalization)**

After jobs have been designed the next step in organizing process is to group them into logical sets. The step is important because properly grouped jobs make coordination and integration of activities much easier. This process of grouping jobs is known as departmentalization. Departmentation usually groups jobs according to one of these three bases: function, product and location.

Departmentation by function—in this form of departmentation employees who are involved in the same or very similar functions are grouped together. Most organizations using this form of departmentalization end up with the four basic functional departments: marketing, production, finance and human resource.



Departmentalisation by function has certain advantages:

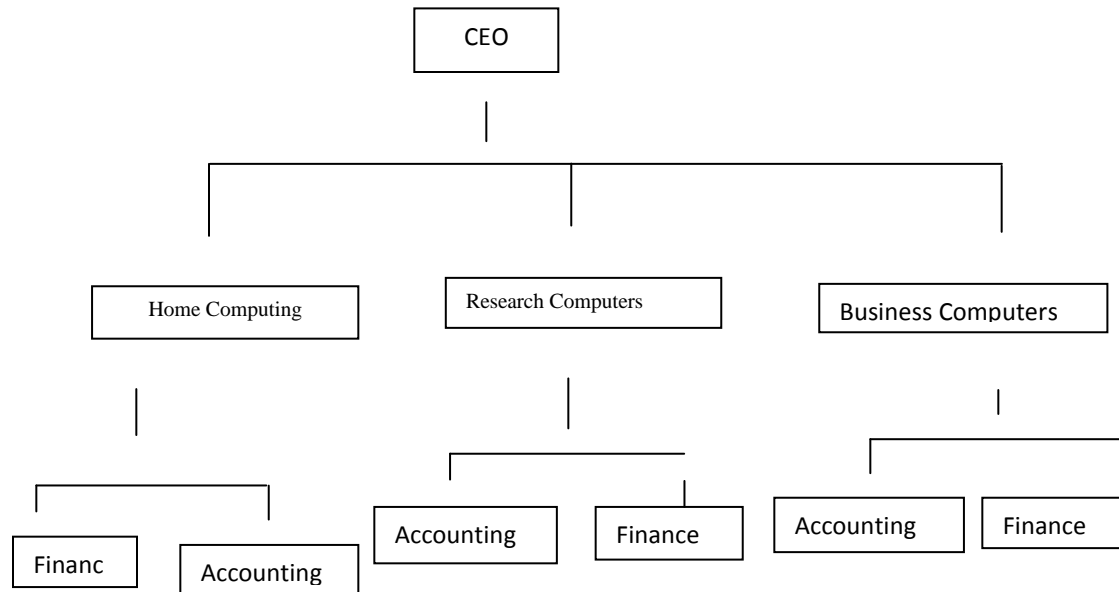
- It is logical because it groups like or similar activities together. This facilitates specialization which could lead to increased productivity.
- Coordination is improved since work is not duplicated.
- It also contributes to organizational simplicity.
- Each department is staffed by experts in that particular function and therefore managers in charge of each function can keep close control of the activities.

Departmentalisation of functional areas also has certain limitations. It is ideal for small organizations but as the organization grows some weaknesses become apparent and complex.

- The chain of command becomes excessively long as new levels are added. This may slow down communication.
- It does not allow departmental managers to develop much understanding of the activities in other departments—so it becomes difficult to develop well rounded executives.

- It tends to slow decision making. Employees might concentrate so much on their functional specialities that they lose sight of the total organization.

**(b) Departmentalisation by product**



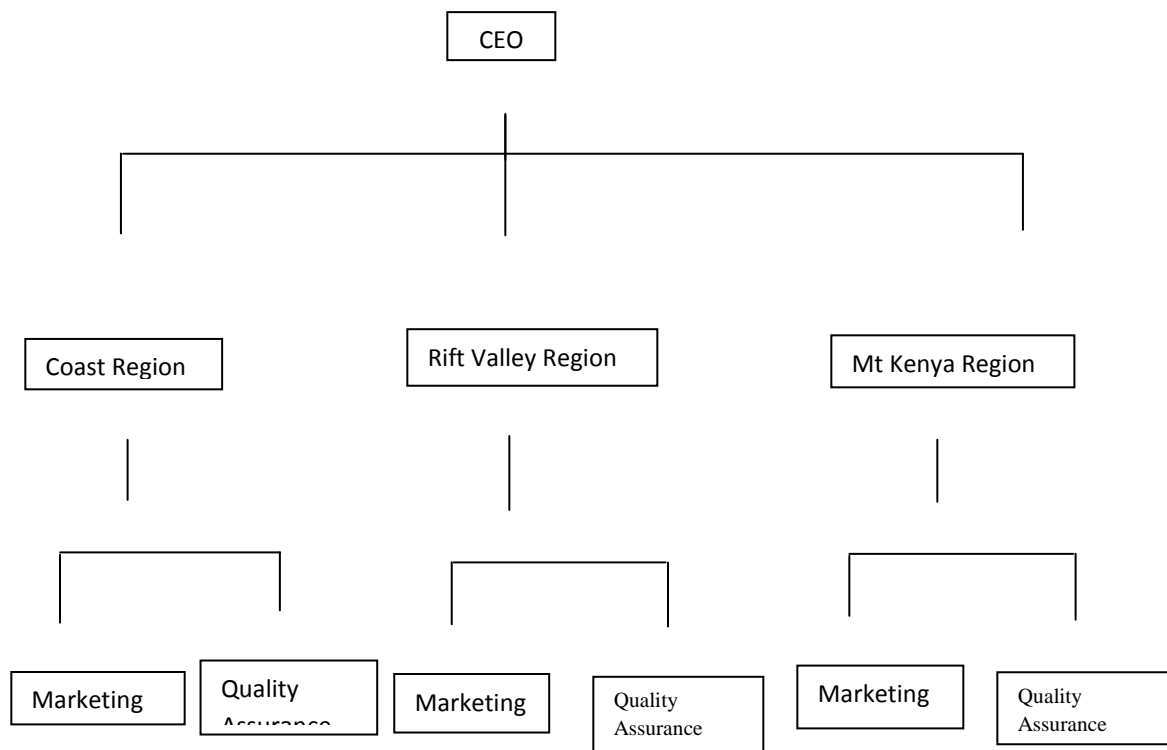
Here the activities associated with individual products or closely related product lines are grouped together. It is extensively used in many retailing and manufacturing organizations. This form of departmentalization has certain advantages:

- All activities associated with unique products are kept together;
- It facilitates use of specialised capital, facilitates a certain type of coordination and permits maximum use of personal skills and specialized knowledge.
- Internal competition is promoted—one product line competes with another. The performance of the manager of a product is measured in part by comparing his results against those of the manager of another product. A good example in Kenya would be EAI and its brand managers.
- Profitability of various products is more easily evaluated. It is possible to determine which products or product lines are making losses.

This form of departmentalization also has certain disadvantages:

- additional management personnel may be required to handle different product lines.
- some duplication of efforts may result. Each product line may require its own accountant, engineer, marketing and production staff. Personnel costs may as a result outweigh the benefits of product departmentation.
- Coordination may be difficult. This is especially true for firms with many product lines i.e. complex organizations.

### Departmentalization By Location



Here jobs that are in one location or nearby locations are grouped together into one department and allocated a manager.

As an organization grows bigger geographical departmentation becomes necessary with geographical departments. Ultimate authority for performing the basic organizational functions is still retained by headquarters, but some authority for their performance is delegated to the departments on a geographical basis.

In departmentalizing by location considerations for the following must be made, economic factors, climatic factors, legal and political factors and convenience to customers.

**Advantages:**

- Decentralization allows the branches to react to local conditions more appropriately.
- Faster decisions because consultation with headquarters is minimised.
- Provides a good training ground for general managers.

**Problems:**

- Control—remote branches feel too independent and thus hinder control.
- Branches are expensive to run.
- There is duplication of resources especially human resources.

**(d) Other forms of departmentalization**

There are several other ways in which an organization could be departmentalized. These include among others:

- departmentation by customers—here activities are grouped so that they can serve the needs of specific customers. Used in businesses where customers have heterogeneous characteristics e.g. foreign and local buyers, domestic and industrial consumers or even in hospitals according to patient needs.
- manufacturing firms also often group activities around a process or type of equipment—here people and materials are brought together in order to carry out a particular operation.
- departmentation of sequence occurs when a sequence of numbers or other identifying characteristics defines the separation of activities.

**Note**

The discussion above has considered bases of departmentation in their pure form, but in reality most organizations use multiple or combined bases. A firm could, for instance use product departmentation at the top but departmentalize each product group by function. Each marketing department could then be broken down by location. Bases of departmentalization could also be mixed at the same level.

Matrix Design (page 21)

- Division Design (page 22)

### **3.2.3 Authority and Responsibility**

This involves the determination of how authority and responsibility are managed in the organization. At the level of individual manager and his subordinates it involves the delegation process. At the level of the total organization it relates to decentralization.

#### **(a) Delegation**

Delegation can be defined as the act of assigning formal authority and responsibility for completion of specific activities to subordinates.

Delegation is necessary since no superior can personally accomplish and supervise all the tasks in the organization.

Delegation to subordinates does not make managers any less responsible to their superiors.

Delegation of responsibility does not mean abdication of responsibility by the delegating managers. After delegation the delegating manager still retains the responsibility for the accomplishment of the tasks. In short the delegating manager must answer why a delegated activity was not done, remains responsible for any necessary mistakes caused by subordinates to whom he delegated. In other words one does not delegate responsibility because responsibility always remains with the delegating manager.

The extent to which managers delegate authority and accountability is influenced by such factors as the culture of the organization, the specific situation involved and the relationships, personalities and capabilities of the people in that situation.

In delegating the manager must first assign responsibility, then he must grant the authority necessary to carry out the task and finally he must create accountability.

#### **Barriers to delegation**

Managers may be reluctant to delegate because of several reasons:

- Negative personal attitudes—some managers may lack confidence and trust in their subordinates and therefore find it difficult to delegate to them.

- Unreceptiveness of other peoples views—some managers are unable to welcome other peoples views.
- Unwillingness to let go—delegation entails willingness to give others the right to use their discretion. Managers who are unwilling to part with some of their authority find it difficult to delegate.
- Unwillingness to let others make mistakes—mistakes are part of learning and subordinates must be allowed to make mistakes, but managers who fear to be let down by subordinates mistakes will not delegate easily.
- Perceived threat— superiors are usually afraid of being replaced or outshone by brighter and better educated subordinates, and hence may limit the authority they pass to them.
- A feeling of inadequacy—a manager who is not competent fears that they will expose their lack of skill through delegation.

#### Guidelines For Effective Delegation:

The guideline presented in the following sections can help ensure that authority is delegated properly:

#### **1. Grant proper amount of authority**

This is the principle of parity of authority and responsibility. It means that responsibility for results cannot be greater than the authority delegated. Conversely responsibility should not be less than the authority delegated. Enough authority should always be delegated to achieve the desired results. Failure to delegate the necessary authority to discharge the responsibility implies that subordinates should not be held responsible for it would be both unsatisfactory and inequitable. At the other extreme too much authority can result in a manager's "running away" from the situation to the detriment of the organization e.g. too much authority over money may lead to misappropriation and improper investments by managers.

#### **2. Define the results expected**



Another helpful approach is for the delegator to make sure he or she has clearly defined the results expected. If a manager defined precisely what is to be done, he or she is in a much better position to decide how much authority to delegate.

### **3. Consider the capabilities of the subordinate**

In delegating it is important that the manager considers the experience background and intelligence of the person to whom authority is to be assigned. Generally the more able the individual, the more authority the person will be able to handle. However, allowances for mistakes should be made.

### **4. Make sure the authority is clearly stated**

If authority is not clearly explained problems can develop. Authority relationships should be clear not only to the subordinates but to all others concerned as well. The person in charge should be known to everyone involved in an activity i.e. all those concerned should know where authority resides.

### **5. Modify the authority whenever necessary**

Managers should maintain a flexible attitude about what kind of and how much authority to delegate. Because of changes in the external environment (new laws, economic conditions etc.). Authority is always revocable or subject to modification. It can always be taken back, increased, decreased, or otherwise changed by the person who granted it in the first place.

### **6. Follow unity of command and chain of command**

Ideally, authority should be delegated so that each individual reports to only one superior. Doing so is often not possible because of the need for staff specialists, who frequently are given functional authority.

It is also important for each person to know the source of authority delegated to him or her. Each manager at all levels should know what decisions should be made by him or her and what decisions must be passed upward to a superior. When this chain of command is violated, the working authority of a manager is endangered.

### **7. Develop a willingness to delegate**

Without delegation no organization can function well, and some of the largest obstacles to effective delegation are psychological. Lack of courage to delegate properly and of the knowledge of how to do it is one of the most general causes of failure in an organization. Many managers are afraid to delegate authority because they fear the subordinate will not perform satisfactorily and thus will make them look bad. Two observations are in order in dealing with fear of subordinates. First, an effective organization is never built by holding good people back. Second, an old maxim in management states, "managers are judged not by what they do but by what they cause others to do".

### **8. A supportive climate**

A supportive managerial climate free of fear and frustration should prevail. Mistakes should be treated as teaching points and not causes for reprimand. A supportive and positive attitude towards subordinates should be maintained. Participative management styles are more suitable than authoritative ones for effective delegation.

### **9. Free communication**

Delegation works best where superiors and subordinates communicate freely.

### **10. Control techniques**

Control ensures that the delegated authority is not being abused. Control tools should not however interfere with the day to day work of subordinates.

### **Advantages of delegation**

- Delegation enhances prompt action as no consultation is needed before decisions are made.
- It enables the superiors to perform higher levels of work. This is because decisions are made at the lowest competent levels.
- It helps subordinates develop themselves professionally by doing challenging work. Subordinates become competent.
- Decisions are likely to be better as they are made at the lower levels of the organization close to where the problems are.
- Delegation also improves morale. Delegation means job enrichment and management by objectives which enhance morale and commitment.

### **Disadvantages of delegation**

- the subordinate may make a serious mistake regarding the delegated work, but the superior will take the blame.
- the subordinate may have the knowledge and skills to do the delegated work, but he or she may not put in maximum effort as the superior would do.
- if you assign responsibility without authority, the delegated work will not be properly done.
- If you delegate work to someone who avoids decisions he will not make mistakes but the work will suffer.

### **(b)Decentralization**

The results of maximum delegation throughout the organization is decentralization. Under decentralization power and control are systematically delegated to lower levels in the organization.

In general decentralization is pursued when the environment is complex and uncertain, when lower level managers are talented and want more say in decision making and when the decisions being made are relatively minor.

The opposite of decentralization is centralization, by which power and control are systematically kept at the top of the organization. Decentralization as a philosophy of management involves:

- Selectively/determining what authority to push down to subordinates.
- Developing policies and procedures to guide subordinates on how to use this authority.
- Controlling the use of this authority.
- Geographical relocation of activities.

### **Factors determining the degree of centralization or decentralization:**

- Number of decisions made at lower levels. The greater the number the greater the degree of decentralization.
- The importance of the decision—if decisions at lower levels affect important aspects of the organization, then the degree of decentralization will be restricted.
- Costliness of decisions—this is probably the most important factor as managers are reluctant to delegate authority for crucial decisions. Generally the more costly the action to be decided, the more likely that it will be made at higher levels.

- Need for uniformity in policy—usually where uniformity of policy is required centralization is favoured.
- Size of the organization—usually the larger the organization the more the need to decentralize. Larger organizations with larger numbers of people must be divided to fairly autonomous divisions to facilitate efficient management.
- Management philosophy i.e. the orientation of top management.

### **Advantages of decentralization**

- People working in the line units can make quick decisions without reference to their superiors all the time.
- High morale and staff motivation exists because the middle and junior managers are encouraged to use their initiatives to be responsible for their work.
- Decisions concerning conditions and situations are flexible and adaptable. This is useful for rapid changes in the organisation and beneficial in the competitive market.
- Top managers are relieved of work overload which is diffused. They can get more time to put their efforts on policies, objectives and strategies. This is useful for growth, expansion and better profitability in their organisations.

### **Disadvantages of decentralization**

- It is difficult to get capable managers who are well motivated to be responsible for handling additional responsibility.
- Decentralization may lead to inconsistent treatment of customers or members of the public. This may lead to loss of business if the market has major competitors.
- Decentralization leads to ineffective communication unless adequate control systems are established in the organisation.
- Parochial attitudes may be developed by some subsidiary units in the decentralized organisations. They may consider their own needs instead of the corporation needs.
- It is difficult to exercise effective control and co-ordination of activities in decentralized organisations. The individual units can sometimes work against the corporate goals and objectives.

## **Conclusion**

An organisation is better off if it uses a decentralised structure but maintain adequate control and co- ordination of all functional activities.

## **Centralization**

An organisation is centralized if its main areas of authority are handled by a few senior managers in the head office. The managerial functions of planning, research and development, personnel and finance functions are not delegated with enough authority. There is little diffusion of appropriate authority because the senior managers at the centre do not want to delegate more work to their subordinates.

### **Advantages of centralization**

- Decisions are made quickly and co-ordinated easily at one point.
- Top managers take a wider view of problems and consequences. A proper balance is maintained between different departments and functions especially regarding resource allocation.
- Quality of decisions are theoretically supposed to be higher because of senior manager's better skills and experience.
- Crisis decisions are taken at the centre more quickly without any need to refer back to get authority.
- Policies, regulations and procedures can be standardized organisation-wide.
- Finally it is possibly cheaper to reduce the number of managers as this will lower the overhead costs.

### **Disadvantages of centralization**

- Rules and regulations are functional hence the employees feel that their superiors issue orders to hold powers over the subordinates. This reduces the effectiveness of interpersonal communication and increases tensions between the superiors and their subordinates.
- Rules are dysfunctional because employees use them to learn the meaning of minimum behaviour and productivity which is expected from them.
- Complexity of decisions and bureaucracy leads to slow decision making process.

Innovation and creativity are discouraged. The subordinates do not have chance to think and make their decisions which they have initiated.

- Customer responsiveness is slow as the top managers are not near their customers.
- Centralized organisations tend to be bureaucratic and slow to adapt to new changed conditions.
- Control system is outdated because feedback on errors is used to initiate correction after the problems have happened but not preventing such problems.

If the key groups of managers at the centre want to delegate more work to their subordinates then they must give appropriate authority to the employees.

### **3.2.4 Span of Control**

The fourth element of the process of organizing is the concept of span of control also known as span of management. Span of control refers to the number of subordinates that one manager can supervise directly.

The manager faces certain limitations, he has limited time, limited personal capability and he can only give attention to and concentrate only on a limited number of subjects at a time. These limitations support the concept of span of control and also indicate that the optimum span varies among individuals and among organizations.

The principle of span of control states that, the number of subordinate positions directly reporting to a superior position should be that number which is considered as optimum and which balances:

1. the essential subordinate activities
2. the spans of personality knowledge, energy and attention of the superior
3. the communication and
4. the expenses associated with additional levels of management.

The actual span of control cannot be rigid and universal. It should be determined on the basis of:

1. Personal quality of both the superior and subordinate and

2. The number of important activities at the next lower level of the organization structure.

The span of control will therefore vary according to the following factors:

- Ability of both subordinate and boss—where they are both capable and competent then a large span is possible.
- Level of the superior in the hierarchy—the higher the superior is in the organizational hierarchy, the narrower the span of control.
- Faith in the subordinates (if the superior has faith in subordinates then there will be a higher span due to more delegation.
- Nature and type of work (if work is highly dynamic and volatile then a narrower span is favourable.
- Physical dispersion of subordinates—if subordinates are scattered in several locations then the manager can only supervise a few.
- Number of other non supervisory duties of the manager—if the manager has many other non supervisory tasks, then he can only supervise less subordinates.
- Need for communication (if need for communication is frequent then a limited span is preferable.
- The type of organization and management—clear and comprehensive plans and policies at all levels reduce the volume of personal decision making of the manager—therefore its span of control can easily increase.

#### Tall and Flat Organizations

The number of the span of control affects both group effectiveness and overall organizational effectiveness. A manager who has a large number of subordinates is said to have a wide span of control. One who has few subordinates has a narrow span of control. A wide span of management results in an organization that has relatively few levels of management—a flat organization. A narrow span adds more layers of management and therefore leads to a tall organization.

In general flat organizations tend to be characterized by greater communication between lower and higher management, greater ability to respond to environmental changes and lower total managerial costs.

Spans tend to be larger when:

- people are competent
- people prefer low supervision
- tasks are similar
- work is standardized

Spans tend to be smaller when:

- people are widely dispersed
- manager has a lot of other work
- required interaction is high
- new problems frequently arise

The span of control has direct effect on communication and therefore on effectiveness.

Where the span is narrow and therefore the structure is tall, there may be ineffective, inaccurate and incomplete communication due to the many levels and this could lead to decreased morale and increased executive payroll besides the possible redtape that may accompany the many levels.

With short structures where the span is wide, supervision and control may be unsatisfactory and this may lead to decreased productivity or increased costs of training high calibre managers.

### **3.2.5 Line and Staff Relations**

Line and staff relationships are important in organizations but this is one area of management that causes much confusion and conflict.

Line authority follows from the scalar principle as being that relationship in which a superior exercises direct supervision over a subordinate. They are therefore the positions in the direct chain of command with specific responsibility for accomplishing the goals of the organization.

Staff positions are advisory. Their function is to investigate, research and give advice to the line managers who they support. Staff positions are therefore outside the direct chain of command and are primarily supportive in nature.



These distinctions between line and staff are becoming less clear as managers realize that everyone in the organization is part of the same team and that all are important for effectiveness.

The distinction is however important as a way of organizational life. Superior and subordinates must know whether they are acting in a staff or line capacity. If staff, they must realize their job is to advise and not command. The commands and the decisions must be made by the line superiors through the chain of command.

### **3.2.6 Co-ordination**

If work activities are divided and departmentalized, it is necessary for managers to coordinate these activities to achieve organizational goals.

The ability of managers to achieve effective coordination depends in part on the number of subordinates reporting to them. The number of subordinates reporting to one manager constitutes his or her management or span of control. The larger the span the more difficult it may be to coordinate and supervise the activities of subordinates.

Coordination is the process of integrating the objectives and activities of the separate units (departments) of an organization in order to achieve organization goals effectively.

Without coordination, individuals and departments would lose sight of their roles within the organization.

The need for coordination depends upon the nature and communication requirements of the tasks performed and the degree of interdependence of the various subunits performing them. When these tasks require or can benefit from information flow between units then a high degree of coordination is best.

A high degree of coordination is also likely to be beneficial for work that is non routine and unpredictable for work where environmental factors keep changing, for work in which tasks are highly interdependent (i.e when one unit cannot function without receiving inputs from another unit) and for organizations that set high performance objectives.

### **Co-ordination of activities**

Co-ordination is the linking of activities in the organisation that serve to achieve a common goal or objective. As task activities are divided in the organisation managers must attempt to develop mechanisms that will link the task's together so that a desired goal is

accomplished. The result of linking activities is the creation of various forms of activity interdependence. The degree to which activities are interdependent can vary from high to low. There are four configurations of activity interdependence:-

- Pooled
- Sequential
- Reciprocal
- Team

**a) Pooled interdependence: -**

It exists where there is minimal direct contact between individuals or groups performing an activity. Work does not flow between activities rather the results of the activities are “pooled” at a higher level in the organisation. Each member of a planning staff may be individually assign the task of investigation and preparing a forecast on a specific domain of the organisation’s environment.. After each member has performed the task, forecasts are submitted to the vice-president strategic planning who has the task of integrating them into a broader long-range plan.

Co-ordination is most readily achieved through standardization eg. have rules and regulations, imposing direct supervision and creating training programs. Rules and guidelines for each task performed separately there could be deadlines for the submission of the reports to the vice-president.

**b) Sequential interdependence:**

A greater degree of interdependence exists when the output of one activity becomes the input of another activity. It is mainly found in an assembly line where a worker may install package a product the next one puts the label.

Co-ordination is achieved in sequential interdependence through standardization which emphasises on the use of plans and schedules.

Setting deadlines, establishing performance targets, and identifying linkages between activities are all critical managerial decisions that must be made before units engage in the work process.

Sequential interdependence therefore requires workers to spend time planning so as to achieve an effective level of co-ordination.

### **c) Reciprocal interdependence:**

When units provide each other with activity inputs to co-ordinate, mutual adjustment is required. Mutual adjustment is the process of direct communication and joint decision making among units involved in the task activities.

For example a legal department in a savings and loan business may review applications borrowers that were submitted to the loan department. After an application form is reviewed and changed it is sent back to the loan department so that the request or denial of the loan can be processed. The output of the loan department becomes the input for the legal department and the output of the legal department becomes an input for the loan department. Thus there is a two-way flow between departments.

### **d) Team interdependence:**

The most intense form of interdependence results when completion of activities requires teamwork. Team interdependence exists when work is interactive or acted on jointly by members of different groups or units rather than simply being transferred back and forth. It is mainly used

when an activity cannot be broken down easily into distinct tasks because there is uncertainty over what tasks have to be performed in order to accomplish the goal.

Teamwork requires plans, standardisation, mutual adjustment and most important direct contact among activity participants. Physical separation makes co-ordination through teamwork difficult to accomplish.

The need for coordination of organizational activities is least with pooled interdependence, greater with sequential interdependence and greatest with reciprocal interdependence. As the need for coordination increases so does the difficulty of achieving it effectively.

Similarly, increased specialization increases the need for coordination. But the greater the specialization, the more difficult it is for managers to coordinate the specialized activities of different units. People in specialized units tend to develop their own sense of the organizations goals and how to achieve them.

### **Problems in Achieving Effective Co-ordination**

**(a) Differences in orientation towards particular goals:**

members of different departments develop their own views about how best to advance the interests of the organization. Accounts may see cost control as most important to the organization's success, sales people may see product features as more important than product quality etc. i.e. people are buried in departmental attachments.

**(b) Differences in time orientation**

time periods mean different things for the various specialists e.g. research people may be pre-occupied with problems that will take years to solve while production managers may be concerned with problems that must be solved immediately.

**(c) Differences in interpersonal orientation**

members of different departments may have different approaches to interpersonal relationships and especially to communication. Some may adopt a relaxed attitude to communication while others are abrupt and quick in decision-making.

**(d) Differences in formality structure**

each type of unit in the organization may have different methods and standards of evaluating progress toward objectives and for rewarding employees.

**Note:**

Division of work involves more than a difference in precise activities. It also influences how we perceive the organization, how we perceive our role in it and how we relate to each other.

Such differences are essential as they enable the organization to match individual talents, skills and perspectives to the specialized needs of different tasks and activities.

Coordination must be achieved where necessary without reducing the differences that contribute to task accomplishment.

Division of work and specialization are desirable to help the organization use its resources most efficiently. Differentiation encourages conflict among individuals and organizational subunits. Various members of the organization present their view points argue them out openly and make sure they are heard and that way they force managers to consider the special needs and knowledge of different departments when problems arise.

## **Achieving Effective Co-ordination**

Communication is the key to effective coordination

Coordination is basically information processing task—the greater the uncertainty of the task to be coordinated the greater the need for information. The three approaches to achieving effective coordination are as follows:

- The first employs the basic management techniques:  
the managerial hierarchy, plans and goals to give general direction to activities and rules and procedures to guide these activities.
- The second approach becomes necessary when the organization's various subunits become more interdependent, expand in size and the basic coordination mechanisms of managerial hierarchy, rules and procedures, and goal setting become inadequate. The approach focuses on increasing the coordination potential by investing in:  
(communication)
  - vertical information system e.g. the modern MIS—a means of which data are transmitted across the levels of the organization.
  - By creation of lateral relationships i.e. cutting across the chain of command by permitting information to be exchanged and decisions made at hierarchical levels where the needed information actually exists e.g. direct contact between individuals who must deal with the same situation.
- The third approach to achieving effective coordination is by reducing the need for coordination. This may be done through:
  - Creation of slack resources—additional resources give extra leeway to working units e.g. providing more workers, materials or time can ease problems.
  - Creation of self contained jobs—each unit is provided with all the resources and information needed to function without having to share resources with other units.

### **3.2.7 Principles of Organizing**

Before looking at the various principles that guide the establishment of effective formal organization, students must familiarize themselves with the concepts of formal and informal organizations.

#### **(a) Formal Organizations**

An organization is formal when the activities of two or more persons are consciously coordinated towards a given objective. A more detailed definition refers to a formal organization as a planned system of co-ordinating the activities of a group of people for the achievement of some identified common goal, objectives or purpose. This is done through division of labour and functions plus a hierarchy of authority and responsibility. The formal organization is highly structured, is deliberately created with clear roles and positions and with clearly stated objectives it can clearly be represented on an organizational chart.

A formal organization comes into being when:

- persons are able to communicate with one another
- when they are willing to act and
- when they share a purpose

#### **(b) Informal Organizations**

An informal organization will always appear within the formal organization. This primarily arises from interpersonal interactions. As people relate to one another they tend to form into groups with certain norms of behaviour irrespective of those defined by the formal organization. The informal organization is highly flexible, often with undefined relationships, spontaneous membership and no official leader.

#### **(c) Principles of Formal Organization**

The attainment of goals should be the reason for any formal cooperative activity. However there exists certain principles that could be used to guide the establishment of formal organizations.

##### **1. Unity of Objective**

It states that all individuals in the organization and the departments to which they belong should contribute to the principal objectives of the organization.

So an organization structure is effective if it facilitates the contribution of individuals in the attainment of organizational objectives.

## **2. Principle of Efficiency**

An organization structure is efficient if it facilitates accomplishment of objectives by people with the minimum possible costs and other unsought consequences.

## **3. Scalar Chain**

States that authority should flow directly and clearly from the top executive downward to each successive level in the organization until the bottom. The principle implies that best results are obtained when a clear chain of command is established and followed.

## **4. Adequacy of Authority**

This means that each manager in the organization should be given sufficient authority to achieve the desired results.

## **5. Responsibility for Results**

States that even if a superior delegates adequate authority to a subordinate, the superior is still responsible for the results if the goal is not attained.

## **6. Accountability**

The responsibility for results principle does not however relieve subordinate managers of their responsibility to perform. It holds that when managers accept a plan from their superiors, they are duty bound to carry it out i.e. they are accountable to their superiors for the results.

## **7. Division of Work**

States that work should be divided and grouped in a logical manner in order to eliminate duplication of effort and other forms of waste.

## **8. Unity of Command**

Ideally the principle states that each individual in an organization should report to only one superior. However this principle is often violated. In organizations there are many people who are responsible to two or more persons. Failure to adhere to the principle of unity of command may result into confusion because the individual is not sure of the superior to whom he/she reports; or she/he fears that if allegiance

is shown, to manager A, probably manager B will be offended and he can take punitive measures. Inefficiency can arise if the subordinate serves both A and B then some of his/her work falls below perceived standards.

The principles should not be viewed by managers as absolute measures but rather as guidelines that must be applied in the light of the circumstances prevailing in the organizations. It is possible to find that some of the principles are completely inapplicable to some of the local firms in Kenya especially due to the nature of ownership and size. For example in a small family concern where different members of the family run the firm together, the unity of command principle may prove difficult to apply.

### **3.3 APPROACHES TO ORGANIZATIONAL DESIGNS**

Organizations design can be defined as the overall configuration of positions and interrelationships among positions within the organizations. All organizations have certain things in common.

- they have objectives and goals
- they have a structure
- they use one or more bases of departmentalisation
- have line and staff relations

But no two organizations are exactly the same. Some may have wider or narrower spans, some are highly centralized, others decentralized, some are highly structured etc. The exact determination of how the various pieces of a specific organization are to be put together results in its organization design.

#### **3.3.1 The role of Organization Charts**

The organization design is best represented by an organization chart. Each box in a chart represents a management position within the firm and each line represents the nature of the relationships between positions. Broken lines show staff relationships.

From a chart it is possible to tell several things about the organization:

- you can tell how the organization is departmentalized,
- you can identify the span of management,



- you can also identify the staff positions and to who they are supportive,
- charts are especially useful to newcomers as they can tell their position in the overall scheme of things, they can also easily clarify reporting relationships between the various positions.

As an organization grows it becomes more and more difficult to use the charts because of the large number of positions and the complex interrelationships that can exist among the positions.

### **3.3.2 Early Approaches to Organization Designs**

The earliest approach to organization designs occurred during the era of the classical management theory. Of major contribution was the work of the German sociologist Max Weber. He was actually one of the first scholars to describe how organizations should be designed.

#### **(a) The Bureaucratic Design**

The term bureaucracy was coined by Max Weber to describe what he saw as the ideal kind of organization. The foundation of his bureaucratic guidelines was the creation of a formal and legitimate system of authority. That system he taught should lead to rational and efficient organizational activities. He said that:

- managers should strive for strict division of labour and each position should be staffed by an expert in that area, there should be a consistent set of rules that all employees must follow in performing their jobs (the rules must be impersonal and rigidly enforced),
- there should be a clear chain of command
  - everyone should report to one and only one direct superior
  - communication should always follow this chain and never bypass individuals,
- business should be conducted in an impersonal way (managers must maintain an appropriate social distance from their subordinates and not play favourites,
- Advancement within the organization should be based on technical expertise and performance rather than seniority or favouritism,

- Legal authority and power—authority and power rest in the institution of office. The power an individual holds is legitimised in the office and does not personally belong to him.

Over the years however, the term bureaucracy has come to connote red tape and slow hassle-ridden decision making. Bureaucratic approach to organization design may be appropriate when the environment of the organization is stable and simple. Many universities, hospitals and government agencies will have a bureaucratic flavour in them.

### **Functions (advantages) of Bureaucracy**

- **Specialization**

Bureaucracy makes it possible to achieve large increases in productivity that can come from specialization. Employees are permitted to specialize in those areas where they are experts. Bureaucracy can thus help cope with complexity especially in those organizations where expertise from different fields is required.

- **Structure**

Bureaucracy provides form to an organization by structuring it. The duties of each position are described. The structure provides a logical relationship of activities.

- **Predicability and Stability**

The rules, regulations, structure, professional aspects and other aspects of bureaucracy enable it to provide predicability and stability for an organization.

- **Rationality**

A rational organization is one free from personal caprice and favouritism. In bureaucracy, judgements are made according to objective and generally agreed upon criteria not by patronage.

- **Democracy**

Bureaucracy contributes to democracy by its emphasis on technical competence as the sole basis for gaining and holding a job. Patronage, favouritism, tradition and other arbitrary bases have no effect. Because the opportunity to train, apply and be selected for a job is open to everybody a significant degree of democracy is achieved.

## **Dysfunctions of Bureaucracy**

These are in large part inherent in the bureaucratic model. Dysfunctions are caused by differences in values and objectives, limited knowledge of motivational process and by simple errors and mistakes.

Below are listed some of the dysfunctions of bureaucracy.

1. Rigidity
2. It is claimed that bureaucracy is rigid, static and inflexible, it advocates for strict adherence to rules and procedures, this may not work in today's dynamic environments.
3. Impersonality
4. Bureaucracy advocates for impersonal observation of the system i.e. it ignores people. People are seen as inert factors of production and not as developing emotional and unique beings. Lack of personal sympathy for employees may cause dissatisfaction and consequently reduced productivity.
5. Displacement of Objectives
6. Sometimes the bureaucratic forgets his ultimate organizational reason for existence i.e. to contribute to the overall objectives of the organization. In pursuing his individual objectives or the objectives of his subunit, he may fail to adequately contribute to broader objectives.
7. Limitations of Categorisation
8. In order to achieve coordination and specialization, bureaucracy requires strict categorisation of activities and persons. One works only within his department, even if the work of his department can be combined with that of another—this leads to waste.
9. Since bureaucracy grants career status of tenure to a position, there is a tendency to maintain that position even if it becomes obsolete.
10. Self Perpetuation and Empire Building
11. Once fully established, bureaucracy is hard to destroy even if it has outlived its usefulness. The same power that a bureaucrat requires to do his work in a professional environment can be used by him to perpetuate his job or department beyond its useful life. The bureaucrat could increase the number of his subordinates to enhance his prestige.

### (b) System 4 Design

As the human relation school of thought emerged, new ideas or organization design naturally also emerged, one of which has come to be known as system 4 design. System 4 design has been developed mainly to reduce the many drawbacks and deficiencies of the bureaucratic model.

The proponents of system 4 design argue that organization design can be described as a continuum. At one end is bureaucratic design called system 1 and at the other end is system 4 design that has more openness, flexibility, communication and participation.

SYSTEM 1	SYSTEM 4
(a)Leadership—includes no perceived confidence and trust—subordinates do not feel free to discuss problems with their superiors.	(a)Leadership—include perceived confidence and trust between superiors and subordinates. Subordinates discuss problems with their superiors.
(b)Motivational process taps only physical security and economic motives through the use of fear unfavourable attitudes prevail among employees.	(b)Motivational process taps a full range of motives through participatory methods employees have favourable attitudes.
(c)Communication process is such that information flows downward and tends to be distorted inaccurate and viewed with suspicion by subordinates.	(c)Communication process is such that information flows freely upward, downward and laterally. The information is accurate and undistorted.
(d)Interaction process is closed and restricted subordinates have little effect on goals, methods and activities.	(d)Interaction process is open and extensive superiors and subordinates affect goals, methods and activities.
(e)Decision process occurs only at the top of the organization, it is relatively	(e)Decision process occurs at all levels through group processes. It is

centralized.	relatively decentralized.
(f)Goal setting process is located at the top of the organization—discourages group participation.	(f)Goal setting process encourages group participation in setting high realistic objectives.
(g)Control process is centralized and emphasizes fixing of blame for mistakes.	(g)Control process is dispersed and emphasizes self control and problem solving.
(h)Performance goals are low and passively sought by managers who make no commitment to developing the human resources.	(h)performance goals are high and actively sought by superiors who make a commitment to developing through training, human resources.

### **Factors Affecting Design**

- **Size**

Size may be by number of employees, assets, sales etc.

In a small company you may find an employee doing many jobs but as the company grows each employee tends to stick to one well defined job. Smaller firms tend to have fewer rules for how things should be done and more flexibility in how employees can confront problems.

As the firm grows the tendency to create more rules and to reduce flexibility increases.

Organizations tend to be more centralized when they are small while bigger ones are more decentralized. As the company grows alterations in its design becomes inevitable.

- **Technology**

Technology refers to the set of conversion process used by an organization to transform inputs into outputs. Organizations that have mass production (assembly line style) may be more effective if they use systems 1 design. Small batch or unit technology are better using system 4 which allows the flexibility to react quickly to customer requirements.

- **Environment**

Environmental uncertainty can be captured by environmental change and environmental complexity. A highly dynamic environment will favour type 4 design while a relatively static environment will favour type 1 design.

## **Organic Design**

Developed in the 1960's by two British researchers Burns and Stalker. It is based on open communication, low levels of specialization and standardization and high cooperativeness. The commitment to organizations tasks and goals is valued over loyalty or obedience, while communication can either be horizontal or vertical depending on who is more knowledgeable (i.e. the leader is not assumed to be all knowing).

## **Matrix Design (to page 6)**

This design is created by super-imposing a product—based form of departmentalisation on functional departmentalisation. It allows an organization to retain the efficiency of functional departments and gain the advantages of product departmentalisation. The rationale for a matrix organization is quite simple. Functional departments allow the firm to develop and retain unified and competent functional specialists, whereas the product design directs special and focused attention to individual products or product groups e.g. when a firm wants to create a new product, specialists from each of the functional departments are brought together and formed into a team under the direction of the project manager. A matrix design is generally likely to be more applicable under the following situations:

- when the firm has diverse set of products and a complex environment
- when there is a great deal of information to be processed (when the environment is highly uncertain and the company has broad product lines) the firm is confronted with a lot of information and the matrix allows managers to categorize this information systematically and direct it to the key individuals.
- when there is pressure for shared resources—a company may need eight product groups but only have the money to hire only four marketing specialists. The matrix provides a convenient way for the eight groups to share the four specialists.

## **Advantages of the Matrix**

- (a) It is very flexible. Teams can be created, changed and dissolved with major disruption.

- (b) Often it improves motivation. The team has so much responsibility. Its members are likely to be committed to its success.
- (c) It promotes the development of human resources. Managers get a wide range of experience and as a result they can take increasingly important roles in the firm.
- (d) It does enhance cooperation. Since there is so much interdependence, it is important that members will work together.
- (e) It facilitates managerial planning because so much of the day to day operation of the organization is delegated to the teams top managers who have considerably more time to concentrate on planning.

### **Disadvantages**

- (a) Potential conflict created by having a number of bosses. If for example a marketing specialist is a part of three project groups and still has work to do within his functional role, he may not be able to satisfy all of his bosses when he is pressured for time.
- (b) Coordination is difficult in a matrix. Two or more groups may need the same information and each could end up paying a market research firm to get the information without realizing the other has already done the same.
- (c) The group work tends to take longer than the individual work. Each manager in a matrix is likely to spend considerable amounts of time meeting and talking with other managers and putting one set of activities aside and picking up others, thus he may have less time to devote to task accomplishment.

### **The Divisional Design**

A divisional design combines a product approach to departmentalization with a strategic business unit. Each division of the organization is responsible for all the aspects of the management of a given product or product line.

Fairly autonomous product departments as that operate strategic business units i.e. each has its own market and competitors and could be used either to generate cash (cash flow) given extra cash or simply operated or put on a wait and see basis.

## **MANAGING ORGANIZATIONAL CONFLICT**

Also included in organizing function are the management of organizational conflict and change.

### **3.4.1 Nature of Organizational Conflict**

This is the disagreement within the context of an organizational setting between individual employees, groups or departments, or between employees and the organization.

Organizational conflict can either be positive or negative, some conflicts lead into better performance while others result into reduction in performance.

#### **Causes:**

- (a) Multiple Value Sources—people's values differ as they come from different backgrounds (different religions, philosophies, education etc.)
- (b) Idealized individual values (interest) vs. practical organizational values. The organization may demand behaviour at variance with personal wants and interests.
- (c) Interdependency between people or groups within the organization.
- (d) Competition—between people or groups can also cause conflict.
- (e) Difference in goals—can cause conflict between departments.

For management conflict may arise when:

- (a) Their authority is challenged
- (b) Their private rights are questioned (does a manager have a private life beyond his work in the company?)

N.B. Whatever the cause of conflict it must be noted that the consequences are the same: either

- (a) hostility—people refuse to cooperate and are antagonistic
- (b) withdrawal—refusing to socialize or leaving the organization
- (c) motivation—where conflicting parties strive to prove each other wrong.



### **3.4.2 Managing Conflict**

Depending on the expected outcome managers can manage conflict in either of these ways:

#### **(a) Encouraging Conflict**

Where conflict is likely to lead to increased performance and motivation then management can encourage conflict through competition, through contests or by publicizing results and performance.

#### **(b) Preventing Conflict**

Some cases require that conflict be prevented in the first instance e.g. cases where departments are arguing over use of resources.

Rules and procedures can be used to govern how issues are to be resolved.

#### **(c) Resolving Conflict**

Conflicts will always occur in organizations and management must devise ways of resolving them. The following are a few ways in which management can resolve conflicts.

- i. Avoidance — ignoring the problem and hoping that it will go away. Strategy works if the conflict is minimal.
- ii. Smoothing — similar to avoidance, but here the manager acknowledges the existence of the conflict while developing its importance.
- iii. Compromise — Involves reaching a point of agreement between what each of the conflicting parties wants. The conflicting parties meet half way so to speak—each gives up a bit of its demand. It works okay so long as none of the parties feels cheated afterwards.
- iv. Confrontation - The direct way of addressing the conflict and working together to resolve it—also called problem solving—as there is open exchange of information. The best method of resolving a conflict should result in a no win no lose situation. If one party feels cheated then the likelihood of additional conflict is very high.

**N.B:**

Where conflict is between the organization and the individual mainly because the goals of the organization are at variance with individual goals management can deal with the conflict through the following ways:

- (a) Use of a blend — amounts to administration by objectives cater for both organization and individual goals.
- (b) A fusion — a personalizing process where individuals pursue their own goals so as to seek fulfilment and self-actualization.
- (c) Socializing — the organization tends to get people to devote their efforts to pursuit of organizational goals.
- (d) Integration — management comes up with an agreeable "mix" (individuals are given a chance to come up with their own goals and ways of achieving them.)

**INTERGROUP CONFLICTS**

Organizational conflict is sometimes referred to as intergroup competition because forces of competition are involved. The nature of organizations is such that it is difficult if not impossible to avoid conflict between and among groups in an organization. In itself, such conflict may not be bad and may be preferable in some cases. It is the manner in which conflict is managed that may make conflict bad.

**(a) Stages in Intergroup Conflict**

Organizational groups (intergroup) conflicts develop in stages namely:

- Antecedent conditions;
- Perceived conflict;
- Felt conflict;
- Manifest conflict;
- Conflict resolution of suppression;
- Conflict aftermath

- Antecedent conditions refers to those conditions that have potential for the development of conflict. These are the sources of conflict and could be such factors as role ambiguities, competition for scarce resources and differences in values, goals and politics.
- Perceived conflict is a situation where one or more of the interest groups become aware of the existence of a source of conflict.
- Felt conflict occurs when perceived conflict affects feelings thereby creating tension in one or more of the concerned groups.
- Manifest conflict refers to the situation where perceived or felt conflict is expressed in some action by one or some of the involved groups. Manifest conflict can be resolved in the sense that the courses of conflict are corrected.
- It can also be suppressed in that although no change in causing conditions occurs, the manifest conflict behaviour are controlled.
- Conflict aftermath refers to the consequences of conflict. The consequences may be functional or dysfunctional.

The way a given conflict is handled can affect other conflicts and an unresolved conflict continues to promote future conflicts over similar issues. Truly resolved conflicts may establish conditions that reduce future conflicts of a similar nature and which help other eventual conflicts to be resolved in a constructive manner.

A manager should be sensitive to the influence of conflict aftermath on future conflict episodes.

## **(b) Sources of Inter-Group Conflicts**

The following are some of the major potential sources of conflicts in organizations:

### **1. Aggressive Nature of Man**

A man is aggressive in nature and seeks expression of his aggressive impulses. Some conflict in organizations stems from the normal need of some people to find outlets for their aggressive impulses.

### **2. Competition for Limited Resources**

Intergroup conflict may arise when groups in the organization compete to win their share of the organization's scarce or limited resources such as money, materials and manpower.

### **3. Clashes of Values and Interests**

Differences in value and interests of various groups may result into conflict between or among the groups involved.

### **4. Antagonistic Roles**

Intergroup conflicts may arise because different groups occupy different roles that are apparently antagonistic to each other, e.g. the accounts department whose main role is to conserve the organizations funds may be in conflict with the marketing department whose role in promotion may require it to spend quite an amount of the organizational funds.

### **5. Drives for Power (Political Manoeuvring)**

Intergroup conflicts may arise due to political manoeuvring that certain groups may engage in as they try to acquire power in the organization, e.g. wanting to be in charge of certain new responsibilities.

### **6. Poorly Defined Responsibilities**

When job responsibilities are for example ambiguous, conflict may arise from disagreements about which groups have got certain responsibilities over certain tasks.

### **7. Introduction of Change**

Changes such as acquisition and mergers creates a lot of competition and conflict at the initial stages. For example, when an organization is merged into another, a power struggle often exists between the acquiring and acquired organizations. Similarly, where certain changes are introduced into the organization conflict may arise between management and workers between those opposed to and those for the change.

### **8. Organizational Climate**

An organizational character, personality or climate such as the amount of psychological distance organizational units maintain from each other, can be a major source of intergroup conflict. For example, there would be minimal conflict when professional groups have very much or very little distance psychologically from the administration than when they have medium distance.

### **9. Distortion of communication.**

### **10. Attitude and value difference.**

### **(C) Line Vs Staff Conflict**

Line managers are those in charge of main operations of an organization while staff managers are those in advisory or supportive positions to provide line managers with specialized and expert services as may be required.

Line personnel are usually generalists while staff personnel are usually specialists.

Conflicts between line and staff are quite common. These conflicts arise from the sources already discussed as well as the following:

#### **i. Territorial Encroachment**

In general the staff personnel advises the line person. Often conflict arises when the line personnel feel that staff advice is taken too far while staff on the other hand may feel that they have a responsibility and right to give the advice.

#### **ii. Conflicting Loyalties**

Staff specialists may get into conflict with line personnel because what line personnel may require them to do in the interest of the organization may conflict with professional ethics of the staff personnel. This is especially so when the staff specialists want to adhere to a professional order that conflicts with tasks assigned by the organization.

#### **iii. Separation of Knowledge and Authority**

Some line executives may not have sufficient knowledge to carry out their responsibilities and may depend on lower ranking staff advisers to furnish them with the appropriate information. Such cases where higher authority lacks the necessary knowledge and has to rely on his juniors for knowledge may be a source of conflict between the groups.

### **(d) Consequences of Organization Conflicts**

Organizational conflicts can be functional or dysfunctional to individuals and organizations.

#### **i. Functional Consequences**

Among the major functional results are:

- Dissociating elements in a situation may be removed and unity may be established. After open expression of conflict the combatants may feel closer to each other.
- After conflict new leadership may be brought into the organization because the former leaders may be found unsuitable under the pressures of conflict.
- All goals and policies may be modified or replaced by more relevant goals as a result of the conflict.
- Conflict may become institutionalised. After several instances of intergroup conflict, outlets may be established where potential conflict may be resolved.
- Informal group discussions between members of management and employees is an example of institutionalization of conflict.
- Motivation of energy available to complete tasks may be increased under the influence of intergroup conflicts.
- Conflict may increase innovation because of the greater diversity of view points and heightened sense of necessity.
- Each group member may develop increased understanding of his own position because conflict forces people to bring forth all supporting arguments, think more clearly about issues and seek support of evidence of the views.
- Groups may achieve awareness of their own identities, each group thereby becoming more limited. They may identify where they belong more clearly.
- Inter-group conflicts may satisfy the aggressive urges inherent in many people.

## **ii. Dysfunctional Consequences**

- The mental health of some combatants may be adversely affected because of the emotional stress reactions precipitated in such people. Tolerance levels are different i.e. low and high.
- Intergroup conflict of a high intense nature usually results in a misallocation of organizational resources i.e. time wanted to fight or combat one another, material and personnel are likely to be misused. People waste the organizations time, funds, materials and personnel in carrying out the warfare.
- Sub-optimization of part of the system occurs when disputants push their own position to the extreme.

- The distortion of goals may occur as people begin to concentrate their attention on petty issues or embark on fault finding, regarding their opponents instead of pursuing their assigned missions.

### **(e) Strategies of Maintaining Organisational Conflicts**

Conflicts may be managed by the conflicting parties themselves or by third parties. Organizational conflicts can be met with non-attention, suppression or resolution.

### **Lose-Lose Strategies**

In lose-lose strategy both parties in the conflict lose in the sense that neither achieves its true desires in the conflict. Conflict is managed in such a way that its underlying reasons remain unaffected. Consequently future conflict of a similar nature is likely to occur.

There are three basic approaches to conflict management in the lose-lose strategy;

- **Avoidance**

Managing conflict by avoidance is an extreme form of non-attention. In this approach there is no direct attempt to deal with a manifest conflict. Everyone pretends that conflict does not really exist or if it does exist, it is such that it will simply disappear. Consequently, in this strategy, the conflict is left to develop on its own into a constructive or destructive force within the organization.

- **Smoothing**

This is managing conflict by playing down differences among the conflicting parties and high-lighting similarities and areas of agreement. The aim is to encourage peaceful co-existence through a recognition of common interests. Smoothing may ignore the real essence of a given conflict. It is a form of a non-attention of a minor form.

- **Compromise**

In this approach accommodations are made such that each party in the conflict gives up something of value to each other. As a result neither party gains its full desires and the reasons for conflict remain unsolved.

### **Win-Lose Strategies**

In win-lose strategy, one party in the conflict wins while the other loses. One party wins by achieving its desires at the expense of the other party's desires. The root causes of conflict are not addressed. Instead, there is a tendency to suppress desires of at least one of the parties. Therefore future conflicts of a similar nature are likely to occur.

- **Competition**

In this approach, a victory is achieved on the part of the winning party.

- **Authoritative Command**

Here a formal authority simply dictates a solution and specifies what is gained and lost and by whom e.g. government intervenes in strikes and gives workers time to conform. When the authority is a party to the conflict, it is easy to predict who will be the winner and who is the loser.

### **Win-Win Strategy**

Win-win strategy provides the best solution to conflict. It is a strategy that truly resolves conflict. It involves the recognition by all conflicting parties that something is wrong and needs attention. Both parties in the conflict win as both achieve their goals.



***Revision questions;***

- i. What are the advantages of a matrix structure***
- ii. Which is the most commonly used in Kenya***
- iii. Discuss the principles of organising***
- iv. Distinguish between a wider span and a narrower span***

**Further Reading:**

1. George Terry and Franklin, "Principles of Management", Delhi, 1998

2. Peter Drucker, "Management, Tasks, Responsibilities and Practice", Harper and

Row, 1987

## TOPIC SIX

### 6.0 CONTROLLING

*By the end of the topic you should be able:*

- a. To state the characteristics of controlling*
- b. Highlight the objectives of controlling*
- c. Discuss the importance of controlling*

#### 6.1 INTRODUCTION:

It's a manager sets targets and objectives and measures to find out how far they have been achieved. Its meant to find out whether there are deviations so that a corrective action is taken to ensure everything is on course.

#### 6.2 OBJECTIVES OF CONTROLLING.

The following are the objectives that any controlling effort is meant to achieve:

- To keep checks on the expenses both direct and indirect expenses
- To find out whether the objectives set are achievable
- To ensure the company moves to the highest level possible
- To find out what is happening, why and by whom it happens
- To ensure all activities are carried out according to plan

#### 6.3 CHARACTERISTICS OF CONTROLLING

##### 6.3.1 It is forward looking

It seeks to correct the future actions happening in an organisation. It is based experience of control which guides the future actions of a manager

### **6.3.2 It is a continuous process**

Its where the organisation continually evaluates its systems in terms of targets , objectives, goals and so forth to find out if everything is fine

### **6.3.3 It is a management function**

It is only carried out only by managers because it involves taking corrective action which includes, mobilising for additional resources, employment of new staff, changes in the company's operations. These are issues that cannot be delegated

### **6.3.4 It is carried out at all level**

Manager's irrespective of their level carry out controlling. This is so because they have targets and objectives that they are pursuing. They often ensure operations in their areas of jurisdiction is smoothly running according to plan

## **6.4 STEPS TO BE FOLLOWED IN CONTROLLING**

### **6.4.1 ESTABLISHMENT OF THE STANDARDS**

This is a basis of measurement of performance which can be in quantitative and non quantitative terms. A standard is a benchmark on which the results are measured. There are many standards that can be made including:

**Cost standards**-this ensures that costs anticipated are not surpassed

**Revenue standards**-this ensures that the expected revenue from an activity is indeed realized if performance is to be rated as good

**Physical standards**-these are countables like the number of working hours, units of production per machine etc

**Capital standards**-this includes, rate of return on capital invested

**Intangible standards**-such as competency of workers and customer care success

### **6.4.2 MEASUREMENT OF PERFORMANCE**

It is the measurement of the actual performance in order to know what has happened or what is likely to happen. The measurement can be done through observation of the workers performance. It can also be in terms of reports, charts and any management summaries. Its purpose is find out if there is anything a miss at the earliest time possible

### **6.4.3 COMPARISON OF THE ACTUAL PERFORMANCE WITH THE STANDARD**

This is finding out what was set out at the beginning of the controlling period in terms of targets and objectives and what has been realized at the end of the period.

### **6.4.4 FINDING OUT FOR DEVIATIONS**

While comparing the actual and the standard performance, any deviations are identified. A positive deviation means the targets were surpassed and the management requires to identify the contributing factors so that everything can be maintained. A negative deviation means that the targets set out were not realised and therefore a corrective action must be under taken in order to put everything back on course. This could include transfers of workers to other departments, re-doing the plans and increasing the funding of the projects.

### **6.5 IMPORTANCE OF CONTROLLING**

It is a basis for the future action because the planning is based on what has happened in the past

It helps in facilitating of cordination because everything is set out clearly in the procedures

It helps to reduce the possibility of the results not conforming to the set standards

It simplifies the supervision for the managers

It is a form of delegation within the orgainisation

### **Further Reading**

1. Geert Hofsted, "The poverty of management control philosophy", Richards 1988
2. David C.McLelland, "Readings in Management", South western Publishing Company 1966.

## TOPIC SEVEN

### 7.0 LEADERSHIP

*By the end of the topic you should be able:*

- a. Identify the characteristics of successful leaders*
- b .discuss the roles of leaders*
- c. Describe the leadership styles that are used world over*
- d. Explain the theories of leadership*

This is the ability to influence people's behavior. It is the ability to influence people to willingly follow one's guidance and adhere to one's decisions. A leader is the one who obtains followers and influences in setting and achieving of objectives.

#### 7.1 LEADERSHIP ROLES

##### 1. Educator role

- A leader will teach employees job skills, acceptable behavior and organizational values.
- Managers work habits, attitudes and behaviors serve as a role model.
- A leader is also responsible for formal training.

##### 2. Counselor role

- This role involves listening, giving advice, preventing and helping employees to develop solutions to their problems.
- A leader is expected to show an awareness and concern for the employees.

### **3. Judge role**

It involves

- Appraising subordinates' performance.
- Enforcing policies, procedures and regulations.
- Setting disputes and dispensing of justice.

### **4. Spokesperson role**

- A leader speaks on behalf of the subordinates, the department and the organization.

## **7.2 ATTRIBUTES OF A LEADER**

### **1. Emotional appeal**

- A manager should be a rational decision maker, problem solver and is expected to use his/her analytical skills in the process of decision making.
- S/he should have a great vision which can alter the mood of the followers.

### **2. Needs of followers**

A leader should meet the needs and fulfillment of his/her followers. This helps in securing voluntary compliance.

### **3. Personal traits**

- A leader should have the following traits:-
  - a). Positive attitude and perception towards people.
  - b). **Self motivated.**
  - c). Should have self confidence and communication ability.
  - d). Have trust in other people and also be trustworthy.

### **4. Leadership matches**

- A leader should match his/her personal traits and the situational demands e.g. dancing when they are dancing.

### **5. Leadership effectiveness**

- A leader aims at realizing and achieving the goals of the department and to satisfy the employees' needs.

### **7.3 CHARACTERISTICS OF SUCCESSFUL LEADERS**

They should have the following:

- A strong desire for task accomplishment; want to perform.
- Persistent pursuit of the organizational goals.
- Creativity and intelligence to solve problems.
- Willingness to accept their behavioral consequences i.e. accepting their mistakes.
- High tolerance for other people.
- Ability to influence other people.
- Ability to structure social interactions.
- Devote more time to supervisory activities than in doing the work itself.
- Willingness to permit employees to participate in decision making.
- High intelligence than the subordinates.
- Gives recognition for good work by subordinates.

### **7.4 THEORIES OF LEADERSHIP**

#### **7.4.1 TRAIT THEORY**

It is the first theory of leadership and it asserts that the ability to lead is dependent on the innate (inborn) characteristics. It states that leadership is natural and cannot be learnt.

- The natural characteristics that one should have include:

- a). Personal initiative
- b). Self assurance
- c). Decisiveness
- d). Assertiveness
- e). Compassionate
- g). Intelligent
- f). Compassionate
- g). Tall (ability to think and see far)
- h). Good looking (well groomed)
- i). Melodious voice
- j). Should be wise.

**NOTE:** There are extremely large numbers of personal traits and it is not known how many should one have to qualify to be a leader.

### **7.4.2 THEORY X and Y**

It states that leadership style is influenced by the type of subordinates in the organization.

#### **Theory X**

It stipulates the following:

- i). The average worker dislikes work and must therefore be coerced into making maximum efforts with inducements, sanctions and threat.
- ii). Workers are naturally reluctant to take responsibility preferring the security of being controlled..
- iii). Workers are happy with clearly defined tasks than broadly defined objectives.
- iv). Employees are normally resistance to change (they always want to maintain status quo) so that change must be imposed on them by those in authority e.t.c.

**NB:** The leader to manage workers in this category, s/he must take on board dictatorial tendencies.

#### **Theory Y**

It stipulates the following:

- i). Workers will usually work hard without being coerced.
  - ii). Employees can be relied upon to exercise self direction and control.
  - iii). Workers like work and are always seeking responsibilities.
  - iv). Most employees possess substantial potential for creative work.
- They can sort out any technical issues no matter how technical the tasks are.

**NOTE:** A manager to influence the above workers will embrace democratic and laissez-faire (free reign) type of leadership.

### **7.4.3 CONTINGENCY THEORY**

It stipulates that leaders should be able to adapt to specific situations as they arise.

Therefore, a leader must be prepared to change his/her behavior as circumstances change.



**Advantages of contingency theory**

- A leader is allowed to make his/her decisions appropriate to the situation at hand.
- A leader is encouraged to analyze logically the characteristics of the situations to deal with.

**Disadvantages of contingency theory**

- A leader may appear to his/her subordinates as inconsistent and insincere because of frequently changing.
- Individual managers may not be sufficiently skilled to change decision and leadership styles to match different situations.

**7.4.4 PATH GOAL THEORY**

- It is where a leader is seen as source of goal on reward, the leaders' major task is to clarify the path to be followed by subordinates. A leader changes leadership styles according to :

- a). Characteristics of subordinates
- b). Clarity of organization's formal authority system
- c). The physical environment in which work is done.
- d). Maturity of subordinates

- It stipulates that leadership is dependent on maturity of subordinates. 4 styles are identified in this theory.

- i). Telling only – this is where a leader gives instructions to the subordinates and they follow as expected.
- ii). Telling and setting – a leader gives instructions to the subordinates and persuades them to accept his/her position.
- iii). Participating – it is where a leader shares ideas, opinions and involves the subordinate who are willing and unwilling.
- iv). Delegating styles – a leader allows subordinates to make decisions and their own with minimum interference.

## **7.5 LEADERSHIP STYLES**

**1. AUTHORITARIAN STYLE** – a leader has all the authority and responsibility in an organization and communication moves from top to bottom. A manager assigns tasks to specific workers and expects orderly and precise results.

A manager sets goals, tells workers to do and how and when to do it. Workers just implement.

**2. AUTOCRATIC** – It involves close supervision and a leader issues precise and detailed instructions to cover every task.

### **a) Dictatorial leadership style**

A leader tells workers what to do without comment or discussion.

- There are rewards and penalties for success or failure.
- There is strict control and no respect is shown by the leader to the subordinates.
- Descent is not tolerated.

### **b) Paternalistic leadership style**

- There is presence of close supervision, detailed instructions and a highly structured leader / subordinate relationship.
- A leader attempts to gain respect and allegiance of the workers.
- Limited decent is tolerated and rewards are given to those who follow the instructions.

### **Advantages of Autocracy**

- i) Managers adequately coordinate work thereby facility its completion.
- ii). Decision making is faster.
- iii). It assists the subordinates to achieve their goals at work.

### **Demerits of Autocracy**

- i). Employee' skills and knowledge is not fully utilized.
- ii). It suppresses the workers' initiative and therefore they cannot develop to their full potential.
- iii). Workers may not be capable of working without close supervision.
- iv). Resentment by subordinates may occur if they are only involved in minor issues and excluded from major ones.

#### **4. FREE REIGN (Laissez-faire)**

- A leader allows workers to work as they choose with minimum interference.
- Employees make decision and structure their own activities.
- They consult with the leader but s/he is not directly involved in decision making.
- A leader tells them what to do and when it should be accomplished and the workers decide on how to accomplish it as they wish.

Communication flows horizontally among the group members

#### **Revision questions**

- What are the advantages of democratic style of leadership*
- Describe the attributes of a leader*
- Name and explain any **THREE** theories of leadership*
- Discuss the sentence that leaders are **BORN and NOT MADE***

#### **Further Reading**

- Fred E. Fielder, "A Theory of Leadership effectiveness", New York; McGraw Hill Book Company
- John B. Miner, "Theories of Organisational structure and Process", Hinsdale; The Dryden Press

## TOPIC EIGHT

### 8.0 GROUP FORMATION

*By the end of the topic you should be able:*

- a) Identify the various types of groups*
- b) State reasons for group formation*
- c) Discuss the stages for group development*
- d) List the advantages of group cohesiveness*

An organization can be described as a group of people working toward common goals. Within any organization there are two groups, formal groups and informal groups.

Formal groups are official and created by management e.g. divisions, departments, units, work teams and committees. Informal groups arise from member interactions e.g. people having tea together meet to share ideas.

#### **Why People Form Groups**

- (a) Natural attractions—people have inborn tendencies to form into groups, to work and live together.
- (b) Survival—people gather together to survive being alone for long periods of time can affect our emotional health badly e.g. what happens to people put under solitary confinement.
- (c) Interdependence—people interdepend mainly because of human limitations and weaknesses. People form into groups to overcome personal limitations.

#### **Kinds of Groups**

A group is two or more people who interact regularly to accomplish a common goal

- at least two people must be involved
  - must interact regularly
  - have a common purpose
- (a) Functional Group is created by the organization to accomplish a range of goals without a definite time limit.
- (b) A Task Group is created by the organization to accomplish a limited number of goals within a stated or implied time.
- (c) Informal Group also called interest group created by organizational members for purposes that may or may not be related to the organization and has no time horizon. Managers should recognize the existence and importance of the informal organization (the overall pattern of influence and interaction defined by the total set of informal groups within the organization).

### **Group Dimensions – Characteristics Found In Groups.**

**(a) Conformity**

human beings and their behaviour are amazingly diverse, but within any given culture or group there is considerable agreement. Compliance with existing rules, or customs is called conformity. All groups make certain demands on their members.

- i. to obey the norms of the group
- ii. to accept sanctions or forms of punishment
- iii. to give up rights (individual rights in favour of group interest).

Group members may conform for the following reasons:

- i. Fear—fear of sanctions e.g. to alienate
- ii. Insecurity—some individuals are very insecure and will easily conform.
- iii. Good judgement, because conformity produces good results.

The extent to which conformity is necessary depends on several factors e.g. the type of organization as people move up managerial levels, the less the conformity required. While conformity is necessary to the organization's everyday operation it does not necessarily result in creativity, innovations, and new ideas needed to improve and organize. Most people have been strongly used to conforming in schools, churches, family etc. As a result relatively few individuals are able to think original thoughts, plans or to develop new concepts.

#### **(b) Aggression**

this refers to offensive behaviour e.g. fights at work, for resources, for friends, for power etc. The fight may be either acceptable or unacceptable. Aggression is mainly as a result of:

- Frustration (especially when somebody faces bottlenecks to goal attainment)
- Annoyance (feeling of being upset)
- Attack (physical or mental harm done to an individual or a group is an attack)

#### **Note**

To curb aggression managers should come up with rules and regulations to govern people's conduct at work, or seek ways to direct aggression tendencies towards the attainment of organization goals in socially acceptable ways.

#### **(c) Competition**

competition involves struggle for resources or other items. People compete when resources are limited or as a result of societal pressure. Organizations will also compete between themselves for resources, markets and personnel (external). Internal competition arises between individuals, groups or units in the organization. When properly managed competition can produce beneficial results e.g. increased efficiency, less boredom help weed out unproductive people. It would also lead to more mistakes, accidents, waste or duplication of efforts.

#### **(d) Cooperation**

another aspect of group dynamics is cooperation which simply means working together willingly. Where people's tasks are interrelated or where a group of people have to accomplish one task then cooperation is not only essential but is critical, without it there would be no results.

Managers must concern themselves with cooperation because the survival of their organizations is in part determined by other organizations (external). But they also must guard against illegal cooperation e.g. collusion in price setting.

Cooperation between individuals and groups with the organizations (internal) is very important. For an organization to remain cohesive managers must seek willing internal cooperation because without it group goals cannot be achieved.

#### **(e) Role Dynamics**

people in groups play roles, some work to accomplish goals, others serve the leaders, others keep every one happy, while some do very little but still remain part of the group. Role dynamics explains how a person's expected role is transformed into his/her enacted role.

Expected role is what is expected of a group member and is transmitted in the form of a sent role and translated into a perceived role. If the sent role is not clear then the role becomes ambiguous. Sometimes the sent roles may be clear but are inconsistent and this leads to role conflict.

#### **(f) Cohesiveness**

refers to the extent to which members of a group are motivated to remain together. A group where members enjoy working together and eagerly pull together and are contented with being members is highly cohesive.

A group with low cohesiveness is one where members do not like to be together and are eager to leave the group. High cohesiveness may result from small size, clear goals and constant interaction. The results are that group members are highly motivated and there is goal attainment.

Low cohesiveness may be due to large size, ambiguous goals and roles and little interaction and the result may be low goal attainment, low morale and death of the group.

### **(g) Group Norms**

norms are standards of behaviour that group members develop and which become accepted behaviour. Group members may develop norms on ways of communicating, dressing, passing free time, sharing meals etc. and norms on the acceptable minimum level of production or performance.

### **Managing Groups In The Organization**

As stated earlier structured organizations consist of two kinds of groups (formal and informal groups)

A formal group has several prescribed characteristics e.g.

- an official and designated leader
- a specific mission
- established goals
- specified performance standards
- known rewards and punishment
- rules to be followed

The informal group on the other hand has the following characteristics:

- created by members
- no official leader
- if rulers exist they are developed by the group
- the group also establishes peer sanctions and rewards
- it may mainly thrive on mutual trust and interest, and confidence in members ability to keep information within the group.

Informal groups mainly exist due to the following reasons:

### **(a) Transmission of information**



not all information is transmitted through the official channels. Some managers can be very secretive and pass very little information. Informal groups manage to gather both official and unofficial information and pass it around through their communication channel popularly known as the "grapevine". Information through the grapevine is undocumented and is based mainly on hearsay, rumours and it undergoes changes as it is passed around.

**(b) Fear**

people may form an informal group because they fear what they do not know hence they form protective grouping.

**(c) Amusement (entertainment)**

mainly from knowing the personal lives and affairs of the managers from the gossip passed around.

**Management of Committees**

A committee is an official group mainly formed to deliberate on a specific subject or matter. Other names include task forces, commission project teams etc. A lot of managerial work is usually delegated to committees.

**Characteristics of Committees**

Committees usually range in size from two to several people.

- they are found at all levels in the enterprise
- Committees are either standing committees i.e. they are permanent, or ad hoc i.e. formed for a specific purpose and mainly temporary. Whereas management may create certain committees for purposes of delegation of some matter, some forms of committee are created by law e.g. Board of Directors, PTA in schools and Board of Governors.

Committees can be made more effective if managers follow specific guidelines.

- (a) The goals and limits of authority of the committee need to be clearly specified so as to keep the activities of the committee in focus.
- (b) The committee should have a specific agenda to work from.

- (c) Members of committees should not devote too much time to the committee and forget their regular jobs.
- (d) The results or output of the committee should be specified and clearly communicated to the committee.
- (e) The size of the committee should be appropriate. It should only be large enough to be most efficient. Large committees may be desired if many different experts are needed and if the scope of the task is wide. Smaller committees may be needed if (i) speed in action is necessary, (ii) if the matter is highly confidential.
- (f) The committee should have the right members i.e the people selected to the committee should be suited for the work. They should be people with the interest of the committee at heart, they should be psychologically compatible with each other and they should be qualified i.e. they are able to provide the needed information.
- (g) The person heading the committee i.e. the chairperson should be suited for the position. He is the person to set the mode and to be held accountable for the success of the committee. He should be a person who possesses the following qualities:- planning ability, objectivity, diplomacy, experience and efficiency.
- (h) The committee should be provided with the needed or necessary information and resources to accomplish their task e.g. they should have the necessary staff assistance.
- (i) The committee should be provided with realistic and reasonable deadlines for the completion of its assignment. Frequent checks on the committee's progress are also necessary so as to review whether the committee need any extra information.
- (j) The committee should be asked to provide a final report writing and the report should be acted upon.

### **Why The Wide Use Of Committees**

- (a) Committees may be used because they are likely to produce more information for decision-making, especially when they are made of experts from different fields.

- (b) Use of committees ensures that authority is distributed as decisions are made by a group.
- (c) Committees are likely to facilitate coordination—each committee member may be reporting about or representing each of the functional areas in the organization.
- (d) Committees may foster support for decisions—usually through the use of committees employees are given the opportunity to participate in the decision making process as they are allowed to represent their viewpoints.
- (e) Committees can lead to employee development. Because of the extensive contact with people from different fields, committee members get to broaden their knowledge. Young managers can learn a lot by sitting in committees.

### **Limitations Of Committees**

- (a) They are expensive both in terms of time and resources.
- (b) Committees often lead to slow decision-making especially due to the consultations they need for consensus.
- (c) Committees could lead to compromise solutions in a bid to avoid conflicts.
- (d) Since it is a group decision making with no one person responsible for the results, members may lack commitment on that account.

### **An example of a Committee (Board of Directors)**

A board of directors is the supreme governing body of a corporation. It is a permanent and legally required committee. The C.E.O. in any organization is accountable to the board and serves at the pleasure of the board. Sometimes majority shareholders do serve on the board with the largest shareholder probably serving as the chairperson to the board.

The operation of the board should be such that it aims to achieve key objectives. Outsiders to the firm are more objective board members than insiders and they can offer significant observations and criticism.

## **Responsibilities**

- (a) Obey the provisions of the corporate charter—which stipulates the authorized activities for that corporation.
- (b) Avoid conflicts of interest e.g. collusion in price setting by sitting on boards of competitive companies.
- (c) Elect corporate officers e.g. the managing director or the C.E.O.
- (d) Decide on key financial matters (investments).
- (e) Give broad direction to the enterprise.
- (f) Maintain the survival or community of the firm.

## **Advantages of Group Decision Making**

- (a) Use of groups in decision-making tends to lead to higher quality decisions than a single individual working alone might have obtained.
- (b) More information is available to the group than is available to an individual—members have varying experiences, education and qualifications.
- (c) A group is likely to generate more alternatives—so each person may have their own differing ideas.
- (d) Acceptance of the decision will probably be greater than it would be if an individual made the decision alone—it involves an element of democracy.

## **Disadvantages**

- (a) Groups tend to take longer to reach a decision, because all members may wait to discuss every aspect of the decision.
- (b) The group may try too hard to compromise to the exclusion of a superior decision that the group could have attained with more effort.
- (c) A single individual may dominate the process—setting aside all the potential advantages of group decision-making.

- (d) Groups may succumb to group think i.e. become interested in maintaining cohesiveness and good feelings towards one another and lose sight of the groups original goals.
- (e) Here the group makes decisions that protect its members and individuals and the group as a whole rather than decisions that are in the best interest of the overall organization

***Revisions questions:***

- i. Distinguish between formal and informal groups*
- ii. Discuss the stages of group development*
- iii. What are the advantages of group cohesiveness?*
- iv. What are the disadvantages of informal groups?*
- v. Identify the factor that causes groups to easily form*

**Further Reading**

- i. John B. Miner, "Theories of Organisational structure and Process", Hinsdale; The Dryden Press
- ii. .Penning J. M., "Decision making: An organisational Behaviour Approach", Bridge,com weiner1993

## TOPIC NINE

### 9.0 ORGANIZATIONAL CULTURE AND DEVELOPMENT

*By the end of the topic you should be able:*

- 1. To identify the characteristics of an organizational culture*
- 2. To state the types of organizational culture*
- 3. To distinguish between organizational culture and organizational development*
- 4. To state the goals of organizational development*

Culture is how things and activities are done in a particular organization. Its their way of operation or an identity. It ranges from rules, procedures and dressing code

#### 9.1 ELEMENTS OF ORGANIZATIONAL CULTURE

1. **Perception of an organization** and its environment. How the society view the organisation, that becomes its culture.
2. **Accepted manner** of reacting to new situations and challenges such as competition.
3. Its accepted dressing pattern / code and attire for its members. Its where anybody without the uniform is supposed not to be on duty
4. **Projected image** – winner or loser
  - Profit maker – Notable employee developer.
  - A frustrator of labor turnover (nobody leaves the organization). This helps in attracting quality workers

## **5. Recognized identify**

Quality of product and its services

- Efficiently customers handling and caring.
- Known product or service.
- This is where the product is known in quality, appearance and economy.

**6. The do's and don't's** – The rules and regulations that govern the organization. This includes the accepted norms and directed by rule.

## **9.2 TYPES OF ORGANIZATIONAL CULTURE**

**1. Power Culture** – it involves a small number of senior executives who have power to give direction and make decisions. All important matters must get their approval and support to become

**2. Role Culture** – it is concerned with bureaucratic process where roles are clearly specified. Its where the roles are well spelt out and hence there are no chances of conflicts and confusions

**3. Support Culture** – This is where management purchases the right tools and equipment to support the workers and equally workers support management decisions.

**4. Achievement Culture** – Where recognition of and reward for positive contributions done. It encourages self expression and independence.

**5. Task Culture** – Its where activities to be performed are matched with the skills that one should have to be able to perform.

## **9.3 ORGANIZATIONAL DEVELOPMENT**

It refers to long range efforts to improve an organization problem solving capacities and its capability to cope with changes in the external environment.

## **9.4 CHARACTERISTICS OF AN ORGANIZATION DEVELOPMENT**

1. Educational strategy which attempts to bring about planned change.
2. It relates to real daily problem instead of hypothetical instances.

3. It is an external change agent because it seeks to reconcile the organization with external commitment.
4. It puts emphasis on group and organization process it uses committees.
5. It uses action research to solve organizational problems.

## **9.5 GOALS OF ORGANIZATIONAL DEVELOPMENT**

1. To develop a self renewing viable system this might be helpful to the organization in a variety of ways depending on the tasks to be performed.
2. To create an environment in which authority assigned role is performed.
3. To increase the openness and communications within an organization.
4. To create conditions in which conflicts are effectively managed.
5. To build team work through collaborations nobody is being coercive.
6. To increase the level of trust & support for non-organization members.

## **9.6 PROCESS OF ORGANIZATIONAL DEVELOPMENT PROGRAM**

### **9.6.1 PROBLEM RECOGNITION**

A manager or CEO should recognize that is a problem e.g. through low morale and customer complaints.

### **9.6.2 ORGANIZATION AND DIAGNOSIS**

Finding out the actual problem by finding out facts and information about it.

### **9.6.3. FEEDBACK**

After the data is analyzed it's given to the authority managers with a view of getting reasons for implementations.

### **9.6.4. DEVELOPMENT OF CHANGE STRATEGY**

These are resolutions rendered to be problems which are ultimately implemented.

### **9.6.5. MEASUREMENT & EVALUATION**

After a specified period of time, a selected group meets again to measure & evaluate the effectiveness of the OD efforts.



***Revision Questions:***

- i. Discuss the process the process of organisational development*
- ii. what are the characteristics of organisational culture*
- iii. Describe the types of organisational culture*
- iv. What are the goals of organisational development*

**Further Reading**

1. John B. Miner, "Theories of Organisational structure and Process", Hinsdale; The Dryden Press
2. Richard M. Hodgets, "Management Theory, Process And Practice", Academic Press, New York

## TOPIC TEN

### 10. HUMAN RESOURCE PLANNING AND MANAGEMENT

*By the end of this topic you should be able:*

- i. To state the characteristics of MBO*
- ii. To highlight the importance of human resource planning*
- iii. To discuss the barriers to HRP*
- iv. To state the principles of HRM*
- v. To explain by use of examples the concerns of HRM*

#### 10.1 HUMAN RESOURCE PLANNING

-It is a process whereby one looks at the present composition of the workforce within an organization with a view of changing it.

- It is a process of forecasting an organization's future demand for and supply of the type of workers in the right number.

#### 10.2 IMPORTANCE OF HR PLANNING

##### 10.2.1 Future personnel needs

It helps an organization in identifying the future personnel needs and therefore an organization is prepared to realize the need.

##### 10.2.2 Coping with change

It enables an organization to cope with changes in competitive market, technology, product & government regulations.

The changes generate changes in the job contents skills demand member and type of personnel.

### **10.2.3 Creating highly talented personnel**

Helps to prevent a vacuum of the required personnel by ensuring for constant training and replacing those who have left.

### **10.2.4 Protection of weaker sections**

It protects the interest of the handicapped, backwards, oppressed, by giving them special considerations in recruitment.

### **10.2.5 International strategies**

Helps local organization fill jobs with foreign nationals as the internationalize and expand e.t.c

## **10.3 BARRIERS TO HUMAN RESOURCE PLANNING**

1. People don't see the need for HR future planning and therefore they do not cooperate.
2. HR practitioners are not business experts and some of their accommodations may not suit in the business strategies making their implementation impossible.
3. Conflicts may exist between the short term and long term HR.
4. Sometimes records are defective, not updated making HR planning impossible to carry out.
5. If the departmental managers are not used in HRP, its implementation is difficult.

## **10.4 PRINCIPLES OF HUMAN RESOURCE MANAGEMENT**

**Workers as an asset-**care should be given to them because without them nothing can take place even with the presence of money , materials , machines and plans

**Principle of integration-**workers be made to work harmoniously to realize the intended goals

**Principle of involvement-**workers be involved in decision making in order to receive their total support

**Principle of cooperation culture**-managers should provide the right environment to support the workers activities

## **10.5 THE CONCERNS OF HUMAN RESOURCE MANAGEMENT**

### **1. A concern for People:**

a) **Respect for individuals**-this is where the workers are given a voice by being allowed to form and join a trade union in order to question on how they are managed and by whom they are managed.

b) **Mutual respect**-its where the workers are expected to respect the management's decisions that are made including the procedures for working. Its realized by establishing both formal and informal committees to sort out the differences between the management and the workers

c) **Transparency**-this is where the management explains the proposals, procedures and decisions that are taken to the workers well in time

### **2. A concern for the Performance of the Workers**

The managers motivate the workers by improving the working conditions in order to realize the right commitment into the workers. This in turn enhances their performance. Manager's duty is to ensure the company gets the very best from the workers

### **3. A concern for the Performance of the Management's Procedures**

This is where the management's evaluates their provisions in terms of plans, working conditions, procedures, methods of production etc to ensure that they are indeed helping the workers in their performance. At times the workers performance is affected by what has been provided by the managers like having faulty plans and equipments.

4. Individual goals are very difficult to set.

5. It tends to overemphasize the short term goals at the expense of the long term ones.

6. It leads to a lot of rigidity and avoidance of divergent thinking or creativity.

7. Environmental changes and conditions may weaken MBO e.g. changes in technology.

### ***Revision Questions***

- i. Discuss the concerns of human resource management*
- ii. Highlight the importance of HRP*

### **Further Reading**

1. John B. Miner, "Theories of Organisational structure and Process", Hinsdale; The

Dryden Press

2. Richard M. Hodgets, "Management Theory, Process And Practice", Academic

Press, New York

## TOPIC ELEVEN

### 11.0 STAFF MOTIVATION

*By the end of the topic the you should be able;*

*1. Discuss the types of motivation that an organisation can choose to apply*

*2. What is the importance of motivation to an institution*

**Motivation** is the process of causing a drive in the individual to give the best performance. It's the psychological process that gives behavior, purpose and direction. It's a decision making process through which individuals chooses outcomes and sets in motion the behavior

#### 11.1 REASONS FOR MOTIVATION

- ☐ To improve performance
- ☐ To increase the workers morale
- ☐ To enhance commitment
- ☐ For change acceptance
- ☐ Confidence provision and trust
- ☐ Team building
- ☐ communication

#### 11.2 HOW TO MOTIVATE

Recognition, workers be appreciated for any achievement realized

Involvement in decision making. this makesworkers to own and defend the decisions taken

Recommend for promotion, when workers know that there are chances for promotion, they will remain loyal, committed and motivated

Challenging tasks, tasks that are challenging are those that reduces boredom and

monotony. They include job enlargement

Delegation, it communicates trust and confidence in the skills possessed. It from the top to the bottom and it starts with communication

Good working environment, a conducive working conditions if provided enhances performance and love for work

Security. The need for economic security i.e the desire to be free for fear of such things like job loss, demotion and loss of income. Physical security may also be important

Status, naturally people want their status to be recognized. Status symbols include cars, big titles, corner offices, club membership, reserved parking places, carpeting etc

Responsibility and power. Many people want more responsibility and may be motivated by the prospect of getting it.

Opportunity for personal growth. This includes training and development opportunities

Communication. There should be open channels of communication for free flow of information vertically and horizontally

Teamwork. An organization is a system consisting of many parts which are interdependent. Managers should recognize all workers as being important in making contribution as members of the team. People are likely to work harder if they regard themselves as members of a team

Informal group.

Management styles. The styles that are used either motivates or demotivates and therefore the right styles be chosen.

## **11.3 THE ROLE OF NON FINANCIAL INCENTIVES**

### **11.3.1 OPPORTUNITY FOR GROWTH**

If the workers of an organization are given chances for upward growth and advances, they will feel much satisfied and the feeling will cause in them the right commitment

### **11.3.2 PRAISES**

They work on one's ego. The individual becomes satisfied. Praising should only apply to competent employees in order to encourage the incompetent employees

### **11.3.3 FEEDBACK**

The knowledge of the results leads workers into satisfaction. Naturally workers will like to know about their performance from their managers

### **11.3.4 THE WORKERS PARTICIPATION IN MANAGEMENT**

Their participation in the management assures them and builds trust and satisfaction is ultimately achieved. It is also a show that their voice is also heard and considered

### **11.3.5 COMPETITION**

It's a non-financial incentive which allows a healthy competition among the workers as individuals and as groups. The incentive makes them to realize the goals as individuals and as groups

### **11.3.6 SUGGESTIONS SCHEMES**

It's where the workers are appreciated for their good performance by for instance publishing their names in the company's new letters and magazines. This boosts the workers' morale when they discover that names are being read by the new letter readers and ultimately boost their image and their personal commitment and performance

#### ***Revision questions***

- 1. Discuss the types of motivation that managers can choose from***
- 2. State the importance of motivation***
- 3. Discuss the roles of non-financial rewards***



## **Further Reading**

1. Bernard M. Bass, "Organisational Decision Making", Richard Irvin 1983
2. Penning M., "Decision Making", Weiner 1983

**TOPIC TWELVE**  
**12.0 SUPERVISION / LEADING AND CONTROLLING**

*By the end of the topic you should be able:*

- a) To highlight the qualities of a supervisor*
- b) To state what are the roles of the supervisor*
- c) To describe the controlling process*
- d) To identify the importance of controlling*

A supervisor is a link between the management and the workers.

**12.1 PRINCIPLES / QUALITIES OF SUPERVISION**

1. Must understand the physical organization of the branch or department including the duties, responsibilities, powers and their limitations.
2. Have a working knowledge of staff duties.
3. Be responsible for staff training and development.
4. Should plan ahead by knowing the holidays, policy change e.t.c.
5. Should be disciplined before calling for the workers discipline.
6. Be loyal to superiors, subordinates and the organization (policies).
7. Exercise judgment in all actions by being analytical.
8. Be cost conscious.
9. Communicate effectively with the staff.
10. Lead by example; (do what you have been told others to do).
11. Strive to create good relationship between the staff and other supervisors.

12. Ensure good service is extended to consumers

### **12.2 ROLES OF A SUPERVISOR**

1. Training and coaching.
2. Carrying out communication.
3. motivates the staff or workers.
4. Holds meetings and briefings regularly.
5. He is a custodian of the staff and organization rules.
6. Manages time.
7. Sets performance standards to be realized.
8. Makes decisions.
9. Conducts the performance appraisals for the workers.
10. Carries out induction and orientation.
11. Carries out planning.

### **12.3 TYPES OF SUPERVISOR'S**

#### **1. Job oriented supervisor**

He is concerned with application of methods and procedures. And any violation is punishable.

#### **2. Work oriented supervisor.**

He is concerned with the workers performance and puts emphasis on quality performance.

#### **3. Job and work supervisor**

He is concerned with both methods and procedures and quality of worker's performance.

### **12.4 CO-ORDINATION**

Definition: It is developing an integrated and orderly pattern of group efforts to realize a common goal.

#### **12.4.1 CHARACTERISTICS OF CO-ORDINATION**

1. Its a continuous process.

2. It involves an orderly must respond to organizational policies and objectives.
3. Co-coordinating activities must respond to organizational policies and objectives.
4. Co-coordinating approach should be balanced.
5. It should be based on personal contact, mutual co-operation e.t.c.
6. It should aim at morale boosting.

#### **12.4.2 PRINCIPLES OF CO-ORDINATION**

##### **1. The principle of early beginning**

It should be started at the earliest possible time when the activities are being performed and not later when they are nearing completion.

##### **2. The principle of direct contact**

There should be personal contact between the one co-ordinating and that one who is being co-ordinated so that any arising questions can be answered and fears ironed out.

##### **3. The principle of feedback**

This is where information about the effects of co-ordination is received in order to identify the strong points, weaknesses and areas that require improvement.

##### **4. The principle of continuity**

This is where the exercise is not stopped but continuous over a period of time.

#### **12.4.3 ADVANTAGES OF CO-ORDINATION**

1. It increases productivity
2. A firm will enjoy the economies of scale.
3. It is a basis of cost reduction.
4. It leads to high profitability levels.
5. It motivates the members of the staff.
6. It reduces high labor turn-over.
7. It enables a firm to survive stiff-competition.

#### **12.5 TECHNIQUES OR METHODS OF CO-ORDINATION**

##### **1. Use of commands**

This is where orders are given and the follow-up is required to identify disobedient.

##### **2. Use of personal-leadership**

This is the ability in one to influence change of behavior in the subordinates where they willingly accept to perform particular tasks.

### **3. Communication**

Co-coordinators can use communication to give instructions on what is to be done.

### **4. Use of committees**

Committees are so important for they help to co-ordinate activities in their areas.

### **5. Use of special appointees**

Special representatives can represent management on following to find whether the objectives are being realized or not.

***Revision question***

- i. State the difference between supervision and coordination***
- ii. What is the importance of supervisions?***
- iii. Discuss the various types of supervisors***
- iv. What are the methods of coordination?***

**Further Reading**

1. Peter Drucker, "the organisation of Behaviour, Richards 1998.
2. Richard M., "Management Theory, Process and Practice", Academic press, New York, 1993

## TOPIC THIRTEEN

### 13.0 STAFFING

*By the end of the topic you should be able:*

- 1. To trace the staffing process*
- 2. Highlight the importance of job analysis*
- 3. To differentiate between recruitment and selection*
- 4. To highlight the internal recruitment methods*

Definition: This is the employment of the right type of worker in a department or an organization.

#### 13.1 STEPE IN STAFFING PROCESS

##### 13.1.1 JOB ANALYSIS

Definition: It is that process of identifying the overall tasks, activities and responsibilities within an organization.

This helps to picture out the type of persons to perform those tasks.

#### USES OF JOB ANALYSIS

1. It's used in employment.
2. It's used in fixing salaries.
3. It's used to identify those to undergo training.
4. It's used to identify those to be promoted.
5. It's used in identifying the workers who have no respect to the policies, procedures and methods.

6. It's a basis for merging departments.

### **13.1.2 THE BARRIERS LIMITATIONS OF JOB ANALYSIS**

1. When the workers give conflicting information about their tasks, a job analyst is forced to use guess work.
2. It requires a lot of time to cover all jobs which is always lacking.
3. If there is change in management the job analysis results may be rejected and therefore a waste to an organization.
4. When workers do not co-operate with the job analyst then information will be given rendering the result ineffective.

### **13.2 RECRUITMENT**

Definition: It's a process of stimulating people to apply for vacancies in an organization.

There are two methods of recruitment i.e.

1. Internal Method.
2. External method.

#### **13.2.1 INTERNAL METHOD / Recruitment at the factory gate.**

It's where vacancies are filled from inside an organization by considering the employees serving in that organization.

#### **METHODS OF INTERNAL RECRUITMENT**

##### **1. Permanent workers**

This is where the permanent workers are considered to fill the top level jobs.

##### **2. Casual workers / temporal workers**

They are considered in filling lower level jobs.

##### **3. Retrenchment workers**

Retrenchment workers can be considered to fill vacancies that have arisen.

##### **4. Retired workers**

This is where the retired are considered for jobs on contractual basis.

##### **5. The deceased dependants**

This is where the dependants are given within the organization.



## **WHY COMPANIES PREFER INTERNAL RECRUITMENT.**

1. It motivates the workers.
2. It is a policy of an organization (rule)
3. To please the trade unions.
4. To reduce the costs in recruitments i.e advertisements.
5. If the organization wants to maintain their organizational culture.

### **13.2.2 EXTERNAL RECRUITMENT**

It's filling of the jobs from outside an organization.

#### **METHODS OF EXTERNAL RECRUITMENT**

##### **1. Education institutions**

This is where recruitment is done from the colleges where training occurs.

##### **2. Head-hunting**

This is where an organization goes for a particular person to fill a vacancy.

It's always used to fill top level positions.

##### **3. Public agency**

This is a recruitment firm that is financed by the state to offer services to organizations in that state.

The organization does not pay anything.

##### **4. Private agency**

This is a privately owned recruitment firm that offers services to organizations at a fee e.g man power, price water house coopers.

##### **5. Data banks**

This is information about an unsuccessfully applicants that is kept by firms and can be reverted to when a vacancy arises or the information can be shared by another firm.

## **WHY COMPANIES PREFER EXTERNAL RECRUITMENT**

1. If they want to change their organizational culture
2. If they want to earn the society of goodwill.
3. It's a large pool with trained and experienced people.
4. If the organization desires to get a person associated with success in other places to their organization.
5. If an organization has a desire of getting competitor workers to inject the secrets of their former employee to the organization.

6. If it's the requirement of the state to help in alleviating unemployment and discrimination.

### **13.3 SELECTION**

It's the choosing of the right person to be offered a job.

#### **SELECTION METHODS**

##### **1. Interviewing**

This is face to face interaction with the prospective employee with a view of getting first hand information to be used in making a choice.

##### **2. Benchmarking**

This is where a comparison is done by considering the applicants qualifications by those of a performing worker before making a choice.

##### **3. Reference checking**

This is where the reference are called upon to give information about the applicant before the decision is done.

4. **Tests:** Applicants can be given tests and chosen upon passing them.

5. **Filling the application blank.**

6. **Use consultants.**

7. **Assessment centers.**

### **13.4 RETENTION**

Definition: This is the process of ensuring that the workers are highly motivated so that they work with the firm for a long time without wishing to leave for other places.

**The following factors contribute to retention:-**

1. If the organization provides opportunities for training and development of its work force.
2. Rewards, if workers are given a better salary comparable to other organizations.
3. Job security; if workers are assured of a security of their jobs they will not be willing to move away but will want to grow with the organization.
4. Filling of vacancies; if vacancies are filled internally then labor turn-over will be reduced.
5. Rules and policies; the rules and policies must be worker friendly to ensure for their

continual existence.

6. Management practices; if managers use better management practices that are worker friendly to ensure then the workers will see no reason to want to leave.
7. Better working conditions.
8. Provision of welfare services e.g. house allowance, medical allowance, transport allowances e.t.c.

#### ***Revision questions***

- i. ***What are the steps in the staffing process***
- ii. ***Differentiate between internal and external recruitment methods***
- iii. ***What is the importance of job analysis***
- iv. ***What are the advantages of external recruitment***

#### **Further Reading**

1. Peter Drucker, "the organisation of Behaviour, Richards 1998.
2. Richard M., "Management Theory, Process and Practice", Academic press, New York, 1993

## TOPIC FOURTEEN

### 14.0 THE DECISION MAKING PROCESS

*By the end of the topic you should be able:*

- i. To state the types of decisions*
- ii. To discuss the steps of decision making*
- iii. Highlight the characteristics of decision making*
- iv. To identify the barriers to decision making*

It is defined as a selection of a course of action from among the many. Decision making is an important element in the planning process. It helps in directing where the resources should be allocated and whether they have been used well as intended.

#### 14.1 CHARACTERISTICS OF DECISION MAKING

- ☐ It is always purposed to realize a particular goal or goals.
- ☐ It is a continuous process which cannot be done once and stopped but is continually carried out
- ☐ It comes into picture only when there are many alternatives and therefore only a few alternatives are to be chosen
- ☐ It is an intellectual process that is guided by reasoning and analytical thinking
- ☐ It is carried out by all Managers irrespective of their levels

## **14.2 TYPES OF DECISIONS**

### **1. OPERATIONAL AND STRATEGIC DECISIONS**

Operational decisions are those made by the departmental heads and affects the day to day running of the departments. They are derived from the organizational decisions made at the top level. On the other hand the strategic decisions are made by the top level managers and affect the entire organization. They relate to the issues of rules, procedures

### **2. PROGRAMMED AND NON PROGRAMMED DECISIONS**

These are the decisions that are made on a repetitive nature. They are always made in consultation with the company's rules, procedures and policies to ensure that there is no violation of any kind

### **3. INDIVIDUAL AND GROUP DECISIONS**

In a company setting managers make decisions in their capacity but others they make them as a group of managers for instance departmental decisions are an example of individual decision while the strategic decisions affecting the entire organizations are made many mangers at the top level

### **4 MINOR DECISIONS AND MAJOR DECISIONS**

Minor decisions are undertaken by managers but do not have fur reaching implications and do not commit much of the company's resources while the major decisions are those made by managers and they cost an organization dearly. They include starting up projects for the organization

## **14.3 STEPS IN THE DECISION MAKING PROCESS**

### **1. DEFINING THE PROBLEM**

The problem must be understood well in order to plan a way out. This helps by avoiding jumping to conclusions based on symptoms instead the true causes be identified and understood.

### **2. ANALYSE THE PROBLEM**

In the analysis of the problem, the factors that contributed to the problem must be sorted out, also understand the present situations and their effects in the future. An analysis must be in line with the objective as far as possible in order to make decision which are relevant. Personal prejudices and biases should be avoided to make the process more

credit

### **3. DEVELOP ALTERNATIVES**

These are options or courses of action. A better decision stems from many alternatives generated as solutions. Better decisions are caused by the managers creativity and imagination

### **4. EVALUATE ALTERNATIVES**

This is where the alternatives are evaluated to find out whether they help solve the existing problems.

Evaluation is done in order to come out with the ones that achievable, practicable, most fruitful and less risk ones. The evaluation is meant to prepare a ranking of the alternatives from the one favoured to the least favoured.

### **5 SELECT AND IMPLEMENT THE DECISION**

This is where the option that best solves the problem is indeed put into action in order to alleviate the problem or problems.

#### **14.4 BARRIERS TO EFFECTIVE DECISION MAKING**

- o The managers evaluating the problem from a stereo type or pre conceived portion
- o The tendency to avoid creativity and new ideas
- o Responding to situations with solutions without proper information and knowledge
- o Fights and conflicts between the various departmental managers
- o Lack of the right skills and experience in those to carry out decision making

#### **14.5 HOW TO AVOID THE DECISION MAKING PROBLEMS**

- ☐ Avoid premature evaluations
- ☐ Encourage for creativity and analytical thinking
- ☐ Encourage groups to work as teams and compare their work for learning purposes
- ☐ Evaluators should do a way with bias
- ☐ Let there be free flow of information to guide the decision making process

### ***Revision questions***

- i. what are the basic steps in decision making*
- ii. What are the barriers to decision making*
- iii. Discuss the types decision by use of examples*

### **Further Reading**

1. Peter Drucker, "the organisation of Behaviour, Richards 1998.
2. Richard M., "Management Theory, Process and Practice", Academic press, New York, 1993

**SAMPLE PAPER**



**BACHELOR OF BUSINESS MANAGEMENT BBM: 122:  
PRINCIPLES OF MANAGEMENT**

**FIRST YEAR FIRST SEMESTER 2010**

**Instructions;**

**Answer three questions but question ONE is compulsory**

- 1.a) Give reasons why management is not viewed as an exact science but rather INEXACT science. 8mks
- b) Discuss the other roles that managers do as given out by Prof. Henry Mintzberg 8mks
- c) Planning is the most important task for any manager for it sets out what is to be done to reduce conflict and confusion. What are principles of planning? 10mks
- d) State any four principles of organizing 4mks
2. Identify and discuss any FOUR organisational structures that can be used of by any organization in order to realize the company goals and objectives. 20mks
- 3.a) What are the benefits of planning for any company 10mks
- b) Discuss the steps that should be followed in the planning process 10mks



4. Fredrick Taylor is known as the father of scientific theory of management.
- i) What are the objectives of his theory 4mks
  - ii) Discuss the principles of Fredrick Taylor's theory 16mks
5. Discuss by use of examples the steps in the decision making process 20mks