Managerial Studies

Collected and Prepared
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CHAPTER (I)
INTRODUCTION
TO
MANAGEMENT

Chapter (1)
INTRODUCTION TO MANAGEMENT

The meaning of management

Management has been defined in many different ways by different authors. Here is a sample: -

- Management is the art of getting things done through and with people in formally organized groups.(Haimann, T.)
- Management is simply the process of decision-making and control over the actions of human beings for the express purpose of attaining predetermined goals.(Vance S.)
- Management is a social process entailing responsibility for the effective and economical planning and regulations of the operations of an enterprise in fulfillment of a given purpose or task (Brech E. F., 1957).
- Management is the coordination of all resources through the process of planning, organizing, directing and controlling in order to attain a given stated objective (Fayol H. 1916; & Koontz and O'Donnel, 1976)

From the above range of definitions, it is obvious that management is a complex process with many facets/elements/dimensions.

Characteristics of Management:

To further enhance our understanding of the term management, we shall now examine some of its major characteristics.

1. **Management is an activity.**

   Management is an activity that concerns the effective use of all resources both human and non-human. It is the driving force that inspires an undertaking. It creates the conditions and relationships that bring about the full use of resources.

2. **Management is Purposeful and goal-oriented.**

   The main concern of management is the achievement of clearly defined goals or objectives. Management is said to be successful only to the extent to which these objectives are achieved.

3. **Management is a Social Process**

   Organizations are social entities, as they are constituted of people. As such, management has to control, organize and motivate people and create a favourable climate for their development.

4. **Management is getting things done.**

   A manager does not usually do the operating work himself, but gets the work done with and through people. A manager has to direct people, harness talents through training and procure technical, human, and psychological skills (intellectual capital).

5. **Management is an intangible force.**

   Though intangible, management is not abstract but a social skill which is evident by the quality of the organization in terms of the efficiency and effectiveness of its operations.

6. **Management is an Integrating Process.**
   Management brings together people, machines and materials to carry out the operation of the organization and achieve a set of given objectives. It is a result-oriented process.
7. **Management is separate from ownership.**
   Management and ownership may be the same in small family or individual or sole proprietorship businesses, but in modern enterprises or corporations, a vast number of shareholders own the business enterprise or organization, while management is in the hands of qualified, professional and competent managers, who normally do not posses any ownership interest.
8. **Management is a Universal Activity**
   The techniques and tools of management are universally applicable. Managers perform the same functions regardless of their position in the management hierarchy, type of enterprise or location of enterprise.
9. **Management is a social science**
   The science of management is universally accepted as a distinct discipline. It has assumed professional character, hence requiring the use of specific knowledge, skill and practice. It utilizes certain fundamental concepts, theories, tools and techniques that constitute the subject matter of management. It therefore satisfies all the conditions of a profession.

The art and science of management

Management can be said to be both a science and an art. First, it is a science because it is based on a set of organized knowledge founded on proper scientific findings and exact principles. It is part of the branch of science known as social science just like sociology, economics or history. The other branches of science are physical science, biological science etc. Management is also a behavioral science in which its theories and principles are based on the situation.

Management can also be an art. An art refers to the best way of doing something. Management can be said to be the process of directing scientific knowledge to the accomplishment of objectives. Like any other art, management is creative, develops new situations, new designs and new systems needed to improve performance. Art therefore is the 'know-how' or 'technique' to achieve a desired result. The most productive art is always based on an understanding of the science underlying it.

Art and science therefore are not mutually exclusive but are complementary. As science improves, so should art. As Koontz and O'Donnell point out 'physicians without a knowledge of science become witchdoctors, but with science, they become skillful, artful surgeons.' Therefore, managers who operate without scientific knowledge (in the form of theory) can only trust in luck, intuition, common sense and experience (which may be wrong experience).

However, in utilizing theory and science, managers must learn to blend knowledge (principles) and practice to achieve desired results.

The Scientific Method in Management.

The purpose of science is to explain phenomena. Science is based on the belief that relationships can be found between two or more sets of events. The scientific method involves determining facts through observation of events and verifying their accuracy through continued observation. After classifying and analyzing the facts observed, scientists establish causal relationships known as hypotheses that they test for accuracy. When hypotheses are supported, and are found to explain or predict reality they become principles. However, principles are not permanent they can still be challenged by future research and analysis and either modified or discarded.

Principles, Theory and Concepts: Principles, theory and concepts form the structural framework of a science.

Principles are fundamental truths or what are believed to be truths at a given time, explaining relationships between two or more sets of variables.

For example: Motivation has a positive effect on the performance of employees.

Theory is a systematic grouping of interrelated principles. It ties together significant knowledge to form a framework.

For example, the theory of attribution which explains the behaviour of an individual on the basis of whether it was caused by an external or an internal influence. Internal causes are those believed to be under the personal control of the individual while external causes are those believed to be beyond the control of the individual. These are judged on the basis of distinctiveness, consensus and consistency.

Concepts are mental images of something formed by generalization from particulars. Concepts are the building blocks of theory and principles. However, they tend to always imply different things to different people. For example concepts such as: management, organization, technology, labour etc.

The basic functions of management

The job of management is to help an organization make the best use of its resources to achieve its goals. They do so by performing essential managerial functions which include:

- Planning
- Organizing
- Directing
- Staffing
- Controlling

Planning: It is the process of setting goals and objectives and showing how these goals and objectives will be accomplished.

Organizing: This refers to the process of establishing a structure of working relationships. It involves grouping people into departments according to specific tasks performed and deciding how best to coordinate organizational resources.

Directing: This is the process of communicating what has been planned by leading and motivating the efforts of people towards attainment of goals

Staffing: This function refers to the process of filling positions with the right kind of people in the right job at the right time.

Controlling: This refers to the process of evaluating how well an organization is achieving its goals and how to maintain and improve performance.

Figure 1 below illustrates the relationships among these functions. It indicates that all the functions are interdependent.

Figure 1: Interdependence among managerial functions

Managerial roles

Managers play several management roles: a role is a set of specific tasks that a person is expected to perform in the position they hold. According to Henry Mintzberg, managers play three major roles:

Interpersonal roles:

- Figurehead – a manager a representation or a symbol of the organization. They determine the direction or mission of the organization. They inform stakeholders such as employees about what the organization is seeking to achieve. They put up appearances on behalf of the organization eg receiving guests at the workplace or attending an employee’s wedding.
- Leader – a manager occupies a position of influence, hence has to inspire and encourage others to perform. They train, coach, counsel and mentor subordinates to reach their full potential
- Liason – managers are the link between the organization and the larger society. They deal with people outside the organization such as suppliers and customers and inside by coordinating the activities of people in different departments.

Informational roles:

These roles are closely associated with the tasks necessary to obtain and transmit and transmit information. The roles are:

- Monitor – managers analyze information from inside and outside the organization so that he can effectively control and organize people and other resources.

- Disseminator – Managers transmit information to other members in the organization so as to influence their work attitudes and behaviour
- Spokesperson – managers use information to promote the organization so that people inside and outside the organization can respond positively to it

<u>Decisional roles:</u>

managers plan and lay strategies for achieving goals and utilizing resources. They act as:

- ***Entrepreneurs:*** Managers decide which projects or programmes to initiate and how to invest resources to increase organizational performance
- Disturbance handler: managers assume responsibility for handling unexpected events or crisis that threatens the organizations access to resources. In this situation a manager also assumes the roles of figurehead and leader to mobilize employees to help secure the resources needed to avert the problem.
- Resource allocator: managers decide how best to use available resources to increase organizational performance.
- Negotiator: managers work out agreements and contracts that will operate in the best interest of the organization.

The relationships among these roles are illustrated in figure 2 below.

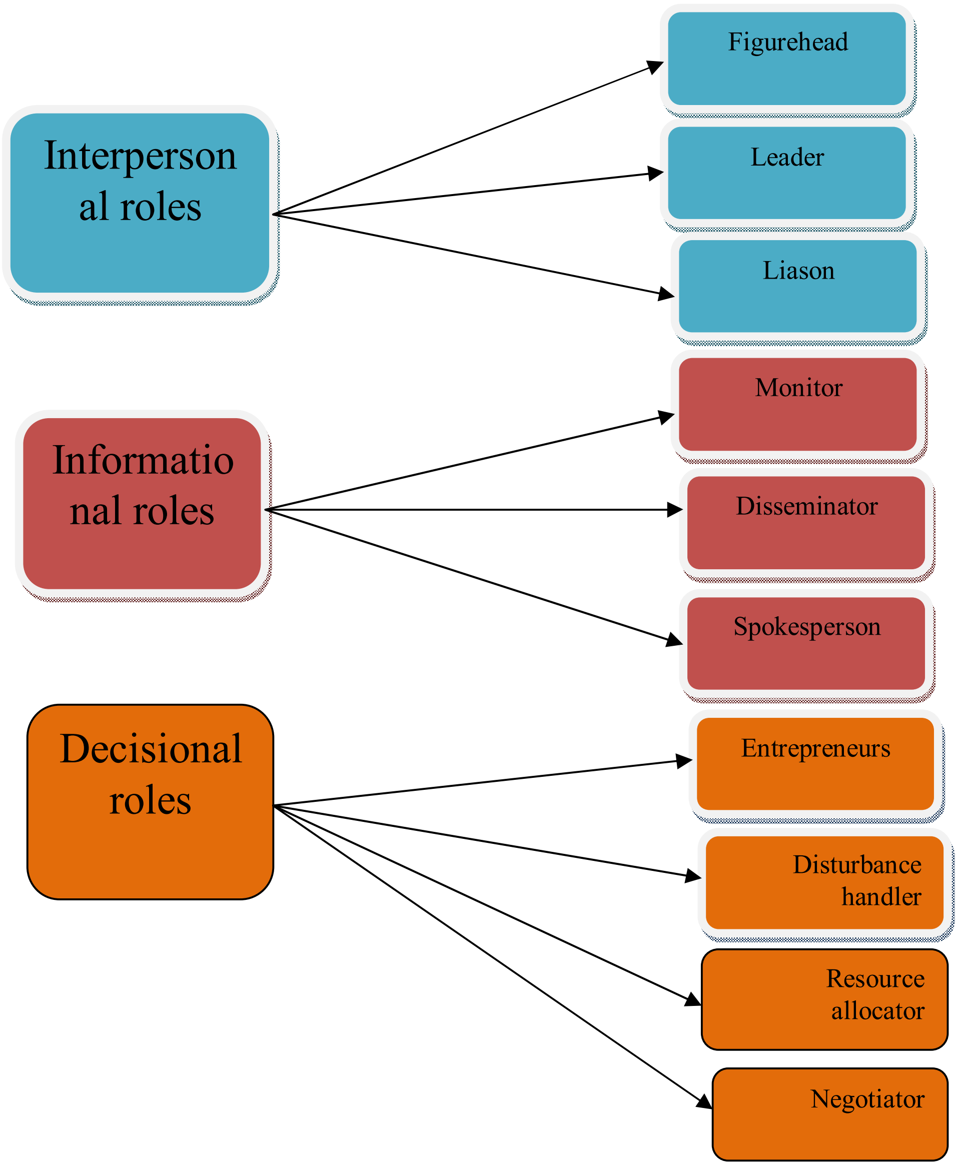

Figure 2: Illustration of managerial roles

Managerial skills

Skills is what separates good managers from ordinary managers. Education and experience enable managers to develop the skills they need to put organizational resources to their best use. There are three types of skills:

1. Technical skills: These are needed to perform specialized tasks. They involve the ability to use knowledge, methods, techniques and equipment necessary for the performance of specific tasks. These skills are acquired from experience, education and training. They are more useful for lower level management at supervisory levels because they train others in the actual job.
2. Human skills: The ability to work with and through people including understanding of motivation and application of effective leadership. Also includes the ability to mould individuals into a cohesive team. Human skills are useful for middle managers as they link the top and the lower levels of employees.
3. Conceptual skills: This skill is demonstrated in the ability to analyze and diagnose a situation and to distinguish between cause and effect. Involves understanding the complexities of the overall organization and the various variables that influence its operations. It is about seeing the 'big picture'.

   The appropriate mix of these skills varies as an individual advances in management from supervisory to top management positions. The relationship between management level and skills needed is illustrated below.

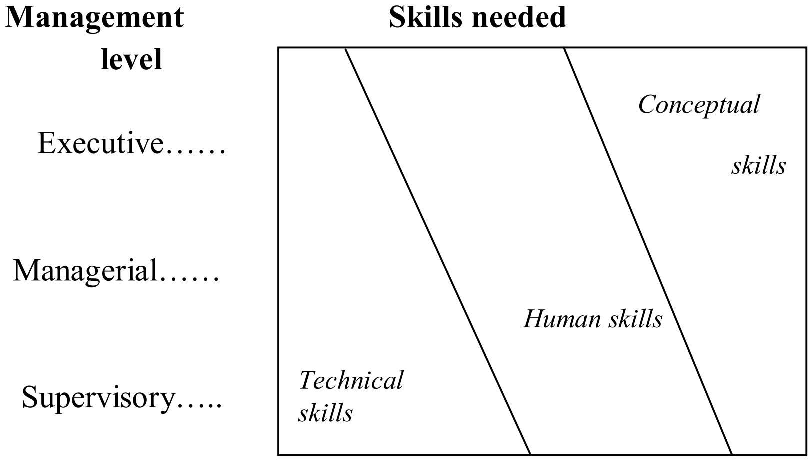

Figure 3: Managerial roles

More conceptual skills are needed at executive levels as executives should be able to see how all operative functions are interrelated in accomplishing organizational goals. Their focus is external and global. Human skills are therefore crucial to all levels of management as attested by the following statement:

"I will pay more for the ability to deal with people than any other ability under the sun" (John D. Rockeffeler, American entrepreneur).

In other surveys, human skill has been rated higher than intelligence, decisiveness and knowledge and job skills.

Importance of Management Knowledge

Knowledge of the basic principles and techniques of management is important for a number of reasons.

1. **To increase efficiency.**

   Development and use of management principles improves managerial efficiency. Managers can apply established guidelines to help solve problems without having to resort to trial and error – which is risky and costly to the organization.

   Although experience is important, it is not enough as no two situations or problems are the same nor can be solved using the same methods. Hence an understanding of management theory, principles and concepts allows the manager to see and understand what otherwise would remain unseen. Awareness of management principles helps managers avoid mistakes.

2. **To understand the nature of management.**

   An understanding of the concepts, principles and techniques of management enables managers to analyze the managerial job and train others. The knowledge of these fundamentals acts as a checklist of the meaning of management. With the accumulation of management knowledge, management training is simplified.

3. **To achieve social goals.**

   Development of management knowledge and its skillful use in the management of people and material resources can have a revolutionary impact on society.

For example, it is observed that nations with high levels of material standards of living tend to have high levels of knowledge and skill in the management of business. Management has a social responsibility in addition to making profit. They oversee the operation of the economic systems that fulfills the expectations of the public such as safeguarding shareholders investment, providing a reasonable return, keeping employees satisfied and contented by ensuring payment of fair wages, good working conditions and security of employment.

Management is also responsible for customers' needs e.g. quality goods and services.

To the State, it is the major source of income through taxes hence the business must be conducted in accordance with state policy. It also has responsibility to the society by maintenance of ethical behaviour. It should also be innovative and creative to produce goods and services for the increased comfort of mankind. It is management knowledge therefore that enables these multidimensional responsibilities of management to be achieved.

Environmental influences on management

Although most of a manager's time is spent in interactions with subordinates inside the organization, the manager must also deal with issues in the external environment. These consist of the micro, market and macro environments.

Composition of the Management Environment

The environmental concept refers to the sum total of the factors or variables that may influence the continued existence of an organization. They may be factors inside or outside the organization. An organization does not exist in a vacuum, but in an environment that provides resources and limitations. To remain prosperous, therefore, it must continually adapt to its environment, which is constantly changing.

An organization and its environment are interdependent. The environment provides resources and feedback to the organization and it, in turn, produces the goods and services required by the environment.

Types of environments

1. Micro environment

This consists of the organization itself:

- The mission, goals, objectives and strategies of the organization.
- The organization and its management
- The resources of the organization e.g. employees, capital, finance, etc

- The organizational culture.

2. Market environment

This is the environment that surrounds the organization also known as the competitive or industry and comprises of:

- Consumers, their needs, purchasing power and behaviour.
- Suppliers of materials, capital and labour
- Intermediaries e.g. wholesalers and retailers, commercial agents and brokers, banks etc.
- Competitors e.g. new entrants, existing competitors, availability of substitute products or services and the bargaining power of clients, consumers and suppliers.

3. Macro environment

Is that which exists outside the organization. It comprises:

- ***Technological environment:*** responsible for accelerating change and innovation and creating opportunities and threats in the environment.
- ***Economic environment:*** responsible for change in the environment because of changes in economic growth rate, levels of unemployment, consumer income, rate of inflation and the exchange rate.
- ***Socio-cultural environment:*** referring to changes in value systems, family structures, education, attitudes, ethics, workforce diversity, etc.
- ***Ecological/physical environment:*** is concerned with the natural resources from which the organization derives

its raw materials and the environment on which the organization discharges its waste.

- ***The political-governmental environment:*** refers to the government and its influence on the organization, e.g. in terms of political risk, legal matters, government expenditure etc.
- ***The international environment***: comprises of the factors emanating from other countries with which the organization directly or indirectly has business relations.

An organization can therefore be said to be an open system because it is dependent on the environment in which it operates. (A closed system can exist independently). There is specific interaction between the system and the environment.

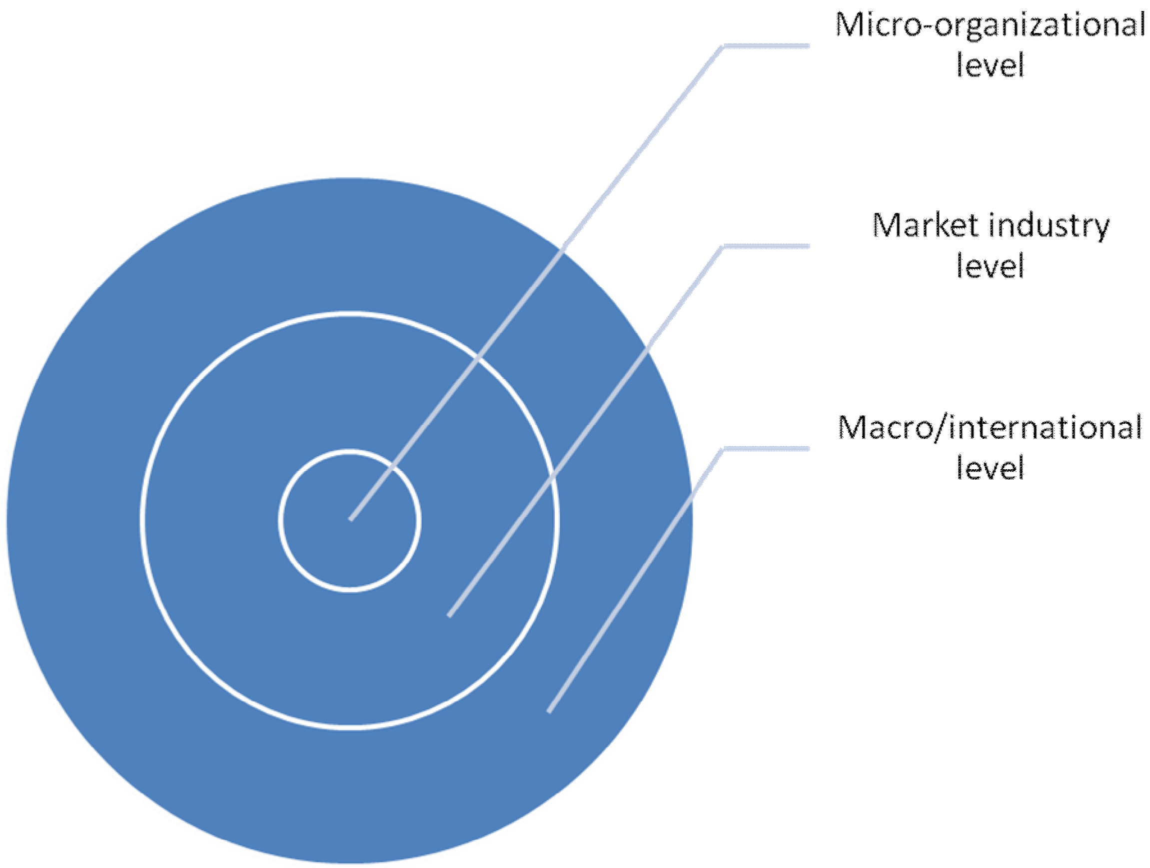

Figure 4:**Ways in which management can react to the Environment.**

- ***Environmental scanning:*** refers to the measuring, projection and evaluation of change in the environment. Organizations management information systems should make provision for this.
- ***Strategy response:*** This may include changes in present strategy or formulation of new strategies.
- ***Structural Change:*** The organization structure can be redesigned, adapted or modified as a response to

changes in the environment e.g. a flexible vs. bureaucratic structure, integration vs. differentiation, decentralized vs. centralize etc.

- ***Cultural change:*** change the organizational culture from closed to open etc.

Organizational culture and environment

Organizational culture is a pattern of shared beliefs and values (Morgan 1986) (Shared meaning, shared understanding and shared sense making). Handy (1993), notes that organizations have differing atmospheres, differing ways of doing things, differing levels of energy, individual freedoms and kinds of personality. Organizations are like mini societies that have their own distinctive patterns of culture and sub-cultures which can exert a decisive influence on the overall ability of the organization to deal with its challenges.

- The dominant culture that develops in an organization is the product of its founders aims and styles and their successors in senior management and interaction with a variety of internal and external forces.

Determinants of organizational culture

- Organizational mission and vision
- Corporate aims
- Policy statements
- Rituals, eg dressing, address
- Logos, brand names

- Rules, procedures
- Management attitudes
- Peer group attitudes
- Structures
- Technology etc

CHAPTER (2)
MANAGEMENT THEORY

Chapter (2)
MANAGEMENT THEORY

Introduction

In lecture two, we shall discuss the theories of management. These are divided into the classical, bureaucratic and neo-classical approaches to management.

Classical Approach To Management

The history and theory of management are important to managers for various reasons:

- They help managers understand current developments and avoid mistakes of the past
- They foster an understanding and appreciation of current situations and developments and facilitates the prediction of future conditions
- They help managers organize information and approach problems systematically. Without knowledge of theory, managers would be using guess work, hunches, intuition and hopes which may not be

useful in the present complex and dynamic organization.

The practice of management can be traced to the beginning of man. Egyptian, Greek, Roman and Chinese civilizations all have records indicating the importance of management. (The writings of Sun Tzu on the 'Art of War', written 2500 years ago are a lesson on strategic management)

In Greece, Socrates the famous philosopher observed that "the management of private affairs such as households is not different from the conduct of public affairs except in magnitude"

The biblical Moses used the Principle of delegation and hierarchy of command to manage the Israelites during the exodus. (Exodus 18: 1-27). Joshua used the management techniques to recruit soldiers for war.

The Roman Catholic Church over the centuries has effectively used the principles of division of labor and hierarchy of authority.

The Roman empire colonized many parts of the world for many centuries by effectively using basic management ideas such as scalar principle and delegation of authority.

Niccolo Machiavelli in 'The Prince' gives relevant ideas on how to develop and use management skills. He suggests to 'The Prince' ideas on – consent of the majority, inspiration of people to greater achievement, offer of rewards and incentives and taking advantage of all opportunities.

The above early influences on management, however, do not give much insight into the principles of management as they are not organized and the relationships among various variables are not explained. The knowledge is based on trial and error and experience rather than organized scientific knowledge.

It was only in the late 19th century that large business organizations requiring systematic administration started to emerge. We shall focus on two early schools of management.

- Classical management theory

- Human relations neo-classical theory

Classical Management Theory

- **Classical theory is divided into scientific management and administrative management**.

Scientific management theory: Changes in economic and production patterns during the industrial revolution led a few practicing managers to examine the causes of inefficiency in production. It is these basic studies that led to a system of management known as **scientific management.**

Scientific management has been defined as the application of scientific method of study, analysis and problem solving in organizations.

The Thoughts of Frederick Taylor

Taylor, an engineer in an American steel firm was concerned about the best methods of doing jobs. He saw the main problem to be that of efficiency of workers in relation to existing property relationships between workers and owners of organizations. He suggested the development of a true science of management where methods for performing each task could be determined. He advocated a mental revolution by both management and workers.

His findings were:

- Workers deliberately restricted production in their daily work due to fear of unemployment and lack of piece rate system.
- Lack of work rationalization, hence overlapping of jobs. The method of working was also too complicated.
- Due to poor remuneration, workers formed themselves into groups and labour unions to press for better wages.
- Management left the initiative of working methods to the ingenuity of workers (rule of thumb).

To solve the above problems, Taylor suggested the following principles to guide management.

- Each worker should have a clearly defined daily task.
- Establish standard conditions to ensure the task is more easily accomplished e.g. work-study and motion studies.

- High payment for successful completion of tasks and none or lower payment when standards are down. He believed money was a major motivator.

For management, he suggested: -

- The scientific selection, education and development of workers.
- Friendly, close cooperation between management and workers.
- Managers should take more supervisory responsibility, arguing that workers preferred to be given a definite task with clear-cut standards.

The concepts/ideas advanced by Taylor are not far from the fundamental beliefs
of the modern manager. A number of post Taylor studies are found in the literature e.g. The Hilbreths, Gault, Emerson, and Filene. They all attempted to improve on Taylor's ideas.

The basic assumptions of scientific management were:

- Improved results in organizations will come from the application of scientific methods of analysis to organizational problems. This implies that scientific approach to problems is superior to other methods eg informal sector
- The focus is on the work itself and not the particular person doing the work
- Each worker is assumed to be a classical economic man hence interested only in maximization of his monetary income

Evaluation of Scientific management

While Taylor's ideas of scientific management contributed to modern management, there were also a number of limitations.

Limitations

- The revolutionary ideas advocated by Taylor increased productivity but 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. However, people have needs other than money e.g. recognition and acceptance

- They also overlooked the human desire for job satisfaction and workers became more willing to go out on strike over job conditions rather than salary.
- The assumption that human beings are rational creatures who base their decisions on rationality and logical analysis of their needs is not universally applicable to all human beings.

Benefits of the Scientific Management Thoughts.

- Its rational approach to organization of work enabled tasks to be measured with accuracy.
- Tasks measurement and processes provided useful information on which to base improvement on working methods.
- Improvement of working methods brought enormous increases in productivity.

- Enabled employees to be paid by results and to take advantage of incentive schemes.

- Stimulated management into adopting a more positive role in leadership at the factory level.
- Contributed to major improvements in physical working conditions.
- It provided the foundations on which modern work study and other quantitative techniques are based.

Disadvantages of the Scientific Management.

- Reduced the role of workers to that of rigid adherence to methods and procedures over which they have no discretion.
- Led to fragmentation of work because of emphasis on analysis and organization of individual operations, hence boring, repetitive jobs.
- Generated a carrot and stick approach to the motivation of employees enabling pay to be geared tightly to output.

- It put the planning and control of workplace activities exclusively in the hands of management, alienating workers.

- Ruled out any realistic bargaining about wage rates since every job was measured, timed and rated scientifically.

Administrative Theory

This theory came out of a need to find guidelines on how to manage complex organizations such as factories. Henry Fayol is recognized as the father of classical organization theory since he was the first person to systematize managerial behavior. Another contributor is Max Weber (1864-1920) with his bureaucratic model.

HENRI FAYOL (1841-1925).

Fayol was an engineer in a large French Company. Fayol, unlike Taylor started in management and his ideas therefore are more concerned with the science of management. As such he drew up a list of principles of management.

Fayol believed that sound managerial practice fell into patterns that could be identified and analyzed. He also believed that management is not a personal talent but a skill that can be taught and learnt.

It is notable that Fayol's observations fit well into the currently developing management theory.

He defined management in terms of:

- **Technical activities -production.**
- **Commercial " -buying and selling.**
- **Financial " -securing capital.**
- **Security " -safeguarding financial information.**
- **Managerial " -planning, organizing, controlling and directing.**

He noted that of all these activities, it is managerial activities that have not been given much attention and he dealt more with it.

Based on his experience, Fayol listed 14 principles of management.

1. **Division of work** - Necessary to efficiency of labour as it reduces span of attention or effort hence increasing specialization.

2. **Authority and Responsibility -** The right to give orders.

3. **Discipline** -Respect for formal and **informal** agreements between firm and workers and obedience to rules and regulations.
4. **Unity of command -** One person, one superior, employees should receive orders from one superior only to reduce confusion.
5. **Unity of Direction -** One head, one plan for a group of activities with the same objective.
6. **Subordination of the individual interest to general interest -**The interests of one individual or one group should not prevail over the general good.
7. **Remuneration** - Pay should be fair to both worker and firm.
8. **Centralization -** Refers to the extent to which authority is concentrated or dispersed. Circumstances of organization e.g. size will determine the extent to which an organization is centralized
9. **Scalar Chain -** "Chain of Superiors" or line of authority from top to bottom.

10. **Order** - A place for everything i.e. the right person in the right job or place.

11. **Equity** - Refers to loyalty and devotion from personnel by use of kindliness and justice on the part of managers.
12. **Stability or Tenure of Personnel -** Refers to the costs and dangers of turnover due to bad management.
13. **Initiative -** All levels of personnel should be encouraged to show initiative as it is a source of satisfaction.
14. **Espirit de corps** - "In union there is strength". This is an emphasis on teamwork, harmony and communication.

MAX WEBER (1864-1920)

Max Weber advocated for a bureaucratic approach to management to reduce abuse of power by people in managerial positions. This is an approach that runs on rules and regulations.

The **concept of bureaucracy** is attributed to Max Weber (1864-1920), a German sociologist. He lived in the period of history as the early pioneers of management thought such as Fredrick Taylor and Henri Fayol. Weber however, was an academic and not a practicing manager.

His interest in organizations was from the sociological perspective of why people obeyed those in authority and why those in authority abused power. He published “the theory of social and economic organization” which was translated into English in 1947. He used the term bureaucracy to describe the structure of organizations.

Bureaucracy

Is a term that has been used to mean:

- **Red tape** – an excess of paper work and rules leading to gross inefficieny
- **Officialdom** – all the apparatus of local and central government
- An organizational form made up of rules and hierarchy of authority.

Characteristics of Bureaucracies

- **Specialization** – have a high degree of labour division thus ability and not personal loyalty is the condition for employment

- **Rational** – official jurisdictional areas are rationally determined by a clear hierarchy of authority; duties and measures of performance are established and positions are well defined and formalized in writing.
- **Professional** - follows formal impersonal procedures of the organization. Organizational structures are well defined and exist prior to filling positions with people.
- **Impersonal** - authority is impersonal and amount of authority corresponds with rank of office
- **Autonomous** – officials, because of their expertise and technical competence are recognized and rarely questioned within their areas of expertise.
- **Stable** – performance is encouraged by rewards in form of stable careers, regular salary, promotion and pensions.

Weaknesses

- Works well only in stable environments where the work and information handled are highly predictable, recurrent, routine and familiar.
- Rules become so important that they become an obstacle to efficiency

- Decision making processes are programmed hence discouraging search for other alternatives (is rigid)
- Rigid behaviour damages relations with clients or customers as they are unable to get tailor made services but have to accept the standard provided within the rules.
- Difficult to change and adapt to new circumstances
- It undervalues the human element by assuming that people are passive and respond only to rules and incentives. It failed to see the fact that people are capable of going against rules.

Neo-Classical Theory Of Management

Human relations school of thought

While the scientific management theorists were more concerned with the mechanics and structure of organization, the human relations school of thought was more concerned with the human factor i.e. people and their relationship with the organization, fellow workers and the job.

The emergence of industrial psychology in 1913 provided the impetus in the studies on human problems in organizations.

The works of Elton Mayo (1880 – 1949).

Elton was an Australian practicing psychologist at Harvard University. He carried out experiments at the Hawthorne Plant of Western Electric over a period of time and his findings can be summarized as follows:-

- Individual workers cannot be treated in isolation but must be seen as members of a group.
- The need to belong to a group and have status within it is more important than monetary incentives or good working conditions.
- Informal groups at work exercise a strong influence over the behavior of workers.
- Supervisors need to be aware of these social needs and cater for them if workers are to collaborate with the official/formal organization rather than work against it.

Weaknesses of the human relations school of thought

- In viewing people as the most important organizational variable it committed the mistakes of earlier theories of suggesting one best way of managing

- It saw workers as social beings motivated by social needs but this is too simplistic as human beings are complex and motivated by many variables
- It assumed satisfied workers are highly productive but this is not always true

Assumptions about people.

To understand the human factor in organizations, assumptions made about people need to be understood especially in the superior-subordinate relationship. The major theories of motivation and leadership were developed after the Hawthorne studies of Elton Mayo.

Edgar Schein (1965)

Schein was an American academic who published a classification of assumptions about people. Implicit in management ideas is what motivates people.

1. **Rational – Economic Man**

   This view or assumption has its roots in the economic theories of Adam Smith (1776). It states that self-interest and the maximization of gain are the prime motivators of people. It stresses man's rational calculation of self-interest especially in relation to economic needs. Hence people are either untrustworthy and money-motivated or trustworthy and motivated by broader issues. This appears to have been an important assumption in the mind of Taylor and his followers.

2. **Social Man**

   This assumption draws from the conclusions of Elton-Mayo. This view sees people as dominated by social needs. Acceptance of this view means managers need to pay more attention to people's needs rather than tasks, groups and a change of role for manager from organizer and controller to guide and supporter.

3. **Self-actualizing man**

   This view is based on Maslows theory of human needs. It sees self-fulfillment needs as the main driving force behind individuals. The managerial strategy should be one that provides challenging work, delegation, responsibility and autonomy of work. While this view is true for managers and professional staff, it is less clear for lower grade employees.

4. **Complex Man**

   This view sees human beings as complex and variable. People's motives vary depending on tasks, work groups or organizational climate. Managers must therefore be able to also adapt and vary their own behavior in accordance with the motivational needs of particular individuals and teams. Schein sees motivation in terms of psychological contract based on the expectations that employers and employees have of each other. Hence the relationship between an individual and his organization is an interactive one.

Douglas McGregor (1967)

Like Schein's classifications, McGregor's theory X and theory Y are a set of assumptions about people. After observing the actual practice of managers, he proposed that they were operating on two levels.

a. **Theory X**

   - The average person has an inherent dislike for work and will avoid it if possible.

- Because of dislike for work, people must be coerced, controlled, directed and threatened with punishment to get them to work.
- The average human being prefers to be directed, wishes to avoid responsibility, has limited ambition and wants security above all else.

b. Theory Y

- The use of physical and mental effort in work is as natural as play or rest.
- People will exercise self-direction and self control in the service of objectives to which they are committed.
- Commitment to objectives is a function of the rewards associated with achievement.
- The average human being learns under proper conditions not only to accept but to seek responsibility.
- The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely and not narrowly distributed.

- Under conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

CHAPTER (3)
Planning

Chapter (3)
Planning

The term planning is an old one, found in many languages For many centuries. Planning has also been practiced since people first began thinking of the future implications of current choices of action what else can explain the building, of the pyramids and the other great wonders of the ancient world? The meanings of the term however have changed-over time.

How Planning Has Changed:

In its earlier forms, planning was a simple device used by individuals and small groups when societies became more highly organized; planning came to be a device of leadership and management. The usefulness of planning as a management tool has also changed. In the past managers and leaders considered planning a luxury or something extra used to bring about change. Planning gave managers and leaders a considerable advantage over their competitors in the search for greater challenges to be met.

Following the Industrial Revolution and particularly assembly line techniques and the principles of scientific management, it was inevitable that planning would become a necessity. This was, true because of the growing demand on resources, because of the longer lead times required by modern technology and because the people and organizations had come to depend so heavily on each other. Thus, as institutions became more interrelated and interdependent, and as they began decentralizing into numerous subdivisions, planning became necessary for existence.

Consider the plight of many of our larger cities, such as New York City, Cleveland and Boston, the financial crises that these and many other cities, face are largely caused by ineffective, planning. The time is fast approaching when the very fate of corporations, cities, public service agencies, and even whole nations and populations will depend on their leaders willingness and ability to plan.

On retiring as chairman of Chase Manhattan Bank David Rockefeller emphasized this point when he said that chief executive officers probably spend more time on the development of policy and strategic planning than in the past and less on day-to-day implementation of those decisions.

McDermott, Incorporated, the industrial giant- of the offshore construction industry, was weakened by a business slump and aggressive competition from others in the industry. According of the, company's chairman and chief executive, McDermott's financial problems were “painful reminders of a neglect of corporate planning during the boom years". The company had no formal corporate planning department until a few years ago". A Citibank vice-president in Houston said every misstep they (McDermott) make shows up (as) a glaring indictment of poor strategic planning.

Planning is a Dynamic Management Function:

The accepted concepts and definitions of planning vary greatly we can generalize however, that most leaders of private and public organizations consider planning a dynamics management function or technique. It is considered one of the best methods of preparing an organization for the continuous changes occurring in its environment.

By definition planning implies the development-of a program for accomplishing the organization's desired objectives and goals. Thus, planning involves recognizing the need for action investigation and analyzing the need developing a proposal for action based on the investigation and analysis, and making a decision.

Rudyard Kipling justified his success as a journalist in imperial India by saying I have six honest serving men, they taught me all I know, here name are what where, when, why, and who"

Definition of Planning:

Planning is choosing a course of action and deciding in advance what is to be done, In what sequence when, and how Good planning attempts to consider the nature of the future in which planning decisions and actions are intended to operate, as well as the current period when the plans are made.

The Six Planning Questions:

For any type of planning to be effective, at least these six questions must be answered"

1- What has to be done?
2- Where will the work be done?
3- When does the work have to b done?
4- How will the work be done?
5- Why should the work be done?
6- Who is going do the work?

Planning provides the basis for effective action resulting from management's ability to anticipate and prepare for changes that might affect organizational objectives. It is the basis for integrating the management functions and is specially needed for controlling the organization's operations.

Reasons for Planning:

Planners cannot control the future, but they should attempt to identify and isolate present actions and their results that can be expected to influence the future. One primary purpose of planning then is to see that current programs and findings can be used to increase the chances of achieving future objectives and goals that is to increase the chances for making better decisions today that affect tomorrow's performance.

Unless planning leads to improved performance, it is done in vain. Thus, to have an organization that looks forward to the future’ and tries to stay alive and prosper in a changing world, there must be active, vigorous, continuous and creative planning. Otherwise, management will only react to its environment and will not be an active participant in the competitive world.

It is probably an overstatement to say that the are basically tow reasons for planning. Yet it can be said that planning is done to achieve, (1) "protective benefits" resulting from reduced chances for error in decision making and (2) "positive benefits" in the form of increased success in reaching organizational objectives. One of these positive benefits is fulfilling management’s social responsibility. Today, farms are expected to satisfy the needs of many groups. If this is not done, management is not acting responsible. This consideration must therefore be included in corporate planning and decision-making.

Some managers and organizations that plan poorly constantly devote their energies to solving problems that would not have existed, or at least would It been much less serious with better and earlier planning. Thus, they spend their energies putting out brushfires rather than preventing or at least anticipating the fires in advance.

Advantages of Planning

Planning has many advantages. For example it:

1- Helps management to adapt and adjust to charging environments.
2- Assists in crystallizing agreements on major issues.
3- Enables managers to see the whole operating picture more clearly.
4- Helps place responsibility more precisely.
5- Provides a sense of order to operations.
6- Assists in achieving coordination among various parts of the organization.
7- Tends to make objectives more specific and better know.
8- Minimizes guess work and.
9- Saves time, effort, and money.

Disadvantages of Planning:

Planning also has several disadvantages, some of these are that:

1- The work- involved in planning may exceed its actual contributions.
2- Planning tends to delay actions.
3- Planning may unduly restrict management's exercise of initiative and innovation.
4- Sometimes the best results are obtained by an individuals appraising the situation and tackling each problem as it arises, and
5- Few plans are followed consistently anyway.

Yet in sprite of these and other disadvantages .the advantages of planning far outweigh any problems involved. Planning therefore not only should be done but also must be done.

Relationship between planning and other management functions:

In some respects, planning is the most basic and pervasive of all management functions. Notice that each of the functions affects the others and in turn is affected by them.

Organizing and staffing:

Organizing is the process of seeing that the organization's financial, physical and human resources work together. Planning provides the facts and estimates how to put these resources together for the greatest effectiveness. For example, could you really staff the organization effectively without effective personnel planning?

Directing:

The function of directing is always closely associated with planning. Planning 'determines the best combination of factors, forces, resources, and relationships needed to lead and motivate employees. The directing function involves putting those elements into effect.

John Henderson was thinking how to open his session with Harold Stevens "Harold, your work has been pitiful lately, and you have got to Improve or else" No, that opening might be too strong, Handerson thought. Perhaps he should be more tactful' Harold, two weeks ago, you and I discussed the importance of meeting your deadlines. But you haven't been doing it, and last week you were way behind schedule. What is the problem?"

John thought he preferred the latter approach since it would be less likely to put Harold on the defensive. Then he pondered, Should I do this in my office or Harold's or may be over coffee in the cafeteria?"

John was planning the approach he would take with Harold. But notice how the planning function ties in so closely with directing. When John does meet with Harold, he will be performing the directing function. But the quality of directing is tied closely to the quality of the Planning that preceded it.

Seeing that Harold actually improves his results is control.

Controlling

Planning and controlling are so closely related that they have been called the Siamese twins of management, Control.

Is an important by product of effective planning, for it shows managers if their plans were unrealistic or if poor management practices have caused the plans not to work out as expected? Therefore, control acts as a criterion for evaluating actual performances against plans. Control then so becomes part of the new plan.

The purpose of every plan is to assist resources to contribute positively toward. The achievement of the organization's goals and objectives. Yet planning is unique in that, in turn, establishes the objectives toward which all group sort is directed. Plans must be made to, accomplish the organizations goals before managers can determine what kinds of organizational relationships to establish what qualifications are needed of expected personnel. How coordinates are to be directed, and what kinds of controls are be applied.

Where is Planning Done?

The question of where planning is to be done in an organization can be approached from several different angles.

First planning can be "centralized" so that the major planning work in the organization is done from a central point such as a corporate planning department. It is not unusual for large organizations to have over a hundred employees in such department.

Second "decentralized" planning may be used, where by each division or department responsible for planning all its own operations, without regard to the central planning unit.

In l981 Texas Instruments announced that it was abandoning digital watches and certain electronic components According to the company, this was an example of management system that “pushes strategic planning down to the lowest levels of the company’s.

Third under a modified arrangement, the central planning department does the original long-range planning and each department then does the detailed planning or its own activities needed to implement the long-range plan.

What is your view?

Assume that you were in charge of corporate planning for one of the big-three American automakers. The president has asked you to make a sales forecast for next year so that budgets can be planned. Which of these three approaches would you use in arriving at this forecast? why?
At General Electric (GE), strategic planning is handled in each of the company's 40-plus business units, under the umbrella of corporate plans by the central planning department.

The planning policy to be followed generally depends on the type f enterprise that is to use the plans. It is important to note however that many plans-even long-term ones-originate at lower level and work their way upward. This is often called "the bottom up approach"

What is your view?

Can you think of a case in which a university or technical education center should include the inputs of faculty in its planning process? of students?

Type of Planning and Plans:

Planning and the resulting plans may be classified in many different ways. The way planning is classified will determine the content of the plans and how the planning is done.

Ways of Classifying Planning and Plans:

There are at least five basis for classifying plans. They are as follows:

1- Functional area such as personnel production marketing and finance. Each of these factors requires a different type of planning.
2- Organizational level-including the entire organization or subunits of the organization. Different techniques and content re involved at different levels.
3- Characteristics of the plans- such factors as the completeness complexity, formality and cost involved.
4- Time involved-such as short, medium, or long range.
5- Activities involved- including the most frequently performed activities, such as operations advertising personnel selection, and research and development.

Strategic, Standing, and Single-use plans:

For the purposes of this book a more general classification of planning or plans, is used. The classification includes:

1- Strategic plans or those that fix the nature of the organization.
2- Standing planes those that tend to remain fixed for long periods of time, and
3- Single use plans, or those that serve a specific-purpose for a limited period and are then changed, modified, or discarded.

Strategic plans include:

1- The mission or definition of the organization (Gulf is now an energy company, whereas it used to be an oil company).
2- Objectives meaning the ends toward which all organizational activities are aimed, since they represent the end point of planning and the goal toward which the other management functions are aimed.
3- Strategies, which include plans that cover the -overall general activities of the organization especially interpretative plans made in the light of the plans of competitors.

Strategies can be considered as the mechanisms that help the organization' adapt to its environments and integrate its internal operations.

Standing plans include:

1- Policies, or those general statements and the are guides to or channels of thinking and decision maker by managers and subordinate.
2- Procedure that establish a standard or routine method technique for handling activities.
3- Rules and regulations that state mandatory courses o action chosen from among available alternative.

Single-use plans include:

1- Programs that involve the entire complex of activities necessary to carry out a given course of action.
2- Projects, that is plans for the accomplishment of a specific objective.
3- Budgets that are usually financial statement of expected results ‘expressed in numerical term&. Budgets are usually included in all three of the types of plans discussed.

Strategic Plans:

Strategic planning tries to answer such questions a ‘what is the environment we are operating in? Where are we going? "How do we get there from here" Several type of strategic plans are mission, objectives, and strategies.

Mission and Objective:

It isn’t totally logical to discuss an organization’s mission and objectives under “types” of plans, for, although they are plans-since they involve the process of planning they are also the end point of all planning because they define the very character and nature of an organization.

The broad mission or objectives of any organization are usually included in its charter or bylaws. If not, they are established at the beginning of the organization's existence. These overall goals are then translated into-specific plans to guide future operations. Decisions must be made concerning the sources of capital types of products to be produced or services to be performed; the character of potential clients or customers: sales techniques: and markets in which to operate Planning requires the organization of broad objectives for the various subdivisions of an organization as well as for the organization as a whole.

Strategies:

Once the organization's mission and objectives have been established, management must plan how to achieve them it must consider what types of plans will be the most useful, the extent to which planning will be profitable and the proceeds necessary to arrive at decisions. This may be accomplish through the adoption of what the military calls "strategies" "grand plans" to achieve the organizational goals considering what management, as well as competitors, will in a given set of circumstances. These plans are subject t change in response to what the competition is expected to do c actually does. This form of planning may involve plans alternate plans, or contingency plans, depending on the level and extent of the strategies to be used and the magnitude and frequency of anticipated changes.

Standing Planes:

Suppose that you were the president of a family-owner business with 500 employees. How would you go about seeing to it that your employees has unified effort and tended to act it consistent ways over periods of time? .Would you use standing plans to do this and establish bench marks for action it .recurring situations? Why?

The most common standing plans are policies procedures, rules, and regulations. These plans, one established, continue to apply until the are modified of abandoned. They are thus fixed in nature and content.

Policies:

Polices are broad, general statements of expected of expected actions that serve as guides to managerial decision making or to supervising the actions of subordinates. Sometimes policies are formally determined and announced, they may also be informally set by the actions of superiors, who may not intend for them to become policies They may even be set by precedent. Precedent is established when the superior makes no decision or takes no corrective action when subordinates act on their own. Policies may be written or unwritten, spoken even unspoken.

Can you think of some written or unwritten stated or implied, policies that your instructor has set for this class? What are they?

Purpose of policies:

The one prerequisite for a policy is that it become a guideline to help managers decide what to do when there is no one else to decide for them or when there is no other way for them to know how to decide or to act. Once, the overall policies are set, managers have the job of formulating the less significant, but often more urgent, policies These are broad in nature and tend to are departmental lines.

Some examples of policies:

Purchasing policy, we shall have several sources supply so as not to be totally reliant on only.

Wage policy, Wages shall be established and maintainer on a level favorable to that found for similar positions within our industry and the community.

Marketing policy, only a limited number of dealers will be selected to distribute and sell the company's product lines in a given territory.

Hiring policy, we are an equal opportunity employer.

Supervisory policy, Manager should periodicity hold group meetings with subordinates for the purpose of discussing objectives of the department, discussing new developments that may be of interest to or may affect subordinates, answering questions, and in general, encouraging more effective and accurate communications within the organization.

Promotion policy. We encourage promotion from within.

For example, when a company decides to add a new product line, it is confronted with new problems in the sales, purchasing, production, and personnel departments. After the decision has been made about the exact nature of the new product and what it will consist of, each, department has to revise its policies to conform to the new situation. Another set of plans that usually comes under the jurisdiction of a. company's board of directors is the policies about the organization's competitiveness, aggressiveness, and expansion. Then the policies regarding the stockholders equity and rights to earnings must be considered. Finally the board has the additional job of coordinating the departmental plans through review and approval of the master budget.

Functional policies, once the broad organizational policies are set by the administration the functional departments (such as ‘production, sales, finance. and engineering) set forth, their, policies. These policies must conform to and contribute to the ultimate ‘organizational objectives. These functional departments usually establish policies pertaining to research, quality, distribution procurement, and personnel, as well as planning and control policies.

A growing area of concern for management is establishing uniform" policies" especially those pertaining to public policy in the form of laws, court decisions and administrative rules and regulations.

Some new policy areas facing managers include providing equal ‘employment opportunities for all group maintaining occupational safety and health, improving the quality of work life providing comparable pay for comparable work, and securing employees privacy.

In short policies are relatively permanent general Plans of action used o guide managerial decision making or other activities s required to achieve organizational objectives. They are helpful in securing uniformity in performance and are used to guide management toward reaching the goal of efficient and effective operations.

Procedures:

When it is important that certain steps be taken in a given sequence and that work-be done accurately, management may establish a detailed standing plan called a "procedure”.

A familiar example of a procedure is the registration: procedure found at schools and universities. Usually a student has several itemized steps to complete in a given sequence to register for course.

Can you think of some other examples of procedures?

Programs:

Programs are probably the most difficult type of plan to understand, for they are a mixture of objectives, goals strategies, policies rules, and job assignments, as well as the fiscal, physical, and human resources required to implement them A distinguishing feature of this type of plan is the commitment (usually on a long-term basis) of these resources in the form of capital, developmental. and operating budgets.

The time factor and planning:

Time greatly affects planning in three ways: First, considerable time is required to do effective planning. Second, at is often necessary to proceed with each of the planning steps without full information concerning the variables and alternatives because of the time required to gather the, data and calculate all the possibilities. Third, the amount (or span) of time that will be included in the plan must be considered.

Short-Intermediate and Long-Range Plans:

Short-range plans covers anywhere from a day to a year, intermediate-range plan have a time span of a few months to three years and long-range plans involve activities of two to five years: with some plans projected 25 or more years in advance long-range planning is now usually referred to as strategic planning.

Utilities, real estate operations, and government agencies have worked up plans that project even farther into the future. In fact companies such as International Paper and Weyerhaeuser plait timber stands in the 19080s that will be harvested in 2030 or later.

Since tine ranges differ from organization to organization, it is hard to say exactly whether a given plan is long, medium or short range. Also plans change from long range to short range as time passes.

Reflect for a second on your own career. Give an example of some of your short intermediate and long-range plans. Which of the three type's of plans are people least likely to have a clear picture of Why?

Another time factor affecting planning is how often plans are to be reviewed or revised. This depends on the resources available and the degree of accuracy management seeks from planning in the first place. The usual relationship is this. The longer the time span of the plan, the longer the period between reviews and revisions. Also, the more closely it will be watched and checked.

Effects of Management Level on Timing of Planning:

All managers plan, but they spend different amounts of time planning and plan for different time periods. The following figure shows that as managers move up in the organization they spend an increasing proportion of their time planning.

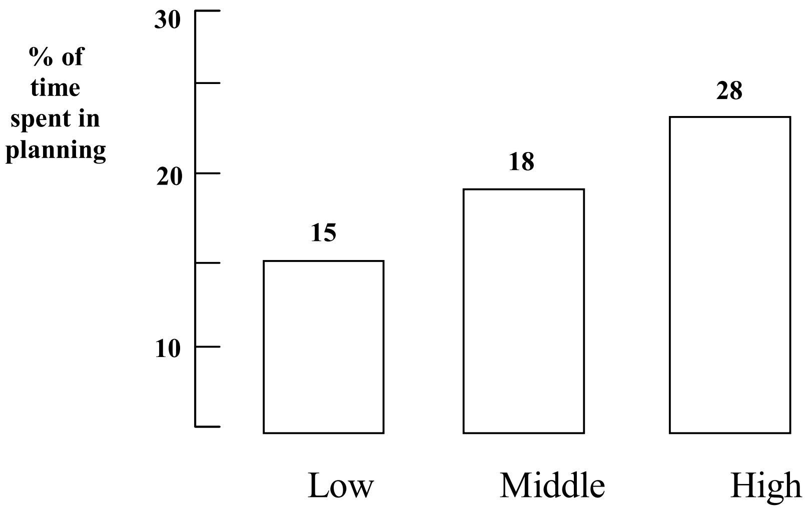

Figure 5:Manager's level in organization

Notice that the percentage increases when moving from middle to top levels.

Planning is a function of every manager in an Organization, but the character and breadth of planning vary with each manager's authority- responsibility relationship and the nature of policies and plans outlined by the individual's superior. Therefore, the nature and timing of planning changes as managers move into higher organizational levels.

The Strategic Planning Process:

(Steps Involved)

There are as many variations in the strategic planning process as there are authors and speakers on the subject. Yet all of them tend to follow a general pattern and the general outline remains the same despite differences in detail and terminology.

The planning steps are:

1- Establishing organizational objective.
2- Developing planning premises.
3- Determining available alternatives.
4- Evaluating alternatives.
5- Selecting the most appropriate alternatives.
6- Developing derived plans for subunits.
7- Implementing plans.
8- Monitoring the plans through feedback mechanisms that make planning dynamic and serve as a link to control.

Step (1): Establishing Organization objectives:

The first step in strategic planning is establishing planning objectives for the organization as a whole and then for each subordinate unit this step involves deciding what the organization wants to do and the position at which it would like to be at Some fixed points in the future as far as its various activities are concerned. These objectives set the direction in which the efforts and resources will be applied, such as quality.

1- Technological developments, especially the computer and other information processors.
2- Ecological considerations.
3- The increasing independence of employees, caused by such factors as increased education, fewer children per family, and more two-paycheck families.

There are two groups of factors affecting the planning process:

1- Uncontrollable factors or those that have no direct, traceable cause, such as population growth, political environment, and social pressures.
2- Controllable factors or those elements over which the organization has at least some control through the decision of its managers, such as research building sites, and organizational relationships.

Another factor to be considered is that the planning process requires many assumptions that cannot possibly take into account all the events in the future, but these premises do provide management with an orderly path to follow, and they can be changed as changing conditions might warrant. Strategic planners must monitor these changes and modify the planning premises as conditions dictate of products, market share, sales volume, number of employees, and rate of return on investment (ROI) for private firms.

Step (2) Developing Planning Premises:

The second step is to develop planning premises that is, the planning assumptions about the future settings in which planning is to take place and the total environment in which .the plans are to operate. To do this, planners need to do realistic forecasting. They must also analyze both the internal and the. External environments to see what factors either present or may possibly be found to exist in the future.

Planning and implementing plans will be affected by:

1- Wage and salary levels.
2- National and local taxes.
3- The strength of unions and the type and intensity of their activities, especially of public white-collar and professional associations.
4- The increasing role of governmental laws, regulations. And assistance.
5- Effects of international cultures especially of Third World countries.

Step (3) Determining Available Alternatives:

The third step is determining available, alternative ways of achieving objectives. This step includes the noting the various ways in which management can reach its goals considering the planning premises and other factors.

Step (4): Evaluating the Alternatives:

The fourth step is evaluating the alternatives. This means using statistical or quantitative analysis of factors involved in each alternative if possible, and then, after considering the behavioral implications reaching a decision about what course of action to take.

The computer has greatly aided strategic planning by speeding up the evaluation process and multiplying the volume of data readily available for analysis. Tabulation and correlation are also enormously faster than with any other method In strategic planning, this feature is especially important because it permits analysis of the effects of manipulating the different variables affecting the activity being planned.

Step (5) selecting The Most Appropriate Alternative:

The focal point of all the other planning steps is the step of selecting the appropriate alternative. This involves choosing the plan with the most promise of leading management to the achievement of its objectives. This selection decision results from the evaluation of the alternatives and the planning premises, including assumptions about the organization's internal and external environments and possible future situations.

Step (6): Developing Derived Plans:

After the major plan is accepted, other derived plans for subunits must be formulated to back it up. These plans attempt to coordinate the different phases of the organization so that they will work along with the major plan to reach the same objective.

Step (7) and (8): Implementing the Plan:

The plan becomes a reality when it is put into operation. This involves a transition from planning to action. It also requires the use of other management functions such as organizing, staffing, directing, and. controlling it is quite important that the plan be monitored carefully in order to determine whether it is effectively accomplishing the desired results.

CHAPTER (4)
ORGANIZING

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ORGANIZING

Introduction
Organizing is the second function of management
DEFINITIONS OF TERMS

Organizing is the managerial function of designing and maintaining a system of roles. An organizational role must include: objectives; major activities of role; authority; availability of necessary information and other resources.

Organizing: is the process of creating a structure for the organization that will enable the various players to work together effectively towards its objectives.
Organizational structure: is the basic framework of formal relationships among responsibilities, tasks and people in the organization. It can be seen as the division of activities into manageable units where everyone knows who is to do what and who is responsible – it removes confusion and conflict.

Organizational design: design of an organizational structure involves the task of dividing up the work, allocating responsibility and establishing chains of command.

Organizational Chart: Is a diagrammatic explanation of an organization's structure. It depicts the organization as a whole, the various components and their interrelationships. It can be compared to a road map – thus a chart is not the organization, but a representation of it.

Reasons for organizing

- Organizing is necessary to avoid confusion of roles, tasks etc.
- Organizing clarifies the responsibilities of the employees of the organization
- It allocates accountability to each employee for the outcomes of the work they are responsible for
- It establishes clear channels of communication
- It enables managers to deploy resources (human, financial, informational, and physical) meaningfully and synergy can be reached
- It enables monitoring of organizational activities
- Allows for co-ordination of different parts of the organization and different areas of work
- It provides the flexibility needed to respond to future demands and developments

ORGANIZATIONAL DESIGN

Organizational design is the decision-making process through which managers construct an organizational structure appropriate to the plans and strategies of the organization.

Steps in organizational design are:

- Reflecting on the plans and objectives of the organization
- Establishing major tasks
- Dividing the major tasks into sub-tasks
- Allocating resources for sub-tasks
- Evaluating the results of the organizing strategy

Basic principles of organizing

Effective organizations are guided by the following principles:

- **Division of work and specialization** – involves dividing total workload into tasks that can be logically and effectively performed by individuals with specialized knowledge
- **Departmentation** – refers to the logical grouping into manageable sizes of organizational activities belonging together. The departments created constitute the organization's structure and appear on the organizational chart. (A department is a distinct area, division or branch over which a manager has authority over performance e.g. production, accounts or sales)
- **Coordination** - the process of integrating departments both horizontally and vertically. It is achieved through authority relationships, which involve

allocation of responsibility and authority to each position in the organizational structure.

- **Chain of command** – defines the reporting lines of individuals and groups in the organizations
- **Unity of command** – implies that each subordinate must have only one manager to report to
- **Span of control** – refers to the number of subordinates working under one manager

THE ORGANIZING PROCESS

Organizing creates a vertical hierarchy of positions, which involves structuring authority, responsibility and accountability. The hierarchy is a channel or conduit through which authority, power and accountability flow. While authority and power flow downwards, accountability flows upward and responsibility rests with individuals.

Authority

It is the right to do something – it is the right of a manager to make a subordinate do something in order to accomplish organizational goals. Managerial authority is the right to command others by making decisions, assigning tasks to subordinates and expecting and requiring satisfactory performance from subordinates. However, being able to enforce this right is a different matter.

Delegation of authority

This refers to the process by which a supervisor gives a subordinate the authority to do the supervisors job. A manager, however, cannot delegate the functions of planning, organizing, leading and control as this would lead to breakdown in organizational performance.

Power

While authority is the right to do something, power is the ability to do it. The sources of a manager's power are:

- Ability to give or withdraw rewards
- Ability to punish or threaten to punish

Power is subjective and is influenced by moral and ethical considerations. The perception that people have about the power of another is more important than the actual power possessed. People in authority sometimes bluff, pretending they have more power than they actually do.

Authority and power must be balanced to avoid conflict. Too much power leads to abuse while less authority leads to ineffectiveness.

Responsibility

This is closely related to authority and power. It refers to the obligation to do something. It is the duty to perform organizational tasks, functions etc. In formal organizations everyone has a responsibility

Delegation of responsibility

Responsibility cannot be delegated. A supervisor's responsibility is not diminished because of delegation of authority to a subordinate. In fact, responsibility may increase because in addition to ensuring that the delegated work is done, he has to supervise the subordinate. Whether a manager does the work or chooses to delegate to a subordinate, he retains complete responsibility for the accomplishment of the task.

Source of responsibility

Responsibility is created within a person when accepting an assignment together with the appropriate responsibility. The act of responsibility is created internally when a person agrees to perform a task. Refusal to be responsible for a task leads to disciplinary action or dismissal. Responsibility is not a flow as in accountability and authority but is retained within the person assigned. It is an internal obligation to perform tasks.

Accountability

In addition to personal responsibility to oneself, an employee is accountable to higher authority. Accountability comes into being because the manager has a right to require an accounting for the authority and power delegated and tasks assigned to a subordinate. The subordinate must account/answer to the manager the stewardship of the power and authority granted. "Each employee is obliqued to report to his superiors how well he has exercised his responsibility and the use of the authority delegated to them"

Just as a manager cannot reduce responsibility by delegating, accountability cannot also be reduced.

Problems with imbalance between authority, power, responsibility and accountability

For the sake of organizational stability there must be equilibrium between the above four factors.

- If authority and power exceed responsibility and accountability there is likely to be abuse of power. Power can be used arbitrarily with little regard on its impact on others. It creates fear of the potential acts of the holder of excessive authority e.g. a dictatorship form of government or the police.
- If responsibility and accountability exceeds authority and power, then people would be held accountable for actions beyond their control. People will eventually object and seek additional authority.

DEPARTMENTALIZATION

Departmental specialization can take many forms such as functional, product, geographical or matrix designs.

What are the advantages and disadvantages of each design? What factors would organizations consider when choosing a particular design?

Functional design: Each major function reports to the CEO and other sub functions report to the major functional heads. The idea is to group specialists with similar interests and training together e.g. marketing, HRM, finance or IT. This is the most common design

Product design: this is common in organizations that deal in multiple products. It is a modification of the functional design. Each major product or line is managed by an executive who reports to the CEO. The product manager has control over the functions in his division such as sales, marketing, HR and finance.

Geographical design: Where an organization operates in a wide geographical area, territorial groupings are designed. A company's activities are divided into regions with a manager for each with a home office for coordinating the activities of the geographical units.

Customer design: Activities are structured to respond to specific groups of customers. For example, the lending activities in banks that are tailored to meet the needs of different customers say business/corporate clients, personal, mortgage or small business.

Matrix design: this involves a grid or matrix of authority flows. Authority flows both vertically and horizontally while vertical authority is exercised by functional managers, horizontal authority is vested in project managers so that some employees find themselves reporting to two managers. Project managers have formal authority over budgetary funds, time and tasks.

Advantages

Matrix designs are useful when:

- The activity has a definite completion date
- Cost constraints are a critical factor

- Specialized skills are required for the completion of a project
- Activity is new or unfamiliar to the participants
- When a high degree of competence is required and flexibility is needed
- The need to share resources and reduce costs

Disadvantages

- Conflict over allocation of resources and division of authority
- Dilution of functional authority
- Divided loyalty for project teams
- It sacrifices the principle of unity of command

THE PROCESS OF DELEGATION

Delegation is the process by which managers assign a portion of their total workload to others. It includes assigning formal authority and responsibility for completion of specific activities.

Why delegate?

- Get more work done
- Subordinates may have some unique expertise which the manager lacks
- Helps develop subordinates managerial skills
- Enhances prompt action
- Superiors can take higher level tasks

- Better decisions as they are made lower down where the problems are

What are the barriers to delegation?

- Reluctance/inability to delegate due to lack of planning what to and not to delegate
- Insecurity due to fear that subordinates may do better and threaten their positions
- Lack of confidence in the subordinate to do the job
- Reluctance by subordinate to accept delegation due to fear of failure, lack of rewards, risk avoidance tendencies etc.
- Incompetent subordinates

Some guidelines to effective delegation

- Free communication to ensure subordinates understand their responsibility, authority and accountability
- Balance responsibility and authority- give enough authority to achieve desired results
- Define the expected results clearly
- Evaluate the experience and competence of the subordinate before delegating
- Be flexible with delegation- modify, increase, decrease or withdraw
- Supportive managerial climate free from fear, frustration and threats

- Put in place checks and controls to ensure delegated authority is not abused

LINE AND STAFF RELATIONSHIPS

The concepts of line and staff can be viewed both as functions and as authority relationships.

Line functions: Refers to those functions that have direct responsibility for accomplishing the objectives of the firm. The managers responsible are **line managers** and the others are **line employees.**

Line authority: refers to the chain of command where line officials have authority over subordinates e.g. a manager and a subordinate. This is exercised by all managers irrespective of whether they are line or staff.

Staff functions: refer to those functions that support the line functions by providing expertise, advice and support. Examples are HRM, finance or research and development

- Status conflict- who is more important or strategic to the organization than the other in terms of contribution
- Failure to understand the line–staff roles - e.g. forcing policies that make the line to feel that their authority to manage is being undermined
- Lack of clear responsibility between line and staff
- Staff see line management as resistant to attempts to provide assistance and guidance

NB: The distinction between a line manager and staff manager is not absolute. There is a fine line between offering professional advice and giving instructions

CENTRALIZATION AND DECENTRALIZATION

This refers to the extent to which decision-making power and authority is dispersed to lower levels. It also refers to the degree of delegation of duties, power and authority to lower levels of an organization.

Centralization	**Decentralization**
High degree of retention of duties, power and authority by top management	High degree of delegation of duties, power and authority to lower levels of the organization
- suitable in stable environments hence few people can make decisions - culture of control by top managers, lack of training for people at lower levels - need for uniformity is crucial	- occurs when environment is changing rapidly - top level managers are comfortable with leadership styles - emphasizes delegation - uniformity is not critical

What factors determine an organizations position on the decentralization-centralization continuum?

- External environment – the greater the complexity and uncertainity, the greater the need to decentralize
- Tradition – tendency to do things the way they have always been done
- The nature of the decision – the costlier and riskier they are, the greater the pressure to centralize
- The abilities of lower level managers – the more qualified and competent they are the greater the tendency for top management to take advantage of their talents by decentralizing
- The size of the organization – large organizations tend to be more decentralized

SPAN OF CONTROL/MANAGEMENT

Span of control management refers to the number of subordinates who report directly to a given superior. A manager's ability to manage a larger number of subordinates is limited by time, knowledge, energy, personality and the tasks. Research has shown that managers at the top can handle up to four subordinates while the lower level can be as high as twenty.

Factors determining an effective span of control

- Subordinate training – level of knowledge and experience possessed to handle the job
- Degree of hazard or danger associated with the job

- Clarity of the delegation of authority in terms of scope
- Clarity of plans – clear policies, rules and procedures to guide decisions and reduce supervision time
- Cost of possible mistakes to the individuals and to the organization
- Rate of change – change determines the degree of policy formulation and stability. Stability is associated with wide spans of control e.g. catholic church and the reverse is true.
- Extent to which the job is complex
- Communication techniques – written versus oral communication
- Number of levels in the organizational structure
- Level of technology
- Type of production system
- Physical dispersion of subordinates
- Availability of a set of standard procedures
- Similarity of tasks.

COORDINATION

This is the process of linking the activities of the various departments of the organization. Coordination is maintained through rules and procedures such as standard procedures.

Liason roles – act as a common point of contact e.g. a spokesperson who facilitates flow of information between units.

Task force – involves representatives from various groups coming together to work on a common project and dissolve thereafter.

CHAPTER (5)
DIRECTING

Chapter (5)
Directing

INTRODUCTION

The difference between successful and unsuccessful organizations is the presence or absence of dynamic and effective leadership. The function of management is being viewed as not simply a set of practices and policies, but a crucial component in the total organization strategy. To play its role of enabling the organization gain and sustain competitive advantage, all managers have to play a leadership role especially in the present business environment which is getting increasingly flexible, innovative and dynamic.

Leadership is a concept that has generated much interest among academics and practicing managers, politicians and sociologists among others. In this lecture we shall examine some key aspects of leadership. To do so the following set of objectives will be the main focus.

Learning Objectives.

- Define and explain the meaning of leadership.
- Explain the nature and importance of leadership.
- Explain the difference between a leader and a manager

- ❖ Identify and distinguish among the various research approaches to leadership.
- ❖ Identify and discuss the various theories of leadership.
- ❖ Explain the importance of leadership styles to management.

WHAT IS LEADERSHIP ?

Leadership is an important aspect of management and the ability to lead is one of the keys to being an effective manager. The difference between success and failure whether in war, business, a protest movement or a soccer game can be attributed largely to leadership.

A large number of definitions can be found in the literature e.g.

- Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically toward achievement of group goals.

- Leadership is the ability of management to induce subordinates to work towards group goals with confidence and keenness.
- Leadership is the ability of a person to influence the thoughts and behaviour of others towards the accomplishment of some goals or goal.

- **In summary, leadership is:**

- The activity of influencing people to strive willingly towards group objectives.

- The process of influencing the activities of an individual or group towards goal achievement in a given situation.

- A process of giving purpose (meaningful directions) to collective effort and causing willing effort to be expended to achieve such a purpose.

- Getting people to move in certain directions, make decisions and support paths they would typically not have selected.

- The process of making sense of what people are doing together, so that they will understand and be committed to the goal.

- The process of articulating visions, embodying values and creating the environment within which things can be accomplished.

  From the above definitions, we can say that managers lead by giving orders, handling disputes, supervising, disciplining and taking steps to improve employee performance. In so doing they use influence, power, authority, delegation of responsibility and be accountable. It is these components of leadership that managers use to direct the actions of their subordinates.

DIFFERENCE BETWEEN LEADERSHIP AND MANAGEMENT

Leadership and management are closely related activities but distinguishable. Leaders and managers are not different people, but can be the same individual performing both roles. In recent years, theorists and practitioners in management have noted that, "to survive in the 21st century, organizations need a new generation of leaders, not managers".

The fundamental difference between leaders and managers is that a manager focuses on the implementation of company policy while the leader tries to lead and inspire people to do their best for the company. A leader tries to cultivate a sense of commitment to the vision and mission of the company by inspiring the subordinates to willingly strive for the achievement of organizational objectives. A manager on the other hand manages employees by the power and authority delegated to him by his superiors. While leaders strive to conquer the volatile, turbulent and ambiguous surroundings that seem to conspire against business organizations, managers tend to surrender to them. In other words while managers administer, control, and accept the status quo, leaders innovate, inspire and change the status quo.

The Complementarity of management and leadership.

According to Brewster (1999), leadership and management qualities are complementary. These characteristics may be summarized as follows.

Management characteristics	Leadership Characteristics
❖ Administers and problem-solves. ❖ Works within a system. ❖ Focuses on control. ❖ Short range view. ❖ Accepts the status quo. ❖ Sets things in motion by means of methods and techniques. ❖ Attitude of doing.	❖ Innovates- means alertness to opportunities, uses imagination and vision to capitalize on them. ❖ Works on the system ❖ focuses on people. ❖ Inspires trust. ❖ Long range view. ❖ Challenges the status quo. ❖ Is a natural unforced ability to inspire people. ❖ Attitude of serving

Effective Leadership.

To be effective, a leader must win the hearts and minds of the followers. This requires a guiding vision and clear idea of what is to be accomplished. Effective leaders must be able to communicate their vision. Knowing what to do, but not being able to communicate this to others can be a major drawback to effective leadership.

- Communication means understanding each other as individuals and as members of larger groups.

- Often communication is not effective because of barriers such as poor communication skills, distortion or omission of information, wrong interpretation and lack of trust between the sender and the recipient.

- Successful organizations are associated with leaders who are able to communicate effectively their vision and strategy.

TYPES OF LEADERS.

Writers identify various types of leaders.

Charismatic Leaders – These are those whose influence is derived form the personality e.g. Napoleon, Kenyatta, Billy Graham, Nelson Mandela, Desmond Tutu etc. This type resides only in a few people and cannot be acquired by training – it is natural.

Traditional Leaders –These are those whose position is assured by birth e.g. Kings, Queens, tribal chieftains etc. It is limited and not applicable to workplaces except in family businesses.

Situational Leaders -Their influence is effective by being in the right place at the right time – It is impromptu and temporary eg. One who steps to direct traffic in a jam.

Appointed Leaders –Refers to those whose influence arises from position e.g. managers and supervisors. It is a bureaucratic type of leadership where legitimate power comes from the position in the hierarchy.

Functional Leaders – Are those whose influence comes from the work done rather than position such as experts.

LEADERSHIP AND POWER

The concepts of leadership and power are closely related.

Power is the capacity to influence others through the control of instruments of reward and punishment – which can be tangible or intangible. Sources of Power are:

1- **Legitimate power** – derived from the position e.g. kingship, managerial
2- **Reward Power** – derived from control of resources e.g. promotion, recommendation, training etc
3- **Referent power**– derived from association with powerful people
4- **Coercive power** – uses the ability to force other people to act against their wishes through the fear of punishment.
5- **Expert power** – derived from the possession of expert knowledge or information that others need but have no alternative access.

IMPORTANCE OF LEADERSHIP

Leadership is important as it can make a difference to organizational performance. Leadership provides the spark that can raise morale of employees. Peter F. Drucker noted that:

> "Leadership is a human characteristic which lifts a person's vision to highest heights, raises performance to higher standards and builds personality beyond its normal situations".

Leadership can be said to be important in the following ways:

1) Leaders not only guide, but provide a psychological shield to their followers (Managers –employees) as the average person prefers to be led by an efficient and effective leader. The presence of a leader (manager), makes followers (subordinates) behaviour consistent, and raises morale, thus high quality of work.

2) Creates and sustains teamwork and groups. The will to work and accomplish a task is triggered by effective leadership. Usually without leadership, a group disintegrates, destroys its team spirit and fritters away its energy. Leadership inspires and motivates the group.

3) Leaders are role models who set examples.

4) Leaders create confidence in the workers.

5) Promotes morale which leads to high productivity and organizational stability.

6) Maintains unity and cohesiveness of the group.

7) Maintains discipline of the group and among group members.

APPROACHES TO LEADERSHIP STUDIES

Three approaches have been used in the study of leadership. These are:

- Trait
- Behavioural
- Situational/contingency

Trait Approach

The earliest studies on leadership focused on the qualities of effective leaders such as bravery, loyalty, honesty, and compassion. However, as traits are many, research findings often disagreed on which are the most important traits. Keith Davis (1972), in human behaviour at work, summarized the traits and gave four general characteristics namely:-

1- Intelligence – leaders tend to have higher intelligence than their followers.
2- Social maturity and breadth – leaders tend to be emotionally mature and have broad range of interests.
3- Inner motivation and achievement drives – leaders want to accomplish things, achieve goals and are intrinsically motivated.
4- Human Relations attitudes - leaders are able to work with others, and tend to respect others.

NB: Not all leaders have these traits, and followers can also have them (they are not exclusive to leaders). Although positive correlations have been found between the above traits and effective leaders, examples of effective leaders exist who do have these traits.

The trait approach was used before 1949, when the ‘Great Man’ theory of ‘leaders are born not made’, a belief originating from the Greeks and Romans was in vogue. However, this school of thought was no longer acceptable after the rising influence of the behaviourist school of Psychology which emphasized that people are not born with traits, but made.

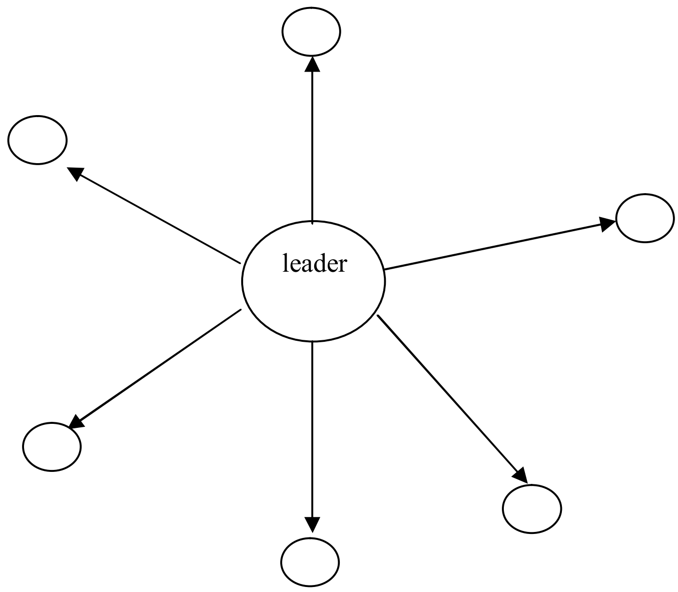
Criticisms of the Trait Approach

- Not all leaders possess all the traits.
- Many non-leaders possess most of the traits.
- The trait approach gives no guidance as to how much of any trait a person should have.
- Research findings do not agree as to which are leadership traits and what their relationships are to instances of leadership.
- The so called traits are nothing but patterns of behavior.

Behaviorist Approach

As a result of the failure of the trait approach to leadership, the focus shifted on the individual behaviors of leaders. The main concern was on the leadership styles of leaders. Leadership styles refer to the way a leader typically behaves towards his followers/group members. These styles have been classified into:

Autocratic Leadership – This approach refers to where all authority centers around the leader. The manager enforces decisions by use of rewards and punishments (ability to withhold or give rewards and punishment), communication is in one direction - from manager to subordinate and conformity and obedience on the part of followers is expected.



- One way communication
- Compliance and obedience

Advantages:

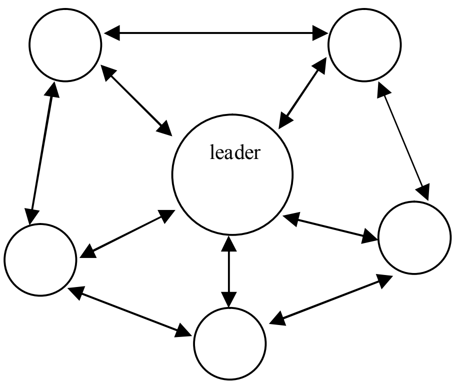
- Decisions are made speedily as leader does not have to obtain group's approval.
- Useful where decision is unfavourable.
- Useful in cases where followers are incompetent.

Disadvantages:

- Has negative effect on group morale – decisions may not be supported.
- Can create 'yes' mentality among group members.

Democratic/Participative Leadership.

Considers the suggestions of members and leader. It is a human relations approach where all group members are seen as important contributors to decision.



Democratic communication which allows an interchange of ideas between all involved.

Advantages:

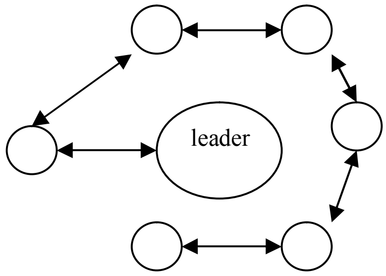
- increased morale of members.
- support for final decision.
- better decisions through shared ideas.

Disadvantages:

- Slower decision.
- Diluted accountability for decisions.
- Possible compromises designed to please all.

Laisser Faire Leadership

'Allow (them) to do' style – leadership exercises very little control or influence over group members. Members are given a goal and left alone to decide how to achieve it. Role of leader is facilitative.



Advantages

- Increased opportunity for individual development.
- All persons are given a chance to express themselves and function independently.

Disadvantages

- Lack of group cohesion and unity toward org. goals.
- Lack of direction and control.
- Inefficiency and chaos.

WHICH IS THE BEST LEADERSHIP APPROACH?

It is not possible to say which style is best as it depends on the situation. A leader may be autocratic in one situation and democratic in another.

LEADERSHIP STYLE THEORIES

There are several theories of leadership styles and a few will be considered in this lecture.

Rensis Likert's Systems of Management.

Likert developed four styles of management. As a proponent of participative management, he saw the effective manager as strongly oriented to subordinates where all group members including the manager adopt a supportive relationship. His four styles are based on differing assumptions about human behaviour e.g. McGregor's Theory X & Y.

System 1 Management Style: **Exploitative – Authoritative**

- Managers are highly autocratic.
- Have little trust in subordinate.
- Motivate people through fear and punishment.
- Engage only in downward communication.
- Limit decision making to the top.
- Relationships with subordinate are distant.

System 2 Management Style – **Benevolent – Authoritative.**

- Managers are paternalistic.
- Have a condescending confidence and trust in subordinates.
- Motivate with rewards and some fear and punishment.
- Limited upward communication.
- Limited delegation of decision making, but with close policy control.

System 3 Management Style – **Consultative.**

- decisions are made after discussion with subordinates.
- Substantial confidence and trust in subordinates.
- Managers try to make constructive use of subordinate's ideas and opinions.
- Two way communication.
- Teamwork is encouraged and initiative
- Controls are much looser.

System 4 **Management Style** – **Participative – Group System**

- Most participative style.
- Complete trust and confidence in subordinates.

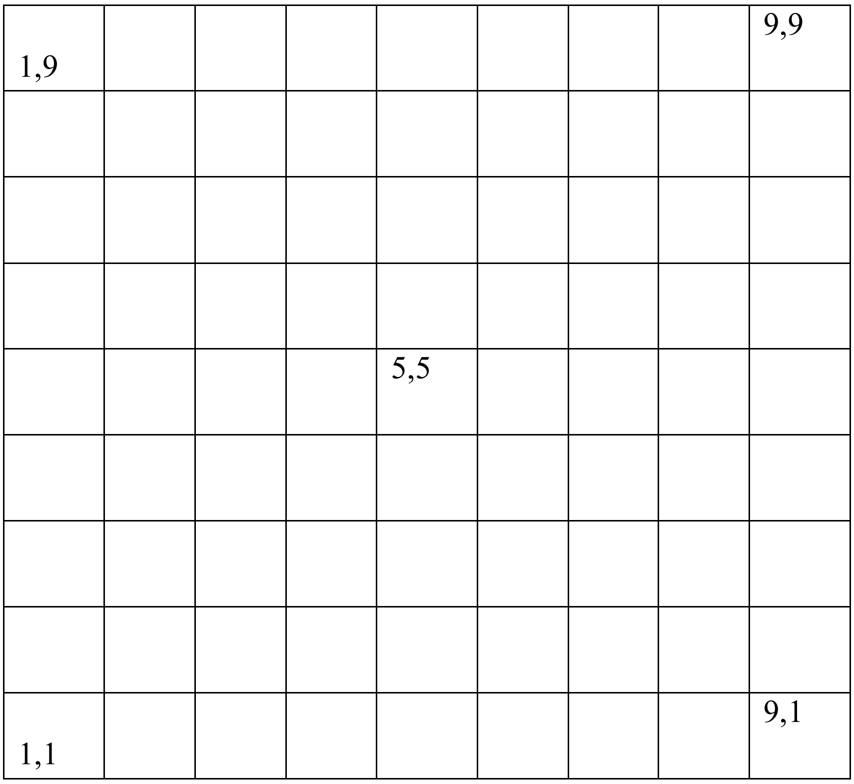
- Get economic rewards on basis of group participation.
- Communication is up, down and lateral.
- Encourage decision making at all levels.
- Excellent productivity, low absenteeism and turnover.

Criticisms:

- Research focus was on small groups yet findings have been applied to the total organization.
- Research was conducted at lower organizational levels and is not supported when data from top level managers is separated.
- System 4 is more applicable when companies are profitable and not when in turbulence.

The Managerial Grid

This is a dramatized approach to leadership styles developed by Robert Blake and Jane Mouton in 1954 to show the importance of the manager's concern for production and for people. The managerial grid is widely used for managerial training and identifying leadership styles.



Concern for production

The Grid Dimensions:

Concern for production conveys the attitudes managers have towards a variety of things e.g.: Quality of policy decisions, procedures and processes, work efficiency, volume of output etc

Concern for people refers to degree of personal commitment toward goal achievement, self esteem of workers, responsibility and recognition, trust rather than obedience, good working conditions, satisfying interpersonal relations, job enrichment etc.

1.1 Management Style – (Impoverished Management).

- Managers have little concern for both people and production
- Job involvement is minimal
- The managers has practically abdicated the job and at best acts as a messenger conveying information along the chain of command.
- It is basically an inefficient management style.

9.9 Management Style – (Team managers – executives).

- Possesses high concern for both people and production.
- Manager is able to integrate production needs and people needs
- It is considered the ideal or optimum style.

1.9 Management Style – (country club management or missionary).

- Has low concern for production and efficiency but emphasizes human relations and pays attention to human needs.
- Manager promotes an environment where everyone is happy, relaxed, and friendly.

- No one is concerned about putting forth coordinated effort to accomplish organization goals.

9.1 Management Style – (autocratic, task managers).

- Manager is concerned with developing efficient operations.
- Has little concern for human feelings.
- Manager is autocratic in leadership style.

5.5 Management Style – (Compromiser or benevolent autocratic)

- Manager has medium concern for people and production.
- Adequate but not outstanding morale and production.
- Manager has a benevolent – autocractic – paternalistic attitude towards people.
- Manager balances production and concern for people.

Criticisms of the management grid

- The grid does not say why a manager falls in one part of the grid and not another.
- Or why one is an autocrat and not a compromiser.

Situational or Contingency Approaches to Leadership.

As a result of failure of the trait approaches, leadership studies turned to the study of situations and the belief that leaders are the products of given situations. This approach supports the follower theory that people follow those in whom they perceive (accurately or inaccurately) a means of accomplishing their own goals. E.g. The rise of Hitler, Jomo Kenyatta, student leaders, F.D. Roosevelt during the American great depression in the 1930's. Museveni in Uganda in 1985-86, Corazon Aquino in the Philipines and Nelson Mandela.

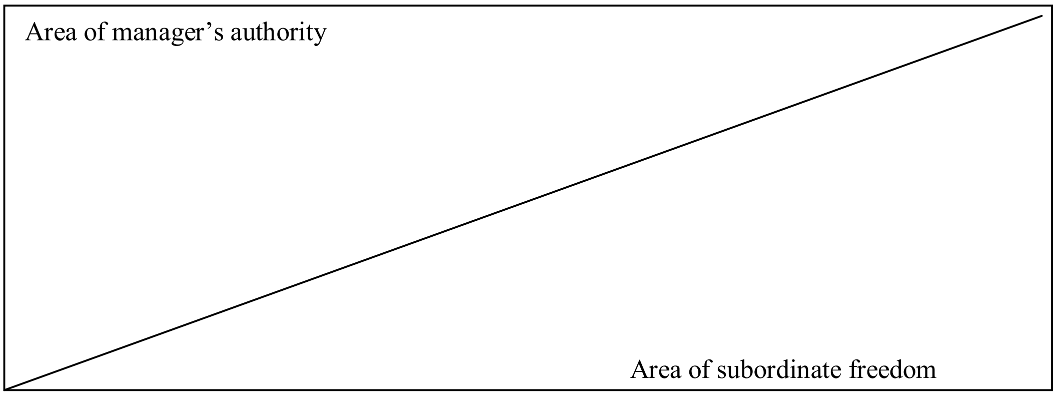
Robert Tannenbaum and Warren Schmidt (1958) saw leadership as involving a variety of styles ranging from boss-centered to subordinate-centered. Their approach suggests a range of styles without preference for any.

The concept of the continuum recognizes that a style of leadership depends on the situation e.g.

- Forces operating within the manager's personality such as value system, confidence/trust in subordinates, feelings of security etc.
- Forces in subordinates that will affect manager's behaviour e.g. need for independence, readiness to assume responsibility for decision making, tolerance for ambiquity, interest in problem, understanding goals of organization, knowledge and experience levels, sharing decisions.

- Forces in the situation e.g organization values and traditions, nature of the problem, pressure of time, trade unions, civil rights etc.
- Forces in the external environment: In a revised publication Tannebaum and Schmidt, recognized the forces in the external environment such as government legislation, political, social awareness and economic considerations as having an effect upon leadership style.

Continuum of leadership style



The continuum suggests 5 basic styles: Tell, sell, consult, join, delegate.

This approach emphasizes flexibility and sensitivity to the situation in which the leader and the group find themselves.

Other variables in the situation are:

- The job, or tasks.
- Organizational environment.
- Characteristics of people/demographic differences.
- History/culture of the organization.
- The community in which the organization operates.
- Psychological climate of the group.
- Cultural influences.
- Time required to make decision.
- Nature of the decision/task.

Situation: circumstances/conditions under which a leader operates.
Condition: consists of anything that affects leadership.

CRITICAL DIMENSIONS OF THE LEADERSHIP SITUATION - FIEDLER F. E. (1967)

According to Fiedler, people become leaders because of various situational factors and the interaction between leaders and the situation. He describes these as:

Position Power:-refers to the degree to which the power of the position enables group members to comply with leader's directions i.e. organizational authority.
A leader with position power can obtain better followership than one without.

1. **Task Structure:-** refers to the degree to which tasks are structural. Where tasks are clear, the quality of performance can be easily controlled and group members held responsible than where they are unclear.

2. **Leader- member relations:-** refers to the extent to which group members like and trust the leader and are willing to follow. The better the relations, the easier it is for the leader to exercise influence.

   Based on the three dimensions, Fiedler postulated two styles of management – **task oriented and interpersonal relations oriented.** Measures were carried out on these elements using the least preferred coworker scale indicating a favourable or unfavourable situation continuum.

Findings

- Favourable situation in which the leader has power, informal backing and a structured task – then the group is ready to be directed.

- When leader position power is weak, task structure is unclear, and leader-member relations are poor, the situation is unfavourable for the leader and a task-oriented leader is most effective.

- Where the situation was moderately favourable – middle of the scale, then interpersonal oriented leader was most effective.

Usefulness of Leadership Theories to Managers

- Participative/democratic styles of management are better than autocratic styles but extremes are not effective thus the continuum.

- Autocratic styles of management allow employees to satisfy lower level needs e.g. physiological, safety, but participative styles allow higher level needs to be satisfied e.g. recognition, responsibility and self-actualization.

- In reality people prefer to have control over work they do and seek opportunities to put into practice their ideas.

- Employees have valuable expertise, experience and initiative that is often untapped by management.

- Appropriate training in leadership can change a manager's style of management if done early in the career. However, it is not easy as style is rooted in attitudes. The most difficult to change is the authoritarian, task-centred manager.

Management can transfer such managers to an appropriate section to make full use of their abilities or restructure the work to suit their styles.

CHAPTER (6)
MOTIVATION

Chapter(6)
Motivation

Introduction

The study of motivation is a search for answers about human nature. Motivation is:

- ‘a concern with why people do or refrain form doing something’;
- ‘an individual’s internal process that energizes, directs, and sustains behaviour’
- a personal force that causes one to behave in a certain way’.
- ‘the willingness to exert high levels of effort to reach or achieve a predetermined reward or goal’.
- a force that kindles a burning desire for work or action and the readiness to work towards a goal or satisfy a need.

Terms used in motivation

Motivators: These refer to those things which induce an individual to perform e.g. higher pay, prestigious title, name tag, praise, recognition, responsibility etc – It can be tangible or intangible. There are limitless ways in which managers can be innovative in the use of motivators.

Satisfaction: Refers to the sense of contentment experienced when a need is satisfied.

Intrinsic motivation: Refers to self-generated factors that influence people to behave in a certain way or to move in a particular direction. These factors may include responsibility, which involves the feeling that work is important, freedom to act, scope to use and develop abilities, interesting and challenging work and opportunities for advancement.

Extrinsic Motivation: Refers to what is done by others to motivate people. For example rewards such as increased pay, praise, promotion and punishments such as disciplinary action, withholding pay or criticisms.

Reward is the use of inducement in the form of money, promotion or security. It is a strong motivator, which should not be overlooked by managers.

Punishment is the denial of a reward, use of threats and fear e.g. fear of loss of a job, loss of income, reduction of bonus etc. Punishment is a strong motivator but not sustainable because:-

- It can give rise to defensive or retaliatory behaviour such as union organization, poor quality work, indifference, dishonesty etc.

- It can create compliance from subordinates even for wrong decisions because managers have the power of their positions to give or withhold rewards or impose penalties.

Reinforcement: Reinforcement suggests that success in achieving goals and rewards act as positive incentives and reinforces successful behaviour which is repeated next time a similar need emerges. The more powerful and frequent the reinforcement, the more likely it is that the behaviour will be repeated until it becomes an unconscious reaction to an event. Conversely, failures or punishments provide negative reinforcements, suggesting seeking alternative means of achieving goals

Consequences of unsatisfied needs.

Some needs are impossible to satisfy and this may result in some types of negative behaviours. Such irrational behaviours are as a result of failure to accomplish an individual goal.

- **Aggression:** This is destructive behaviour such as hostility (physical/verbal) and striking out. The feelings of rage or hostility are directed against the person or object that is felt to be the cause of the frustration. As it is not possible sometimes to attack the causes of frustration directly people may look for scapegoats.

- **Rationalization:** Means making excuses such as blaming someone else for inability to accomplish a goal e.g. “I was not even interested in it anyway”.

- **Regression:** Means not acting one’s age by resorting to immature acts e.g. unreasonable complaining or crying. It relieves some of the tension, but has adverse effects on associates e.g. a person kicking a car when it cannot start.

- **Fixation:** Occurs when a person exhibits the same behaviour pattern several times even though the experience has shown that it can accomplish nothing. Research has shown that frustration can maintain old and habitual responses and prevent the use of new and more effective methods. Although habits can be broken when they bring no satisfaction or lead to punishment, fixation actually becomes stronger under such circumstances, e.g. the inability to accept change even when the facts show otherwise penalties even when they make the situation worse.

- **Resignation (apathy):** occurs when people lose hope of accomplishing their goals and withdraw from reality and the source of their frustration. Involves complete surrender and borders on serious mental disorders. This phenomenon is characteristic of people in boring, routine jobs, where they resign themselves to the fact that there is little hope for improvement of their goals.

THEORIES OF MOTIVATION

The theories of motivation can be classified into content and process theories.

Content or needs theories: These are the theories that focus explicitly on the content of motivation in the form of fundamental human needs. They are more concerned with the quantitative aspects of motivation i.e. what motivates people and what people seek in their work. Examples:

- Maslow's Hierarchy of needs theory
- Herzberg's two-factor theory
- McClellands three basic needs

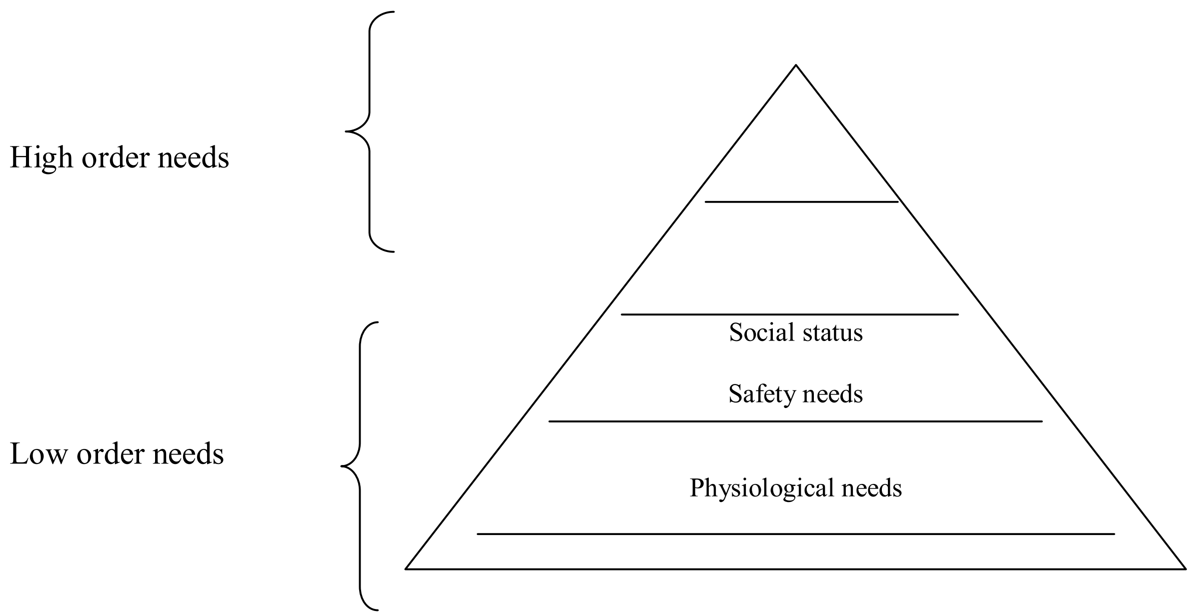
Process or contemporary theories of motivation: These are the theories which attempt to develop understanding of the psychological processes involved in motivation. They are more concerned with the qualitative aspects and the dynamics of motivation i.e. how people are motivated and how rewards influence behaviour. They focus on the why and how of motivation. Examples:

- Latham and Locke's goal-directed theory
- Porter and Lawler's expectancy theory
- Adams equity theory
- Bandura's self-efficacy theory

Maslow's Hierarchy of Needs (1943)

Maslow was a psychologist and his theory has found wide application in many fields including management. He proposed that:

- Behaviours of human beings are motivated by needs.
- Individual needs can be classified into 5 broad categories.
- These 5 categories operate in a hierarchical manner, flowing from low order to high order needs as shown below:



Physiological, safety and social needs are referred to as lower order or deficiency needs, because the absence of them make individuals deficient and existence as a human being is threatened. On the other hand, esteem and self-actualization are referred to as high order needs or growth needs as these make an individual become better at doing what they are expected to do: gain control and mastery over their environment in terms of technology, services etc.

Maslow's theory of motivation therefore states that: **"when a lower order need is satisfied, the next highest becomes dominant and the individuals attention is turned to satisfying this higher need."** The most difficult need to satisfy is that of self-fulfillment. Psychological development takes place as people move up the hierarchy of needs, but not necessarily in a straightforward progression. The lower needs still exist even if temporarily dormant as motivators, and individuals constantly return to previously satisfied needs.

The lowest unsatisfied need in the hierarchy is the one that motivates behavior e.g. a deprived individual without basic needs will be directed towards finding food. The need for safety is dormant at that time. A satisfied need does not motivate behavior. Once satisfied, it ceases to be a motivator, instead the next higher level need becomes active and motivates behavior.

Application of Maslow's Hierarchy of Needs Theory.

Physiological needs : Involves mainly payment of wages and salaries to enable people pay for their basic needs of food shelter and clothing.

Safety needs: Provision of protective clothing, insurance and medical cover, pension schemes, housing and transport (in relation to safety), and job security.

Social needs: Promoting family feeling, intimacy and closeness, use of first names, to break formality and reduce social distance, sharing facilities e.g. cafeterias, sports club etc, casual dressing to identify with each other and recognition of trade unions.

Esteem needs: Supporting education, delegation of responsibility, titles and other status symbols, fringe benefits e.g. Cars; bonus; shares; office size and equipment.

Self fulfillment needs: This is the apex of human needs and involves the need for realizing ones potentialities, continued self-development, feelings of accomplishment and attainment and being creative in the broadest sense possible. Organizations can facilitate and create an environment in which individuals can realize their potentialities e.g. writing, inventions, occupying important positions etc.

Research findings have shown that:

- Managers generally have high order needs compared to those at lower levels.
- Employees in developed countries generally have higher order needs than those in poor countries.

It appears, however, that Maslow never considered the above dimensions as he was concerned with individual employees.

Weaknesses of the need hierarchy theory

- The five categories of needs are not mutually exclusive
- The order in which the needs must be satisfied is not supported by real life
- situations.
- The model only applies to typical healthy people. A sick person is
- unlikely to be satisfied by basic social or self-esteem needs.
- Research conducted to test the model have not supported its assumptions and predictions.
- Some of the basic concepts of the theory such as self-actualization are vague.

HERZBERG'S TWO-FACTOR THEORY OF MOTIVATION

Herzberg (1959) conducted a study, which focused on job satisfaction primarily to find out the factors associated with job satisfaction. He collected data from a sample of 203 accountants and engineers based in Pittsburg, USA.

From these findings he proposed that human beings have two basic needs;

- The need to avoid pain and survive.

- The need to grow, develop and learn.

He also found that factors associated with feelings of happiness or satisfaction were concerned with the job itself while those associated with dissatisfaction were related to the environment in which the job was done.

He came up with two sets of factors from which the theory was coined. Different terminologies have been used to refer to this theory.

Satisfaction-related factors

- Satisfiers
- Motivators
- Job content factors
- Intrinsic factors

Motivators

<u>Dissatisfaction related factors</u>

- Dissatisfiers
- Hygiene factors
- Job Context factors
- Maintenance
- Extrinsic factors

Hygiene or maintenance

Herzberg's findings showed that motivation can be explained by two factors:

A group of needs which he called **hygiene or maintenance needs** as they serve to remove dissatisfaction. They are related to the job context e.g.

- Supervision
- Company policy and administration.
- Peer relations
- Working conditions
- Status
- Job security
- Pay
- Status
- Job title
- Job security, etc

He explained that if these factors exist, then there is no dissatisfaction, if they do not then dissatisfaction results, but they are not motivators as such.

A second group of needs he called satisfiers or motivators and these are related to the job content. They tend to increase job satisfaction e.g.

- Achievement
- Recognition
- Work itself
- Responsibility
- Advancement
- Possibility of growth etc.

Application of Herzberg's two-factor theory- Job enrichment and job enlargement

Herzberg suggested that jobs should be made more interesting and challenging so as to motivate employees. A great deal of interest has been directed at job satisfaction over the last decades as a popular technique for increasing employee's motivation. The concept of **job enrichment** has been found to provide employees with an opportunity to:

- Perform more challenging and meaningful work.
- Utilize knowledge and skills more fully.
- Assume more authority and responsibility for planning, organizing, directing and controlling of work.
- Receive feedback on performance.
- Grow and develop

Principles of Job Enrichment.

- Removing controls while retaining accountability
- Giving a complete unit of work
- Giving more authority
- Giving regular feedback to employees
- Giving new, difficult and challenging tasks

Limitations of Job Enrichment

Research findings have shown that not all employees are motivated by job enrichment as some:

- Are unable to tolerate responsibility.
- Dislike complex duties.
- Uncomfortable with group work.
- Dislike relearning new skills.
- Prefer security and stability.
- Uncomfortable with supervisory authority
- Skills are not adaptable.
- Prefer to quit their jobs.

For organizations, enriched jobs may result in the following problems

- Supervisor's roles may be reduced because of shared responsibility hence causing dissatisfaction.
- Enriched jobs may increase pay dissatisfaction because of increased responsibility.
- Costs in terms of training and development, new technology and more equipment e.g. computers may increase.
- Unions may oppose some job enrichment efforts for fear of loss of employment or decreased membership due to reduced desire to join unions by satisfied employees.

Strengths of the two-factor theory

- Easy to comprehend.
- It was developed from an empirical study, hence has some validity.
- There are clear guidelines for applying it in the job setting.

Weaknesses

- It uses too many and confusing terminologies.
- The research instrument was defective.
- Motivators and hygiene factors are not mutually exclusive, but interdependent e.g. salary can be both hygiene and a motivating factor.

Comparison of Maslow's Needs Hierarchy with Herzberg's Two-factor Theory.

Maslow's needs theory and Herzberg's two-factor theory are similar in many ways. The high order needs of the need hierarchy represent motivators in Herzeberg's theory, while lower order needs are similar to Herzeberg's hygiene factors.

<u>Herzeberg's two-factor theory</u> **<u>Maslow's hierarchy of needs</u>**

- Challenging work
- Achievement
- Growth in job

Self-actualization

- Responsibility
- Advancement
- Recognition
- Status

Esteem or ego

- Inter personal relations
- **Company policy and administration**

Social

- **Quality of supervision**
- **Working conditions**
- **Job security**

Safety/securirty

- **Salary**
- **Personal life**

Physiological

PROCESS THEORIES OF MOTIVATION

Process theories of motivation were proposed as alternatives and to fill the gaps not explained by the content theories. Process theories are more concerned with the cognitive antecedents that go into the motivation process. This include: expectancy theory by Victor Vroom (1964) and the Porter-Lawler Model (1968); Equity theory by Stacy Adams and Attribution theories and others. In this section we shall only discuss a few of these.

Expectancy Theory of Motivation

Victor Vroom developed this theory in 1964 as an alternative to the content theories of motivation. It refers to any situation or context where people have expectations from whatever they do. It states that **"motivated behaviour is increased if a person perceives a positive relationship between effort and performance – i.e. the outcome.**

Based on this theory, extrinsic financial motivation works only when if the link between effort and reward is clear and the value of the reward is worth the effort.

Managerial Implications of Expectancy Theory

- Strengthen employees effort and performance expectations by providing resources such as training, that enable employees to perform.

- Strengthen performance–outcome–rewards by linking performance with reward e.g. pay. Managers should be consistent and transparent about criteria used for promotion.
- Match rewards with employee's performances.
- Recognize employee's ability and ensure that it is used optimally.
- Provide employees with opportunity to perform e.g. enabling environment, resources, etc.
- Develop appropriate procedures for evaluating employee performance by measuring actual performance, aptitude and criteria for promotion.

Equity Theory of Motivation

This is a process theory advanced by Stacy Adams (1968). **Equity refers to perception of fairness and justice in the treatment of people.** If people feel that they are not being treated equitably, they feel aggrieved and this grief will affect their levels of motivation in different ways.

In the workplace, employees compare themselves with their peers in terms of their contribution to the organization and in relation to what they get from the organization. They compare their ratio of inputs and outcomes with that of another person.

Inputs: refer to the contributions made by an individual e.g. effort – both physical and mental, time, education, training, experience, loyalty, useful contacts age, gender etc..

Outcome: refers to what is received in return for effort e.g. salary, fringe benefits, travel allowances, medical insurance cover, status symbols, autonomy, recognition, friendly environment etc.

Goal Theory (Latham and Locke, 1979)

It states that motivation and performance are higher when:

- Individuals are set specific goals
- Goals are difficult but accepted
- There is feedback on performance

Goal theory is aligned to the concept of management by objectives (MBO) and it forms the foundation for performance management process.

MOTIVATIONAL STRATEGIES AND CHALLENGES
(Further reading- Armstrong, 2001, page 168-169)
Strategies

Money: It is an important motivator as it reflects on other motivators e.g.
status, esteem, achievement etc. Hence it is complicated as it is entangled
with other needs.

- Money has symbolic power – its value comes from what it can buy.

- To increase the motivational value of money, an incentive plan/system should be introduced, as the extra money is usually spent on high-value ‘extra’ items.
- Equitable salary structures in organizations lessens the importance of money as a motivator, hence Herzberg’s contention that money is hygiene, not a motivator.

Positive reinforcement: This idea was advocated by B.F. Skinner. He suggests that individuals can be motivated by designing their jobs well, praising good performance so that it can be repeated and removing barriers to performance and good communication.

Participation: Having knowledge of what is happening and being asked to participate in solving problems is motivating to employees as it appeals to the need for recognition, affiliation and acceptance and it gives people a sense of accomplishment.

Job Enrichment: Involves making a job more challenging and important by increasing scope of authority and responsibility. These can be achieved by:

- giving workers more say in deciding about work methods, task sequencing etc.
- encouraging subordinate participation and interaction among workers.

- Giving workers a feeling of personal responsibility for their tasks.
- Ensuring that people see the contribution of their tasks in the overall result.
- Giving feedback on performance.

Other strategies of motivation may include; promotion to higher responsibility, personal interest by manager, status symbols, training and development, monitoring, leadership style etc.

Negative reinforcement or punishment: These should be avoided as it has the tendency of stimulating anger, hostility, aggression, and rebellion in workers. The motivational effects are only short term.

Challenges

Motivation is a psychological and a social process. Although the theoretical concepts appear simple and straightforward, they are difficult to implement in real life because of the following:-

Differences among people: People differ in their expectations; hence require different types of incentives. For example, while scientists, engineers and other professionals may have a stronger need for achievement, managers and politicians have a stronger need for power. Needs also differ because of demographic characteristics of employees such as gender, age, race, education, personal ambition, cultural background, occupation etc.

Social and economic change: Changes that impact on people's lifestyles, such as increased education, tastes and preferences, cross-cultural interactions mean that motivating techniques which worked a decade ago may not work today.

Employees' personal problems: Motivation can be effective only to a limited extent as people may have problems that are beyond management and cannot be solved by motivation.

Lack of resources: Organizations may be willing to motivate its employees, but may lack the resources to do so. This is especially so for financial motivators.

Motivation is an internal instinct: motivation by nature is an internalized process that comes from within the individual. Reinforcements are only needed to activate it. Thus a manager can give only encourage it, but the actual and effective motivation will depend upon the internal will of the employee.

Motivation is situation oriented: Variables in motivation situation are, the motivator, the motivated, the motivational technique and the motivational circumstances all of which affect the motivational outcome. To achieve a positive outcome, all four must be in congruence- which almost impossible.

CHAPTER (7)
DECISION
Making

CHAPTER (7)
Decision Making

What is decision making?

Decision making is required from everyone, individuals as well as managers. Let us first see how individuals make decisions and then look at managerial decision- making. Then we'll concentrate on the more difficult, nonroutine decisions that managers must make.

Individual Decision Making:

Every day people make numerous decisions. We all have to decide whether to get up. What clothes to wear, what to eat what lane of the street to drive in, what parking space to shoose and we face job or school decisions every day. Most of these decisions fall into the "routine" category. That is they do not involve a great deal of analytical effort to arrive at a final course of action occasionally though one comes along that has much greater stakes.

That decision that Hala makes will have a significant long-range impact on her life and require greater energy than the routine-decisions that she ordinarily makes.

Managerial Decision Making:

Decision making can be defined as the conscious selection of a course of action from among available alternatives to produce a desired result. As such it is a way of life, for managers. .and the quality of the decisions made is a predominate factor in determining how upper management view a lower manager's performance Books, movies. TV series and new documentaries dramatize decisions made by top managers Whether it is the .decision of the president of the United Stares in the summer of 1980 to attempt to rescue the U.S. hostages held in Iran by helicopter landing or a critical decision made by the wheeler-dealer businessman J.R, Ewing in the hit TV series Dallas, decisions occupy much space in the media and play a key part in our lives.

But top managers are not alone in making decisions that are often very important. Middle and lower managers also face such decisions.

All Organization Members Must Make Decisions:

Managers are not the only ones who make critical decisions in organization. Surgeons, for instance, make life and-death decisions daily. So do air traffic and aircraft inspectors. Computers maintenance technicians after make million-dollar decisions. We can say that every person's job in an organization involves some degree of making even the most routine jobs.

Programmed and Un-programmed Decisions One broad method of classifying decisions is to whether the decision is programmed or not A programmed decision is one that is routine and repetitive. The manager (or organization), to facilitate decision making, has devised established, systematic way to handle the decision Examples of programmed decisions include the following.

1- A grocery store manager’s decision about how many items to reorder when the stock level reaches a given count.
2- A university’s decision about how to process a student's request to drop or add a course.
3- A hospital’s process for admitting new patients.
4- A maintenance department's decisions account the frequency of maintenance servicing of mannerly and equipment.

5- A. manager's disciplinary action when a worker reports to work in an intoxicated condition.

These examples are handled in a systematic way, and a decision framework (for example a set of policies) has been established for the decision maker to follow. Perhaps the handling of an intoxicated, employee appears to you to be different from the other four examples. But if the company policy manual prescribes a given penalty for intoxication, the decision about the penalty the supervisor should impose tends to be a programmed or predetermined one.

Un-programmed decisions are those that occur infrequently, and, because of differing variables, they require a separate response each time. Un-programmed decision examples might be the following:

1- To buy a new car and which type of car to buy.
2- To select one job offer from the many received.
3- About where to locate a new company warehouse.
4- About whom to promote to. The vacant position of plant manager at one of the company's plants.

5- About how a supervisor should schedule workers vacations given their requests, so that the department can operate at 90 percent of capacity each week during the summer.

Stops in Decision Making:

The decision- making process that you will study in this chapter consists of the following steps, as show in the Figure below:

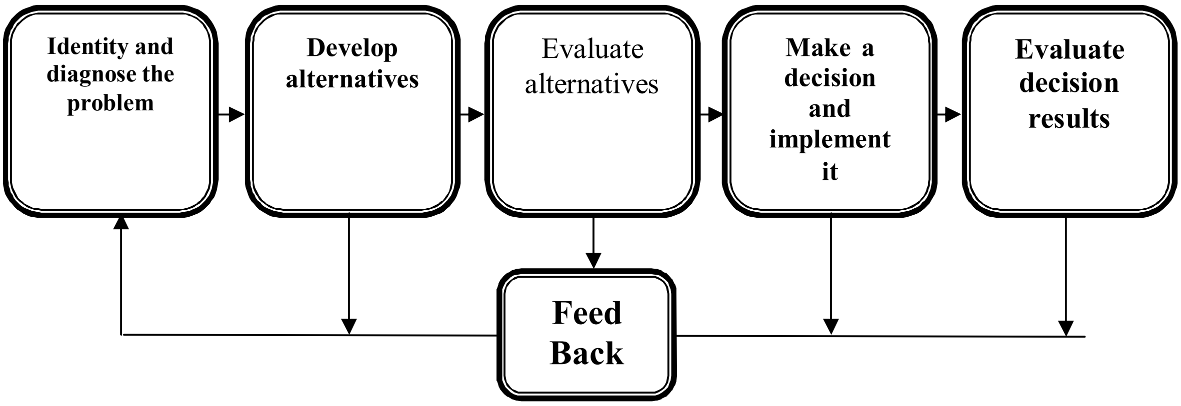
1- Understand diagnose the problem.

2- Develop alternatives.

3- Evaluate alternatives.

4- Make a decision and implement it.

5- Evaluate decision results.



THE DECISION MAKING PROCESS

Step (1) Understand .and Define the Problem:

When you are first faced with a decision if you're like most people, you tend to wade into it without thinking much abuts it. Suppose, for instance, that your cars thigh temperature light comes on while you are diving. You pull off to the side of the find your car's radiator steaming and boiling. In what way do you think of the problem? Do you think of it as "My car needs water"? If you do and make a decision to find water, refill your radiator, and go-on your way, you may be in trouble, You may:(1) have wasted your time filling the car because it will overheat again shortly, or (2) face a more costly decision later. The odds are that you will have only treated a symptom of the problem in refilling the car with coolant. The possible censes of the problem that need to be treated may include such things as a broken thermostat, a leak in the radiator or a hose, or possible that you are pulling too heavy a load (trailer, people).

A frequent mistake is to observe a problem's symptoms and treat them as underlying causes. Let us look at a business example Assume that you own a small business and your profits have been down sharply for -the last several months. You would be very naive to make-assumptions about the causes without some investigation of the problem (unless there is some strong evidence that an obvious factor has caused it.-an act of God. for instance, or a competitor who has. located next door to your store) Possible causes might include the following:

1- Changes in the competitive situation (such as new competitors, disruptive competitor price policies competitor product advantages).
2- Higher costs (increased rent, utilities payroll. overtime).
3- Employee inefficiency (poor motivation sates technique pilferage).
4- Changes in traffic patterns (new thoroughfares, interstate' highway, closed roads).
5- Seasonal shifts (many businesses, such as gift shops, ice cream parlors, and photography stores routinely experience drops in sales and profits - at certain times of the year).
6- Store policy (no credit, no returns on inerchandise).

In addition to the foregoing, there may be other possible causes that you could think of Effective decision makers are keenly aware of the importance of proper problem identification and understanding of the problem situation.

Now try your skill at problem identification. What do you think is the problem in the case at the beginning of the chapter? As. you read the case, did you quickly think of way to salvage Bill? Did you perhaps think of such alternatives as send him to human-relations school" get him to take remedial courses in written communication", or counsel him so that be'll realize how his behavior limit his future with the company", and so on?

Surprise If you think of the problem in terms of what to do with Bill, you treated only a symptom of the problem. You might indeed salvage Bill, but there will be ethers like Bill who will come along and need same attention.

Instead of thinking of what to do with Bill, think of what it was that caused the problem with Bill. You must devote some energy to remedying the company's recruitment and selection procedure or its management development program. In other words, you must deal with the underlying problem. Did the company want someone with supervisory skills? How important was written communication in Bill's job? Why did the company evaluate only a candidate's academic performance rather than some additional critical skills? Until the company addresses the problem of mismatch between the skills_it seeks in job candidates and the actual skills necessary to perform the job it will not solve the problem.

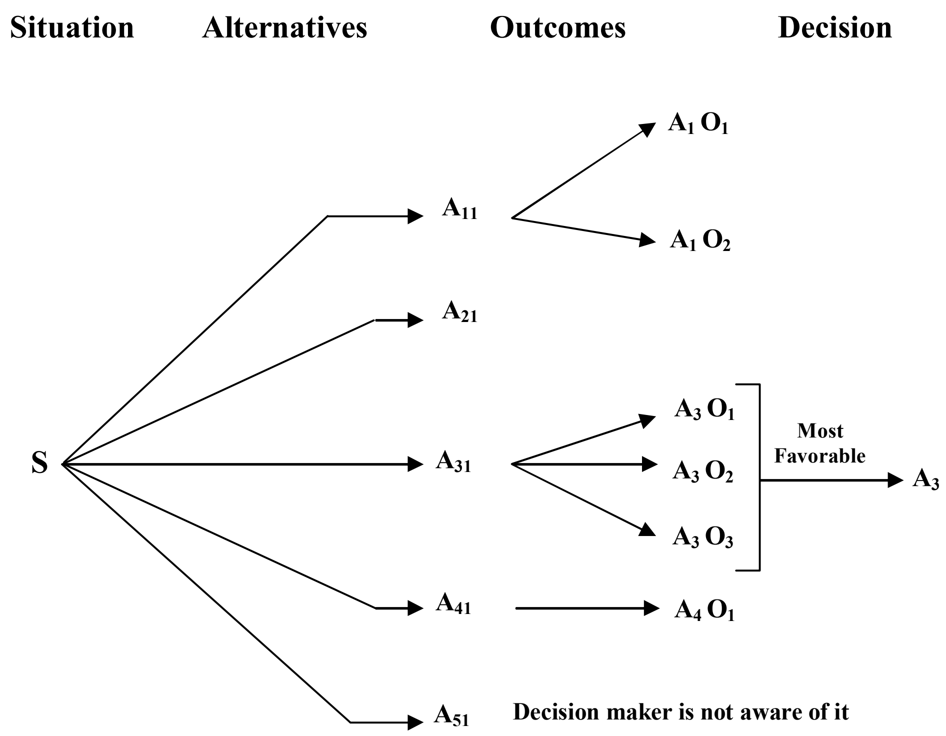
Managers gain insight into problem identification in several ways. For one they systematically examine cause effect relationships. They also look for major variance or changes from what is considered "normal', and perhaps most important, they consult others who are capable of giving them different. Perspectives and insights into a problem or opportunity. In many respects, American managers are for behind their Japanese counter parts in handling this first step of decision making. Drucker explain it this way

Step 2: Search for Alternatives:

Once you have a clear definition and understanding of the problem, you are prepared to search for alternatives. Remember from the definition that if there is no choice of alternatives there really is no decision to be made. The use of staff groups and the counsel of others may lead to the development of certain alternatives that the manager might not have been able to identify alone In the decision tree show in figure below, alternative five (Ac) represents such an “unknown” alternative.

Should a manager identify all feasible alternatives? Perhaps this sounds good in theory, but in practice it is frequently difficult to achieve. This is true for several reasons. For example, consider the following points.

Knowledge of alternatives is limited. Mangers do not usually have complete information at their disposal when making decisions. Yet some books and courses in decision making still advise the decision maker to get all the facts” before considering alternatives in making a decision Consider the following examples of the selection of a controller for a large organizations.



Role of Alternatives in the Decision process

How close was the organization able to come to an "optimum solution" to the problem? Was the person making the decision able to obtain all the facts? Although the individual selected may have been a satisfactory choice for the position." the most highly qualified person in the country" probably wasn't even contacted. Instead,, the search for candidates probably uncovered a group of "satisfactory" or at least "minimally qualified" individuals.

A better person than the one selected might have been found through more search activity but the extra cost might have exceeded the benefits obtained. In general managers can rarely make decisions based on complete information and perfect foresight. Herbert Simon, a noted management scholar, calls this concept satisfying meaning that the decision maker selects an alternative that is reasonably good, although not necessarily the perfect or ideal one. Reasons why alternatives are restricted some factors that restrict the search for alternatives might be these:

1- Same alternatives may be ruled out because they are too costly even to be considered.
2- The organization's physical facilities may eliminate certain alternatives from consideration.
3- The time constraints for making the decision may not allow a thorough search for alternatives.
4- Higher management may already have indicated to the decision maker that certain alternatives are "off limits" (A in the Figure).

Your need to keep in mind that the search for alternatives is greatly influenced by the way you go about defining or thinking about the problem. Suppose for example, that a retailer's sales are down and the cause of the problem is found to be poorly motivated sales personnel. The available alternatives will focus on ways to motivate the present sales force-incentives, per talks, trips to Hawaii, and the like. But let's take it one step further Suppose-the problem solver raises a fundament question of "What function do my salespeople perform. why do I need them in the first place". Now the retailer is able to get to the core of the problem. Some other available alternatives to be considered are:

1- Reaching customers not only through sales personnel also through other methods, such as direct man catalogs.
2- The possibility of eliminating sales-people altogether are using only direct mail catalogs.

Step 3 Evaluate Alternatives:

Assuming that alternatives have been derived, the next step is for you to evaluate them. A given alternative can have more than a single outcome (as shown earlier in the Figure) is important to understand not the benefits of each alternative and how such benefits may influence the decision objective but also the potential negative side arid costs of each alternative.

In a survey of 469 senior managers in the United States and Europe, one researcher found the following:

1- Managerial decision making at the senior executive level tends to be dominated by individual preferences- when the decision maker has a strong personal preference. One executive for example decided to locate corporate headquarters near his home rather than in another location, where an extensive staff survey indicated it should have been located.
2- Managers generally tend to make decisions themselves and then try to convince others that they are correct instead of using a." participate" approach. The process of reaching decisions involves communication with subordinates but is more often in the form of "influence" by the top manager rather than subordinate "participation" in the decision process.

One approach to evaluating alternatives is for one or more alternatives to be assigned to an individual, who then identifies their pros and cons and presents these to the decision maker. In this way, one person, or perhaps a team, will be responsible for fully exploring the decision potential of a given alternative.

Step 4: Make the Decision and Implement It

This fourth decision-making step causes many managers a problem. After getting the facts, the managers may not be able to decide for the analysis and interpretation of the facts may make it more difficult to make a clear-cut decision.

Some managers won't make a decision, even with all the facts. This may cause others to feel unsure and insecure about a decision maker's ability to make the "right" decision.

Many manger straddle the fence on an important decision, leaning one day in one direction, another day in the opposite. This creates uncertainty in the mind of others an may cause greater resistance to the decision than if it were made quickly and decisively or frequently decisions are announced in a halfhearted, almost apologetic manner.

Effective decision, making doesn’t stop when the decision is made: lt. also entails good .follow through an implementation by the parties involved In fact, many good decisions may be ruined by ineffective implementation, but the decision maker is still responsible.

Step 5: Evaluate the Decision Results:

After making and implementing the decision, you still have not finished your job. Now- you must perform the “control” function of management. That is you must evaluate whether the implementation is proceeding smoothly and the decision is attaining the desired results. If the decision turns out to have been a poor one, you aren't bound by any rule to stick with it. You have perhaps heard the-expression “Don’ throw good money after bad”. In many cases, it is less costly for a manager to admit having made a poor decision and to reverse it than to try to save face by riding out a decision that doesn’t accomplish its objective. This assumes, of course, that the decision is not irreversible. If it is irreversible, then you will have to stick it out and try to make it succeed.

The five decision-making steps presented here represent the most common type of decision model. You should also find the "Rules for Unreels Decision Makers" and extremely helpful decision-making guide.

Involvement of Subordinates in Decision Making:

It is difficult for managers to make decision without brining in subordinates in one way or another. Yet this involvement may be formal, such as the use of group decision making or informal, such as asking for ideas. The assistance may occur at any of the decision steps.

Group Decision Making:

Some managers feel strongly that decision made by groups, such as committees, are more effective because they maximize the knowledge of others. Other managers severely avoid group involvement, feeling that it is slow and cumbersome and often leads to watered-down decision that attempt to accommodate all points of view.

There is no question that on certain occasions a manager will not have the expertise or information available to make at intelligent decision without the assistance of others. In other decision situations the manager may be thoroughly knowledgeable about the decision situation and would gain little by involving others.

Characteristics of Decision Situations:

The extent to which subordinates should be involved in decision making has been studied by several scholars and consultants. Two particular researchers Vroom and Yetton have developed a decision tree approach for identifying the particular "optimum' decision style that a manager would find appropriate in a given situation the key characteristics of a decision. Situation Vroom 'and Yetton say, are the following:

1- Is there a quality requirement such that one solution is likely to be more rational than others?
2- Does a manager have sufficient information to make a high-quality decision?
3- Is the decision situation structured?
4- Is acceptance of the decision by the manager's subordinates critical to effective of implementation of the decision?

5- Is it reasonable certain that the decision would be accepted by subordinates if the manager were to make it alone?
6- Do the manager's subordinates share the organizational goals to be achieved if the problem is solved?
7- Is the preferred solution likely to cause conflict among the subordinates?

In other words, these key variables should determine the extent to which a manager involves subordinates in. the decision process or makes the decision alone, without their inputs.

Styles of Management Decision Making:

The second element in the Vroorn-Yetton decision tree is the particular management decision-making "style" Many styles are possible, but the following five are the most common.

A. The manager makes the decision alone, using information available at the time.
B. The manager obtains the necessary information from subordinates and then determines the appropriate

decision. The role played by others is that of prodding the manage with the necessary information rather than of generating on evaluating alternatives.

C. The manager shares the problem with subordinates individually and obtains individual ideas and. suggestions without bringing subordinates together as group. The manager then makes the decision that may or may not reflect the subordinates inputs or feelings.

D. The manager shares the decision situation with subordinates as a group and solicits their ideas and suggestions in a group meeting. The resulting decision may or may not reflect the subordinates inputs or feelings.

E. The manager shares the decision situation with subordinates as a group, and the group generates and evaluates alternatives. The manager does not attempt to influence subordinates and is willing to accept and implement any solution which there is consensus.

CHAPTER (8)
The Controlling Process

CHAPTER (8)
The Controlling Process

INTRODUCTION

In this unit we will be describing the process of control the. Various control methods that managers can use, and the ways in which the control process can be made effective. Why do we have a unit of control? Earl P. Strong and Robert D. Smith have described the need for control this way.

There are a member of conflicting viewpoints" regarding the best manner in which to manage an organization. However theorists as well as practicing executives agree that good management requires effective control. A combination of well planned objectives strong organization capable direction, and motivation have little probability for success unless there exists an adequate system of control.

In other words, the information in the other past of this book no planning, organizing .and leading even if it were effectively applied, is not. likely to help managers achieve their goals unless the information on control is also applied effectively.

The Link between Planning and Controlling:

Perhaps the simplest definition of management control is the process through which mangers that actual activities conform to planned activities. This definition has the advantage of pointing to the close link between planning and controlling the organization's operations an association we first discussed In the planning process the fundamental goals and subjective of the organization and the methods for attaining them are established the control process managers progress toward those goals and enables managers to detect deviations from the plan so that they can take whatever remedial action is necessary (including a change in the plan). In fact most good plans have controls (such as budgets) built into them While the functions of planning and controlling should be kept distinct (so that neither function is slighted). The control process would be meaningless without previously established standards or goals.

What is Control?

Our simple definition of control suggests what control is intended to accomplish It does not however, indicate what control is. Robert J. Mockler has defined control in a way that indicates the essential elements of the control process:

Management control is a systematic effort. to set performance standards with planning objectives, to design information, feedback systems to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measures their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives".

This definition divides control into four basis steps:

1- Establishing standards and methods for measuring performance.
2- Measuring actual performance.

3- Comparing performance against standards and interpreting any discrepancies.
4- Taking corrective action (if appropriate).

We will briefly introduce these steps here and discuss them in greater detail later in this chapter.

Steps in the Control Process:

The four basic steps in the control process and their relationship are illustrated in Figure below. The first step is to establish standards and methods for measuring performance depending on the aspect of the organization to be controlled this step could involve standards and measurements for everything from sales and production targets to worker attendance and safety records. For this step to be effective, the standards must be specified in meaningful terms and then must be accepted by the individuals involved The methods of measurement should also be accepted and accurate. An organization may set an object to become the “leader in its field”, but this standard will mean little more than verbal inspiration, unless leadership is defined and an adequate way to measure it is established.

Establish Standard and

Methods for Measuring
Performance

Measure Performance

Do
Nothing
Yes

Does Performance Match
The Standards

No

Take Corrective Action

Basic Steps in the Control Process

The second step is to measure the performance. Like aspects of control, this is an engoing repetitive process, with the actual frequency dependent on the type of activity being measured. Safe levels gas particles in the air for example, may be continuously monitored in a manufacturing plant, while. Progress on long-term expansion objectives may need to be reviewed by tap management only once or twice a year.

A fault to be avoided however is to allow too long a period of time to pass between performance measurements. Declining sales or production output is best discovered as soon as possible after it occurs, not at the end of a fiscal period when remedial action may be twice as costly or even impossible.

Does performance match the standard? In many ways, this is the easiest step in the control process to carry out. The complexities presumably have been solved in the first two steps; now it is simply a matter of comparing measured results with the target or standard 'previously set. If performance matches standards, managers may assume that "everything is under control" and, as Figure shows, they do not have to intervene actively in the organization's operations (They will, of course, have to continue the monitoring or. measuring aspects of control. in case deviations subsequently develop). Successfully achieved standards, however do provide an opportunity for mangers to translate this success into encouragement and motivation for the organization members involved in achieving them.

One part of this step that can increase its complexity is the need to interpret any deviations from the standard- Some deviations may be due to a temporally or unimportant circumstance, rather than to a real problem or flaw in the plan. Lower sales in July and August for example may be due to the act that people are on vacation rather than to a loss of interest the company's product.

The final step is to take corrective action if performance falls short of standards and. the analysis indicates action is required. This corrective action may involve a change in one or more aspects of the organization's operations, or it may involve a change in the standards originally established. Unless mangers see the control process through to its conclusion, they are merely monitoring performance rather than exercising control. The emphasis should always be on devising constructive ways to bring performance up to standard rather than merely to establish blame for past failures.

Changes

Suppose the Pinpoint Pencil Company, a supplier to our Top Drawer Office Supply Company, operated in a static market. Every year the company would make and sell the same number of pencils to the same customers. Manufacturing and labor -costs would never vary, nor would availability and costs of materials. In other words, last year's results would govern this production. Planning and controlling for this company would quickly become automatic. In that sense the active functions of planning and controlling would no longer be necessary.

Even in the most stable industries, however, such a situation does not exist. Chance is an integral part of almost any organization’s environment. Markets shift new products emerge; new materials are discovered; new regulations are passed. The control function enables. Managers to detect changes that are affecting their organization’s products or services. They can then move the cope with the threats or opportunities that these changes represent.

Complexity:

The one-room schoolhouse and the small family business could be' controlled on an info comparatively haphazard basis. Today's vast organization, however, require a much more formal and careful control approach. Diversified product lines need to be watched closely, to ensure that approach. Diversified product lines need to be watched closely to ensure .that quality and profitability are being maintained; sales in different retail outlets need to be recorded accurately and analyzed the organization's various markets, foreign and domestic, require close monitoring.

Adding to the complexity of today's organizations is the development of decentralization. For example, many organizations now have regional sales and marketing offices, widely distributed research facilities, or geographically separated plants. Such decentralization can simplify an organization's control efforts since all the organization's operations no longer have to be controlled by central headquarters. Paradoxically, however, in order for decentralization to be effective, each decentralized unit's control activities have to be especially precise. Performance against established standards has-to be watched closely so that general managers can appraise the effectiveness of the unit for which they are responsible and so that corporate management can in turn, appraise the effectiveness of the general managers.

Mistakes:

If they or their subordinates never make mistake managers can simply establish performance standards an watch out for significant and unexpected changes in the environment. But organization members do make mistakes wrong parts are ordered, wrong pricing decisions are made problems are diagnosed incorrectly. A control system allows managers to catch these mistakes before they become critical.

Delegation:

As we discussed before, when managers delegate authority to subordinates their responsibility to their own superiors is not diminished. The only way managers can determine if their subordinates are accomplishing the tasks that have been delegated to them is by implementing a system of control, without such a. system, managers will be unable to check on subordinates progress, and so will be unable to take corrective action until after a failure has occurred.

Finding the Right Degree of Control:

The word "control" often has unpleasant connotations because it seems to threaten personal freedom and autonomy. In an age when the legitimacy or authority is being sharply questioned, and when there is, a widespread movement toward greater independence and self-actualization for individuals the concept of organizational control makes many people uncomfortable Yet, the need for control in organizations as we have seen, is particularly acute today; in addition, organizational control methods are becoming more precise and sophisticated, particularity since computers have come into widespread use How can managers deal with the potential conflict ‘between the needs for organizational control and personal autonomy?

One way to deal with the seeming disparity between these two needs is to recognize that too many controls (that is too many means or methods of control) will harm the organization as well as the individuals within it. Controls that bog down organization members in red tape or limit too many types of behavior will kill motivation, inhibit creativity and, in the end, damage organizational performance.

The degree of control that is considered extreme or harmful will vary from one organization to another. A machine shop for example may require much tighter controls than a research laboratory. Even within laboratories, some control variations will be found, since some experiments- must be carried out under extremely precise conditions. Other experiments will not require such carefully controlled conditions. The economic climate may also affect the degree control that is considered acceptable by organization member in a recession, most people will accept tighter controls and restrictions; when things are booming rules and restrictions will seem less appropriate. Regardless of the situation, excessive control will do more harm than good to the organization.

Inadequate control will, of course, harm the organization by allowing resources to be wasted and by making it more difficult for organizations to attain their goals However, individuals may also be harmed by inadequate controls; a decrease in control does not necessarily lead to an increase in personal autonomy. In fact, individuals may have even less personal freedom and autonomy, because they may not be able to predict or depend on what their co-workers will do. (Anarchy, the lack of any social or organizational controls is not a situation of great personal freedom but one of massive uncertainty and 'unpredictability); In addition, the lack of an effective system of organizational controls will mean that individual managers will have to supervise their subordinates much more closely, further reducing the freedom of those subordinates. If the lack of controls is extreme, the organization will likely fail removing the freedom of members to pursue their personal goals within the organization.

Like most issues in management, then, the task for managers is to find the proper balance-in this case, between organizational control and individual freedom With too much control organizations become stifling, inhibiting and unsatisfying places in which to work with too little control organizations become chaotic, inefficient, and ineffective in achieving their goals.

Because organizations, people, environment and technology keep changing, it is likely that any effective control system will require continuing modification and fine tuning for it to remain effectively balanced. For example an organization’s manufacturing or service divisions may employ relatively unskilled individuals who are not very interested “their work the organization’s control system might therefore require fairly frequent and detailed quality and productivity checks to compensate for the -lack of worker interest. It the organization opened up a new operation to, produce the same product or service in a different location, where the workers it hires are more skilled or more interest: the work, the control system might have to be redesigned to allow for the differences in the workers skills and interests for stance fewer points measurement might be used. The workers could be given more autonomy, and more responsibility might be placed on the workers to monitor and correct their own performance.

TYPES OF CONTROL METHODS

Most methods of control can be grouped into one of three basic types, steering controls, screening or yes-no controls, and post-action controls. We will discuss these control types here.

Steering Controls:

Steering controls, or “feed forward controls are designed to detect deviations from some standard or goal and to allow corrections to be made before particular sequence of actions is completed The term "steering controls" is derived from the driving of a motor vehicle the driver steers the car to prevent it from going off the road or in a wrong direction so the proper destination. Will be reached. Obviously, to be usable; steering controls, are dependent on the manager’s being able to obtain timely and accurate information about changes in the environment or about progress toward the desired goal.

Yes-No or Screening Controls:

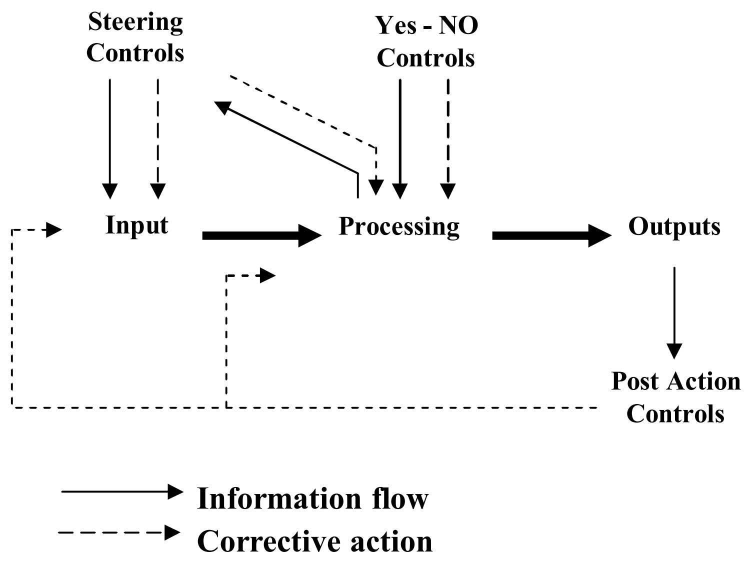
This type of control provides a screening process in which specific aspects of a procedure must be approved or specific conditions met before operations may continue. More common examples of yes-no controls, are quality control inspections, safety checks, and legal approval of contracts.

Because steering controls provide a means for taking corrective action while a program is still viable, they are usually more important and more widely used than other types of control. However steering controls are rarely perfect-they do not catch all possible deviations from a plan or standard nor are they always effectively applied. For these reasons, yes-no controls are particularly useful as ‘‘double-check’ devices. Where safety is a key factor, as in aircraft design or the production of chemicals, or where large expenditures are involved, as in construction or aerospace programs, yes-no controls provide managers with an extra margin of security.

Post-Action Controls:

As the tem suggests, post-action controls measure results from a completed action. The causes of any deviation from- the plan or standard are determined, and corrective action is applied to future activities that are similar to those that have already bean completed. In our Top Drawer Company exampled we would exercising a form of post-action control by stipulating for our next quarter's that 10 percent of the sales quota must come from new business Post-action controls are also used as a basis for rewarding or encouraging employees (for example meeting a standard may result in a bonus).

The flow of information and corrective action for all three types of control is shown in Figure below. As can be imagined the speed of information flow is a vital factor in efficient control, since the sooner deviations are discovered



Flow of information and corrective actions for three

the sooner corrective action can be taken. The accuracy of information is also extremely important, since corrective action for present or future activities will be based on the information obtained from reports, computer printouts, and other sources.

Types of Control

There are other: ways to classify controls besides the classification we have discussed. For example, Wm. Travers Jerone III has provided an interesting classification of control methods based on the uses to which the controls are put.

The importance of Steering Controls:

The three types of control we have discussed - steering, yes—no, and post action are, not alternatives to each other. Most organizations will use a combination of all three in attaining their goals. Steering control are, however Particularly important Just as outfielders cannot wait until a fly ball lands to see where they should have been standing managers cannot afford to wait until all results are in before they begin to evaluate performance. If they do wait, they will usually find that it is too late to take corrective action. And where corrective action is still possible, it is likely to be far more costly than, it would have been if it were taken earlier. For example, the sales decline in Conacher's division of the Top Drawer Company is not irreversible a major effort to sign new customers will take time however, and sales for the past quarter have already been lost An earlier recognition of the problem would have problem would have permitted an earlier start on signing up new customers and probably would have resulted in higher sales for the quarter.

In addition to allowing managers to correct miscalculations, steering controls, allow managers to take advantage of unexpected opportunities. Deviations from a standard or, plan may, after all, take place in. a positive direction; by becoming aware of these deviations before it is too late, managers can shift their organization's resources to where they will do the most good. For example, steering controls may detect greater than expected sales in a new product line, the number of those new products to be manufactured can then be increased.

THE CONTROL PROCESS

In this section we will expand our description of the steps in the control process. Although much of our discussion will be appropriate to yes-no and post-action controls, our primary focus will be on the development of effective steering controls. Our emphasis is based on the fact that steering controls have the greater potential for helping managers achieve constructive results.

The Control process:

William H. Newman has provided a rich discussion of the proceeds for establishing a control system. We will describe his approach in terms of five basic steps:

(1) Define desired results.

(2) Establish predictors of results.

(3) Establish standards for predictors and results.

(4) Establish the information and feedback network.

(5) Evaluate the information and take corrective action.

Before discussing these steps, we should note that they can be applied to all types of control activities from. Newman has identified several early warning predictors that can help managers estimate whether or not desired results will be achieved. Among these are:

(1) Input measurement. There are certain key elements in any situation that will enable managers to forecast final results For example, incoming orders will determine the

number of items to be manufactured raw material costs will directly affect future product prices a worsening in economic conditions will very likely cause a decline in consumer demand. A change in these key inputs will suggest to managers that they need either to change their plans or to take some other corrective action.

(2) Results of early steps. If earl results are better or worse than expected a reevaluation may be called for and appropriate action taken. The first months sales of a new ice cream flavor, for example, may provide a useful indication of its future popularity.

(3) Symptoms. These are conditions that seem to be associated with final results, but they do not directly affect those results. For example, whenever sales representatives get their sales reports in late, the sales manager may assume auotas have not been met. An office manager may anticipate greater employee productivity on rainy days because he or she assumes that staff members will have sandwiches sent in rather than take a lengthy break for lunch. The problem with

symptoms, as we have implied earlier, is that they are susceptible to very wrong or misleading interpretations.

(4) Changes in assumed conditions. Original estimates are based on the assumption that normal conditions will prevail. Any unexpected changes, such as new government regulations, new developments by competitors; or material shortages, will indicate the need for a reevaluation of tactics and goals.

Aside from early warning predictors, managers may use past results to help them make estimates of future performance. In this type of post-action control, performance on a previous cycle is used to make predictions and (if necessary) adjustments for the next cycle. For example, if a reduction in last year's market testing led to an above-average number of new product failure, market testing this year may be increased. As a general rule, the greater the number of reliable and timely predictors the, manager can establish, the more confident the manager can be in making performance predictions.

Establish Standards far Predictors and Results:

Establishing standards, or pars, for predictors and final results is an important part of designing the control process. Without established pars managers may overreact to minor deviations or fail to react when deviations are significant. They may also fail to develop a clear idea of the results they desire.

To be meaningful, pars or standards must be appropriate for the particular circumstances. For example, receiving 200 customer complaints in a month when the service shop is in the process of reorganization is probably not as significant as receiving 50 complaints in a month when the shop should be functioning smoothly. Pars also need to be flexible in order to adapt to changing conditions. For instance, a new salesperson who proves to be an above-average performer should have his or her sales standard adjusted accordingly similarly, expected delivery times need to be adjusted if the local highway is being repaired. Establish the Information and Feedback Network:

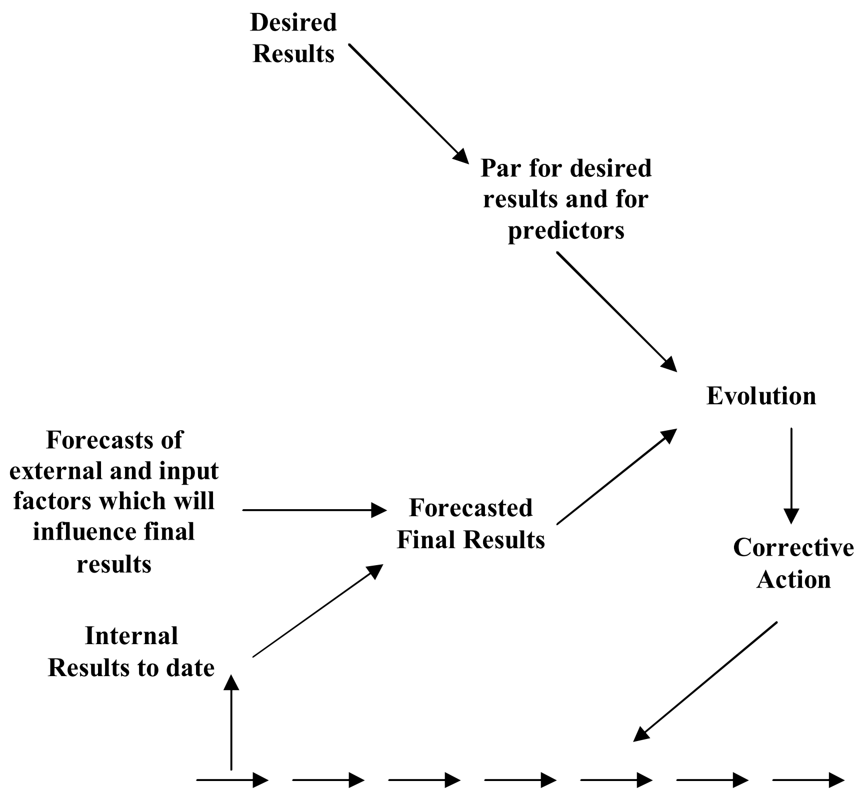
The fourth step in the design of a control cycle is to establish the means for collecting information on the predictors and for comparing the predictors against their pars as we shall see the communication network works best when it flows not only upward but also downward to those who must take corrective action. In addition, it must be efficient enough to feed the relevant information back to key personnel time for them to act on it.

To keep managers from getting bogged down in communications about how matters are progressing control communications are often based on the management by exception principle. This principle suggests that the controlling superior should be informed about an operation's progress only if there is a insignificant deviation from the plan or standard. The superior can then concentrate fully on the problem situation if matters are proceeding as planned (or with only minor deviations), there is no need for the superior to be informed.

Evaluate Information and Take Corrective Action:

This final step involves comparing predictors to pars. Deciding what action (if any) to take, and then taking that action.

Information about a deviation from par must first be evaluated; as we suggested earlier, some deviations are due to local or temporary circumstances and will not really **** final result. Alternative corrective actions, if they are required are then developed and evaluated. Sometimes the corrective action will be straightforward and. obvious; if a supplier runs out of raw material, for example, another supplier will have be located At other times, at multifaceted, complex action will become necessary For instance, if there is an industry wide raw materials shortage alternative materials may have to be found, products may have to be redesigned, and previously established goals may have to be revised These changes may require the entire planning and controlling cycle to have a new start.



Elements in a Conctol Cycle

Jerome E. Schnee and Thomas P. Ferene have described a number of critical issues that must be dealt with establishing a control system. We will describe six of these issues:

1- What types of measures are to be used?
2- How many measures are to be used?
3- Who establishes the measures and standards?
4- How flexible the standards are to be.
5- How frequently measurements will be taken.
6- What direction feedback will take?

Types of Measurement:

If managers could always measure performance directly, then their task of establishing a control system would be enormously simplified. Unfortunately, performance is difficult to measure directly for many types of activities. The quality of a research group's ideas for example, may be difficult to determine with any degree of accuracy. Managers may therefore find it necessary. To measure what appear to be components or correlates of performance the productivity of the research group, for instance, might be measured by the number of progress reports it issues.

The danger inherent in this method is that managers may select something that is easy to measure rather than .something that is really correlated with performance. An endless stream of progress reports from the research group, for example, might well indicate a lack of real progress, since significant research breakthroughs might not allow time to write a series of reports or would be communicated in a single technical paper. Another danger is that managers may encourage the correlated behavior rather than work performance itself. For example, research group members might spend their time writing reports increased of doing research if they know their performance is being judged by the frequency of their reports.

Another measurement approach involves monitoring the activities that appear to lead to performance For example sales performance might be judged by the number of calls the salesperson makes or by the number of days he or she spends on the-road. This type of measurement is often regarded as irrelevant or annoying by the persons being controlled. It also runs the danger that managers will concentrate on means (the number of calls) at the expense of ends (the number of actual sales).

Most types of measurement are based on some form of established standards. Such standards may be historical- that is based on records and information concerning the organization's past experiences. Sales standards, for instance, are often historical in nature- the sales people are expected to increase sales by a certain amount each year. A problem with historical standards is that past performance may have been poor, in addition, circumstances may have changed since past to were compiled.

External standards are those derived from other organizations or other units of the same organization (such as the company's various sales offices). The difficulty here is in finding organizations or units that are similar enough to make the external standards meaningful. Wherever possible, predetermined standards should be used. These standards (or budgets) are developed in the planning process: they are based on careful study and analysis of the organizational units internal and external environments.

Engineered standards, concerned .with machine capabilities, are often supplied by machine manufacturers. Time and motion studies are useful in setting assembly-line productivity standards, if the cost of the engineer who will perform these studies will be offset by the .savings in efficiency, and if employees are wiling to accept the new standards. Even professional tasks that are repetitive in nature, such as some surgical procedures or the drafting of simple wills, may have reasonable time standards set for them. For other types of tasks, subjective standards, which are based on a manager’s discretion, may be established. Such subjective standard become more appropriate the complexity of a task increase.

The Number of Measurements:

As we have already suggested, managers need to develop a control system that is balanced. There need to be enough measures of performance to detect important deviations and to guide behavior in the desired direction; but too man performance measures will cause excessive effort to be devoted to control ad will cause subordinates to feel controlled. When a system is not functioning as well as desired, managers are, frequently tempted to add more control measures. Sometimes this approach is useful, particularly when organizational units are exceed in their budgets, and. deadlines and quotas are being missed. Frequently; however, adding more controls simply causes the few measures that are really important to be neglected. It is hard to focus on the major determinants of performance and the top priority items when a multitude of performance measures exist.

Authority or Setting Measures and Standards:

Performance standards can be set with or without the participation of the people whose performance is being controlled. We have discussed the advantages of subordinate participation in the standard-setting process in a number a places throughout our text. When standards are set unilaterally by upper-level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic; they may then refuse to meet them.

Even with participation, standard setting can degenerate into a form of game playing if managers and subordinates do not believe they have common goals. For example, subordinates may seek to negotiate low standards so that they will be able to achieve them easily; managers may seek to set unrealistically high standards initially in the hope of motivating subordinates to greater effort.

Flexibility of Standards:

Managers need to determine whether or not standards should be uniform throughout the similar units of the organization. Sales territories, for example, they are considered roughly equivalent, and so the performance of salespeople may be measured against a uniform standard. (In other words, the person with the largest number of sales in the measurement period will be considered the best salesperson for. that period). Often, however, allowances must be made for the different circumstances each organizational unit or member must face. For instance when sales territories are not comparable, a salesperson's performance- may be judged by the past sales history of his or her specific territory.

Managers need to make a similar decision about the extent to which qualitative versus quantitative measures will be used in the control system. For some tasks (such as envelope stuffing) performance may be accurately and easily measured in quantitative terms. For other tasks (such as research and development activities), both qualitative and quantitative measures will have to be used. Obviously, precise qualitative measures are extremely difficult to establish. But even rough measures are usually better than none at all.

Frequency of Measurement:

How frequently and when performance should be measured depends on the nature of the task being controlled. Quality control of items coming off an assembly line often requires hourly monitoring, because the quality of the raw materials or parts entering the assembly line may change during the day. Product development, on the other hand may be measured on a monthly basis, since significant changes are unlikely to take place on a daily basis.

Managers are often tempted to measure performance a some convenient time rather than when the performance to be controlled should be measured. For example, they may wish to check product quality at the end of the work day, to check plant safety arrangements over a weekend when the plant is empty, or to evaluate employees only during an annual review period. Such a temptation should be avoided, since inaccurate measurements may result. For example, assembly-line employees may be especially careful with the last run of items on the assembly line if they know a quality inspection will take place at the end of the day. Random inspection during the workday would probably provide more realistic measure of product quality.

Direction of Feedback:

The purpose of control is to ensure that present plans are being implemented and that future plans will be developed more effectively. If the control system provides information merely for superiors to check up on their subordinates, the effectiveness of the system is lost the people whose actions are being controlled may never find out what they are doing wrong and what they need to do to perform more effectively. In addition, the individuals being controlled will see the control system as punitive and hoe as an encourage at to improved performance.

The individuals whose actions are being monitored are usually in the best position to take whatever corrective action is necessary, because they ‘are closest to the activities being controlled. Thus a well-designed control system will usually include feedback of control information to the individual or group performing the controlled activity. The same information will not necessarily be provided to the individual’s or group's superior.

PERRORMANCE AREAS

In order for upper-level managers to establish effective control systems, they must first identify the key performance areas of their organization or unit. Key performance or key result areas are those aspects of the unit or organization that have to function effectively in order for the entire unit on organization to succeed. These areas: usually involve major organizational activities or groups of related activities that occur throughout the organization or unit- for example its financial transactions, its manger subordinate relations, or its manufacturing operations The broad controls that upper manager establish for these key performance areas will help define the more detailed control systems and standards lower-level managers.

Strategic Control Points:

One important task in designing an effective control system at all levels of the organization is to isolate the points in the system where monitoring or information collection should occur The points selected should be the ones that are critical in determining, the overall success of the activity hang controlled If such points can be located, then the amount of information that has to be gathered and evaluated. Can be reduced considerably.

One useful way to find an operations strategic control points is to locate those areas of the operation in which change occurs For example, in an organizations system for filling customer orders, a change occurs when the purchase order becomes an invoice, when an inventory item becomes an to be shipped, or when the item to be shipped becomes part of a truckload Since things are most likely to go wrong when such changes occur monitoring change points is usually a highly effective way to control an operation.

A more important and useful method of selecting strategic control points is to focus, on the most significant elements in a given operation. Usually only a small percentage of the activities, events individuals or objects in a given operation will account for a high proportion of the expense or problems that managers will have to face.

CHARACTERISTICS OF EFFECTVE CONTROL SYSTEMS

In this section we will discuss the characteristics that have been shown to be associated with reliable and effective control systems. While the importance of these characteristics varies with individual circumstances, most control systems are strengthened if they are:

1- Accurate.
2- Timely.
3- Objective and comprehensible.
4- Focused on strategic control points.
5- Economically realistic.
6- Organizationally realistic.
7- Coordinated with the organization's work flow.
8- Flexible.
9- Prescriptive and operational.

10- Acceptable to organization members.

If a control system is missing even a few of those characteristics, it will probably be ineffective in helping the organization meet its goals.

Accurate:

Obviously, information on performance must be reasonably accurate in order for the organization to take appropriate corrective action. In accurate data_from a control system can cause the organization to take that will either fail to correct a problem or create a problem where none exists. For example, a foreman may report to a supervisor that parts are being damaged on one assembly line because the people on that line are inadequately trained". In fact the machines on that particular line may be at fault the supervisor may devote time and resources to additional training that will not solve the problem and that may even be resented by the employees if it is perceived as unnecessary. Evaluating the accuracy of the information they receive is one of the most important control tasks that managers face.

Namely:

Although this characteristic has been mentioned before, we are repeating it here to underline its importance. Information must be collected routed to the appropriate destination and evaluated quickly if corrective action is to be taken in time to produce improvements Otherwise, managers may act too late, act incorrectly, or simply-not act at all.

Objective and Comprehensible:

Most readers have probably had the experience on finding an instruction or repair manual difficult to; understand. The annoyance confusion, or frication such manuals cause make it difficult to function coolly and effectively. To be useful the information used in a control. system should be understandable and seen- as objective by the individuals involved. The less subjective or ambiguous the control system is the greater the likelihood that individuals will take the appropriate corrective action at the proper time. A difficult understand. control system will cause unnecessary mistakes to be made and will normally cause employee resentment.

Focused on Strategic Control Points:

As we mentioned earlier, the control system should be focused on those areas where deviations from the standards are most likely to take place or where deviations would lead to the greatest harm. The system should also be focused on those points where corrective action can be most effectively applied for example it would obviously be absurd to control parts quantity after the parts have already been packaged or shipped parts quality is most logically checked immediately after the parts come off the assembly line.

Economically Realistic:

The cost of implementing a control system should be these on at most equal to the benefits derived from the control system: For example, it managers are spending L.E.60000 on control to realize a savings of L.E.50000, they need to redesign their control system. The best way to minimize waste or unnecessary expenditure in a control system is to do the minimum amount necessary to ensure that the monitored activity will reach the desired goal. For instance, in most organizations a sales manager would he wasting time and money if he or she insisted on receiving daily sales reports. Weekly or monthly sales reports are usually sufficient or effective control of a sale staff.

Organizationally Realistic:

The control system, to be workable, has to be compatible with organizational realities, for example there has to be an equitable balance between the effort necessary to attain the desired performance level and the reward for achieving it.

Manager who set excessively high standards and try to induce subordinates to adhere to those standards may well find that their subordinates will simply stop reporting deviations. Status differences between individuals also have to be recognized. Individuals who have to report deviations to someone they perceive as a lower-level staff members may- stop taking the control system seriously.

Coordinated with the Organization's work flow:

Control information needs to be coordinated with the flow of work through the organization for two reasons first, each step in the work process may affect the success or failure of the entire operation. Second, the control information must get to all the, people who need to receive it. For example, an appliance company that receives parts from several of its manufacturing. Plants and assembles them in one central location needs to be sure that all parts plants are performing up to par. Plant managers also need to know when a serious problem develops in one of the other plants, since the work pace in their own plants may have to be adjusted.

Flexible:

As we suggested earlier, few organizations today are in such a stable environment that they do not have to worry about the possibility of change and so can apply, a rigid set of control. For almost all organizations, controls must have flexibility built into them so that the organizations can react quickly to overcome adverse changes or to take advantage of new opportunities

Prescriptive and Operational:

Effective control system ought to indicate, upon the detection of a deviation form standards, what corrective action should he taken in other words, they must be focused on what should be done, rather than' simply convey 'facts. The information must also be in a usable form when it reaches the person responsible for taking the necessary action. For example, information on plant-wide quality control is not as usable as quality control information that is focused specifically on an individual or work group.

Acceptable to Organization Members:

Ideally a control system should lead to performance by organization members by encouraging their feelings of autonomy, responsibility, and growth. Often, however obtaining timely and accurate information and taking corrective action will conflict to some extent with the individual needs employees. In such a case the control system should at leas avoid discouraging employees to the point where they will lower their performance. For example, too many controls, or controls that are too rigid, will often cause the satisfaction (and usually the motivation) of employees to decline such a negative effect must be taken into account when the efficiency of a control system is assessed.

FOR DISGUSSION

Chapter (1)

1- What is meant by management?

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2- What are the characteristics of management?

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3- What are the basic Functions of Management?

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4-Explain briefly the Managerial Skills?
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5- Explain briefly the Importance of Management knowledge?
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Chapter (2)

1- Explain briefly the Classical Management Theory?

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2-What are the Benefits of Scientific Management Thoughts ?

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3- What are the characteristics of Bureaucracies?

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4- What are the Weaknesses of the human relation school of thought?

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Chapter (3)

1- What is meant by Planning?

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2- Mention the six planning questions:

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3- What are the advantages of planning?

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4- What is the relation between controlling and planning?

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5- Where is planning done?

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6- What are the different basis for classifying plans?

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7- What is meant by purchasing policy?

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8-What is meant by marketing policy?

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9-What is meant by promotion policy?

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10-Explain briefly what is meant by procedure?

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11- What is the difference between short and long-range plans?

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13-What are planning steps? Explain briefly two of them.

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Chapter (4)

1-Organizing is concerned with Complete:

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2- How can on organization charts assist?

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3-What is meant by:

a-Authority?

B-Delegation of authority

c-Power

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4-What is the relation between authority and power?

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5-Discuss briefly what do we mean by responsibility?

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6-What is the difference between centralization and decentralization-Give some examples.

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7-Briefly discuss the advantages of Committees?

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8-Briefly discuss the disadvantages of committees?

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decision making

1- What is the difference between individual and managerial decision making?

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2- What is the difference between programmed and un-programmed decisions?

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3- Indicate the steps of the decision-making on a diagram.

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4- What are the five common styles of decisions?

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