Module 1

The World of Management

Managers today confront extraordinary challenges that their predecessors rarely faced. These challenges include escalating global competition, an unprecedented demand for quality and value on the part of the consumers, and an ever-pressing need to radically change the way their organizations function. More importantly, tomorrow's managers will face an even more demanding business environment. To meet the challenges of the business environment of today and tomorrow, managers must be flexible, proactive, and focused on quality in everything they do.

Objectives:

When you have finished studying this module, you should be able to:

1. Define the concept of management within an organizational context and as a process.
2. Identify the roles played by managers.
3. Discuss the responsibilities of functional and general managers.
4. Describe the three levels of managers in terms of the skills they need and the activities in which they are involved.

TODAY'S MANAGER

The Industrial Revolution began in the eighteenth century and transformed the job of manager from owner-manager to professional, salaried manager. Prior to industrialization, most of the western world was predominantly agricultural societies. The production of manufactured goods was still in the handicraft stage and consisted of household manufacturing, small shops, and local mills. The inventions, machines, and processes of the Industrial Revolution transformed business and management. With the industrial innovations in factory-produced goods, transportation, and distribution, big business came into being. New ideas and techniques were required for managing these large-scale corporate enterprises or organizations.

Organizations are two or more people working together in a structured, formal environment to achieve common goals. Managers provide guidance, implementation, and coordination so those organizational goals can be reached. The modern manager coaches employees of the organization to develop teamwork, which effectively fulfills their needs and achieves organizational objectives. The traditional autocratic organization with its hierarchical system of management and an overbearing "boss" that forces performance out of people is no longer needed. The modern manager provides an atmosphere of empowerment by letting workers make decisions and inspiring people to boost productivity.

MANAGEMENT DEFINED

Management has been defined in very many ways. One of the most memorable definitions was given by Mary Parker Follett, an early management scholar. Follett defined management as "the art of getting things done through people." Despite the fact that this definition captures the human dimension of management, there is a need for a more comprehensive definition.

The definition that will be used in this module was given by Griffith and Ebert in 1991: Management is *the process of planning, organizing, leading and controlling a company's financial, physical, human and information resources in order to achieve its goals.*

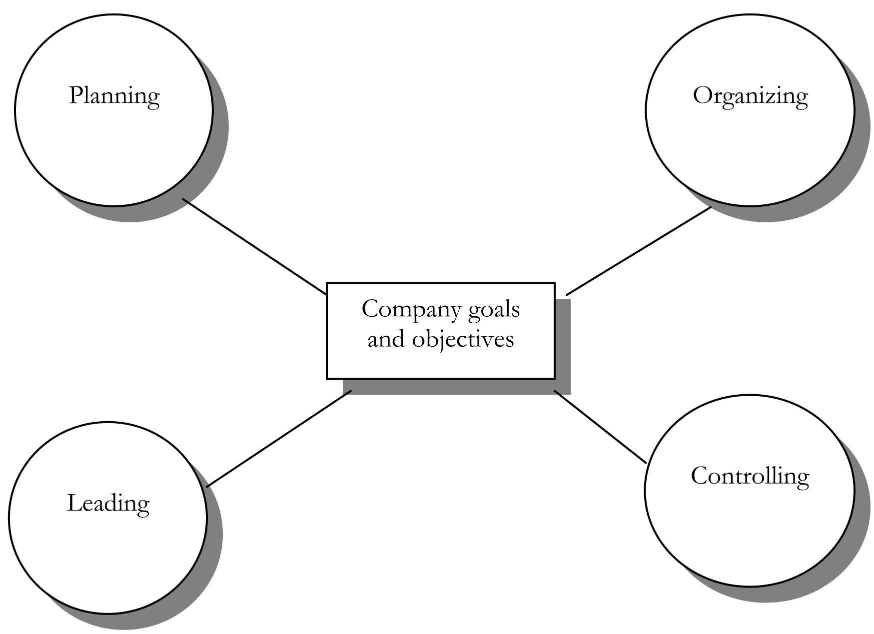
This definition focuses on the step-by-step course of action that is taken in making sure that the goals of the firm are achieved. The activities involved are applied to the resources that a firm has, namely: the financial resources which deals with the money, investments, etc.; the physical resources which applies to the tables, cars, equipment, etc.; human resources which refers to the manpower; and informational resources—the data and the processing of these data.

A focus on achieving superior performance in all aspects of an organization is needed in managing for success. A priority for many companies as they face the challenges of a more competitive business environment is the achievement of excellence.

THE PROCESS AND FUNCTIONS OF MANAGEMENT

The process of management has four functions associated to it, these are: (1) planning, (2) organizing, (3) leading, and (4) controlling. Figure 1.1 shows these functions and how they relate to the goals of a company. These four functions form the foundation of this book. As an introduction, let us look into each of these functions briefly.

Figure 1.1 – The Functions of Management



Planning

Planning can be defined as the act of setting objectives and defining the procedures necessary to achieve these objectives. It is the job of top management to develop and establish goals and objectives for the whole company. After such has been done, managers throughout the hierarchy of the organization must develop operational plans for their units that will contribute to the efforts of the company as a whole. The goals that the managers develop must, as a matter of course, be supportive of the overall goals of the organization. More so, these managers are responsible for coming with a plan for overseeing and bringing together the resources they are responsible for so that the goals of their unit can be achieved.

Organizing

The organizing function involves finding out what needs to be done, who will do these and how these will be supervised and coordinated. Managers must make sure that their work units are organized so that information, tasks and resources flow sensibly and efficiently through the proper paths around the organization. More so, the structure of the organization must be such that its strategic and operational goals are responsive to changes in the business environment.

Leading

Managers, with all the things they have to do, must be capable of leading the members of their work units towards the achievement of the organization's goals. An understanding of the dynamics of individual and group behavior is important so that a manager will be able to motivate their employees and become good communicators. A manager must be able to empower his subordinates. He must be able to create and share a vision. Only through effective leadership can the goals of the organization be achieved.

Controlling

Controlling is concerned with identifying deviations between planned and actual results. The performance of the organization as well as the implementation of plans must be constantly examined. When the company is not performing as planned, the managers must take corrective action. Such actions may involve pursuing further the plans, redoing and adjusting the plans or making new plans altogether. Control is such an important function as it ensures that the company is truly moving toward the achievement of its goals.

WHO ARE MANAGERS?

Managers are organizational members who employ the four functions of management in order to achieve the goals of the company. In other words, they are the ones responsible for planning, organizing, leading and controlling the financial, physical, human and informational resources owned by a company.

But who are managers? Regardless of any career, a person may have the opportunity to become a manager. An engineer can become a manager, an accountant can become a manager, sales people have become managers. If you a successful in your chosen career and possess administrative as well as leadership skills, you may one day assume the position of a manager.

Many studies and researches done during the latter part of the 20th century investigated the roles a manager plays in the success of the company. These also examined the skills managers possess and how they spent their time.

MANAGERIAL ROLES

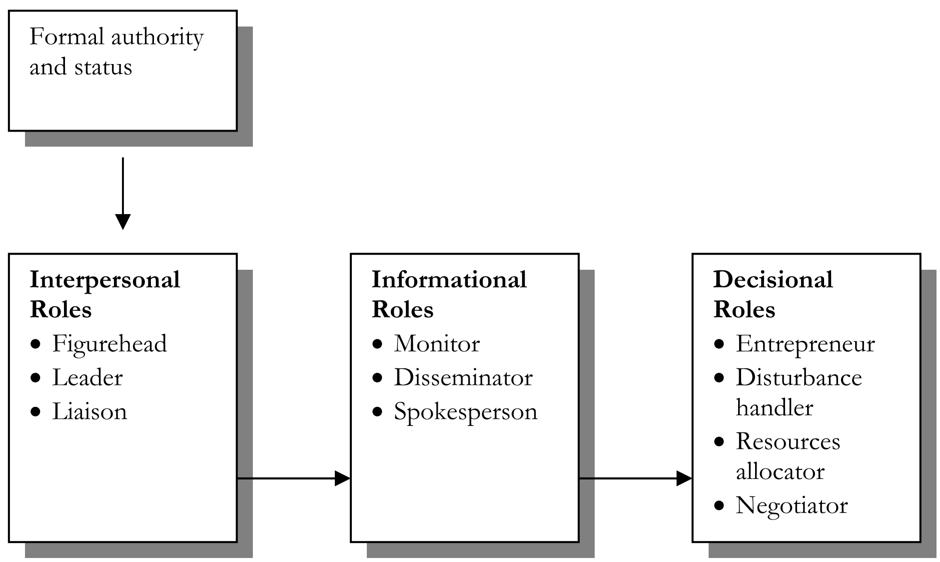
According to a study done by Henry Mintzberg, Cleghorn Professor of Management Studies at McGill University and a visiting professor at INSEAD in Fontainebleau, France, managers serve three primary roles: interpersonal, informational and decision making.

Mintzberg's theory of managerial roles is shown in figure 1.2 and more detail is described in this discussion.

FIGURE 1.2

The Roles of the Manager

SOURCE: Henry Mintzberg: "The Manager's Job: Folklore and Fact."
Harvard Business Review (March-April 1990): 49-61



Interpersonal Roles

The first set of roles identified by Mintzberg are interpersonal roles. These roles, which arise directly from the manager's formal authority base, involve relationships with organizational members. The three interpersonal roles played by the manager are figurehead, leader, and liaison.

As the head of organizational units, managers must perform certain duties that are primarily ceremonial in nature. This will include such activities as making an appearance in community functions, attending social events, or hosting luncheons for important customers. In this capacity, the manager is fulfilling his role as figurehead.

Because managers are largely responsible for the success or failure of their organizational units, they must also play the role of leaders within their work groups. In this capacity, managers work with and through their employees to ensure that the organization's goals are met.

Finally, managers must also serve as organizational liaisons. They act as liaisons both in working with individuals and work groups within the organization and in developing favorable relationships with outside constituents. Managers must be politically sensitive to important organizational issues so that they can develop relationships and networks within and beyond their organizations.

Informational Roles

The second set of managerial roles identified by Mintzberg are informational roles. In their informational roles, managers are responsible for ensuring that the people with whom they work have sufficient information to do their jobs effectively. By the very nature of managerial responsibilities, managers become the communication centers of their units and are a communication source for other work groups within the organization. People throughout the organization depend upon the management structure and the managers themselves to provide access to or to disseminate the information they need to do their job.

One of the informational roles that a manager must assume is that of monitor. As monitor, managers, continually scan the internal and external environments of their organizations for useful information. Managers seek out information from their subordinates and liaison contacts and may receive unsolicited information from their network of personal contacts. From this information, managers identify potential opportunities and threats for their work groups and organizations.

In their roles as disseminators, managers share and distribute much of the information that they receive as information monitors. As disseminators, managers pass important information on to the members of their work group. Depending on the nature of the information, managers may also withhold information from work group members. Most importantly, managers must ensure that their employees have the information necessary to perform their duties efficiently and effectively.

The final informational role played by managers is that of spokesperson. Managers must often communicate information to individuals outside their units and their organizations. For instance, directors and shareholders must be advised about the financial performance and strategic direction of the organization; government officials must be satisfied the organization is abiding by the law.

Decisional Roles

Finally, managers also play the role of decision maker. In their decisional roles, managers process information and reach conclusions. Information in and of itself is nearly meaningless if it is not used to make organizational decisions. Managers make those decisions. They commit their work groups to courses of action and allocate resources so that the group's plans can be implemented.

One of the decisional roles played by managers is that of entrepreneur. Recall that in the monitor role, managers scan the internal and external environments of the organization for changes that may present opportunities. As an entrepreneur, the manager initiates projects that capitalize on opportunities that have been identified. This may involve developing new products, services, or processes.

A second decisional role that managers play is that of a disturbance handler. Regardless of how well an organization is managed, things do not always run smoothly. Managers must cope with conflict and resolve problems as they arise. This may involve dealing with an irate customer, negotiating with an uncooperative supplier, or intervening in a dispute between employees.

As a resource allocator, the manager determines which projects will receive organizational resources. Although we tend to think primarily in terms of financial or equipment resources, other types of important resources are allocated to projects as well. The manager's time is a good example. When managers choose to spend their time on a particular project, they are allocating a resource. Information is also an important resource. By providing access to certain information, managers can influence the success of a project.

The final decisional role played by the manager is that of negotiator. Studies of managerial work at all levels have found that managers spend a good portion of their time negotiating. Managers may negotiate with employees, suppliers, customers, or other work groups. Regardless of the work group, the manager is responsible for all negotiations necessary to ensure that the group is making progress toward achieving the goals of the organization.

SCOPE OF MANAGEMENT

Managers are not all alike. They often differ with regard to the scope of their responsibilities. There are two types of managers in regard to scope.

Functional managers are responsible for a work unit that is grouped based on their function. A manager of the production department is a functional manager. So is the manager of an accounting department, a marketing department and a sales department. Functional managers tend to similar backgrounds with the people they work with. They have strong technical skills because, most probably, they were promoted from within the ranks of the same work group. The challenge that these managers face is to let their constituents understand the interrelationship of their work group with the other work groups within the organization. More so, functional managers must bring information back to their work groups and guarantee that the members of their units understand the role their work group plays in the organization.

The second type of managers is the ***general manager***. General managers are those managers who are responsible for different departments that are in charge of different tasks. For example, the manager of a department store is responsible for managing all the departments within his store. The men’s apparel manager, ladies apparel manager, children’s clothes manager, sporting goods manager, etc. all report to the general manager. A more common example is a company headed by a general manager. The managers of the different departments like the accounting department, marketing department, human resources management department, purchasing department, production department which form the organization all report to him. Because these managers manage different departments, their technical skills may not be as strong as those of the people they manage. However, whatever they lack in technical skills, they make up in interpersonal and communication skills. The main task of the general manager is to integrate and coordinate the work of diverse groups of people. They are responsible for making certain that all the separate parts of their organization function together effectively so that the goals of the organization can be achieved.

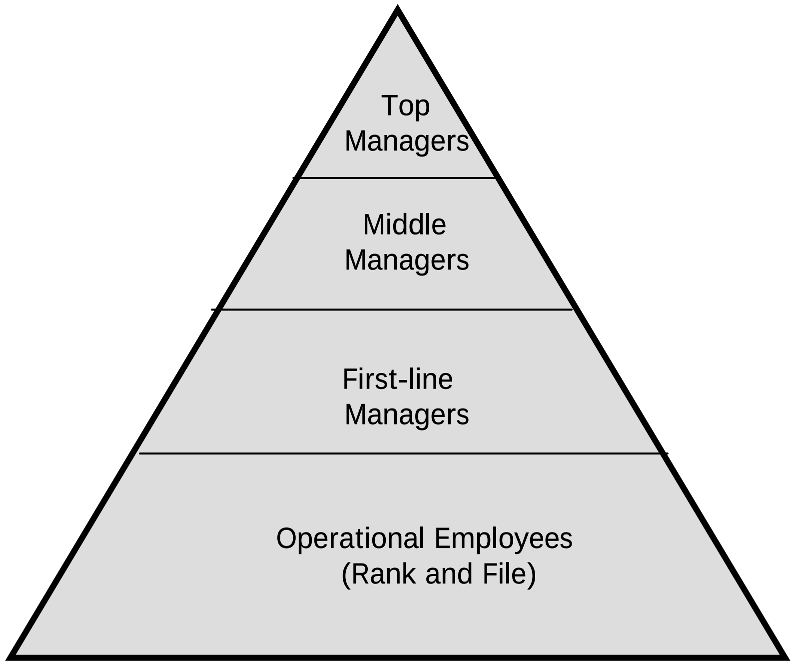
LEVELS OF MANAGEMENT

Although they differ from one organization to the next, depending on how big they are, in general, organizations have three levels of managers: top managers, middle managers, and first-line managers. Figure 1.3 shows these managerial levels as well as the individuals who do not belong to the managerial ranks but are responsible for delivering the product or service of the organization.

The pyramid shape of the figure exhibits the number of members of each level. It shows that the higher the managerial level, the fewer managers belong to it. Many organizations have more front-line managers than middle managers and more middle managers than top managers.

Figure 1.3

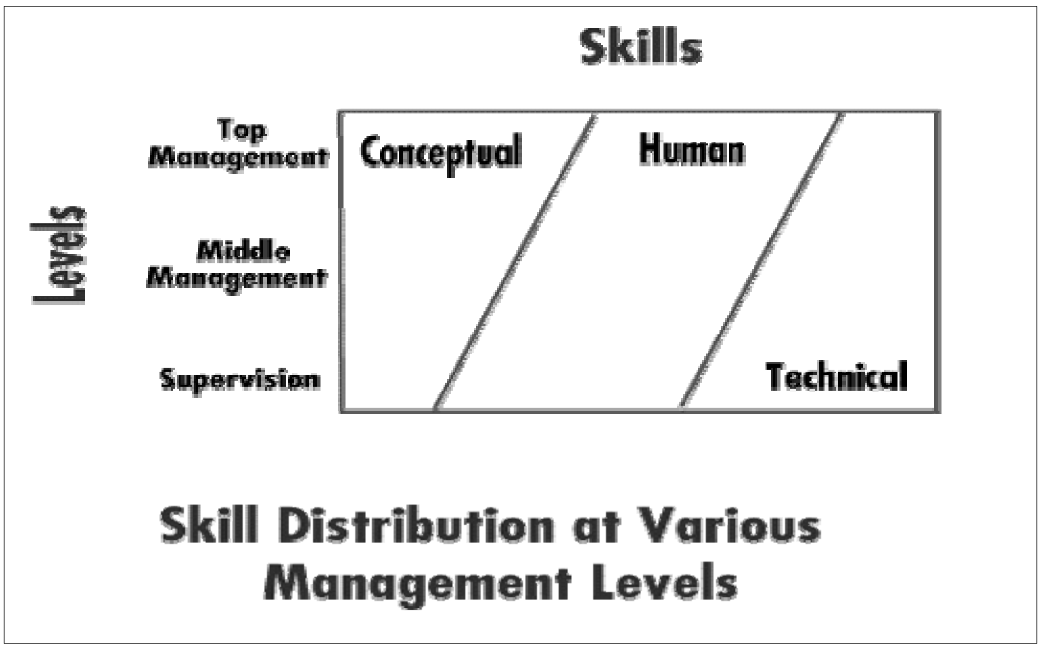
Levels of Management



Top Managers. Top managers provide strategic direction for the company. They are often called Chief Executive Officer, President, Chief Operation Officer, Chief Financial Officer and Executive Vice President. There are top managers who have worked their way to the top, entering the company as an operational employee or a first-line manager. Regardless of how they reached their position, top managers are selected because they have a vision for the organization and because they have the leadership skills necessary for the organization to realize the vision. Top managers must set the strategic direction the company must take

MANAGEMENT SKILLS

In order to perform the functions of management and to assume multiple roles, managers must be skilled. Robert Katz identified three managerial skills that are essential to successful management: technical, human, and conceptual*. skill involves process or technique knowledge and proficiency. Managers use the processes, techniques and tools of a specific area. **Human skill** involves the ability to interact effectively with people. Managers interact and cooperate with employees. **Conceptual skill** involves the formulation of ideas. Managers understand abstract relationships, develop ideas, and solve problems creatively. Thus, technical skill deals with things, human skill concerns people, and conceptual skill has to do with ideas. A manager's level in the organization determines the relative importance of possessing technical, human, and conceptual skills. Top-level managers need conceptual skills in order to view the organization as a whole. Conceptual skills are used in planning and dealing with ideas and abstractions. Managers need technical skills to manage their area of specialty. All levels of management need human skills in order to interact and communicate with other people successfully.



Module 2

Evolution of Management

The concept of management and the basic management functions are not new phenomena. Throughout recorded history, activities have been conducted that most certainly would have required careful attention to the management functions. Despite this lengthy tenure, formal theories on management only began to emerge during the past one hundred years or so. In this module, we will examine the historical evolution of management theories. This historical tour will explore the major schools of management thought that have emerged over the years. Our analysis of these will reveal that the degree of support for the use of these different perspectives have shifted, as times, conditions, and situations have changed. Components of each of these schools of thought still exist in current management thinking, however. Furthermore, they are likely to continue, perhaps in different degrees, to influence management thought in the future. If we understand the managerial theories of the past and present, we will be better equipped to be successful managers in the future.

Objectives:

When you have finished studying this module, you should be able to:

1. Describe the major influences on the development of management thought.
2. Identify the major perspectives of management thought that have evolved over the years.
3. Identify the major personalities who have contributed to the development of management thought.

MANAGEMENT HISTORY

Modern managers use many of the practices, principles, and techniques developed from earlier concepts and experiences. The Industrial Revolution brought about the emergence of large-scale business and its need for professional managers. Early military and church organizations provided the leadership models.

The following are models of management schools which include classical, human relations and human resources management.

Classical School

The Classical school of thought began around 1900 and continued into the 1920s. Traditional or **classical management** focuses on efficiency and includes bureaucratic, scientific and administrative management. Bureaucratic management relies on a rational set of structuring guidelines, such as rules and procedures, hierarchy, and a clear division of labor. Scientific management focuses on the "one best way" to do a job. Administrative management emphasizes the flow of information in the operation of the organization.

Bureaucracy

Max Weber (1864-1920), known as the Father of Modern Sociology, analyzed **bureaucracy** as the most logical and rational structure for large organizations. Bureaucracies are founded on legal or **rational authority** which is based on law, procedures, rules, and so on. **Positional authority** of a superior over a subordinate stems from legal authority. **Charismatic authority** stems from the personal qualities of an individual. Efficiency in bureaucracies comes from: (1.) clearly defined and specialized functions; (2.) use of legal authority; (3.) hierarchical form; (4.) written rules and procedures; (5.) technically trained bureaucrats; (6.) appointment to positions based on technical expertise; (7.) promotions based on competence; (8.) clearly defined career paths.

Scientific Management

Scientific management focuses on worker and machine relationships. Organizational productivity can be increased by increasing the efficiency of production processes. The efficiency perspective is concerned with creating jobs that economize on time, human energy, and other productive resources. Jobs are designed so that each worker has a specified, well controlled task that can be performed as instructed. Specific procedures and methods for each job must be followed with no exceptions.

Frederick Taylor (1856-1915)

Many of Frederick Taylor's definitive studies were performed at Bethlehem Steel Company in Pittsburgh. To improve productivity, Taylor examined the time and motion details of a job, developed a better method for performing that job, and trained the worker. Furthermore, Taylor offered a piece rate that increased as workers produced more.

In 1911, Frederick Taylor, known as the Father of Scientific Management, published *Principles of Scientific Management* in which he proposed work methods designed to increase worker productivity. One of his famous experiments had to do with increasing the output of a worker loading pig iron to a rail car. Taylor broke the job down into its smallest constituent movements, timing each one with a stopwatch. The job was redesigned with a reduced number of motions as well as effort and the risk of error. Rest periods of specific interval and duration and a differential pay scale were used to improve the output. With scientific management, Taylor increased the worker's output from 12 to 47 tons per day! The Taylor model gave rise to dramatic productivity increases.

Frank (1868-1924) and Lillian (1878-1972) Gilbreth

Frank Gilbreth

Lillian Gilbreth

Frank and Lillian Gilbreth emphasized method by focusing on identifying the elemental motions in work, the way these motions were combined to form methods of operation, and the basic time each motion took. They believed it was possible to design work methods whose times could be estimated in advance, rather than relying upon observation-based time studies. Frank Gilbreth, known as the Father of Time and Motion Studies, filmed individual physical labor movements. This enabled the manager to break down a job into its component parts and streamline the process. His wife, Lillian Gilbreth, was a psychologist and author of *The Psychology of Work*. In 1911 Frank Gilbreth wrote *Motion Study* and in 1919 the couple wrote *Applied Motion Study*. Frank and Lillian had 12 children. Two of their children, Frank B. Gilbreth, Jr. and Ernestine Gilbreth Careyone, wrote their story, *Cheaper by the Dozen.*

One of Frank Gilbreth's first studies concerned bricklaying. (He had worked as an apprentice bricklayer.) He designed and patented special scaffolding to reduce the bending and reaching which increased output over 100 per cent. However, unions resisted his improvements, and most workers persisted in using the old, fatiguing methods.

The Gilbreths believed that there was one best way to perform an operation. However, this "one best way" could be replaced when a better way was discovered. The Gilbreths defined **motion study** as dividing work into the most fundamental elements possible, studying those elements separately and in relation to one another; and from these studied elements, when timed, building methods of least waste. They defined **time study** as a searching scientific analysis of methods and equipment used or planned in doing a piece of work, development in practical detail of the best way of doing it, and determination of the time required. The Gilbreths drew symbols on operator charts to represent various elements of a task such as search, select, grasp, transport, hold, delay, and others. They called these graphical symbols "therbligs" (Gilbreths spelled backwards).

Henry Gantt (1861-1919)

Henry Gantt developed the Gantt chart, which is used for scheduling multiple overlapping tasks over a time period. He focused on motivational schemes, emphasizing the greater effectiveness of rewards for good work (rather than penalties for poor work). He developed a pay incentive system with a guaranteed minimum wage and bonus systems for people on fixed wages. Also, Gantt focused on the importance of the qualities of leadership and management skills in building effective industrial organizations.

Administrative Management

Administrative management emphasizes the manager and the functions of management. Henri Fayol(1841--1925), known as the Father of Modern Management, was a French industrialist who developed a framework for studying management. He wrote *General and Industrial Management*. His five functions of managers were plan, organize, command, coordinate, and control. His fourteen principles of management included division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual interests to general interests, renumeration of personnel, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, and esprit de corps (union is strength).

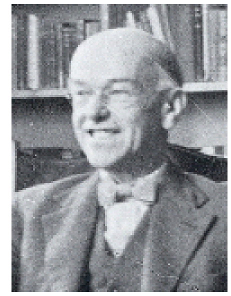
Mary Parker Follett's concepts included the universal goal, the universal principle, and the Law of the Situation. The **universal goal** of organizations is an integration of individual effort into a synergistic whole. The **universal principle** is a circular or reciprocal response emphasizing feedback to the sender (the concept of two-way communications). **Law of the Situation** emphasizes that there is no one best way to do anything, but that it all depends on the situation.

Human Relations School

Behavioral or **human relations** management emerged in the 1920s and dealt with the human aspects of organizations. It has been referred to as the neoclassical school because it was initially a reaction to the shortcomings of the classical approaches to management. The human relations movement began with the Hawthorne Studies which were conducted from 1924 to 1933 at the Hawthorne Plant of the Western Electric Company in Cicero, Illinois.

The Hawthorne Studies

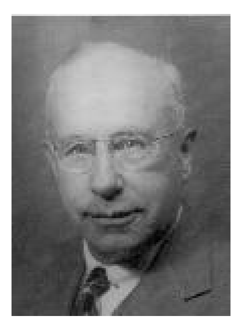
Elton Mayo, known as the Father of the Hawthorne Studies, identified the **Hawthorne Effect** or the bias that occurs when people know that they are being studied. The Hawthorne Studies



are significant because they demonstrated the important influence of human factors on worker productivity.

There were four major phases to the Hawthorne Studies: the illumination experiments, the relay assembly group experiments, the interviewing program, and the bank wiring group studies. The intent of these studies was to determine the effect of working conditions on productivity. The illumination experiments tried to determine whether better lighting would lead to increased productivity. Both the control group and the experimental group of female employees produced more whether the lights were turned up or down. It was discovered that this increased productivity was a result of the attention received by the group. In the relay assembly group experiments, six female employees worked in a special, separate area; were given breaks and had the freedom to talk; and were continuously observed by a researcher who served as the manager. The manager consulted the employees prior to any change. The bank wiring group studies were analyzed thoroughly by Homans and were included in his now classic book, *The Human Group*. The bank wiring groups involved fourteen male employees and were similar to the relay assembly group experiments, except that there was no change of supervision. Again, in the relay and bank wiring phases, productivity increased and was attributed to group dynamics. The conclusion was that there was no cause-and-effect relationship between working conditions and productivity. Worker attitude was found to be important. An extensive employee interviewing program of 21,000 interviews was conducted to determine employee attitudes toward the company and their jobs. As a major outcome of these interviews, managers learned that an employee's complaint frequently is a symptom of some underlying problem on the job, at home, or in the person's past.

Chester Barnard (1886-1961)



When Chester Barnard retired as the CEO of New Jersey Bell Telephone, he recorded his insights about management in his book, *Functions of the Executive*. It outlined the legitimacy of the manager's directives and the extent of the subordinates' acceptance. He developed the concepts of strategic planning and the acceptance theory of authority. Strategic planning is the formulation of major plans or strategies, which guide the organization in pursuit of major objectives. Barnard taught that the three top functions of the executive were to (l) establish and maintain an effective communication system, (2) hire and retain effective personnel, and (3) motivate those personnel. His **Acceptance Theory of Authority** states that managers only have as much authority as employees allow them to have. The acceptance theory of authority suggests that authority flows downward but depends on acceptance by the subordinate. The acceptance of authority depends on four conditions. (1.) Employees must understand what the manager wants them to do. (2.) Employees must be able to comply with the directive. (3.) Employees must think that the directive is in keeping with organizational objectives. (4.) Employees must think that the directive is not contrary to their personal goals. Barnard believed that each person has a **zone of indifference** or a range within each individual in which he or she would willingly accept orders without consciously questioning authority. It was up to the organization to provide sufficient inducements to broaden each employee's zone of indifference so that the manager's orders would be obeyed.

Human Resources School

Beginning in the early 1950s, the human resources school represented a substantial progression from human relations. The behavioral approach did not always increase productivity. Thus, motivation and leadership techniques became a topic of great interest. The human resources school understands that employees are very creative and competent, and that much of their talent is largely untapped by their employers. Employees want meaningful work; they want to contribute; they want to participate in decision making and leadership functions.

Integrating the Management Theories

Systems theory and a contingency view can help integrate the theories of management. Appropriate managerial techniques can be applied as required by environmental conditions. A broad perspective is valuable to managers when overseeing one unit or the total integration of all subunits.

Systems Theory

During the 1940s and World War II, systems analysis emerged. This viewpoint uses systems concepts and quantitative approaches from mathematics, statistics, engineering, and other related fields to solve problems. Managers find optimal solutions to management problems by using scientific analysis which is closely associated with the systems approach to management. A system is an interrelated and interdependent set of elements functioning as a whole. It is an open system that interacts with its environment. It is composed of inputs from the environment (material or human resources), transformation processes of inputs to finished goods (technological and managerial processes), outputs of those finished goods into the environment (products or services), and feedback (reactions from the environment). Subsystems are systems within a broader system. Interdependent subsystems (such as production, finance, and human resources) work toward synergy in an attempt to accomplish an organizational goal that could not otherwise be accomplished by a single subsystem. Systems develop synergy. This is a condition in which the combined and coordinated actions of the parts of a system achieve more than all the parts could have achieved acting independently. Entropy is the process that leads to decline.

Contingency View

In the mid-1960s, the contingency view of management or situational approach emerged. This view emphasizes the fit between organization processes and the characteristics of the situation. It calls for fitting the structure of the organization to various possible or chance events. It questions the use of universal management practices and advocates using traditional, behavioral, and systems viewpoints independently or in combination to deal with various circumstances. The contingency approach assumes that managerial behavior is dependent on a wide variety of elements. Thus, it provides a framework for integrating the knowledge of management thought.

Emerging Management Positions

New management viewpoints are emerging. Quality management emphasizes achieving customer satisfaction by providing high quality goods and services. Reengineering the organization redesigns the processes that are crucial to customer satisfaction.

Chaos models the corporation as a complex adaptive system that interacts and evolves with its surroundings. Many seemingly random movements in nature exhibit structured patterns. Living systems operate at their most robust and efficient level in the narrow space between stability and disorder -- poised at "the edge of chaos." It is here that the agents within a system conduct the fullest range of productive interactions and exchange the greatest amount of useful information.

BUSINESS ENVIRONMENT

A manager is someone skilled in knowing how to analyze and improve the ability of an organization to survive and grow in a complex and changing world. This means that managers have a set of tools that enable them to grasp the complexity of the organization's environment.

A management system describes the organization and the set of significant interacting institutions and forces in the organization's complex and rapidly changing environment that affect its ability to serve its customers. The firm must continuously monitor and adapt to the environment if it is to survive and prosper. Disturbances in the environment may spell profound threats or new opportunities for the firm. The successful firm will identify, appraise, and respond to the various opportunities and threats in its environment.

Internal Environment

The management system can be conceptualized on two levels. The first level involves the organization's internal environment. Internally, an organization can be viewed as a resource conversion machine that takes inputs (labor, money, materials and equipment) from the external environment (i.e., the outside world), converts them into useful products, goods, and services, and makes them available to customers as outputs.

External Environment

The second level of the management system involves the organization's external environment. It consists of all the outside institutions and forces that have an actual or potential interest or impact on the organization's ability to achieve its objectives: competitive, economic, technological, political, legal, demographic, cultural and ecosystem.

Environmental forces create challenges and opportunities for the organization. Managers must react and adapt to changes in their internal and external environment. Globalization is an example of an opportunity for an organization. Improving technologies, such as transportation and communications, have enabled companies to expand into global or worldwide markets. Globalization affects how organizations are managed. Managers must learn to deal effectively with multiple cultures and political systems in the midst of rapidly changing markets and technology. They must be able to anticipate this changing environment and develop the vision and competencies at all levels in their organizations to embrace this dynamic future.

Module 3

Planning

Planning is one of the most important responsibilities of managers today. Plans provide a foundation for coordinating and directing the activities of the organization so that goals can be achieved. Through planning, managers prepare their organizations to achieve success in both the long term and the short term. Given the highly competitive nature of the business environment today. Effective planning has never been more important. In this module, the planning function is explored, and special attention is given to understanding the planning process at the strategic level.

Objectives:

When you have finished studying this module, you should be able to:

1. Describe the managerial function of planning and explain why managers should plan.
2. Differentiate between tactical and operational planning.
3. Describe the process of Management By Objectives.
4. Discuss and differentiate problem solving and decision making.

THE PLANNING PROCESS

Leaders are proactive. They make change happen instead of reacting to change. The future requires corporate leadership with the skills to integrate many unexpected and seemingly diverse events into its planning. Every organization must plan for change in order to reach its ultimate goal. Effective planning helps an organization adapt to change by identifying opportunities and avoiding problems. It sets the direction for the other functions of management and for teamwork. Planning improves decision-making. All levels of management engage in planning.

What Is Planning?

Planning is a process of outlining the activities that are necessary to achieve the goals of the organization. Through planning, managers determine how organizational resources are to be allocated and how the activities of the organization will be assigned to individuals and work gro9ups. The output of the planning process is a plan. A **plan** is a blueprint for action; it prescribes the activities necessary for the organization to realize its goals.

The purpose of planning is simple—to ensure that the organization is both effective and efficient in its activities. In the broad sense, an organization must develop a plan that ensures that the appropriate products and services are offered to its customers. More specifically, planning gives guidance and direction to the member of the organization as to their role in delivering those products and services.

Strategic Planning

Strategic planning produces fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. It requires broad-scale information gathering, an exploration of alternatives, and an emphasis on the future implications of present decisions. Top level managers engage chiefly in strategic planning or long range planning. They answer such questions as "What is the purpose of this organization?" "What does this organization have to do in the future to remain competitive?" Top level managers clarify the mission of the organization and set its goals. The output needed by top management for long range planning is summary reports about finances, operations, and the external environment.

Strategic planning is the process of developing and analyzing the organization's mission, overall goals, general strategies, and allocating resources. A **strategy** is a course of action created to achieve a long-term goal. The time length for strategies is arbitrary, but is probably two, three, or perhaps as many as five years. It is generally determined by how far in the future the organization is committing its resources. **Goals** focus on desired changes. They are the ends that the organization strives to attain. Traditionally strategic planning has been done annually. However, many companies are doing away with annual business plans altogether and moving to a system of continuous planning, to permit quicker response to changing conditions. Thus, the strategic plan involves adapting the organization to take advantage of opportunities in its constantly changing environment.

The planning process is rational and amenable to the scientific approach to problem solving. It consists of a logical and orderly series of steps. Strategic planning sets the stage for the rest of the organization's planning. The tasks of the strategic planning process include:

- Defining the mission
- Conducting a situation or SWOT analysis by assessing strengths and weaknesses and identifying opportunities and threats.
- Setting goals and objectives.
- Developing related strategies (tactical and operational)
- Monitoring the plan

Defining the mission. A **mission** is the purpose of the organization. It is why the organization exists. Thus, planning begins with clearly defining the mission of the organization. The **mission statement** is broad, yet clear and concise, summarizing what the organization does. It directs the organization, as well as all of its major functions and operations, to its best opportunities. Then, it leads to supporting tactical and operational plans, which, in turn leads to supporting objectives. A mission statement should be short - no more than a single sentence. It should be easily understood and every employee should be able to recite it from memory. An explicit mission guides employees to work independently and yet collectively toward the realization of the organization's potential. The mission statement may be accompanied by an overarching statement of philosophy or strategic purpose intended to convey a vision for the future and an awareness of challenges from a top-level perspective.

Conducting a situation or SWOT analysis by assessing strengths and weaknesses and identifying opportunities and threats. A situation or **SWOT** (Strengths, Weaknesses, Opportunities, Threats) analysis is critical to the creation of any strategic plan. The SWOT analysis begins with a scan of the external environment. Organizations must examine their situation in order to seek opportunities and monitor threats. Sources of information include customers (internal and external), suppliers, governments (local, state, federal, international), professional or trade associations (conventions and exhibitions), journals and reports (scientific, professional, and trade).

SWOT is the assumptions and facts on which a plan will be based. Analyzing strengths and weaknesses comprises the internal assessment of the organization. Assess the **strengths** of the organization. What makes the organization distinctive? (How efficient is our manufacturing? How skilled is our workforce? What is our market share? What financing is available? Do we have a superior reputation?) Assess the **weaknesses** of the organization. What are the vulnerable areas of the organization that could be exploited? (Are our facilities outdated? Is research and development adequate? Are our technologies obsolete?) What does the competition do well?

Analyzing opportunities and threats comprises the external assessment of the environment. Identify **opportunities**. In which areas is the competition not meeting customer needs? (What are the possible new markets? What is the strength of the economy? Are our rivals weak? What are the emerging technologies? Is there a possibility of growth of existing market?) Identify **threats**. In which areas does the competition meet customer needs more effectively? (Are there new competitors? Is there a shortage of resources? Are market tastes changing? What are the new regulations? What substitute products exist?) The best strategy is one that fits the organization's strengths to opportunities in the environment.

The SWOT analysis is used as a baseline for future improvement, as well as gap analysis. Comparing the organization to external **benchmarks** (the best practices) is used to assess current capabilities. Benchmarking systematically compares performance measures such as efficiency, effectiveness, or outcomes of an organization against similar measures from other internal or external organizations. This analysis helps uncover best practices that can be adopted for improvement. Benchmarking with other organizations can help identify a gap. Gap analysis identifies the progress required to move the organization from its current capabilities to its desired future state. In this way, the organization can adapt to the best practices to improve organizational performance.

Setting goals and objectives. Strategic goals and objectives are developed to bridge the gap between current capability and the mission. They are aligned with the mission and form the basis for the action plans. Objectives are sometimes referred to as performance goals. Generally, organizations have long-term objectives for such factors as return on investment, earnings per share, or size. Furthermore, they set minimum acceptable standards or common-sense minimums. In addition, certain limitations, either explicit or implicit, such as "must provide jobs for existing employees" may exist. Objectives elaborate on the mission statement and constitute a specific set of policy, programmatic, or management objectives for the programs and operations covered in the strategic plan. They are expressed in a manner that allows a future assessment of whether an objective has been achieved.

Develop related strategies (tactical and operational). Tactical plans are based on the organization's strategic plan. In turn, operational plans are based on the organization's tactical plans. These are specific plans that are needed for each task or supportive activity comprising the whole. Strategic, tactical, and operational planning must be accompanied by controls. Monitoring progress or providing for follow-up is intended to assure that plans are carried out properly and on time. Adjustments may need to be made to accommodate changes in the external and/or internal environment of the organization. A competitive advantage can be gained by adapting to the challenges.

Tactical Plans

Top level managers set very general, long-term goals that require more than one year to achieve. Examples of long-term goals include long-term growth, improved customer service, and increased profitability. Middle managers interpret these goals and develop tactical plans for their departments that can be accomplished within one year or less. In order to develop tactical plans, middle management needs detail reports (financial, operational, market, external environment). Tactical plans have shorter time frames and narrower scopes than strategic plans. Tactical planning provides the specific ideas for implementing the strategic plan. It is the process of making detailed decisions about what to do, who will do it, and how to do it.

Operational Plans

Managers implement **operational plans** that are short-term and deal with the day-to-day work of their team. Short-term goals are aligned with the long-term goals and can be achieved within one year. Managers set standards, form schedules, secure resources, and report progress. They need very detailed reports about operations, personnel, materials, and equipment. The manager interprets higher management plans as they apply to his or her unit. Thus, operational plans support tactical plans. They are the manager's tools for executing daily, weekly, and monthly activities. An example is a **budget**, which is a plan that shows how money will be spent over a certain period of time. Other examples of planning by managers include scheduling the work of employees and identifying needs for staff and resources to meet future changes. Resources include employees, information, capital, facilities, machinery, equipment, supplies, and finances.

Operational plans include policies, procedures, methods, and rules. The terms themselves imply different degrees of scope. A **policy** is a general statement designed to guide employees' actions in recurring situations. It establishes broad limits, provides direction, but permits some initiative and discretion on the part of the manager. Thus, policies are guidelines. A **procedure** is a sequence of steps or operations describing how to carry out an activity and usually involves a group. It is more specific than a policy and establishes a customary way of handling a recurring activity. Thus, less discretion on the part of the manager is permissible in its application. An example of a procedure is the sequence of steps in routing of parts. A **method** sets up the manner and sequence of accomplishing a recurring, individual task. Almost no discretion is allowed. An example of a method is the steps in cashing a check. A **rule** is an established guide for conduct. Rules include definite things to do and not to do. There are no exceptions to the rules. An example of a rule is "No Smoking."

Monitor the plan. A systematic method of monitoring the environment must be adopted to continuously improve the strategic planning process. To develop an environmental monitoring procedure, short-term standards for key variables that will tend to validate the long-range estimates must be established. Although favorable long-range values have been estimated, short-term guidelines are needed to indicate if the plan is unfolding as hoped. Next, criteria must be set up to decide when the strategy must be changed. Feedback is encouraged and incorporated to determine if goals and objectives are feasible. This review is used for the next planning cycle and review.

OPERATING GUIDELINES

Successful organizations continually innovate and change based upon customer needs and feedback. Values, mission, and vision form the foundation for the execution of the functions of management. They are an organization's guidelines that affect how it will operate. They work only if visible and used in everyday activities and decisions. An organization's values are its beliefs or those qualities that have intrinsic worth and will not be compromised. Its mission is its purpose for existing. The vision is the image of itself in the future.

Values

Each manager’s approach to management will reflect his or her values, as well as those of the organization. Building trust starts with creating culture based on shared values. **Values** are traits or qualities having intrinsic worth, such as courage, respect, responsibility, caring, truthfulness, self-discipline, and fairness. Values serve as a baseline for actions and decision-making and guide employees in the organization's intentions and interests. The values driving behavior define the organizational culture. A strong value system or clearly defined culture turns beliefs into standards such as best quality, best performance, most reliable, most durable, safest, fastest, best value for the money, least expensive, most prestigious, best designed or styled, easiest to use. If asked, "What do we believe in?" or "List our organization's values" all employees in the organization should write down the same values.

Managers need to appreciate the significance of values and value systems. Values affect how a manager views other people and groups, thus influencing interpersonal relationships. Values affect how a manager perceives situations and solves problems. Values affect how a manager determines what is and is not ethical behavior. Values affect how a manager leads and controls employees. Since employees often base behavior on perceived values it is critical to ensure their perceptions reflect organizational values. Managers must communicate, encourage and reinforce the desired values and related behaviors to integrate them into the organizational culture.

According to experts, work-related value has four dimensions: power distance, uncertainty avoidance, individualism, and polarization. *Power distance* is the attitude to human inequality and relationships to superiors and inferiors in any hierarchy. *Uncertainty avoidance* is the tolerance for uncertainty that determines choices and rituals to cope with it in social structures and belief systems. *Individualism* is the relationship between the individual and the collectivity, especially in the way individuals choose to live and work together. *Polarization* is the extent to which differences such as masculinity or femininity have implications for social organization and the organizations of beliefs. Every person has a different mental program, based on patterns of thinking, feeling, and acting, which are learned throughout a lifetime. The effects of these differences have many practical implications for those who work or are managers in multinational business and for those involved in international negotiations.

Mission

A **mission** is a broad definition of a business that differentiates it from all other organizations. It is the justification for the organization's existence. The mission statement is the "touchstone" by which all offerings are judged. In addition to the organization's purpose other key elements of the mission statement should include whom it serves, how, and why. The most effective mission statements are easily recalled and provide direction and motivation for the organization.

Since an organization exists to accomplish something in the larger environment, its specific mission or purpose provides employees with a shared sense of opportunity, direction, significance, and achievement. An explicit mission guides employees to work independently and yet collectively toward the realization of the organization's potential. Thus, a good mission statement gets the emotional bonding and commitment needed. It allows the individual employee to say; "I know how I should do my job differently."

Vision

A **vision** might be a picture, image, or description of the preferred future. A visionary has the ability to foresee something and sees the need for change first. He or she challenges the status quo and forces honest assessments of where the industry is headed and how the company can best get there. A visionary is ready with solutions before the problems arise.

A study over the period from 1926 to 1990 found visionary companies that set a purpose beyond making money outperformed other companies in the stock market by more than six to one. Managers require more vision than ever because change is coming faster than ever. Leaders have the ability to make their vision real by engaging the minds, as well as the hearts of others.

OBJECTIVE SETTING

A **goal** is an end that the organization strives to attain. However, the manager cannot "do" a goal. Managers break down processes, analyze them, set objectives and then drive hard to achieve them. Doing the same thing and expecting different results doesn't work. The manager must write an objective for what he or she is trying to accomplish. Thus, an **objective** is the object or aim of an action. It implies an explicit direction for the action to take and a specific quality of work to be accomplished within a given period of time. Objectives reflect the desired outcomes for individuals, groups and organizations. They provide direction for decision-making and a criterion against which outcomes are measured. Thus, objectives are the foundation of planning.

MBO

An effective planning tool to help the manager set objectives is Management by Objectives (**MBO**). MBO is a collaborative process whereby the manager and each subordinate jointly determine objectives for that subordinate. To be successful, MBO programs should include commitment and participation in the MBO process at all levels, from top management to the lowest position in the organization.

MBO begins when the manager explains the goals for the department in a meeting. The subordinate takes the goals and proposes objectives for his or her particular job. The manager meets with the subordinate to approve and, if necessary, modify the individual objectives. Modification of the individual's objectives is accomplished through negotiation since the manager has resources to help the subordinate commit to the achievement of the objective.

Thus, a set of verifiable objectives for each individual are jointly determined, prioritized, and formalized.

The manager and the subordinate meet periodically to review the latter's progress. Communication is the key factor in determining MBO's success or failure. The manager gives feedback and may authorize modifications to the objectives or their timetables as circumstances dictate. Finally, the employee's performance is measured against his or her objectives, and he or she is rewarded accordingly.

Steps in MBO Process

Research has demonstrated that when top management is committed and personally involved in implementing MBO programs, they significantly improve performance. This finding is not surprising when one considers that during the MBO process employees determine what they will accomplish. After all, who knows what a person is capable of doing better than the person does him or herself?

Objectives are the driver of planning processes. It is imperative that top managers safeguard the intention of their goals to facilitate middle and lower management's effective translation and implementation of them. Objectives guide managerial activities such as budgeting, the development of action plans, staffing, and the purchasing of equipment. The organization's success ultimately depends on the combined outcomes of its objectives.

Objectives

Most managers set objectives, but not with equal skill. Few, who do not correctly write objectives, will reap MBO's full benefits. An objective is simply a statement of what is to be done and should be stated in terms of results. A mnemonic aid to write objectives is **SMART** (**S**pecific, **M**easurable, **A**ttainable, **R**esult-oriented, **T**ime-limited).

Specific

An objective must be specific with a single key result. If more than one result is to be accomplished, more than one objective should be written. Just knowing what is to be accomplished is a big step toward achieving it.

What is important to you? Once you clarify what you want to achieve, your attention will be focused on the objective that you deliberately set. You will be doing something important to you.

Measurable

An objective must be measurable. Only an objective that affects behavior in a measurable way can be optimally effective. If possible, state the objective as a quantity. Some objectives are more difficult to measure than others are. However, difficulty does not mean that they cannot be measured.

Avoid statements of objectives in generalities. Infinitives to avoid include to know, to understand, to enjoy, and to believe. Action verbs are observable and better communicate the intent of what is to be attempted. They include to write, to apply, to recite, to revise, to contrast, to install, to select, to assemble, to compare, to investigate, and to develop.

How will you know you've progressed?

Attainable

An objective must be attainable with the resources that are available. It must be realistic. Many objectives are realistic. Yet, the time it takes to achieve them may be unrealistic. For example, it is realistic to want to lose ten pounds. However, it is unrealistic to want to lose ten pounds in one week.

What barriers stand between you and your objective? How will each barrier be overcome and within what time frame?

Result-oriented

The objective should be central to the goals of the organization. The successful completion of the objective should make a difference.

How will this objective help the organization move ahead? Is the objective aligned with the mission of the organization?

Time-limited

The objective should be traceable. Specific objectives enable time priorities to be set and time to be used on objectives that really matter.

Are the time lines you have established realistic? Will other competing demands cause delay? Will you be able to overcome those demands to accomplish the objective you've set in the time frame you've established?

Write Meaningful Objectives

Although the rules are difficult to establish, the following may be useful when writing an objective.

1. Start with an action or accomplishment verb. (Use the infinitive form of the verb. This means to start the with "to.")

2. Identify a single key result for each objective.

3. Give the date of the estimated completion.

4. Be sure the objective is one you can control.

5. To test for validity of **SMART** objectives, ask yourself the following questions.

S = Exactly what is my objective?

M = What would a good job look like?

A = Is my objective feasible?

R = Is my objective meaningful?

T = Is my objective traceable?

The following fill-in-the-blank equation may be useful when writing an objective.

OBJECIVE: To (+action verb + single key result + target date)

ACTIONS PLANS

Each objective should include an **action plan**, which "operationally defines" the objective by expressing it in terms of specific actions or operations. An action plan can help the manager stay organized, coordinate his or her team's activities, and keep projects on schedule. The action plan states specifically what steps or tasks will be accomplished to achieve the objective. It includes a schedule with deadlines for significant actions, resources necessary to achieve the objective, and methods to measure the objective. Preparing action plans addresses potential problem areas, considers the cross-functional impact of the actions, and ultimately increases productivity.

Scheduling coordinates resources. It is important to schedule employees, as well as scarce or time-based resources, such as equipment delivery schedules. Also, schedules should include project dependencies, resource dependencies, and resource allocation. Tracking of the schedule can be reported by using a calendar, PERT, and Gantt charts. **PERT** is a flowchart-like view of project tasks. Each task has a box and arrows pointing to it from its predecessors. The predecessors are the actions or tasks that must finish before the task we are looking at can start. **Gantt** is a time-line view of the tasks. Gantt chart is a bar graph where the length of each bar shows the start and finish dates for each action or task. Resource costs should be tracked by a budget that shows each action's cost. The manager should define best-case and worst-case time lines for tasks, and the probability for each case.

Project-management software programs are available to help managers create action plans. The software is designed to organize tasks, track costs, manage employees, and meet deadlines. The most basic project-management program helps organize the user's thoughts so that a simple schedule can be created. It presents the user with a list of questions -- interviewing the user and brainstorming at once -- to extract all of the elements of a project, then presents the results in an organized fashion. Other programs add features such as tracking tasks and costs over time, or the ability to link interdependent tasks. Some programs can assign resources such as particular employees, to particular tasks. Some products also produce charts that list tasks and represent them, showing interdependencies, on a time-line.

PROBLEM SOLVING AND DECISION MAKING

Managers constantly make decisions that affect the work of others. Day-to-day situations involving managerial decisions include employee morale, the allocation of effort, the materials used on the job, and the coordination of schedules and work areas. The manager must recognize problems, make a decision, initiate an action, and evaluate the results. In order to make decisions that are consistent with the overall goals of the organization, managers use guidelines set by top management. Thus, it is difficult for managers to make good decisions without good planning.

An objective becomes a criterion by which decisions are made. A **decision** is a choice from among alternatives. Decisions must be made when the manager is faced with a problem. **Decision-making** is the process of making a choice from among alternatives. The first decision is whether or not to take corrective action. A simple solution might be to change the objective. Yet, the job of the manager is to achieve objectives. Thus, managers will attempt to solve most problems.

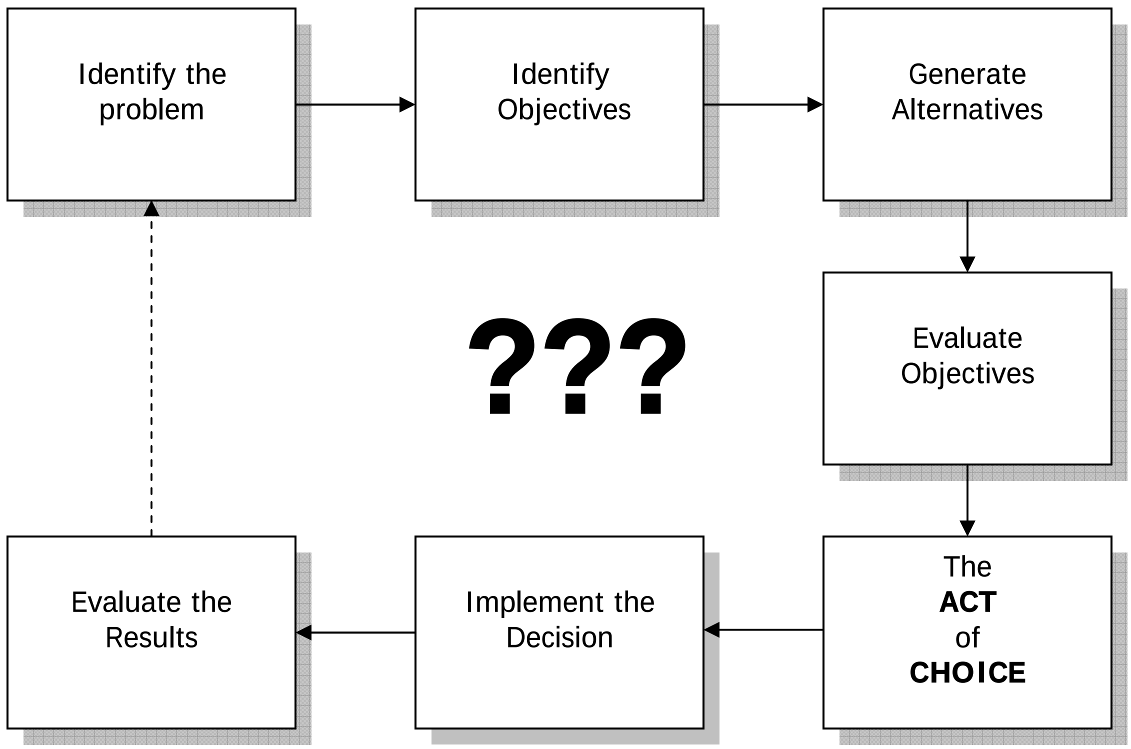
A **problem** exists whenever there is a difference between what actually happens and what the manager wants to have happen. A problem can be referred to as an obstacle on the path towards the goals. Some of the problems faced by the manager may occur frequently. The solutions to these problems may be systematized by establishing policies that will provide a ready solution to them. In these repetitive situations, the problem solving process is used once and then the solution (decision) can be used again in similar situations.

Exceptions to established routines or policies become the more difficult decisions that managers must make. When no previous policy exists, the manager must invent a solution. **Problem solving** is the process of taking corrective action in order to meet objectives. It is the process of eliminating the obstacle on the path toward the goal. Some of the more effective decisions involve creativity. To get better ideas, the manager follows the steps in the problem solving process. The steps are built on a logical analysis.

The manager can think through all aspects of the problem by answering the following questions. What seems to be the trouble? Why is it causing the trouble? What are the causal factors? What can be done in all possibilities? Are all these possibilities workable? What are the probabilities of success for each of the solutions? What are the appropriate alternatives? What is the correct choice? Have I logically eliminated the other choices? When and how can the solution be implemented? What is the best way to implement the solution? Has the solution solved the original problem? Have I planned, organized, and provided for the control of actions leading to solutions?

The steps in the problem solving process are (1) define the problem, (2) identify objectives, (3) develop alternatives, (4) evaluate alternatives, (5) the ACT of CHOICE, (6) implement the decision, and (7) evaluate the decision.

Seven Steps in the Decision Making Process



Good decision making is important at all levels in the organization. It begins with a recognition or awareness of problems and concludes with an assessment of the results of actions taken to solve those problems.

An effective decision making process generally includes the seven steps shown above. Although the figure shows the steps proceeding in a logical, sequential order, managerial decision making often unfolds in a quite disorderly and complex manner. Keep in mind that managers are influenced at each step in the decision making process by their individual personalities, attitudes, and behaviors, ethics and values, and culture. Let us now examine each of the seven steps in managerial decision making.

Step 1: Define the problem. The problem solving/decision-making process begins when the manager recognizes the problem, experiences pressure to act on it, and has the resources to do something about it. This means that the manager must correctly define the problem. Problem identification is not easy. The problem statement can be too broad or too narrow. Managers are easily swayed by a solution orientation that allows them to gloss over this first and most important step. Or, what is perceived, as the cause of a problem may actually be a symptom.

The manager must solve the right problem. In order to define the problem, the manager must describe the factors that are causing the problem. These are the **symptoms**, visible as circumstances or conditions that indicate the existence of the problem -- the difference between what is desired and what exists. By not clearly defining the problem, ineffective action will be taken.

Step 2: Identify objectives. Objectives reflect the results the organization wants to attain. Both the quantity and quality of the desired results should be specified, for these aspects of the objectives will ultimately guide the decision maker in selecting the appropriate course of action.

Objectives are often referred to a targets, standards, and ends. They may be measured along a variety of dimensions. For instance, profit or cost objectives are measured in monetary units, productivity objectives may be measured in units of output per labor hour, and quality objectives may be measured in defects per million units produced.

Objectives can be expressed for long spans of time (years or decades) or for short spans of time) hours, days or months). Long-range objectives usually direct much of the strategic decision making of the organization, while short-range objectives usually guide operational decision making. Regardless of the time frame, the objectives will guide the ensuing decision making process.

Step 3: Develop alternatives. The manager must identify all workable alternative solutions for resolving the problem. The term *workable* prevents alternative solutions that are too expensive, too time-consuming, or too elaborate. The best approach in determining workable solutions is to state all possible alternatives, without evaluating any of the options. This helps to ensure that a thorough list of possibilities is created.

Generating alternative solutions requires divergent thinking (deviating from traditional.) Groups can be used to generate alternative solutions. Brainstorming is the process of suggesting as many alternatives as possible without evaluation. The group is presented with a problem and asked to develop as many solutions as possible. When brainstorming, employees should be encouraged to make wild, extreme suggestions. They build on suggestions made by others. None of the alternatives are evaluated until all possibilities are exhausted.

The manager must judge what would happen with each alternative and its effect on the problem. The strengths and weaknesses of each alternative are critically analyzed by comparing the weights assigned and then eliminating the alternatives that are not workable. Probability factors -- such as risk, uncertainty, and ignorance - must be considered. **Risk** is a state of imperfect knowledge in which the decision-maker judges the different possible outcomes of each alternative and can determine the probabilities of success for each. **Uncertainty** is a state in which the decision-maker judges the different possible outcomes of each alternative but lacks any feeling for their probabilities of success. **Ignorance** is a state in which the decision-maker cannot judge the different possible outcomes of each alternative, let alone their probabilities. Investigating all the possible alternatives helps to prevent eliminating the most appropriate one, because a decision is only as good as the best alternative evaluated.

Step 4: Evaluate alternatives. The fourth step in the decision making process involves determining the value or adequacy of the alternatives generated. Which solutions is the best? Fundamental to this step is the ability to assess the value or relative advantages and disadvantages of each alternative under consideration. Predetermined decision criteria such as the quality desired, anticipated costs, benefits, uncertainties, and risks of the alternative may be used in the evaluation process. The result should be a ranking of the alternatives. For example, the manager might ask. Will this alternative help achieve our quality objective? What is the anticipated cost of this alternative?

Step 5: The ACT of CHOICE. The manager must make a choice among the alternatives. The alternative that rates the highest score should be the preferred solution. The decision can be assisted by the manager's experience, past judgment, advice from others, or even a hunch.

Timing impacts the decision. The probable outcome and its advantages versus its disadvantages are affected at any given time. Which alternative is most appropriate at a given time?

Decisions are made by **consensus** when solutions are acceptable to everyone in the group, not just a majority. Everyone is included, and the decision is a win-win situation. Consensus does not include voting, averaging, compromising, negotiating, or trading (win-lose situations). Every member accepts the solution, even though some members may not be convinced that it is the best solution. The "right" decision is the best collective judgment of the group as a whole.

Consensus gives every person a chance to be heard and have their input weighed equally. All members accept responsibility for both listening and contributing. Disagreements are viewed as helpful rather than hindrances in reaching consensus. Each member monitors the decision-making process and initiates discussions about the process if it becomes ineffective. The smallest minority has a chance to change the collective mind if their input is keener.

Group members do not give in just to reach an agreement. They support only those solutions that they can truthfully accept. If people exercise this power to go against the majority, they must have listened to the collective wisdom in good conscience. A block should not be used to place an individual's will above the group's.

Consensus works in an environment of trust, where everyone suffers or gains alike from the decision. Everyone must listen, participate, get informed, be rational, and be part of the process from the beginning. Thus, consensus can be time consuming long and exhausting to the participants. Yet, consensus will result in synergism. Synergy is the combined action of the group, greater in total effect than the sum of their effects. The combined problem solving/decision making abilities of the group members produce a better decision than that of the individual member.

Taking action requires self-confidence or courage. Only a person who is willing to take risks is able to assume responsibility for a decision involving action. The fact remains that the manager is held accountable for the outcome of the decision. Thus, he or she must be confident that the right problem has been defined and the most workable solution has been chosen. Self-confidence is the best element for a manager to possess at this stage.

Step 5: Implement the decision. Once the solution is chosen, the decision is shared with those whose work will be affected. Ultimately, human beings will determine whether or not a decision is effectively implemented. If this fact is neglected, the solution will fail. Thus, implementation is a crucial part of the decision-making process. Including employees who are directly involved in the implementation of a decision, or who are indirectly affected by that decision, will help foster their commitment. Without their commitment, gaining support and achieving outcomes becomes increasingly difficult. With this commitment, the manager has a reasonable degree of assurance that the decision will be accepted and have the necessary support.

In order to implement the decision, the manager must have a plan for communicating it to those directly and indirectly affected. Employees must understand how the decision will affect them. Communication is most effective when it precedes action and events. In this way, events conform to plans and events happen when, and in the way, they should happen. Thus, the manager should answer the vital questions before they are asked. Communicating answers to these questions can overcome much of the resistance that otherwise might be encountered.

Step 6: Evaluate the decision. The manager must follow up and appraise the outcomes from the decision to determine if desired results were achieved. If not, then the process needs to be reviewed from the beginning to determine where errors may have been made. Evaluation can take many forms, depending on the type of decision, the environment, working conditions, needs of managers and employees, and technical problems. Generally, feedback and reports are necessary to learn of the decision's outcome. Sometimes, corrections can be introduced for different steps. Other times, the entire decision-making process needs to start over.

The main function of the follow up is to determine whether or not the problem has been resolved. Usually follow up requires a managerial visit to the work area affected by the decision. The manager may have to repeat the entire decision process if a new problem has been generated by the solution. It is better to discover this failure during the follow up period rather than remain unaware of a new problem provoked by the implemented solution.

Module 4

Organizing

This module focuses on the managerial function of organizing. Increasingly, organizations are finding that their long-term success is dependent upon their ability to organize activities effectively, efficiently and with a priority to quality. Management theory clearly recognizes the importance of organizing to support the strategic and operational needs of the contemporary organization.

Objectives:

When you have finished studying this module, you should be able to:

1. Explain why organizing is an important managerial function.
2. Identify the concepts related to developing effective organizational relationships including chain of command, span of control, line versus staff personnel and delegation.
3. Discuss why it is important for managers to delegate.
4. Describe the elements of the communication process.

THE ORGANIZING PROCESS

A key issue in accomplishing the goals identified in the planning process is structuring the work of the organization. **Organizations** are groups of people, with ideas and resources, working together to achieve common goals. **Organizing** is the process of determining the tasks to be done, who will do them, and how those tasks will be managed and coordinated.

The purpose of the organizing function is to make the best use of the organization's resources to achieve organizational goals. Organizational structure is the formal decision-making framework by which job tasks are divided, grouped, and coordinated. Formalization is an important aspect of structure. It is the extent to which the units of the organization are explicitly defined and its policies, procedures, and goals are clearly stated. It is the official organizational structure conceived and built by top management. The formal organization can be seen and represented in chart form. An organization chart displays the organizational structure and shows job titles, lines of authority, and relationships between departments.

The informal organization is the network, unrelated to the firm's formal authority structure, of social interactions among its employees. It is the personal and social relationships that arise spontaneously as people associate with one another in the work environment. The manager must realize that the informal organization affects the formal organization. The informal organization can pressure group members to conform to the expectations of the informal group that conflict with those of the formal organization. This can result in the generation of false information or rumors and resistance to change desired by management. The manager should recognize the existence of information groups, identify the roles member play within these groups, and use knowledge of the groups to work effectively with them. The informal organization can make the formal organization more effective by providing support to management, stability to the environment, and useful communication channels.

Organizational Structure

Even though the differences among organizations are enormous, there are many similarities that enable them to be classified. One widely used classification is the twofold system (mechanistic versus organic forms of organizational structure) developed by Tom Burns and G. M. Stalker in their study of electronics firms in the United Kingdom.

The **mechanistic structure** is the traditional or classical design, common in many medium- and large-size organizations. Mechanistic organizations are somewhat rigid in that they consist of very clearly delineated jobs, have a well-defined hierarchical structure, and rely heavily on the formal chain of command for control. Bureaucratic organizations, with their emphasis on formalization, are the primary form of mechanistic structures. According to Max Weber, bureaucracy is a form of organization characterized by a rational, goal-directed hierarchy, impersonal decision making, formal controls, and subdivision into managerial positions and specialization of labor. Bureaucratic organizations are tall consisting of hierarchies with many levels of management. In a **tall structure**, people become relatively confined to their own area of specialization. Bureaucracies are driven by a top-down or command and control approach in which managers provide considerable direction and have considerable control over others. Other features of the bureaucratic organization include functional division of labor and work specialization.

On the other hand, the organic structure is more flexible, more adaptable to a participative form of management, and less concerned with a clearly defined structure. The organic organization is open to the environment in order to capitalize upon new opportunities.

Organic organizations have a flat structure with only one or two levels of management. **Flat organizations** emphasize a decentralized approach to management that encourage high employee involvement in decisions. The purpose of this structure is to create independent small businesses or enterprises that can rapidly respond to customers' needs or changes in the business environment. The manager tends to have a more personal relationship with his or her employees.

Contingency organization means that the most appropriate organization structure for each situation depends upon technology, organizational size, goals and strategy, environmental stability, and characteristics of the employees. Mechanistic organizations are best suited to repetitive operations and stable environments, while organic organizations are best suited to an uncertain task and a changing environment.

Organizational Relationships

The working relationships that exist within an organization will affect how its activities are accomplished and coordinated. Consequently, it is essential to understand both the vertical and horizontal associations that exist between individuals and work groups within the organization. Relevant to this topic are (1) the chain of command, (2) span of control, (3) line and staff responsibilities and (4) delegation.

Chain of Command

The vertical relationships that exist within an organization are defined by its chain of command. The **chain of command** delineates the line of authority and responsibility that flows throughout the organization and defines the supervisor and subordinate relationships that govern decision making.

One of the most basic principles of organizing, unity of command, is used in defining vertical relationships. The **unity of command** principle suggests that each employee in the organization should be accountable to one, and only one, superior. When individual employees must report to more than one superior, they may be forced to prioritize their work assignments and resolve conflicting demands on their time.

Span of Control

A second important aspect of working relationships is **span of control**, which refers to the number of employees that report to a single manager. At one time it was thought that there was a universally appropriate span of control (i.e. six employees should report to every manager), but managers now recognize that span of control will vary in accordance with a number of variables. Organizational characteristics such as task complexity, the volatility of the competitive environment, and the capabilities of both the employees and the manager will influence the appropriate span of control.

Line and Staff Responsibilities

The third aspect of organization relationships is that of line and staff responsibilities. Line and staff positions exist within virtually all organizations, but the individuals who occupy these positions play very different roles within the organization.

Line positions are directly involved in delivering the product or service of the organization. The individuals and work groups that have formal authority for decisions that affect the core production efforts of the firm are the line personnel. **Staff** positions, in contrast, are not part of the product or service delivery system chain of command, but rather provide support to line personnel. Line personal or work groups may call staff personnel to provide expert advice or perform specific support services. Staff personnel do not have authority or responsibility for decisions that relate to the core delivery system of the organization.

Delegation

Another important aspect of organizational relationships involves delegation. One of the most challenging skills that successful managers must master is the ability to delegate effectively. **Delegation** refers to the process of transferring the responsibility for a specific activity or task to another member of the organization and empowering that individual to accomplish the task effectively. Traditionally, supervisors delegate tasks to those in their work groups. More on this topic will be discussed later in this module.

Organization Design

Designing an organization involves choosing an organizational structure that will enable the company to most effectively achieve its goals. Organization design is the creation of an organization's structure, traditionally functional, divisional, and/or matrix.

Functions or divisions arrange traditional organizations. In a **functional organization**, authority is determined by the relationships between group functions and activities. Functional structures group similar or related occupational specialties or processes together under the familiar headings of finance, manufacturing, marketing, accounts receivable, research, surgery, and photo finishing. Economy is achieved through specialization. However, the organization risks losing sight of its overall interests as different departments pursue their own goals.

In a **divisional organization**, corporate divisions operate as relatively autonomous businesses under the larger corporate umbrella. Members of the organization are grouped on the basis of common products, geographic markets, or customers. In a conglomerate organization, divisions may be unrelated. Divisional structures are made up of self-contained strategic business units that each produces a single product. A central headquarters, focusing or results, coordinates and controls the activities, and provides support services between divisions. Functional departments accomplish division goals. A weakness however, is the tendency to duplicate activities among divisions.

In a matrix organization, teams are formed and team members report to two or more managers. **Matrix structures** utilize functional and divisional chains of command simultaneously in the same part of the organization, commonly for one-of-a-kind projects. It is used to develop a new product, to ensure the continuing success of a product to which several departments directly contribute, and to solve a difficult problem. By superimposing a project structure upon the functional structure, a matrix organization is formed that allows the organization to take advantage of new opportunities. This structure assigns specialists from different functional departments to work on one or more projects being led by project managers. The matrix concept facilitates working on concurrent projects by creating a dual chain of command, the project (program, systems, or product) manager and the functional manager. Project managers have authority over activities geared toward achieving organizational goals while functional managers have authority over promotion decisions and performance reviews.

Matrix organizations are particularly appealing to firms that want to speed up the decision-making process. However, the matrix organization may not allow long-term working relationships to develop. Furthermore, using multiple managers for one employee may result in confusion as to manager evaluation and accountability. Thus, the matrix system may elevate the conflict between product and functional interests.

Boundaryless organizations are not defined or limited by horizontal, vertical, or external boundaries imposed by a predetermined structure. They share many of the characteristics of flat organizations, with a strong emphasis on teams. Cross-functional teams dissolve horizontal barriers and enable the organization to respond quickly to environmental changes and to spearhead innovation. Boundaryless organizations can form relationships (joint ventures, intellectual property, distribution channels, or financial resources) with customers, suppliers, and/or competitors. Telecommuting, strategic alliances and customer-organization linkages break down external barriers, streamlining work activities.

A boundaryless environment is required by learning organizations to facilitate team collaboration and the sharing of information. When an organization develops the continuous capacity to adapt and survive in an increasingly competitive environment because all members take an active role in identifying and resolving work-related issues, it has developed a learning culture. A **learning organization** is one that is able to adapt and respond to change. This design empowers employees because they acquire and share knowledge and apply this learning to decision-making. They are pooling collective intelligence and stimulating creative thought to improve performance. Managers facilitate learning by sharing and aligning the organization's vision for the future and sustaining a sense of community and strong culture.

Organizing Function

The organizing function deals with all those activities that result in the formal assignment of tasks and authority and a coordination of effort. The manager staffs the work unit, trains employees, secures resources, and empowers the work group into a productive team. The steps in the organizing process include (1) review plans, (2) list all tasks to be accomplished, (3) divide tasks into groups one person can accomplish - a job, (4) group related jobs together in a logical and efficient manner, (5) assign work to individuals, (6) delegate authority to establish relationships between jobs and groups of jobs.

The nature and scope of the work needed to accomplish the organization's objectives is needed to determine work classification and work unit design. **Division of labor**, or work specialization, is the degree to which tasks in an organization are divided into separate jobs. Work process requirements and employee skill level determine the degree of specialization. Placing capable people in each job ties directly with productivity improvement. In order to maximize productivity, managers match employee skill level with task requirements.

Managers should perform workflow analysis to examine how work creates or adds value to the ongoing processes in an organization. **Workflow analysis** looks at how work moves from the customer or the demand source through the organization to the point at which the work leaves the organization as a product or service to meet customer demand. Thus, workflow analysis can be used to tighten the connection between employees' work and customers' needs. Also, it can help to make major performance breakthroughs throughout **business process reengineering (BPR)**, a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in costs, quality, service, and speed. BPR uses workflow analysis to identify jobs that can be eliminated or recombined to improve company performance.

Departmentalization

After reviewing the plans, usually the first step in the organizing process is departmentalization. Once jobs have been classified through work specialization, they are grouped so those common tasks can be coordinated. **Departmentalization** is the basis on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities.

- **Departmentalization by function** organizes by the functions to be performed. The functions reflect the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common skills, knowledge and orientations together in common units.
- **Departmentalization by product** assembles all functions needed to make and market a particular product are placed under one executive. For instance, major department stores are structured around product groups such as home accessories, appliances, women's clothing, men's clothing, and children's clothing.
- **Departmentalization by geographical regions** groups jobs on the basis of territory or geography. For example, Merck, a major pharmaceutical company, has its domestic sales departmentalized by regions such as Northeast, Southeast, Midwest, Southwest, and Northwest.
- **Departmentalization by process** groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, then go through the admitting process, undergo a procedure in surgery, receive post operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.

- **Departmentalization by customer** groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not-for-profit organizations. A current departmentalization trend is to structure work according to customer, using **cross-functional teams**. This group is chosen from different functions to work together across various departments to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance, and marketing is created to prepare a technology plan.

POWER AND AUTHORITY

Organizational structure is a means of facilitating the achievement of organizational objectives. Such structures are not static, but dynamic. They reorganize in response to changing conditions that occur in the environment, new technology, or organizational growth. Organization structures are dependent upon the employees whose activities they guide. Managers rely upon power and authority to ensure that employees get things done.

Authority

The organizational structure provides the framework for the formal distribution of authority. **Formalization** is the degree to which tasks are standardized and rules and regulations govern employee behavior. It influences the amount of discretion an employee has over his or her job. In an organization with high degrees of formalization, job descriptions and policies provide clear direction. Where formalization is low, employees have a great deal of freedom in deciding how thy conduct their work. Within the same organization, different departments may have different degrees of formalization. For example, in a hospital, doctors have freedom in selecting treatments, drugs, and methods for treating patients. However, the hospital physical plant staff has a strict schedule for cleaning buildings, mowing lawns, and maintaining the facilities.

Authority is the legitimate power of a manager to direct subordinates to take action within the scope of the manager's position. Formal authority in the organization can be traced all the way back to the U.S. constitutional right to own property. The owner of the organization has the authority to make decisions. For example, entrepreneurial firms have an informal arrangement of employees and centralization of decision-making authority, the owner.

Forms of Authority

Three forms of authority are line authority, staff authority, and team authority.

Line authority is direct managerial authority from superior to subordinate. Authority flows in a direct chain of command from the top of the company to the bottom. **Chain of command** is an unbroken line of reporting relationships that extends through the entire organization that defines the formal decision-making structure. It helps employees know to whom they are accountable, and whom to go to with a problem. **Line departments** are directly linked to the production and sales of specific products. Managers -- in line departments, such as marketing and production -- give direct orders, evaluate performance, and reward or punish those employees who work for them. **Unity of command** within the chain states that each person in an organization should take orders from and reports to only one person. This helps prevent conflicting demands being placed on employees by more than one boss. However, the trend toward employee empowerment, fueled by advances in technology and changes in design from downsizing and reengineering have tempered the importance of being accountable to only one superior. **Span of control** refers to the number of employees that should be placed under the direction of one manager. Spans within effective organizations vary greatly. The actual number depends on the amount of complexity and the level of specialization. In general, a wide span of control is possible with better-trained, more experienced, and committed employees.

Staff authority is more limited authority to advise. It is authority that is based on expertise and which usually involves advising line managers. Staff members are advisers and counselors who aid line departments in making decisions but do not have the authority to make final decisions. Staff managers help line departments decide what to do and how to do it. They coordinate and provide technical assistance or advice to all advisors, such as accounting, human resources, information technology, research, advertising, public relations, and legal services.

Team authority is granted to committees or work teams involved in an organization's daily operations. Work teams are groups of operating employees empowered to plan and organize their own work and to perform that work with a minimum of supervision. **Team-Based**

structures organize separate functions into a group based on one overall objective. Empowered employees create their own schedules, design their own processes, and are held responsible for outcomes. This facilitates efficiencies in work process, and the ability to detect and react to changes in the environment. Employees with the skills and knowledge to manage more than one specialized task are able to promptly provide customers with quality products and services. Cross-functionally training team members allows any member to perform a variety of problem-solving tasks.

Teamwork is an imperative in a flat, boundaryless organizational structure. A **team** is a small number of people with complementary skills who work toward common goals for which they hold themselves mutually accountable. **Self-managed teams** are responsible for producing an entire product, a component, or an ongoing service. In most cases, members are cross-trained on the different tasks assigned to the team. Often, these teams are trained in technical, administrative, and interpersonal skills. **Problem-solving teams** do not affect an organization's structure because they exist for only a limited period. They are often used when organizations decide to make improvements in the quality of a product or service. **Special-purpose teams** consist of members who span functional or organizational boundaries and whose purpose is to examine complex issues such as introducing new technology, improving the quality of work process, or encouraging cooperation between labor and management in a unionized setting.

Power

In addition to authority, managers have more personal sources of power to draw upon for getting things done. Everyone has power in one form or another and it is by exercising this power that organizations get things accomplished. Managers who are capable of achieving their objectives independently of others are said to possess strength. When these "strong" managers involve and incorporate others into their plans and activities they are making use of power, and in fact increasing the total amount of power available to incorporate into a particular situation or problem. Involving employees in setting objectives and making decisions as it relates to their jobs empowers everyone, and results in greater job satisfaction and commitment, as well as increased productivity. Empowering employees provides them with greater autonomy.

Power is the ability to exert influence in the organization beyond authority, which is derived from position. The manager's personal power could include job knowledge, personal influence, interpersonal skills, and ability to get results, empathetic ability, persuasive ability, and physical strength. Research point to six sources of power: legitimate, coercive, reward, expert, referent, and information. **Legitimate power** is a result of the position a person holds in the organization hierarchy. This position power is broader than the ability to reward and punish, as members need to accept the authority of the position. **Coercive power** is the threat of sanctions. It is dependent on fear and includes, but is not limited to the ability to dismiss, assign undesirable work, or restriction of movement. **Reward power** results in people doing what is asked because they desire positive benefits or rewards. Rewards can be anything a person values (praise, raises, and promotions). **Expert power** comes from expertise, skill, or knowledge. **Referent power** refers to a person who has desirable resources or personal traits. It results in admiration and the desire to emulate. **Information power** is based upon the persuasiveness or content of a communication and is independent of the influencing individual.

In most instances, managers do not need to offer incentives or threaten retribution to get employees to do what they request. They influence employees because the employees want to follow. This power to influence comes from the employee granting authority to the manager.

Centralization versus Decentralization

Centralization is the degree to which decision-making is concentrated in top management's hands. Decentralization is the extent to which decision-making authority is pushed down the organization structure and shared with many lower-level employees. Centralized organizations have more levels of management with narrow spans of control. Employees are not free to make decisions. Decentralized organizations have fewer levels of management with wide spans of control giving employees more freedom of action. All other things being equal, a wide span of control is more efficient because it requires fewer managers. However, it is important to recognize that, at some point, effectiveness will decline.

The current trend is toward broadening decentralization. As competition intensifies, the need for organizations to be responsive increases. This has made employees, usually those at the lower levels, who are closest to customers extremely important. They are an excellent source of knowledge and implement changes that directly impact performance. Giving this group more input into certain decision-making activities can result in increased firm performance.

DELEGATING

It is impractical for the manager to handle all of the work of the department directly. In order to meet the organization's goals, focus on objectives, and ensure that all work is accomplished, managers must delegate authority. **Authority** is the legitimate power of a manager to direct subordinates to take action within the scope of the manager's position. By extension, this power, or a part thereof, is delegated and used in the name of a manager. Delegation is the downward transfer of formal authority from superior to subordinate. The employee is empowered to act for the manager, while the manager remains accountable for the outcome. Delegation of authority is a person-to-person relationship requiring trust, commitment, and contracting between the manager and the employee.

The manager assists in developing employees in order to strengthen the organization. He or she gives up the authority to make decisions that are best made by subordinates. This means that the manager allows subordinates the freedom to make mistakes and learn from them. He or she does not supervise subordinates' decision-making, but allows them the opportunity to develop their own skills. The manager lets subordinates know that he or she is willing to help, but not willing to do their jobs for them. The manager is not convinced that the best way for employees to learn is by telling them how to solve a problem. This results in those subordinates becoming dependent on the manager. The manager allows employees the opportunity to achieve and be credited for it.

An organization's most valuable resource is its people. By empowering employees who perform delegated jobs with the authority to manage those jobs, managers free themselves to manage more effectively. Successfully training future managers means delegating authority. This gives employees the concrete skills, experience, and the resulting confidence to develop themselves for higher positions. Delegation provides better managers and a higher degree of efficiency. Thus, collective effort, resulting in the organization's growth, is dependent on delegation of authority.

Responsibility and Accountability

Equally important to authority is the idea that when an employee is given responsibility for a job, he or she must also be given the degree of authority necessary to carry it out. Thus, for effective delegation, the authority granted to an employee must equal the assigned responsibility. Upon accepting the delegated task, the employee has incurred an obligation to perform the assigned work and to properly utilize the granted authority. **Responsibility** is the obligation to do assigned tasks. The individual employee is responsible for being proficient at his or her job. The manager is responsible for what employees do or fail to do, as well as for the resources under their control. Thus, responsibility is an integral part of a manager's authority.

Responsibilities fall into two categories: individual and organizational. Employees have individual responsibilities to be proficient in their job. They are responsible for their actions. Nobody gives or delegates individual responsibilities. Employees assume them when they accept a position in the organization. Organizational responsibilities refer to collective organizational accountability and include how well departments perform their work. For example, the manager is responsible for all the tasks assigned to his or her department, as directed by his superior.

When someone is responsible for something, he or she is liable, or accountable to a superior, for the outcome. Thus, accountability flows upward in the organization. All are held accountable for their personal, individual conduct. **Accountability** is answering for the result of one's actions or omissions. It is the reckoning, wherein one answers for his or her actions and accepts the consequences, good or bad. Accountability establishes reasons, motives and importance for actions in the eyes of managers and employees alike. Accountability is the final act in the establishment of one's credibility. It is important to remember that accountability results in rewards for good performance, as well as discipline for poor performance.

The Delegation Process

The delegation process has five phases: (1) preparing, (2) planning, (3) discussing, (4) auditing, and (5) appreciating. The first step in delegating is to identify what should and should not be delegated. The manager should delegate any task that a subordinate performs better. Tasks least critical to the performance of the manager's job can be delegated. Any task that provides valuable experience for subordinates should be delegated. Also, the manager can delegate the tasks that he or she dislikes the most. But, the manager should not delegate any task that would violate a confidence.

Preparing includes establishing the objectives of the delegation, specifying the task that needs to be accomplished, and deciding who should accomplish it.

Planning is meeting with the chosen subordinate to describe the task and to ask the subordinate to devise a plan of action. As Andrew Carnegie once said, "The secret of success is not in doing your own work but in recognizing the right man to do it." Trust between the manager and employee - that both will fulfill the commitment - is most important.

Discussing includes reviewing the objectives of the task as well as the subordinate's plan of action, any potential obstacles, and ways to avoid or deal with these obstacles. The manager should clarify and solicit feedback as to the employee's understanding. Clarifications needed for delegation include the desired results (what not how), guidelines, resources available, and consequences (good and bad). Delegation is similar to contracting between the manager and employee regarding how and when the work will be completed. The standards and time frames are discussed and agreed upon. The employee should know exactly what is expected and how the task will be evaluated.

Auditing is monitoring the progress of the delegation and making adjustments in response to unforeseen problems.

Appreciating is accepting the completed task and acknowledging the subordinate's efforts.

COMMUNICATION

Communication establishes relationships and makes organizing possible. Every message has a purpose or objective. The sender intends -- whether consciously or unconsciously -- to accomplish something by communicating. In organizational contexts, messages typically have a definite objective: to motivate, to inform, to teach, to persuade, to entertain, or to inspire. This definite purpose is, in fact, one of the principal differences between casual conversation and managerial communication. Effective communication in the organization centers on well-defined objectives that support the organization's goals and mission. Managers strive to achieve understanding among parties to their communications.

Organizational communication establishes a pattern of formal communication channels to carry information vertically and horizontally. (The organization chart displays these channels.) To ensure efficient and effective accomplishment of objectives, information is exchanged. Information is passed *upward* from employees to managers and *laterally* to adjacent departments. Instructions relating to the performance of the department and policies for conducting business are conveyed *downward* from managers to employees. The organization carries information from within the department back up to top management. Management furnishes information about how things are going, notifies the manager of what the problems are, and provides requests for clarification and help. Managers, in turn, keep their employees informed and render assistance. Managers continually facilitate the process of gaining necessary clarification and problem solving; both up and down the organization. Also, managers communicate with sources *outside* the organization, such as vendors and customers.

The Communication Process

Communication is the process of passing information and understanding from one person to another. The communication process involves six basic elements: sender (encoder), message, channel, receiver (decoder), noise, and feedback. Managers can improve communication skills by becoming aware of these elements and how they contribute to successful communication. Communication can break down at any one of these elements.

Sender Encodes

The **sender** initiates the communication process. When the sender has decided on a meaning, he or she **encodes** a message, and selects a channel for transmitting the message to a receiver. To encode is to put a message into words or images. The **message** is the information that the sender wants to transmit. The medium is the means of communication, such as print, mass, electrical, and digital. As a sender, the manager should define the purpose of the message, construct each message with the receiver in mind, select the best medium, time each transmission thoughtfully, and seek feedback. Words can be verbal - written and spoken. Words are used to create pictures and stories (scenarios) are used to create involvement.

Written communication should be used when the situation is formal, official, or long term; or when the situation affects several people in related ways. Interoffice memos are used for recording informal inquiries or replies. Letters are formal in tone and addressed to an individual. They are used for official notices, formally recorded statements, and lengthy communications. Reports are more impersonal and more formal than a letter. They are used to convey information, analyses, and recommendations. Written communications to groups include bulletin-board notices, posters, exhibits, displays, and audio and visual aids.

Communication and the need to exchange information are no longer constrained by place and time. Email, voice mail, and facsimile have facilitated communications and the sharing of sharing of knowledge. **Email** is the computer transmission and storage of written messages. Voice mail is the transmission and storage of digitized spoken messages. **Facsimile** (fax) is the transmission of documents.

Verbal or spoken communication includes informal staff meetings, planned conferences, and mass meetings. Voice and delivery are important. Informal talks are suitable for day-to-day liaison, directions, exchange or information, progress reviews, and the maintenance of effective interpersonal relations. Planned appointments are appropriate for regular appraisal review and recurring joint work sessions. Planning for an appointment includes preparing, bringing adequate information, and limiting interruptions. Telephone calls are used for quick checkups and for imparting or receiving information.

Teams using information technology have access to information, share knowledge, and construct documents. Meetings take place electronically from multiple locations, saving the organization's resources in both the expenses of physically bringing people from different locations together, and the time lost by employees traveling. **Teleconferencing** is simultaneous group verbal exchanges. Videoconferencing is group verbal and visual exchanges.

Nonverbal Communication

Nonverbal messages include images, actions and behaviors used to communicate. Images include photographs, film, charts, tables, graphs, and video. Nonverbal behaviors include actions, body language, and active listening. Actions and body language include eye contact, gestures, facial expressions, posture, and appearance. The effective communicator maintains eye contact for four to five seconds before looking away. Gestures should be natural and well timed. Grooming and dress should be appropriate for the situation. Listening requires good eye contact, alert body posture, and the frequent use of verbal encouragement.

The **channel** is the path a message follows from the sender to the receiver. Managers use *downward* channels to send messages to employees. Employees use *upward* channels to send messages to managers. *Horizontal* channels are used when communicating across departmental lines, with suppliers, or with customers. An informal channel is the grapevine. It exists outside the formal channels and is used by people to transmit casual, personal, and social interchanges at work. The **grapevine** consists of rumors, gossip, and truthful information. The manager should pay attention to the grapevine, but should not depend on it for accurate information.

Receiver Decodes

Information technology is revolutionizing the way organizational members communicate. Network systems, electronic links among an organization's computer hardware and software, enable members to communicate instantaneously, to retrieve and share information from anyplace, at anytime. The **receiver** is the person or group for whom the communication effort is intended. **Noise** is anything that interferes with the communication. **Feedback** ensures that mutual understanding has taken place in a communication. It is the transfer of information from the receiver back to the sender. The receiver **decodes** or makes out the meaning of the message. Thus, in the feedback loop, the receiver becomes the sender and the sender becomes the receiver.

Module 5

Leading

The study of leadership and the demand for good leaders have fascinated people throughout the ages. In fact, so many articles and books have been published on the subject using three major approaches—the study of traits, the study of leadership behaviors, and the study of contingencies, or the situations in which leaders act. Obviously, leadership is an important topic.

Objectives:

When you have finished studying this module, you should be able to:

1. Explain why organizing is an important managerial function.
2. Identify the concepts related to developing effective organizational relationships including chain of command, span of control, line versus staff personnel and delegation.
3. Discuss why it is important for managers to delegate.

Leading

An organization has the greatest chance of being successful when all of the employees work toward achieving its goals. Since leadership involves the exercise of influence by one person over others, the quality of leadership exhibited by managers is a critical determinant of organizational success. Thus, managers study leadership in order to influence the actions of employees toward the achievement of the goals of the organization.

Managers can learn about leadership through research. Leadership studies can be classified as trait, behavioral, contingency, and transformational. Earliest theories assumed that the primary source of leadership effectiveness lay in the personal traits of the leaders themselves. Yet, traits alone cannot explain leadership effectiveness. Thus, later research focused on what the leader actually did when dealing with employees. These behavioral theories of leadership sought to explain the relationship between what the leader did and how the employees reacted, both emotionally and behaviorally. Yet, behavior can't always account for leadership in different situations. Thus, contingency theories of leadership studied leadership style in different environments. Transactional leaders, such as those identified in contingency theories, clarify role and task requirements for employees. Yet, contingency can't account for the inspiration and innovation that leaders need to compete in today's global marketplace. Newer transformational leadership studies have shown that leaders, who are charismatic and visionary, can inspire followers to transcend their own self-interest for the good of the organization.

A Definition of Leadership

A traditional definition of leadership: **Leadership** is an interpersonal influence directed toward the achievement of a goal or goals.

Three important parts of this definition are the terms interpersonal, influence, and goal. **Interpersonal** means between persons. Thus, a leader has more than one person (group) to lead. **Influence** is the power to affect others. **Goal** is the end one strives to attain.

Basically, this traditional definition of leadership says that a leader influences more than one person toward a goal.

The definition of leadership used in this course follows.

LEADERSHIP is a dynamic relationship based on mutual influence and common purpose between leaders and collaborators in which both are moved to higher levels of motivation and moral development as they affect real, intended change. (Kevin Freiberg and Jackie Freiberg)

Three important parts of this definition are the terms relationship, mutual, and collaborators. *Relationship* is the connection between people. *Mutual* means shared in common. *Collaborators* cooperate or work together.

This definition of leadership says that the leader is influenced by the collaborators while they work together to achieve an important goal.

Leadership versus Management

A leader can be a manager, but a manager is not necessarily a leader. The leader of the work group may emerge informally as the choice of the group. If a manager is able to influence people to achieve the goals of the organization, without using his or her formal authority to do so, then the manager is demonstrating leadership.

Managers must know how to lead as well as manage. Without leading as well as managing, today's organizations face the threat of extinction. **Management** is the process of setting and achieving the goals of the organization through the functions of management: planning, organizing, directing (or leading), and controlling. A manager is hired by the organization and is given formal authority to direct the activity of others in fulfilling organization goals. Thus, leading is a major part of a manager's job. Yet a manager must also plan, organize, and control. Generally speaking, leadership deals with the interpersonal aspects of a manager's job, whereas planning, organizing, and controlling deal with the administrative aspects. Leadership deals with change, inspiration, motivation, and influence. Management deals more with carrying out the organization's goals and maintaining equilibrium.

The key point in differentiating between leadership and management is the idea that employees willingly follow leaders because they want to, not because they have to. Leaders may not possess the formal power to reward or sanction performance. However, employees give the leader power by complying with what he or she requests. On the other hand, managers may have to rely on formal authority to get employees to accomplish goals.

Sources of A Leader's Power

Anyone in an organization, regardless of rank, can have power. **Power** is defined as the ability to gather human, informational, or material resources to get something done. The concept of ability distinguishes power from authority. Authority is the right to get something done and is officially sanctioned; power is the ability to get results.

Power is important not only for influencing subordinates, but also for influencing peers, superiors, and people outside the organization, such as clients and suppliers. To understand this process better, we need to look at the various types of power. In addition, we must consider whether the power is prescribed by the person's position or is a result of personal attributes.

Position Power

Power is derived, in part, from the opportunities that are part of a person's position in an organization. Position power includes legitimate power, coercive power, reward power, and information power.

Legitimate Power. Power stemming from formal authority is sometimes called **legitimate power**. This authority is based on perceptions about he obligations and responsibilities associated with particular positions in an organization or social system. Legitimate power exists when people go along with someone's wishes because they believe that person has the legitimate right to influence them and that they have a duty to accept that influence. For example, presidents, supervisors, and academic department chairs have a certain degree of legitimate power simply because of the formal positions they hold. Other people accept this power, as long as it is not abused, because they attribute legitimacy to the formal position and to the person who holds that position.

Coercive Power. **Coercive power** is the power to discipline, punish, and withhold rewards. As a source of leader power, coercive power is important largely as a potential, rather than an actual, type of influence. For example, the threat of being disciplined for not arriving at work on time is effective in influencing many employees to be punctual. Similarly, the possibility that we might get a speeding ticket is enough to cause many of us to drive within acceptable speed limits.

Reward Power. Another source of power that stems from the manager's position in the organization is influence over the resources and rewards. **Reward power** is derived from control over tangible benefits, such as a promotion, a better job, a better work schedule, a larger operating budget, an increased expense account, and formal recognition of accomplishments. Reward power is also derived from status symbols such as a larger office or a reserved parking space. For reward power to be influential, the employee must value the rewards.

Information Power. **Information power** is control over information. It involves the leader's power to access and distribute information that is either desired by or vital to others. Managerial positions often provide opportunities to obtain information that is not directly available to subordinates or peers. However, some people acquire information power through their unique skill of being able to know all the latest news and gossip that others want to hear.

Personal Power

Effective leaders cannot rely solely on power that is derived from their position in the organization. Other sources of power must cultivated. Personal power is derived from the interpersonal relationship between a leader and his or her followers. It includes both expert and referent power.

Expert Power. A major source or personal power in organizations stems from expertise in solving problems and performing important tasks. **Expert power** is the power to influence another person because of expert knowledge and competence. Computer specialists often have substantial expert power in organizations because they have technical knowledge that others need. The expertise of tax accountants and investment managers gives them considerable power over the financial affairs of business firms. A secretary who know how to run the office may have expert power, but lack position power.

Referent Power. **Referent power** is the ability to influence others based on personal liking, charisma, and reputation. It is manifested through imitation or emulation. There are numerous reasons why we might attribute referent power to others. We may like their personalities, admire their accomplishments, believe in their causes, or see them as role models. Much of the power wielded by strong political leaders, professional athletes, musicians, and artists is referent power. People who feel a deep friendship or loyalty toward someone are usually willing to do special favors for that person. Moreover, people tend to imitate the behavior of someone whom they greatly admire, and they tend to develop attitudes similar to those expressed by a person with whom they identify.

Trait Theories

In the 1920's and 1930's, leadership research focused on trying to identify the traits that differentiated leaders from non-leaders. These early leadership theories were content theories, focusing on "what" an effective leader is, not on 'how' to effectively lead. The **trait approach** to understanding leadership assumes that certain physical, social, and personal characteristics are inherent in leaders. Sets of traits and characteristics were identified to assist in selecting the right people to become leaders. Physical traits include being young to middle-aged, energetic, tall, and handsome. Social background traits include being educated at the "right" schools and being socially prominent or upwardly mobile. Social characteristics include being charismatic, charming, tactful, popular, cooperative, and diplomatic. Personality traits include being self-confident, adaptable, assertive, and emotionally stable. Task-related characteristics include being driven to excel, accepting of responsibility, having initiative, and being results-oriented.

Trait theories intended to identify traits to assist in selecting leaders since traits are related to leadership effectiveness in many situations. The trait approach to understanding leadership supports the use of tests and interviews in the selection of managers. The interviewer is typically attempting to match the traits and characteristics of the applicant to the position. For example, most interviewers attempt to evaluate how well the applicant can work with people.

Trait theory has not been able to identify a set of traits that will consistently distinguish leaders from followers. Trait theory posits key traits for successful leadership (drive, desire to lead, integrity, self-confidence, intelligence, and job-relevant knowledge) yet does not make a judgment as to whether these traits are inherent to individuals or whether they can be developed through training and education. No two leaders are alike. Furthermore, no leader possesses all of the traits. Comparing leaders in different situations suggests that the traits of leaders depend on the situation. Thus, traits were de-emphasized to take into account situational conditions (contingency perspective).

Behavioral Theories

The **behavioral** theorists identified determinants of leadership so that people could be trained to be leaders. They developed training programs to change managers' leadership behaviors and assumed that the best styles of leadership could be learned.

Theory X and Theory Y

Douglas McGregor described Theory X and Theory Y in his book, *The Human Side of Enterprise*. Theory X and Theory Y each represent different ways in which leaders view employees. Theory X managers believe that employees are motivated mainly by money, are lazy, uncooperative, and have poor work habits. Theory Y managers believe that subordinates work hard, are cooperative, and have positive attitudes.

Theory X is the traditional view of direction and control by managers.

1. The average human being has an inherent dislike of work and will avoid if he or she can.
2. Because of this human characteristic of dislike of work, most people must be controlled, directed, and threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all.

Theory X leads naturally to an emphasis on the tactics of control - to procedures and techniques for telling people what to do, for determining whether they are doing it, and for administering rewards and punishment. Theory X explains the consequences of a particular managerial strategy. Because its assumptions are so unnecessarily limiting, it prevents managers from seeing the possibilities inherent in other managerial strategies. As long as the assumptions of

Theory X influence managerial strategy, organizations will fail to discover, let alone utilize, the potentialities of the average human being.

Theory Y is the view that individual and organizational goals can be integrated.

1. The expenditures of physical and mental effort in work are as natural as play or rest.
2. External control and the threat of punishment are not the only means for bringing out effort toward organizational objectives.
3. Commitment to objectives is a function of the rewards associated with their achievement.
4. The average human being learns, under proper conditions, not only to accept but also to seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems in widely, not narrowly, distributed in the population.
6. Under the condition of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

Theory Y's purpose is to encourage integration, to create a situation in which an employee can achieve his or her own goals best by directing his or her efforts toward the objectives of the organization. It is a deliberate attempt to link improvement in managerial competence with the satisfaction of higher-level ego and self-actualization needs. Theory Y leads to a preoccupation with the nature of relationships, with the creation of an environment which will encourage commitment to organizational objectives and which will provide opportunities for the maximum exercise of initiative, ingenuity, and self-direction in achieving them.

Ohio State and University of Michigan

Studies conducted at the Ohio State University and the University of Michigan identified two leadership styles and two types of leader behaviors. The Ohio State study identified two leadership styles: *considerate* and *initiating* structure. The University of Michigan study classified leaders' behaviors as being production- or employee-centered. The primary concern of leaders with considerate and employee-centered style is the employee's welfare. The primary concern of leaders with initiating-structure and production-centered styles is achieving goals. Research findings on which dimension is most important for satisfaction and productivity are inconclusive. However, employee oriented leaders appear to be associated with high group productivity and job satisfaction.

University of Iowa

Another approach to leader behavior focused on identifying the best leadership styles. Work at the University of Iowa identified democratic (participation and delegation), autocratic (dictating and centralized) and laissez-faire styles (group freedom in decision making). Research findings were also inconclusive.

The Managerial Grid

The dimensions identified at the University of Michigan provided the basis for the development of the managerial grid model developed by Robert Blake and Jane Mouton. It identifies five various leadership styles that represent different combinations of concern for people and concern for production. Managers who scored high on both these dimensions simultaneously (labeled team management) performed best.

The five leadership styles of the managerial grid include impoverished, country club, produce or perish, middle-of-the road, and team. The impoverished style is located at the lower left-hand corner of the grid, point (1, 1). It is characterized by low concern for both people and production. The primary objective of the impoverished style is for managers to stay out of trouble. The country club style is located at the upper left-hand corner of the grid, point (1, 9). It is characterized as a high concern for people and a low concern for production. The primary objective of the country club style is to create a secure and comfortable atmosphere and trust that subordinates will respond positively. The produce or perish style is located at the lower right-hand corner of the grid, point (9,1). A high concern for production and a low concern for people characterize it. The primary objective of the produce or perish style is to achieve the organization's goals. To accomplish the organization's goals, it is not necessary to consider employees' needs as relevant. The middle-of-the-road style is located at the middle of the grid, point (5, 5). A balance between workers' needs and the organization's productivity goals characterize it. The primary objective of the middle-of-the-road style is to maintain employee morale at a level sufficient to get the organization's work done. The team style is located at the upper right-hand of the grid, point (9, 9). It is characterized by a high concern for people and production. The primary objective of the team style is to establish cohesion and foster a feeling of commitment among workers.

Contingency Theories

Successful leaders must be able to identify clues in an environment and adapt their leader behavior to meet the needs of their followers and of the particular situation. Even with good diagnostic skills, leaders may not be effective unless they can adapt their leadership style to meet the demands of their environment.

Fiedler's Contingency Model

Fred E. Fiedler's **contingency theory** postulates that there is no best way for managers to lead. Situations will create different leadership style requirements for a manager. The solution to a managerial situation is contingent on the factors that impinge on the situation. For example, in a highly routinized (mechanistic) environment where repetitive tasks are the norm, a certain leadership style may result in the best performance. The same leadership style may not work in a very dynamic environment.

Fiedler looked at three situations that could define the condition of a managerial task:

1. Leader member relations: How well do the manager and the employees get along?
2. The task structure: Is the job highly structured, fairly unstructured, or somewhere in between?
3. Position power: How much authority does the manager possess?

Managers were rated as to whether they were relationship oriented or task oriented. Task oriented managers tend to do better in situations that have good leader-member relationships, structured tasks, and either weak or strong position power. They do well when the task is unstructured but position power is strong. Also, they did well at the other end of the spectrum when the leader member relations were moderate to poor and the task was unstructured. Relationship oriented managers do better in all other situations. Thus, a given situation might call for a manager with a different style or a manager who could take on a different style for a different situation.

These environmental variables are combined in a weighted sum that is termed "Favorable" at one end and "unfavorable" at the other. Task oriented style is preferable at the clearly defined extremes of "favorable" and "unfavorable" environments, but relationship orientation excels in the middle ground. Managers could attempt to reshape the environment variables to match their style.

Another aspect of the contingency model theory is that the leader-member relations, task structure, and position power dictate a leader's situational control. Leader-member relations are the amount of loyalty, dependability, and support that the leader receives from employees. It is a measure of how the manager perceives he or she and the group of employees is getting along together. In a favorable relationship the manager has a high task structure and is able to reward and or punish employees without any problems. In an unfavorable relationship the task is usually unstructured and the leader possesses limited authority. The spelling out in detail (favorable) of what is required of subordinates affects task structure.

Positioning power measures the amount of power or authority the manager perceives the organization has given him or her for the purpose of directing, rewarding, and punishing subordinates. Positioning power of managers depends on the taking away (favorable) or increasing (unfavorable) the decision-making power of employees.

The task-motivated style leader experiences pride and satisfaction in the task accomplishment for the organization, while the relationship-motivated style seeks to build interpersonal relations and extend extra help for the team development in the organization. There is no good or bad leadership style. Each person has his or her own preferences for leadership. Task-motivated leaders are at their best when the group performs successfully such as achieving a new sales record or outperforming the major competitor. Relationship-oriented leaders are at their best when greater customer satisfaction is gained and a positive company image is established.

Hersey-Blanchard Situational Leadership

The Hersey-Blanchard Situational Leadership theory is based on the amount of direction (task behavior) and amount of socio-emotional support (relationship behavior) a leader must provide given the situation and the "level of maturity" of the followers. Task behavior is the extent to which the leader engages in spelling out the duties and responsibilities to an individual or group. This behavior includes telling people what to do, how to do it, when to do it, where to do it, and who's to do it. In task behavior the leader engages in one-way communication. Relationship behavior is the extent to which the leader engages in two-way or multi-way communications. This includes listening, facilitating, and supportive behaviors. In relationship behavior the leader engages in two-way communication by providing socio-emotional support. Maturity is the willingness and ability of a person to take responsibility for directing his or her own behavior. People tend to have varying degrees of maturity, depending on the specific task, function, or objective that a leader is attempting to accomplish through their efforts.

To determine the appropriate leadership style to use in a given situation, the leader must first determine the maturity level of the followers in relation to the specific task that the leader is attempting to accomplish through the effort of the followers. As the level of followers' maturity increases, the leader should begin to reduce his or her task behavior and increase relationship behavior until the followers reach a moderate level of maturity. As the followers begin to move into an above average level of maturity, the leader should decrease not only task behavior but also relationship behavior.

Once the maturity level is identified, the appropriate leadership style can be determined. The four leadership styles are telling, selling, participating, and delegating. High task/low relationship behavior (S1) is referred to as "telling." The leader provides clear instructions and specific direction. Telling style is best matched with a low follower readiness level. High task/high relationship behavior (S2) is referred to as "selling." The leader encourages two-way communication and helps build confidence and motivation on the part of the employee, although the leader still has responsibility and controls decision making. Selling style is best matched with a moderate follower readiness level. High relationship/low task behavior (S3) is referred to as "participating." With this style, the leader and followers share decision making and no longer need or expect the relationship to be directive. Participating style is best matched with a moderate follower readiness level. Low relationship/low task behavior (S4) is labeled "delegating." This style is appropriate for leaders whose followers are ready to accomplish a particular task and are both competent and motivated to take full responsibility. Delegating style is best matched with a high follower readiness level.

House's Path-Goal Model

The **path-goal** theory developed by Robert House is based on the expectancy theory of motivation. The manager's job is viewed as coaching or guiding workers to choose the best paths for reaching their goals. "Best" is judged by the accompanying achievement of organizational goals. It is based on the precepts of goal setting theory and argues that leaders will have to engage in different types of leadership behavior depending on the nature and demands of the particular situation. It's the leader's job to assist followers in attaining goals and to provide direction and support needed to ensure that their goals are compatible with the organization's.

A leader's behavior is acceptable to subordinates when viewed as a source of satisfaction, and motivational when need satisfaction is contingent on performance, and the leader facilitates, coaches and rewards effective performance. Path goal theory identifies achievement-oriented, directive, participative and supportive leadership styles. In achievement-oriented leadership, the leader sets challenging goals for followers, expects them to perform at their highest level, and shows confidence in their ability to meet this expectation. This style is appropriate when the follower suffers from a lack of job challenge. In directive leadership, the leader lets followers know what is expected of them and tells them how to perform their tasks. This style is appropriate when the follower has an ambiguous job. Participative leadership involves leaders consulting with followers and asking for their suggestions before making a decision. This style is appropriate when the follower is using improper procedures or is making poor decisions. In supportive leadership, the leader is friendly and approachable. He or she shows concern for followers' psychological well being. This style is appropriate when the followers lack confidence.

Path-Goal theory assumes that leaders are flexible and that they can change their style, as situations require. The theory proposes two contingency variables (environment and follower characteristics) that moderate the leader behavior-outcome relationship. Environment is outside the control of followers-task structure, authority system, and work group. Environmental factors determine the type of leader behavior required if follower outcomes are to be maximized. Follower characteristics are the locus of control, experience, and perceived ability. Personal characteristics of subordinates determine how the environment and leader are interpreted. Effective leaders clarify the path to help their followers achieve their goals and make the journey easier by reducing roadblocks and pitfalls. Research demonstrates that employee performance and satisfaction are positively influenced when the leader compensates for the shortcomings in either the employee or the work setting.

Vroom, Yetton, Jago Leader-Participation Model

The Vroom, Yetton, Jago leader-participation model relates leadership behavior and participation to decision making. The model provides a set of sequential rules to determine the form and amount of participative decision making in different situations. It is a decision tree, requiring yes and no answers incorporating contingencies about task structure and alternative styles.

The following contingency questions must be answered to determine the appropriate leadership style in the leader-participation model.

- Quality Requirement: How important is the technical quality of this decision?
- Commitment Requirement: How important is subordinate commitment to the decision?
- Leader's Information: Do you have sufficient information to make a high-quality decision?
- Problem Structure: Is the problem well structured?
- Commitment Probability: If you were to make the decision yourself, are you reasonably certain that your subordinates would be committed to the decision?
- Goal Congruence: Do subordinates share the organizational goals to be attained in solving this problem? · Subordinate Conflict: Is conflict among subordinates over preferred solutions likely?
- Subordinate Information: Do subordinates have sufficient information to make a high-quality decision?

Transformational Leadership

Transformational leadership blends the behavioral theories with a little dab of trait theories. Transactional leaders, such as those identified in contingency theories, guide followers in the direction of established goals by clarifying role and task requirements. However, transformational leaders, who are charismatic and visionary, can inspire followers to transcend their own self-interest for the good of the organization. Transformational leaders appeal to followers' ideals and moral values and inspire them to think about problems in new or different ways. Leader behaviors used to influence followers include vision, framing, and impression management. Vision is the ability of the leader to bind people together with an idea. Framing is the process whereby leaders define the purpose of their movement in highly meaningful terms. Impression management is a leader's attempt to control the impressions that others form about the leader by practicing behaviors that make the leader more attractive and appealing to others. Research indicates that transformational, as compared to transactional, leadership is more strongly correlated with lower turnover rates, higher productivity, and higher employee satisfaction.

A transformational leader instills feelings of confidence, admiration and commitment in the followers. He or she is charismatic, creating a special bond with followers, articulating a vision with which the followers identify and for which they are willing to work. Each follower is coached, advised, and delegated some authority. The transformational leader stimulates followers intellectually, arousing them to develop new ways to think about problems. The leader uses contingent rewards to positively reinforce performances that are consistent with the leader's wishes. Management is by exception. The leader takes initiative only when there are problems and is not actively involved when things are going well. The transformational leader commits people to action and converts followers into leaders.

Transformational leaders are relevant to today's workplace because they are flexible and innovative. While it is important to have leaders with the appropriate orientation defining tasks and managing interrelationships, it is even more important to have leaders who can bring organizations into futures they have not yet imagined. Transformational leadership is the essence of creating and sustaining competitive advantage.

MOTIVATION

Since motivation influences productivity, managers need to understand what motivates employees to reach peak performance. It is not an easy task to increase employee motivation because employees respond in different ways to their jobs and their organization's practices. **Motivation** is the set of processes that moves a person toward a goal. Thus, motivated behaviors are voluntary choices controlled by the individual employee. The manager (motivator) wants to influence the factors that motivate employees to higher levels of productivity.

Factors that affect work motivation include individual differences, job characteristics, and organizational practices. Individual differences are the personal needs, values, and attitudes, interests and abilities that people bring to their jobs. Job characteristics are the aspects of the position that determine its limitations and challenges. Organizational practices are the rules, human resources policies, managerial practices, and rewards systems of an organization. Managers must consider how these factors interact to affect employee job performance.

Simple Model of Motivation

The purpose of behavior is to satisfy needs. A **need** is anything that is required, desired, or useful. A **want** is a conscious recognition of a need. A need arises when there is a difference in self-concept (the way I see myself) and perception (the way I see the world around me). The presence of an active need is expressed as an inner state of tension from which the individual seeks relief.

Theories of Motivation

Many methods of employee motivation have been developed. The study of work motivation has focused on the motivator (manager) as well as the motivatee (employee). Motivation theories are important to managers attempting to be effective leaders. Two primary approaches to motivation are content and process.

The **content approach** to motivation focuses on the assumption that individuals are motivated by the desire to fulfill inner needs. Content theories focus on the needs that motivate people.

Maslow's Hierarchy of Needs identifies five levels of needs, which are best seen as a hierarchy with the most basic need emerging first and the most sophisticated need last. People move up the hierarchy one level at a time. Gratified needs lose their strength and the next level of needs is activated. As basic or lower-level needs are satisfied, higher-level needs become operative. A satisfied need is not a motivator. The most powerful employee need is the one that has not been satisfied. Abraham Maslow first presented the five-tier hierarchy in 1942 to a psychoanalytic society and published it in 1954 in *Motivation and Personality* (New York: Harper and Row).

Level I - Physiological needs are the most basic human needs. They include food, water, and comfort. The organization helps to satisfy employees' physiological needs by a paycheck.

Level II - Safety needs are the desires for security and stability, to feel safe from harm. The organization helps to satisfy employees' safety needs by benefits.

Level III - Social needs are the desires for affiliation. They include friendship and belonging. The organization helps to satisfy employees' social needs through sports teams, parties, and celebrations. The manager can help fulfill social needs by showing direct care and concern for employees.

Level IV - Esteem needs are the desires for self-respect and respect or recognition from others. The organization helps to satisfy employees' esteem needs by matching the skills and abilities of the employee to the job. The manager can help fulfill esteem needs by showing workers that their work is appreciated.

Level V - Self-actualization needs are the desires for self-fulfillment and the realization of the individual's full potential. The manager can help fulfill self-actualization needs by assigning tasks that challenge employees' minds while drawing on their aptitude and training.

Alderfer's ERG identified three categories of needs. The most important contribution of the ERG model is the addition of the frustration-regression hypothesis, which holds that when individuals are frustrated in meeting higher level needs, the next lower level needs reemerge.

Existence needs are the desires for material and physical well being. These needs are satisfied with food, water, air, shelter, working conditions, pay, and fringe benefits.

Relatedness needs are the desires to establish and maintain interpersonal relationships. These needs are satisfied with relationships with family, friends, managers, subordinates, and co-workers.

Growth needs are the desires to be creative, to make useful and productive contributions and to have opportunities for personal development.

McClelland's Learned Needs divides motivation into needs for power, affiliation, and achievement.

Achievement motivated people thrive on pursuing and attaining goals. They like to be able to control the situations in which they are involved. They take moderate risks. They like to get immediate feedback on how they have done. They tend to be preoccupied with a task-orientation towards the job to be done.

Power motivated individuals see almost every situation as an opportunity to seize control or dominate others. They love to influence others. They like to change situations whether or not it is needed. They are willing to assert themselves when a decision needs to be made.

Affiliation motivated people are usually friendly and like to socialize with others. This may distract them from their performance requirements. They will usually respond to an appeal for cooperation.

Herzberg's Two-Factor Theory describes needs in terms of satisfaction and dissatisfaction. Frederick Herzberg examined motivation in the light of job content and contest. Motivating employees is a two-step process. First provide hygienes and then motivators. One continuum ranges from no satisfaction to satisfaction. The other continuum ranges from dissatisfaction to no dissatisfaction.

Satisfaction comes from motivators that are intrinsic or job content, such as achievement, recognition, advancement, responsibility, the work itself, and growth possibilities. Herzberg uses the term **motivators** for job satisfiers since they involve job content and the satisfaction that results from them. Motivators are considered job turn-ons. They are necessary for substantial improvements in work performance and move the employee beyond satisfaction to superior performance. Motivators correspond to Maslow's higher-level needs of esteem and self-actualization.

Dissatisfaction occurs when the following hygiene factors, extrinsic or job context, are not present on the job: pay, status, job security, working conditions, company policy, peer relations, and supervision. Herzberg uses the term **hygiene** for these factors because they are preventive in nature. They will not produce motivation, but they can prevent motivation from occurring. Hygiene factors can be considered job stay-ons because they encourage an employee to stay on a job. Once these factors are provided, they do not necessarily promote motivation; but their absence can create employee dissatisfaction. Hygiene factors correspond to Maslow's physiological, safety, and social needs in that they are extrinsic, or peripheral, to the job. They are present in the work environment of job context.

Motivation comes from the employee's feelings of accomplishment or job content rather than from the environmental factors or job context. Motivators encourage an employee to strive to do his or her best. Job enrichment can be used to meet higher-level needs. To enrich a job, a manager can introduce new or more difficult tasks, assign individuals specialized tasks that enable them to become experts, or grant additional authority to employees.

The **process approach** emphasizes how and why people choose certain behaviors in order to meet their personal goals. Process theories focus on external influences or behaviors that people choose to meet their needs. External influences are often readily accessible to managers.

Vroom's Expectancy Model suggests that people choose among alternative behaviors because they anticipate that particular behaviors will lead to one or more desired outcomes and that other behaviors will lead to undesirable outcomes. **Expectancy** is the belief that effort will lead to first-order outcomes, any work-related behavior that is the direct result of the effort an employee expends on a job.

Equity is the perception of fairness involved in rewards given. A fair or equitable situation is one in which people with similar inputs experience similar outcomes. Employees will compare their rewards with the rewards received by others for their efforts. If employees perceive that an inequity exists, they are likely to withhold some of their contributions, either consciously or unconsciously, to bring a situation into better balance.

For example, if someone thinks he or she is not getting enough pay (output) for his or her work (input), he or she will try to get that pay increased or reduce the amount of work he or she is doing. On the other hand, when a worker thinks he or she is being paid too much for the work he or she is doing, he or she tends to increase the amount of work. Not only do workers compare their own inputs and outputs; they compare their input/output ratio with the input/output ratio of other workers. If one work team believes they are doing more work than a similar team for the same pay, their sense of fairness will be violated and they will tend to reduce the amount of work they are doing. It is a normal human inclination to want things to be fair.

Researchers point out that while equity theory was originally concerned with differences in pay, it may be applied to other forms of tangible and intangible rewards in the workplace. That is, if any input is not balanced with some fair output, the motivation process will be difficult. Managers must manage the perception of fairness in the mind of each employee. If subordinates think they are not being treated fairly, it is difficult to motivate them.

Reinforcement involves four types of consequence. Positive reinforcement creates a pleasant consequence by using rewards to increase the likelihood that a behavior will be repeated. Negative reinforcement occurs when a person engages in behavior to avoid unpleasant consequences or to escape from existing unpleasant consequences. Punishment is an attempt to discourage a target behavior by the application of negative outcomes whenever it is possible. Extinction is the absence of any reinforcement, either positive or negative, following the occurrence of a target behavior. Employees have questions about their jobs. Can I do what management is asking me to do? If I do the job, will I be rewarded? Will the reward I receive be satisfactory to me?

Reinforcement is based primarily on the work of B.F. Skinner, a psychologist, who experimented with the theories of operant conditioning. Skinner's work shows that many behaviors can be controlled through the use of rewards. In fact, a person might be influenced to change his or her behavior by giving him or her rewards.

Employees who do an exceptionally good job on a particular project should be rewarded for that performance. It will motivate them to try to do an exceptional job on their next project. Employees must associate the reward with the behavior. In other words, the employee must know for what specifically he or she is being rewarded! The reward should come as quickly as possible after the behavior. The reward can be almost anything, but it must be something desired by the employee. Some of the most powerful rewards are **symbolic**; things that cost very little but mean a lot to the people who get them. Examples of symbolic rewards are things like plaques or certificates.

Module 6

Controlling

Control is the last of the four major management functions. It is an extremely important managerial function because it helps to ensure that all of our planning, organizing, and leading have gone as we had hoped they would. In today's rapidly changing and highly competitive global business environment, organizations can experience a very rapid reversal of their fortunes if they fail to control all aspects of their operations adequately. Individual and group behaviors and all organizational performance must be in line with the strategic focus of the organization. When economic, technological, political, or competitive forces change, control systems must be capable of adjusting behaviors and performance to make them compatible with these strategic shifts. The essence of the control process requires that managers determine performance standards, measure actual performance, compare actual performance with standards, and take corrective action when necessary.

Objectives:

When you have finished studying this module, you should be able to:

1. Identify the sequence of steps to be undertaken in a thorough control system.
2. Describe the various managerial control philosophies.
3. Identify the different mechanisms for financial control.
4. Identify the different mechanisms for aiding personnel.

CONTROLLING

Organizational control is defined as the systematic process through which managers regulate organizational activities to make them consistent with the expectations established in plans and to help them achieve all predetermined standards of performance. This definition implies that managers must determine performance standards and develop mechanisms for gathering performance information in order to assess the degree to which standards are being met. Control, then, is a systematic set of steps that must be undertaken. The process of control has four steps: (1) setting standards of performance; (2) measuring actual performance; (3) comparing actual performance with standards, and (4) responding to deviations. Let us look at each of the four steps in more detail.

SETTING STANDARDS OF PERFORMANCE

The control process should begin with the establishment of standards of performance against which organizational activities can be compared. Standards of performance begin to evolve only after the organization has developed its overall strategic plan and managers have defined goals for organizational departments. In some instances the performance standards are generated from within the organization. Sometimes, however, the impetus for specific performance standards may originate with some outside source.

The organizational activities to be controlled may involve individual behavior, group behavior, production output, service delivery, and others. Whenever, possible, the standards should be set in a manner that allows them to be compared with actual performance. This is embodied in a statement that must involve a degree of clarity needed for comparative purposes. Standards of performance can be set for practically any activity or behavior within an organization.

MEASURING ACTUAL PERFORMANCE

In some cases measuring actual performance can be relatively simple, but in others it can be quite complex. We have to decide such things as (1) what to measure; (2) when to measure; and (3) how frequently to measure. As mentioned earlier, standards should be stated as clearly as possible so they can be compared with performance. Doing this is quite simple when the performance criteria are quantitative in nature and can be objectively measured. Sometimes, however, performance criteria are more qualitative in nature and do not easily lend themselves to absolute units of measure. Instead, they require a subjective assessment to determine whether the standard is being met.

COMPARING ACTUAL PERFORAMNCE WITH STANDARDS

The first two steps of the control process provide managers with the information that allows them to make comparisons between actual performance and standards. If the actual performance is identical to the standard, then no deviation has occurred. Rarely, however, is there absolutely no deviation between actual and planned performance. Fortunately, in most real-world situations, actual performance does not always have to be identical to the standard. Typically, the performance standard has a stated acceptable deviation.

PROVIDING CORRECTIVE ACTION AND FEEDBACK

After comparing actual performance with standards, we can choose to either (1) take no corrective action or (2) take corrective action. If the deviation was acceptable or if there was no deviation, then the response should be to take no corrective action, since the performance or behavior is acceptable in light of the standards. If, however, the deviation was unacceptable, then the response should be to take corrective action. Corrective action usually requires making a change in some behavior, activity, or aspect of the organization to bring performance into line with the standards. Even when no corrective action is necessary, it is often useful to provide positive feedback to the responsible individuals so that they are motivated to continue performing to the standards.

When exercising control in business organizations, a variety of types of changes are possible depending upon the particular situation. Changes in materials, equipment, process, or staffing might be made.

Developing and implementing creative and constructive responses to undesirable deviations can be exceptionally difficult for multinational organizations. Because the company's understanding of each individual unit is less when units are situated around the world, developing solutions requires a substantial amount of information gathering. More so, the development of solutions that are acceptable to both subsidiary and head office management may require active participation of important personnel at each level. Thus, it may take longer to determine and implement the necessary corrective action, and that action may come at the expense of significant managerial time and energy.

We have discussed the basic process of control and have seen the fundamental steps: (1) establish standards of performance, (2) measure actual performance, (3) compare actual with standards, and (4) take corrective action when necessary.

MANAGERIAL CONTROL PHILOSOPHIES

Creating and implementing a control system requires that managers do more than simply select the appropriate focal points. It is also necessary to make a choice between two philosophical control styles: (1) bureaucratic control and (2) organic control.

BUREAUCRATIC CONTROL

Bureaucratic control involves the use of rules, procedures, policies, hierarchy of authority, written documents, reward systems, and other formal mechanisms to influence behavior, assess performance, and correct unacceptable deviations from standards. This type of control is typical of the bureaucratic style of management. In this method of control, standard operating procedures and policies prescribe acceptable employee behavior and standards for employee performance. There is an unbending hierarchy of authority that extends from the top down through the organization. Formal authority f or the control process lies at the supervisor level, and lower-level employees are not expected to participate in the control process. Bureaucratic control relies on highly formalized mechanisms for selecting and training workers, and it emphasizes the use of monetary rewards for controlling employee performance. Formal quantitative tools such as budgets or financial reports and ratios are frequently used to monitor and evaluate performance in bureaucratic control process.

ORGANIC CONTROL

Organic control, often called **clan control**, is quite different from bureaucratic control. It relies upon social values, traditions, shared beliefs, flexible authority, looser job descriptions, and trust to assess performance and correct unacceptable deviations. The philosophy behind organic control is that employees are to be trusted and that they are willing to perform correctly without extensive rules and supervision. This type of control is particularly appropriate when there is a strong corporate culture and the values are shared by all employees. When cohesive peer groups exist, less top-down bureaucratic control is necessary because employees are likely to pressure co-workers into following group norms. When employees exercise self-discipline and self-control and believe in doing a fair day's work for their pay, managers can take advantage of this self-discipline and use fewer bureaucratic control methods.

WHICH OF THE CONTROL PHILOSOPHIES IS BETTER?

The bureaucratic and organic approaches present two distinctly opposite control philosophies. Top management is often faced with a dilemma in choosing a style for their organization. This decision can be made more easily if managers first evaluate these four factors (1) individual management style, (2) corporate culture, (3) employee professionalism, and (4) performance measure.

Individual management style refers to whether the manager has a task-oriented or a people-oriented leadership style. If a manager uses more relationship-oriented behaviors when interacting with subordinates, then an organic control style would tend to be more compatible with his leadership style. On the other hand, if a manager displays more task-oriented behaviors when interacting with subordinates, then a bureaucratic control style would tend to be more compatible with the leadership style. Task-oriented behavior occurs when the leader assumes the responsibility for planning, directing, providing job information, and maintaining standards of performance for subordinates. The key is that the control style needs to be consistent with the manager's leadership style.

The second factor that determines a controls style is corporate culture. If the corporate culture encourages employees to participate in decision making and rewards them for this participation and loyalty, then an organic control style is more appropriate. If the culture of the organization favors decision making at the top and avoids employee participation, then a bureaucratic control style will be the better choice.

Employee professionalism can also influence the control style an organization uses. Employees who are highly educated, highly trained, and professional are more likely to want to participate in decision making and are more likely to accept the high standards of behavior displayed in the group's norms. These employees will be good candidates for an organic control style. Employees who lack experience, training, or the desire to participate would be better candidates for a bureaucratic control style.

Finally, performance measures influence the choice of control style. If performance can be quantified and explicitly measured, then a bureaucratic control style would work well. If task performance is difficult to measure or quantify, however, than an organic control style would be more appropriate.

A manager should recognize from the discussion above that achieving quality in the control process requires a good fit between the situation and the control system. Care must be taken to accurately assess management style, corporate culture, employee professionalism, and types of performance measures before selecting a philosophical approach to control. The choice of a control style is contingent upon all of these situational factors.

MECHANISMS FOR FINANCIAL CONTROLS

One of the most important areas where control must be exercised is in the finances of an organization. At times financial performance may not be meeting standards, or it may fall short of expectations. If such situations go undetected and corrective actions are not taken, the company's survival might be at stake. Below is a brief discussion of the more important techniques and methods for establishing financial control.

FINANCIAL STATEMENTS

Two financial statements provide much of the information needed to calculate rations that are used to assess an organization's financial health. These statements re the balance sheet and the income statement.

Balance Sheet

The balance sheet provides a picture of an organization's financial position at a given point in time. It usually shows the financial status at the end of a fiscal year or a calendar year, although the time interval can certainly be shorter, at the end of a quarter for instance. The balance sheet summarizes three types of information: assets, liabilities, and owner's equity.

Assets are the things of value that the company owns; they are usually divided into current assets and fixed assets. **Current assets** are those items that can be converted into cash in a short time period; they include such items as accounts receivable, inventory, and, of course cash. **Fixed assets** are long term in nature and include such items as buildings, land, and equipment.

Liabilities include the firm's debts and obligations. They can be divided into current liabilities and long-term liabilities. **Current liabilities** are the debts that must be paid in the near future; they include such obligations as accounts payable and not yet paid salaries earned by workers. **Long-term liabilities** are the debts payable over a long time span and include such obligations as payment on bonds and bank loans and mortgages for buildings and land.

Owner's equity is the difference between the assets and liabilities. IT represents the company's net worth and consists of common stock and retained earnings.

Income Statement

The income statement summarizes the organization's financial performance over a given time interval, typically one year. IT shows the revenues that have come into the organization, the expenses that have been incurred, and the bottom-line profit or loss realized by the firm for the given time interval. For this reason, the income statement is often called a profit-and-loss statement.

FINANCIAL RATIOS

Several financial ratios can be used to interpret company performance. Each ratio is simply a comparison of a few pieces of financial data. These ratios an be used to compare a company's current performance with its past performance, or they can be used to compare the company's performance with the performance of other companies in the same industry.

Liquidity Ratios

Liquidity ratios indicate the firm's ability to meet its short-term debts and obligations. The most commonly used liquidity ratio is the current ratio, which is determined by dividing current assts by current liabilities. Another liquidity ratio is the quick ratio, which is calculated by dividing current assets less inventory by the current assets les inventory by the current liabilities. This ratio assesses how well a firm can expect to meet short-term obligations without having to dispose of inventories.

Profitability Ratios

Profitability ratios indicate the relative effectiveness of the organization. One important profitability ratio is the profit margin on sales, which is calculated as net income divided by sales. Another profitability measure is return on total assets (ROA), which is calculated by dividing the net income by total assets.

Debt Ratios

Debt ratios indicate the firm’s ability to handle long-term debt. The most common debt ratio is calculated by dividing total liabilities by total assets.

Activity Ratios

Activity ratios measure performance with respect to key activities defined by management. When total sales are divided by average inventory, an inventory turnover ratio is calculated. This ratio indicates the number of times inventory is turned over to meet the total sales. A low figure means that inventory is kept for a long time and money is wasted.

This and other ratios should be used to gain insights into a company’s financial relationships and to identify areas that are out of control so that corrective action can be taken. When a ratio is out of line with either past company performance or the performance of comparable companies within the industry, managers must carefully probe through the numbers to determine the cause the problem and devise a solution. Many of the numbers on the balance sheet and income statement are interrelated, and making a change to improve one ratio may have an undesirable impact on another. Therefore, managers must be very familiar with company operations in order to arrive at a proper remedy when using financial control. ASSIST

MECHANISM FOR AIDING PERSONNEL

When performance of human resources do not come up to the standards that were set for them, necessarily, things must be done in order to make sure they come up to par. Disregarding deviations may spell problems for both the company and the employee. It may give the employee the false notion that he or she is doing well when he or she is not. The work being done by this employee will greatly suffer because there is no correction being done. As such, mediocre performance will not lead to the achievement of the goals which in turn brings the company into bad light.

Things can be done to correct the deviation. They are the following.

COACHING

Managers help employees achieve objectives on a daily basis. Coaching is a behavioral control technique used by the manager to give on-going guidance and instruction, to follow day-to-day progress, and to give feedback. **Coaching** is the informal, day-to-day ongoing instructing of employees.

Sports and Work

There are many similarities in sports and work. The sports team wants to win games. The work team wants to satisfy customers. The coach sets challenging expectations for his or her athletes. A coach stresses the fundamentals; believes in players taking responsibility for their own behavior; is supportive and helpful, yet follows the rules consistently. The manager plays the role of a coach when he or she brings out the best in employees. The employees are like great athletes when they work together well.

The parallel between sports and work is clear. When teams in an organization are effectively coached, members are able to achieve their individual goals and those that benefit the team as a whole. Effective managers are coaches who help guide, support, and motivate employees. They provide necessary training when needed and recognition when earned. In the coaching process, the manager clarifies expectations and does whatever is necessary to assist employees in performing their best.

Many people are more highly motivated to participate in sports than they are in their jobs. There are many reasons why sports are preferred over work. Goals are more clearly defined. The rules of the game don't change. Performance is measured and clearly attached to a reward. Everyone knows the score. Feedback is more frequent, personal, and accurate.

Coaching is the ability to improve the job performance of employees. It involves teaching, the passing on of knowledge. Coaching is active, instead of passive, and is involved with guiding performance. Managers, who emphasize formal training and day-to-day coaching, reap the benefits of competence, high performance, commitment, and cooperative behavior.

The functions of management - planning, organizing, directing, and controlling - are used to supervise high performance teams. In planning, effective teams have clear, accepted goals. Managers ensure that employees understand what it is they are to achieve. In organizing, managers clarify the amount of authority possess by the team. Self-managed teams are empowered to make decisions. Other forms of teams may have different authority boundaries. Structurally, objectives are set; roles identified, and work processes created. In directing, managers accept leadership roles. In controlling, managers and team members determine how the team's performance will be evaluated and how will they be rewarded.

The Coaching Process

Step 1. **Prepare the learner.** Offer an explanation of what to do. Barriers to effective coaching include the learner's fear of change or of appearing incompetent. The learner might be defensive. The manager can help the learner to relax by empathizing with him or her. Find out what the learner already knows. Proceed from the familiar to the unfamiliar.

Step 2. **Demonstrate the operation.** Demonstrate how to do it. Explain to the learner exactly what is being done during a demonstration, moving from the simple to the complex. Allow the learner the opportunity to ask questions. Explain the relationship between what the learner is doing and the overall operation.

Step 3. **Create a positive atmosphere.** Give positive reinforcement to the learner. Be patient with the learner.

Step 4. **Have the learner perform the operation.** Let the learner participate. Active participation is essential for instilling long-term learning. Step 5. Follow up. Evaluate learning. Check up on the learner's progress to demonstrate your availability to answer questions and to discover any new problems.

COUNSELING

Counseling is a process through which one person helps another by purposeful conversation in an understanding atmosphere. It seeks to establish a helping relationship in which the one counseled can express their thoughts and feelings in such a way as to clarify their own situation, come to terms with some new experience, see their difficulty more objectively, and so face their problem with less anxiety and tension. Its basic purpose is to assist the individual to make their own decision from among the choices available to them. (British Association for Counselling, Rugby 1989)

Managers use controls to help employees achieve objectives. An employee's problem performance is often related to non-job factors. Yet, personal problems generally get worse, not better without professional help. The manager is in the best position to spot and handle problems when they arise. He or she can use counseling to provide relief for the troubled employee. **Counseling** is a behavioral control technique used by the manager to solve performance problems. As a counselor, the manager is a helper, discusses the employee's personal problems that are affecting his or her job performance, aiming to resolve them. Counseling is guidance of the employee's behavior.

An employee should be counseled when he or she has personal problems that affect job performance. Managers should recognize early signs. Signs of a *troubled employee* include:

- Sudden change of behavior
- Preoccupation
- Irritability
- Increased accidents
- Increased fatigue
- Excessive drinking
- Reduced production
- Waste
- Difficulty in absorbing training
- Substance abuse

In the role of the counselor, the manager *listens*, *limits*, and *refers*. The manager uses active listening and reflective listening skills. By listening the manager helps the employee to feel valued and understood. The employee is encouraged to talk and explore and to understand more about how he or she feels and why. The employee can consider options and examine alternatives and may be able to choose a solution to his or her problems. The manager can help the employee develop clear objectives; to form specific action plans and to do, with support what needs to be done. The manager helps employees help themselves. In counseling, the manager *limits* comments to the employee's job performance, since the manager is not an expert in the problem area. The manager *refers* or gives information to the employee. Informing mainly passes along data and information.

Counseling techniques range from directive to non-directive, depending on the situation. **Non-directive counseling** reflects what is said and felt. For example, a manager using the non-directive approach would say, "You feel frustrated because you don't meet Rob's approval." **Directive counseling** tells and advises. For example, a manager using the directive approach would say, "I want you to concentrate on your work and not worry about what the other employees do." Interactive counseling combines them.

The Counseling Process

***Step 1*. Describe the changed behavior.** Let the employee know that the organization is concerned with work performance. The manager maintains work standards by being consistent in dealing with troubled employees. Explain in very specific terms what the employee needs to do in order to perform up to the organization's expectations. Don't moralize. Restrict the confrontation to job performance.

***Step 2*. Get employee comments on the changed behavior and the reason for it.** Confine any negative comments to the employee's job performance. Don't diagnose; you are not an expert. Listen and protect confidentiality.

***Step 3*. Agree on a solution.** Emphasize confidentiality. Don't be swayed or misled by emotional please, sympathy tactics, or "hard-luck" stories. Explain that going for help does not exclude the employee from standard disciplinary procedures and that it does not open the door for special privileges.

Step 4. **Summarize and get a commitment to change.** Seek commitment from the employee to meet work standards and to get help, if necessary, with the problem.

Step 5**. Follow up**. Once the problem is resolved and a productive relationship is established, follow up is needed.

Substance Abuse

Some problem performance stems from substance abuse. In handling alcohol or drug abuse situations, the manager must avoid inferences and stick to actual clues. He or she avoids giving advice. The manager gives support and information, if needed, and makes clear that rehabilitation is the employee's responsibility.

Career Guidance

Career counseling is a common managerial activity. In addition to job knowledge and skills, employees need to be punctual, diligent, responsible, and receptive to supervision. Managers have an opportunity to help employees understand that developing these behaviors can improve their future success. **Development** is preparing employees for future jobs. Bringing out the best in employees is the most powerful and most available resource for managers to do more with less. Employee development produces "win-win" agreements between manager and employee.

DISCIPLINING

The control function provides managers with opportunities to improve systems on a continuous basis. An emphasis on coaching and counseling can prevent discipline problems. For example, poor performance due to low ability or inadequate training, learning problems, drug and alcohol dependency, physical or mental illness, marginal health, or disability respond much better to coaching and counseling than to punitive measures. However, disciplinary action as a behavioral control technique is necessary when self-discipline breaks down. Effective discipline can eliminate ineffective employee behavior. An employee should be disciplined when he or she chooses to break the rules or is not willing to perform the job to standards. **Discipline** is corrective actions taken by a manager when an employee does not abide by organizational rules and standards.

Disciplinary Problems

Common categories of disciplinary problems are *attendance*, *poor performance*, or *misconduct*. *Attendance* problems include unexcused absence, chronic absenteeism, unexcused or excessive tardiness, and leaving without permission. *Poor performance* includes failure to complete work assignments, producing substandard products or services, and failure to meet established production requirements. *Misconduct* includes theft, falsifying employment application, willfully damaging organizational property, punching another employee's time card, and falsifying work records.

On-the-job Problem Behaviors

- Intoxication
- Insubordination
- Horseplay
- Smoking
- Fighting
- Gambling
- Carelessness
- Sexual harassment
- Failure to use safety devices
- Failure to report injuries
- Sleeping
- Possession of narcotics or alcohol
- Possess of weapons

Progressive Discipline

Disciplinary treatment in most organizations is progressive, whereby the organization attempts to correct the employee's behavior by imposing increasingly severe penalties for each infraction. The usual steps are:

1. Verbal warning
2. Written warning
3. Suspension, without pay
4. Termination of employment

Employees accept fair, equitable, and consistent discipline. Positive, progressive, *hot stove* approaches work best. The **hot stove rule** is a set of principals that guide effective disciplining:

Immediacy. The more quickly the discipline follows the offense, the more likely the discipline will be associated with the offense rather than with the dispenser of discipline.

Warning. It is more likely that disciplinary action will be interpreted as fair when employees receive clear warnings that a given violation will lead to a known discipline.

Consistency. Fair treatment demands that disciplinary action be consistent.

Impersonal nature. Penalties should be connected to the behavior (violation) and not to the personality (person) of the violator.

Disciplinary Action

Before conducting a discipline discussion, the manager should be able to:

- Describe the incident by answering: Who? What? When? How? Where? Witnesses? Why?
- Refer to the policy or procedure that was violated.

- Determine whether the employee was previously notified of the correct operating procedure and be able to provide documentation, if it exists.
- Know whether the employee has been disciplined previously.
- Provide documentation of verbal counseling, if possible.
- Determine whether other employees have violated the same policy/procedure and what discipline, if any, they received.

In discipline discussions with an employee, the manager points out the unsatisfactory behavior, explains the need for and purpose of the rule or practice that is being violated, and expresses confidence in the employee's willingness and ability to make the necessary changes in behavior.

During a discipline discussion the manager should be objective in reviewing the situation and give the employee specific examples of the behavior that is causing the problem. The employee should be allowed an opportunity to present his or her own case. The manager needs to make sure the employee has a clear understanding of the consequences of his or her behavior. The manager and the employee should agree on specific recommendations for correcting the performance.

Discipline Discussion

1. Explain specifically what you have observed and why the behavior cannot continue.

2. Request and listen actively to the employee's reasons for the behavior.

3. Ask the employee for ideas on changing the problem behavior and offer your help.

4. Come to an agreement on specific action steps to be taken by each party.

5. Schedule a follow up meeting to check whether the problem has been resolved.

6. Document the meeting, noting date, content action steps agreed upon, and timetables for implementing them.

If, after two or three discussions, the employee's behavior has not changed, he or she should be asked to decide if he or she wants to quit or return to the job and abide by the organizational rules and standards. The steps a manager follows in Dick Grote's *Discipline Without Punishment* approach are:

Step 1. **Identify the performance problem**. Establish exactly what the performance expectation is and specifically how the employee is failing to meet it.

Step 2. **Analyze the problem.** Determine the impact of the problem. How is the performance problem adversely affecting the quality and quantity of the work, other employees, customers, and the organization as a whole? Identify the consequences that the individual will face if the employee decides not to correct the situation. Determine the appropriate action step.

Step 3. **Discuss discipline with the employee**. Gain the employee's agreement to solve the problem. Discuss alternative solutions and decide on specific action the employee will take. Communicate positive expectations or change.

Step 4. **Document the problem.** Describe the problem using facts and specifics. Describe the history of the problem. Describe the discussion to include the employee's agreement to change.

Step 5. **Follow up.** Determine if the problem has been solved. Reinforce improvement. Take required action if the problem has not been solved.

Appeal of Disciplinary Action

People work together best in an atmosphere where they are valued as individuals and recognized as key members of the organization. Managers ensure that policies and procedures are administered uniformly and followed judiciously by treating employees fairly and consistently. Fair, efficient, and equitable solutions for problems arise out of the *employment relationship*.

Employees may disagree with the manager and submit grievances. **Grievances** are an informal approach to resolving conflicts. Grievance subject matter might include wages, hours of work, working conditions, performance evaluations, merit raises, job assignments, reprimands, rules, regulations, and policies.

The Grievance Procedure is a conflict resolution method available to employees. Many organizations have Employee Relations Specialists available to assist employees and managers with accessing the grievance procedure if informal attempts to resolve a problem are not successful. The Specialists provide neutral monitoring of the grievance process and advising of participants on procedural matters as needed.

Grievance Procedure

Informal Step. Orally present facts to manager.

Formal Step. Put grievance in writing to next level of management, if manager does not satisfactorily resolve grievance.

EVALUATING

Evaluating individual work performance is a form of control because it ties performance feedback to rewards and corrective actions. Employee evaluation is an on-going process, taking place informally every day in the organization. One example is **computer monitoring**, which tracks an employee's performance as it is taking place. Evaluation is formally documented for a given time period in the performance appraisal.

Performance appraisal is a formal, structured system that compares employee performance to established standards. Assessment of job performance is shared with employees being appraised through one of several primary methods of performance appraisals. Elements in performance appraisal methods are tailored to the organization's employees, jobs, and structure. They include objective criteria for measuring employee performance and ratings that summarize how well the employee is doing. Successful appraisal methods have clearly defined and explicitly communicated standards or expectations of employee performance on the job.

Performance Appraisal Methods

Performance appraisals take many forms. **Written essays**, the simplest essay method, is a written narrative assessing an employee's strengths, weaknesses, past performance, potential, and provides recommendations for improvement. Types of performance appraisal methods include comparative standards (such as, simple ranking, paired comparison, forced distribution) and absolute standards (such as, critical incidents, BARS, MBO).

Comparative Standards or Multi-person Comparison. This relative, as opposed to absolute method, compares one employee's performance with that of one or more others.

- In **group rank ordering** the manager places employees into a particular classification such as "top one-fifth" and "second one-fifth". If a manager has ten employees, only two could be in the top fifth, and two must be assigned to the bottom fifth.
- In **individual ranking** the manager lists employees from highest to lowest. The difference between the top two employees is assumed equivalent to the difference between the bottom two employees.
- In **paired comparison** the manager compares each employee with every other employee in the group and rates each as either superior or weaker of the pair. After all comparisons are made, each employee is assigned a summary or ranking based on the number of superior scores received.

Critical Incidents. The manager's attention is focused on specific or critical behaviors that separate effective from ineffective performance.

Graphic Rating Scale. This method lists a set of performance factors such as job knowledge, work quality, cooperation that the manager uses to rate employee performance using an incremental scale.

Behaviorally Anchored Rating Scales (BARS). BARS combine elements from critical incident and graphic rating scale approaches. The manager rates employees according to items on a numerical scale.

Management by Objectives. MBO evaluates how well an employee has accomplished objectives determined to be critical in job performance. This method aligns objectives with quantitative performance measures such as sales, profits, zero-defect units produced.

360 Degree Feedback. This multi-source feedback method provides a comprehensive perspective of employee performance by utilizing feedback from the full circle of people with whom the employee interacts: managers, subordinates and co-workers. It is effective for career coaching and identifying strengths and weaknesses.

Appraisal Judgments

The performance appraisal represents a legal communication to an employee and should be supported by objective reasoning. Appraisal judgments can be objective or subjective. **Objective factors** are observable and measurable results. They include quantities, errors, and attendance records. **Subjective factors** are opinions. They are difficult to measure or document and invite bias or charges of bias. Included, as *subjective factors*, are personality traits, such as dependability, initiative, and perseverance. To remain objective, the manager double checks ratings to be sure he or she doesn't favor one employee or make unsupported judgments. Supported judgements have documented critical incidents of employee performance to illustrate ratings.

The **halo effect** is a rating error that occurs when the rater's knowledge of an employee's performance on one favorable or unfavorable incident colors the ratings on all others. Most employees do some tasks better than others and their ratings should vary from one performance dimension to another. The halo effect can be lessened by rating and comparing all employees' performance on a single factor before going on to another factor.

The equal employment opportunity laws establish and regulate the ways in which performance can be evaluated. The Equal Employment Opportunity Commission is charged with protecting employee rights. To avoid discrimination based on sex, race, color, religion, age, or national origin, the manager should base the appraisal on the job that the employee is expected to do.

Objectives of Performance Appraisals

Performance appraisals seek to meet specific objectives. They include tell and sell, tell and listen, problem solving, and mixed model. *Tell and sell* is evaluative in nature. It is used for purely evaluative purposes. The manager coaches by telling the employee the evaluation and then persuading the employee to follow recommendations for improvement. *Tell and listen* is evaluative in nature. The manager coaches by telling the employee the evaluation and then listens to the employee's reactions to the evaluation in a nonjudgmental manner. *Problem solving* is developmental in nature and involves counseling. It is used for employee development purposes. The manager does not offer evaluation but lets the employee decide his or her weak areas and works with the employee to develop an action plan for improvement. The *mixed model* combines coaching and counseling. It is used for both evaluative and development purposes. The manager begins the appraisal with a problem-solving session and concludes with a more directive tell and sell approach.

Agenda for the Performance Appraisal Conference

Prior to the appraisal conference, the subordinate and the manager should prepare written evaluations. The manager follows the steps in the appraisal conference.

***Step 1*. Communicate the evaluation**. Begin with a quick review of the rating. Ratings should include results of performance, as well as motivation, effort, and cooperation. Give enough attention to what went right. Start with exceeds. Emphasize where, how, and why improvement is needed.

***Step 2.* Resolve any misunderstandings.** Share the discussion with the subordinate. Give the subordinate the opportunity to respond to your appraisal. Listen without interruption. React to subordinate's feedback non-defensively. Use concrete examples to describe performance. Acknowledge that you are receptive to the employee's point of view. Make sure the subordinate understands your complaint before proceeding further.

***Step 3.* Seek acceptance of the rating.** Ask the subordinate, "Can you accept this rating?"

***Step 4.* Identify areas for improvement.** One of the goals of performance appraisal is to provide a means of giving feedback to a subordinate concerning ways to improve job performance. Discuss goals toward which the subordinate might work. Agree on specific targets to meet in the period ahead. Review what you can do to help.

***Step 5.* Secure commitment to future goals.** Try to focus the employee on the future rather than on the past.