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Chapter 1

Management and Organization: An introduction

1.1. The meaning of Management

Management could be defined in different ways but most of its meaning is concerned with process, a serious of coordinated, goal directed actions.

Management: is the process of utilizing organizational resources to achieve specific objectives through management functions. Management, on the other hand, involves the coordination of human and material resources toward the attainment of organization's goals. In any organization, absolute harmony is hard to attain and, perhaps, unrealistically achievable. What is more realistically bound to happen is for some conflict to arise. Thus, it is the task of management to integrate the varied elements, be these cooperative or conflictive, into a complete organizational undertaking.

Managers – people who are responsible for integrating, coordinating, and directing activities of others – then have to bring together the organization staff, money, materials, time and space into an integrated and effective system to achieve organizational objective. Managers get things done by working with people and physical resources to realize the goals of the organization; they coordinate and integrate the work and activities of others.

Organizational management is the process of leading a company and effectively using or controlling its assets and resources. Organizational management goes well beyond a corporate structure; it requires leaders to have methods in place to resolve issues and develop solutions that help the business move closer to its desired goals and vision.

1.2. What is an organization?

An organization is a systematic arrangement of people and technology intended to accomplish some purpose.

For example, MOA is an organization and the various departments under it.

People, Money, and materials go in to organizations and goods or services come out of them. In between these, inputs and outputs, resources are transformed to create the Goods or services. As the human body contains some standard parts to function as a system. Organization also contain five basic

- *The task*: the nature of the work activities to be carried out. e.g. education, research
- *Technology:* the manner in which activities are carried out.
- *Structure:* Patterns of organization and formal relationships with in which activities are carried out.
- *People:* The nature of members undertaking the activities.
- *Management:* effective coordination of the sub-systems and direction of activities of the organization as a verified whole.

E.g. planning, organizing, controlling, and leading the performance of the people. It includes conducting discussions and meetings when decisions are made.

Once people combine to accomplish they have created an organization that has the potential to accomplish more than one-person can alone. Whether the organization succeeds or fails depends on how effectively it obtains it resources and uses them. Management is therefore, the work involved in combining and directing the uses of resources to achieve particular purposes. What distinguishes management work from the other work that goes within an organization is that management work focuses on maintaining the organization so that it can accomplish its task.

1.3. The Role of Organization and Management in Development

For some one living in extreme condition of under development lacking basic needs for survival such as food, shelter and clothing availability of such services becomes immediate and urgent solution to their problem, management or organization seem irrelevant to their pressing needs.

Yet, experience from developing and industrial countries shows that development initiatives have fallen short of expectation partly because of their failure to identify and make available in useable form the required organizational resources or the management of such resources.

E.g. The least developed low-income countries where GNP is less than US $ 400, in 1983, where most of the modern sector don't work well and where overall responses to development initially are quite modest have very limited organizational and management capabilities and resources.

In Africa, this countries doing better like Cote d'voure, Algeria, Malawi, Zimbabwe -seem to have stronger and more effective organizations then do countries like Ghana, Uganda, Tanzania, Ethiopia, etc.

Most of the World Bank reports emphasize the point that these countries do not have adequate capabilities effectively to manage development initiatives or to manage themselves out of current economic, social, and political difficulties. Therefore, in order to achieve economic, social and political development building and sustaining effective and productive organizations is a prerequisite.

e.g. Lack of adequate organizational infrastructure to manage development initiatives: i.e. to identify, design and implement development projects was too weak. One management specialist once made a remark that there are no organizations in Haiti; only piles of people in crowded warehouses overseen by officials who view their position as privilege or entitlement, not as a duty to serve.

As a recommendation what were forwarded are: improvement in management training, structural reorganization and more effective utilization of resources.

1.4. Levels and skills of management

Traditionally, management is divided in to three levels: Top, middle and first-line. The use of important managerial skills - conceptual, human and technical also varies with the levels of management.

1.4.1. Skills of management

In the broadest sense, management skills can be nearly anything that enables you to manage others effectively. While some skills will vary based on your industry, there are several that are universal across nearly every work environment. The right skill set empowers managers to identify, face, and overcome various problems that might arise in the workplace.

Simply, managerial skills are the knowledge and ability of the individuals in a managerial position to fulfill some specific management activities or tasks. This knowledge and ability can be learned and practiced. However, they also can be acquired through practical implementation of required activities and tasks. Therefore, you can develop each skill through learning and practical experience as a manager.

There are many definitions of skills that talk about talent. Talent is something personal related to an individual and shows a natural gift from nature about something inside that talented person. All persons cannot be artists. Usually, artists are born with the gift of art, but despite their talent, they continue to develop their talent to improve their art skills.

When we talk about managerial skills, we talk about the skills of a manager to maintain high efficiency in the way how his or her employees complete their everyday working tasks. Because of that, managers will need skills that will help them to manage people and technology to ensure an effective and efficient realization of their working duties.

Three Types of Managerial Skills those are essential for a successful management process:

A. Technical Skills as One Part of Management Skills

As the name of these skills tells us, they give the manager's knowledge and ability to use different techniques to achieve what they want to achieve. Technical skills are not related only for machines, production tools or other equipment, but also they are skills that will be required to increase sales, design different types of products and services, market the products and services, etc.

For example, let's take an individual who works in the sales department and has highly developed sales skills achieved through education and experience in his department or the same departments in different organizations. Because of these skills that he possesses, this person can be a perfect solution to become a sales manager. This is the best solution because he has excellent technical skills related to the sales department.

On the other hand, the person who becomes sales manager will start to build his next type of required skills. It is because if his task until now was only to work with the customers as a sales representative, now he will need to work with employees in the sales department in addition to the work with customers.

Technical skills are most important for first-level managers. When it comes to the top managers, these skills are not something with high significance level. As we go through a hierarchy from the bottom to higher levels, the technical skills lose their importance.

B. Conceptual Skills

Conceptual skills present knowledge or ability of a manager for more abstract thinking. That means he can easily see the whole through analysis and diagnosis of different states. In such a way they can predict the future of the business or department as a whole.
Why managers need these skills?
As a first, a company includes more business elements or functions as selling, marketing, finance, production, etc. All these business elements have different goals even completely opposed goals. Think about marketing and production as a business function and their specific goals. You'll see the essential difference. The conceptual skills will help managers to look outside their department's goals. So, they will make decisions that will satisfy overall business goals.
Conceptual skills are vital for top managers, less critical for mid-level managers, and not required for first-level managers. As we go from the bottom of the managerial hierarchy to the top, the importance of these skills will rise.

C. Human or Interpersonal Managerial Skills

Human or interpersonal management skills present a manager's knowledge and ability to work with people. One of the most critical management tasks is to work with people. Without people, there will not be a need for the existence of management and managers.
These skills will enable managers to become leaders and motivate employees for better accomplishments. Also, they will help them to make more effective use of human potential in the company. Simply, they are the essential skills for managers.
Interpersonal management skills are essential for all hierarchical levels in the company.

1.4.2. Levels of management

(a) Executive management: consists of the organization top policy and decision makers. The managers who assume responsible for the entire organization. E.g. president, executive vice president etc.
(b) Middle managers: are managers between first-line supervisors and top executive
E.g. Faculty heads.
(c) First - line managers: supervise operating employees. They are often called supervisors.
Unique demands are placed on front-line managers because their superiors and sub-ordinates often have widely differing attitudes, needs, and points of view.

Managerial levels	***required skills***	***primary responsibilities***
Executive management	Conceptual skills	Strategic planning and decision-making
Middle management	Human skills	Coordinating & planning for implementation
First - line management	Technical skills	Implementing

1.5. Functions of Management

Management in some form or another is an integral part of living and is essential wherever human efforts are to be undertaken to achieve desired objectives. The basic ingredients of management are always at play, whether we manage our lives or business. Management is a set of principles relating to the functions of planning, organizing, directing, and controlling, and the applications of these principles in harnessing physical, financial, human and informational resources efficiently and effectively to achieve organizational goals.

Management is essential for organized life and necessary to run all types of organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

There are basically five primary functions of management. These are:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

1. Planning

Planning is future oriented and determines an organization's direction. It is a rational and systematic way of making decisions today that will affect the future of the company. It is a kind of organized foresight as well as corrective hindsight. It involves the predicting of the future as well as attempting to control the events. It involves the ability to foresee the effects of current actions in the long run in the future.

Peter Drucker has defined planning as follows: "Planning is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectations through organized and systematic feedback".

An effective planning program incorporates the effect of both external as well as internal factors. The external factors are shortages of resources; both capital and material, general economic trend as far as interest rates and inflation are concerned, dynamic technological advancements, increased governmental regulation regarding community interests, unstable international political environments, etc.

The internal factors that affect planning are limited growth opportunities due to saturation requiring diversification, changing patterns of work force, more complex organizational structures, decentralization etc.

2. Organizing

Organizing requires a formal structure of authority and the direction and flow of such authority through which work subdivisions are defined, arranged and co-ordinated so that each part relates to the other part in a united and coherent manner so as to attain the prescribed objectives.

According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". Thus the function of organizing involves the determination of activities that need to be done in order to reach the company goals, assigning these activities to the proper personnel, and delegating the necessary authority to carry out these activities in a co-ordinated and cohesive manner. It follows, therefore, that the function of organizing is concerned with:

- Identifying the tasks that must be performed and grouping them whenever necessary
- Assigning these tasks to the personnel while defining their authority and responsibility.
- Delegating this authority to these employees
- Establishing a relationship between authority and responsibility
- Coordinating these activities

3. Staffing

Staffing is the function of hiring and retaining a suitable work-force for the enterprise both at managerial as well as non-managerial levels. It involves the process of recruiting, training, developing, compensating and evaluating employees, and maintaining this workforce with proper incentives and motivations. Since the human element is the most vital factor in the process of management, it is important to recruit the right personnel.

According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". This function is even more critically important since people differ in their intelligence, knowledge, skills, experience, physical condition, age and attitudes, and this complicates the function. Hence, management must understand, in addition to the technical and operational competence, the sociological and psychological structure of the workforce.

4. Directing

The directing function is concerned with leadership, communication, motivation and supervision so that the employees perform their activities in the most efficient manner possible, in order to achieve the desired goals. The leadership element involves issuing of instructions and guiding the subordinates about procedures and methods.

The communication must be open both ways so that the information can be passed on to the subordinates and the feedback received from them. Motivation is very important, since highly motivated people show excellent performance with less direction from superiors. Supervising subordinates would lead to continuous progress reports as well as assure the superiors that the directions are being properly carried out.

5. Controlling

The function of control consists of those activities that are undertaken to ensure that the events do not deviate from the per-arranged plans. The activities consist of establishing standards for work performance, measuring performance and comparing it to these set standards and taking corrective actions as and when needed, to correct any deviations.

According to Koontz & O'Donnell, "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". The controlling function involves:

a. Establishment of standard performance.

b. Measurement of actual performance.

c. Measuring actual performance with the pre-determined standard

d. Taking corrective action.

All these five functions of management are closely interrelated. However, these functions are highly indistinguishable and virtually unrecognizable on the job. It is necessary, though, to put each function separately into focus and deal with it.

Chapter 2.

The Evolution of Management Thought

2.1. Classical Management

Consists of three streams of thought. The first is concerned with scientific management of Frederick W. Taylor. The second is administrative management and is concerned with administration, application of principles of management. It is associated with French man Henry Fayol. The third major stream is concerned with Bureaucratic theory & concerned with bureaucratic organizations. It is identified with Max Weber.

2.1.1. Scientific Management

Emerged during, the industrial revolution of the 19th C, and the emergence of free enterprise, or capitalism and a Protestant work ethic prevailing belief that humans have an obligation to use their God given talents in productive work; provided the rapid growth of technology and production. This placed heavy demands on managers who were ill prepared to cope with masses of workers, and technological, financial & physical resources of mass production industries. The primary emphasis of managers was on production. So managers were required to develop complex organization when management theories were few & limited. It was this time that Taylor (1856 - 1915) developed theory of Scientific Management.

2.1.1.1. Frederick Winslow Taylor (1856 - 1915) Theory of scientific Management

Scientific management is a classical school of management thought emphasizing the use of scientific procedures in order to achieve high production. It also calls for the careful selection & training of workers.

Taylors scientific management called for complete mental revolution.

1st Mental revolution should occur in both the minds of workers as well as the management. They should stop arguing about how surplus should be divided but unite & discus show surplus could be increased.

2nd Using scientific efficiency method; used time & motion studies as method for designing work and set production standards how much each worker should produce.

He believed that people were basically lazy by nature. He especially disliked ‘systematic soldiering’, deliberate slowdowns & loafing promoted by informal groups.

He emphasized reward for individual performance.

2.1.2. Administrative Management

The second of the classical approach to management focused on administration. The focus is on broad concepts viewed from executive suite rather than the work level. It is also concerned with increasing productivity. The major proponent of this theory was Henri Fayol (1841- 1925) a

French engineer and geologist, was the first to propose a series of principles of management that provided guide posts for successful management.

Five of the Taylor's principles are concerned with improvement of human relation, one emphasizing production effectively & the remaining eight are concerned with administration of the organization.

2.1.2.1. Fayol's Principles of Management

i) Human relation principles

1. Subordination of individual interests: the interest of the society comes first the organization second the individuals and small group third.

2. Equity: managers should supervise with kindness & instance i.e. they should be both friendly and fair to their subordinates.

3. Work force (staff) stability: a high employee turnover is not good for the efficient functioning of an organization.

4. Initiative: subordinates should be given an opportunity to express their idea and exercise judgment in their work.

5. Esprit de corps: Group sprit and cooperation are preferable to 'divide and conquer' as principles for relating to organization.

ii) Productivity

1. **Division of labor:** the more people specialize the more efficiently they can perform their work.

iii) Administration

1. Authority: managers have a right to give orders, and their subordinates are obliged to obey and assume responsibility.

2. Discipline: Members in an organization need to respect the rules and agreements that govern the organization. Discipline will result from good leadership at all levels of the organization, fair agreements, and judiciously enforced penalties.

3. Unity of command: Each employee must receive instruction about a particular operation from only one person. When an employee reports to more than one superior, conflicts in instruction and confusion of authority would result.

4. Unity of direction: Those operations within the organization that have the same objectives should be directed by only one manager using one plan. e.g. personnel department should not have two directors, each with a differing hiring policy.

5. Centralization: Decreasing the role of subordinates in decision-making is centralization. Managers should retain final responsibility but also need to give their subordinates enough authority to do their job properly

6. Remuneration: Compensation should be fair and acceptable to both employees & organization.

7. Order: materials and people should be in the right place at the right time. People should be in position most suited to them.

2.1.3. Bureaucratic theory

Concerned with how the overall structure of an organization influences managerial effectiveness. Organizational structure consists of its position and their interrelationships, including such factors as organizational objectives, policies, procedures and operating systems. The chief advocate of bureaucratic theory is Max Weber (1864- 1920). The bureaucratic management theory, introduced by Max Weber stated that to manage an organization efficiently, it is essential to have a clear line of authority along with proper rules, procedures and regulations for controlling each business operation. Bureaucracy refers to the possessing of control over a group of people or activities through knowledge, power or authority.
This theory focuses on the following two primary criteria:

- Developing a hierarchical system in the organization;
- Defining clear procedures, methods, rules, and regulations to carry out business operations and transactions.

2.1.3.1. Weber’s pure form of Organization

Max Weber argued that the bureaucratic organizational form is characterized by six principles: 1) Specialization and Division of Labor; 2) Hierarchical Authority Structures; 3) Rules and Regulations; 4) Technical Competence Guidelines; 5) Impersonality and Personal Indifference;

1. Rationality: i.e. goal directness. The parts of a rationally structured organization are designed and coordinated to achieve specific ends.
2. Impersonality: implies objectivity in interpersonal relations. Human resource decisions in bureaucracy were to be strictly impartial based on qualifications & work demands rather than personal preferences of decision-makers. The building blocks of organizations are clearly defined offices (positions) organized into hierarchy with a fixed chain of command. Weber’s ideal bureaucratic organization was designed for efficiency, predictability, & the region of the rules.
To Weber the rational structuring of organizations was a reaction against the unwarranted influence of political control and the power of charismatic personalities or loyalty.
Modern management writers often emphasize the anticipated implications of bureaucratic organizations, such as their tendencies toward uncontrolled growth & excessive emphasis on rules rather than on goals. It becomes synonymous with inefficiency & red-tap. It is not viewed as ideal type of organization all situations.
Yet, Weber’s rationally contrived organizational structure remains the prototype from which managers make adaptations to deal with such non rational realities as the emotional needs of employees (managers, the power of informal work groups & the tact that personalities & political strategies skew an organization’s formal authorities .

2.1.4. Conclusions of classical authors (thinkers)

1) Concern for Productivity: they were concerned with the efficient production of goods and services and this emphasis led to minimizing the value of persons.
2) A rational view of human nature: Concerned with the assumption of Adam Smith that people choose the course of action that maximizes economic rewards which influenced the classical view as to how employees should be motivated.
3) A search for universals: constantly searching for one best way: for the most efficient work method the, best principle of management, the ideal organizational structure. That point of view is best understand by contrasting it with modern attempt to discover which work methods, management practices, and forms of organization are most effective in specified situation.

2.2. Industrial psychology

Based on the work of Hugo Monsterberg (1863-1966) German born experimental psychologist at Harvard. He introduced the role of psychology in terms of employee selection (Matching work and workers), satisfaction and motivation. He developed tests for employee selection & placement, which has played an important role in employee & management selection & personal qualities of effective managers. Modern industrial psychologists contributed a lot to understanding of motivation & morale, management development, conflicts resolution & stress management. They also contributed ways of research methods for studying people.

2.3. Human Relations Movement

2.3.1. Robert Own (1971-1858)

The Human relations movement is traditionally associated with a period from 1930s through the 1950s. It is associated with Robert Own (1971-1858), a textile mill owner in Scotland from 1800 to 1982. He made some noteworthy observations concerning the human factors that influenced productivity in his plant. He talked of industrial revolution as destroying morale, sense of purpose & social structure. Noting that mechanical equipment kept in good repair more than paid for itself by its increased productivity & longer life. He noted that if this were true for inanimate machines is should be true for the vital machines' (employees.) He noted that as a result of the increased attention to the needs of his personnel, he claimed that he received 50% return on his investment.

2.3.2. George Elton Mayo (1980- 1940)

Mayo's & his group were asked to solve a production & employee turnover problem in his department. Efficiency engineers tried to solve the problem by using financial incentive plan, but the workers did not produce enough to get the bonus. However, the introduction of rest period after extensive discussion with the employees produced positive results in both production & productivity & then it was the employees who were deciding when to take rests. So rest period together with employee's participation in decision-making turned the tide. His first study was on

the effect of illumination on the output of workers. Here workers were divided into two groups, experimental & control. He varied light conditions, rest period etc. But he did not observe significant changes in productivity.
Hawthorn effect: Social & psychological factors exert a powerful influence on productivity. It is the phenomena in which participants in an experiment respond to the social and psychological experience of participation rather than the experimental variables being studied.
The conclusions of human relations movement are summarized as follows:

1. Employees are essentially social beings, not merely rational economic beings.
2. As social beings, employees are members of groups. Therefore, managers should always relate to individuals with full awareness of the nature of groups & their influence on individual behavior.
3. Managerial effectiveness often depends on a relationship of mutual trust between employees & their superiors.

2.4. Classical Theory and human relations compared

The clearest contrast of classical theory and human relation was drawn by Douglas Macaegor. He called the traditional assumptions Theory X and the contrasting ones as Theory Y. The assumptions of each are given below

Theory X	Theory Y
❖ Average human being is lazy ❖ Inherently human beings dislike work. ❖ So people must be controlled and coerced with punishment	➢ It is natural for human being to like work, if it is considered as source of satisfaction ➢ but will be disliked & avoided if considered as source of punishment. ➢ If committed (determined) people directed & can exercise self-control, self-direction. ➢ Rewards associated with satisfaction (achievement) will lead to commitment. ➢ People seek responsibility

2.5. Contingency Theory

As empirical research of behavioral scientist becomes accepted, the sweeping principles and generalization of classical thinkers lost credibility. Then emerged situational management, a term conveying the idea that what works in one situation may not work in another. This led to the concept of contingency management. Both terms make the point environmental variables should be considered in selecting a course of action. But contingency management goes a step further by specifying the relationship between environmental variables such as skills & dependability of subordinates & appropriate management action, such as how much authority to use in supervising.

2.6. The Systems Approach

Contingency management attempts to understand a given management practice in a specific environment or situation. The systems approach or systems theory goes a step further by providing a frame of reference for viewing the organization as an integrated functioning organism, as a dynamic structure in which every part interacts to produce the whole. Systems oriented managers constantly think in terms of the overall mission and major goals of the total system in making decision about the system over which they have immediate control.

2.6.1. System terms & concepts

System: a set of interrelated parts that work together to achieve an objective.
Subsystem: A set of related parts that work together to achieve an objective as one component of a large system
Open & closed systems: the extremes on a continuum. Open systems interact freely with their environment while closed systems interact much less.
Input transformation: an open system receives inputs from its environment, which it transforms into outputs in interaction with environmental variables.
System boundaries: in closed systems the boundaries (lines of demarcation) between an organization and its environment are difficult to penetrate.
Steady state: is a dynamic equilibrium, homeostasis or balance an organization maintains to maintain life, health and prosperity

2.7. Management Today

Today many organizations are much like to be influenced by the classical management thinkers. Others show the idealism & people orientation of the human relations movement which strongly influence their philosophies & practice. But most organizations are the blending of the two & of other influences such as the personalities of their managers, the nature of their technologies & the dominant structures of practices of their industries. Management authors are less likely today than ever to a narrow point of view or to advocate one best way to manage.

2.7.1. Management Science: Operations research

It is a mathematically oriented aspect of management. In this technique certain factors are held constant while others are raised to stimulate real life condition. The effect of change in production costs or other action of competitors of management, alternative-marketing conditions etc.

2.7.2. Decision Theory

Mangers could be taught to improve their decisions by developing alternative solutions instead of accepting or rejecting a single solution. e.g. by the use of systematic means of breaking big decisions into a series of size decisions.

2.7.3. Behavioral Science

As behavioral scientists become deeply involved in management research and their methods become more scientific, their influence on management though grew enormously. The work of psychologists in the field of motivation, leadership, learning & perception has become basic tool of both management theorists & practicing managers. And the research of psychologists & sociologists on group dynamics, power communication & organizational politics were found to be also important.

The Behavioral science theory & methodology are much in evidence in other areas such as organizational theory & human resource management.

Chapter 3:

The Planning Function of Management

3.1. The Nature and Purpose of Planning

Planning logically is the first function to be performed. It is the process through which an organization leader decides on its objectives and how these objectives will be met. The planning function of management consists of all those activities that involve decisions about objectives and how those objectives will be achieved. It is the primary function of management. Managers plan before taking actions rather than commit themselves to vaguely conceived objectives and hope for the best.

Effective planning involves:

1. Decision making about the strategies for achieving the stated objectives.
2. Allocation of resources.
3. Scheduling to ensure timely completion of the plan.
4. Establishing the controls needed to make sure the stated objectives are achieved.

Most of the time many carefully designed plans are never implemented. So plans for transforming a plan into action are critical aspects of the planning function. Most organizations have standing plans, relatively enduring policies, procedures and methods that guide daily operating decisions. They are major contributors to stability & predictability of an organization.

3.1.1. Benefits of planning

Planning occurs in every organization be it formal or informal process. But for most managers it is highly informal process- an intuitive process of thinking through possible courses of action perhaps by discussing with other managers or colleges before taking action.

The interrelated benefits of planning discussed here are: a coordinated sense of direction,
Managerial perspective, improved decision making, increased efficiency, improved control and improved performance.

a) Coordinated sense of direction

Setting priorities is the major aspects of planning process. Where priorities are vague, conflict & poor coordination are inevitable among managers at various levels.

b) Managerial point of view

Enables to see the organization as a whole. It enables to have multiple objectives & help managers to pull back their emphasis from every day operations.

c) Improved decision-making

Planning is a decision making process; so the decisions that are made about the organizations objectives and the means of reaching them provide guideline for making subsequent decision.

d) Increased efficiency

In setting objectives management will decide what is to be one in subsequent implementation planning, management decides how those objectives are to be achieved, i.e. efficient use of resources.

e) Improved control

One of the responsibilities of managers is to maintain control, i.e. to establish clear standards or expectations & to devise methods for knowing when standards have not been made & take corrective actions.

f) Improved Performance

If the above stated benefits are carried out well, they will lead to improved performance of the organization as a whole (to achieve its objective

4.2. Classification bases for planning

We can have three bases for of planning

-Time factor

-Use

-Breadth or scope

a) Planning on the bases of time factor

This is planning that is based on time horizon under which the activities (objectives) of an organization should be accomplished.

So we can have:

i). Short range plans: plans for one year or less

ii). Intermediate range plans: plans between on year and five years

iii). Long range plans: plan for five years

b) The use dimension of planning

Plans may be divided into two major categories on the basis of their usage.

i). Single use plans

ii). Standing plans

i) Single use plans: are predetermined courses of action developed for non-repetitive situation. They includes:

-programs

-projects

-budgets

1) A program: is a large scale, single use plan involving numerous interrelated activities. It will typically specify the objectives, major steps necessary to achieve these objectives, individuals or departments responsible & resources to be employed.

2) Project: is a single use plan that is a component of a program or that is on a smaller scale than a program.

3) Budget: a financial plan listing in detail the resources or funds assigned to a particular program, project, product or division. It is considered as a single use plan since it takes into account objectives in deciding in advance how to allocate resources among alternative activities.

ii) Standing Plans: are determined courses of action developed for repetitive situations. Such plans speed the decision making process & allow the managers to handle similar situations in a

constant manner.
Included under it are:

-Policies
-Procedures
-Rules

1) Policies: are general guidelines for decision-making. They are parameters within which decisions must be made.
e.g. Human resource policies may focus upon hiring from with in

2) Procedures: are guides to action that specify in detail the manner in which activities are to be performed. They tend to be narrower in scope than policies & are intended to be used in implementing policies.

3) Rules: They are statements of action that must be taken or not taken in a given situation. They serve as a guide to behavior.

Procedures may incorporate rules, rules do not incorporate procedures, they do not specify the stated rules, and managers' discretion is limited to deciding whether or not to apply the rule.

c) The Scope or breadth dimension in Planning

The third method of categorizing plans is by scope or breadth. Some plans are very broad and long range, focusing upon key organizational objectives. Other types of plans specify how the organization will mobilize resources to achieve these objectives. The two basic types are strategic plans and tactical plans.

i) Strategic Planning: is the process of determining the major objectives of an organization and the adoption of courses of action and the allocation of resources necessary to achieve those objectives. It provides the organization with over all long-range direction and leads to the development of more specific plans, budgets, and policies.

ii) Tactical planning: this emphasizes how the strategic plans will be accomplished. It refers to the implementation of activities and the allocation of resources necessary in the achievement of the organization's objectives. It is concerned with short-term implementation of activities and resource allocations.

There are two broad kinds of tasks that are undertaken in an organization. These critical operating tasks (COTS) and strategic management tasks (SMATs).

1. **COTS:** are the basic tasks of the organization, which it must perform to justify its existence and through which it strives to achieve its mission. They involve acquiring the necessary inputs, organizing the production units to transform inputs into finished goods or services, providing technical or administrative support to others, obtaining information & feedback format from the environment concerning its out put & input transactions.
2. **SMATs:** are managerial and leadership tasks that define the uniqueness of the organization and its dynamic relation with outside environment. They involve creating the organization charter or mission, management philosophy and values, managing external environment,

defend the organization against potential threats & providing leadership to other members of the organization

4.3. Establishing Objectives

Here we will consider the critical aspect of planning, i.e. establishing objectives or goals
‘Fixing your objective is like identifying the north star you sight your compass on it and then use it as a means of getting back on the track when you tend to stray” Marshall E.Dimock.
It is possible for individuals, departments, and multi-department organizations to have goals or objectives. It is also possible to lack it.
The presence of individual organizational goal & objectives makes a big difference to performance: it increases accomplishment by focusing time, energy and talent. So organizations or individuals could suffer or benefits form not defining their objectives.
There is a difference between goals and objectives. Goals are often mere ‘wishes’ e.g. I would like to have a better job in three years; we want to be the best agricultural department, etc.
Objectives designed to produce accomplishments are far more specific and concrete. So objectives should meet following five tests

a. Are they specific?
b. Are the realistic?
c. Can their achievements be verified?
d. Do they include specific intermediate target?

a) Network of objectives

Usually an organizations goal breaks down in to a network or hierarchy of objectives. The concept of a network of objectives for an organization implies that objectives should be established for every department and every individual and such subsidiary objectives should contribute to meeting the basic objectives of the total organization.

b) Multiple objectives

‘’... To describe the single specific goal of an organization is to say very little about it. It turns out that there are several goals involved, and maximizing one will usually be at the expense of another’.
A network of integrated objectives would be easier for individuals, departments to achieve if they each pursue only a single basic goal. Conflicts could exist between various goals. eg. a given manager has to do with earnings, profitability, social responsibility and employee development.

Fig. Network of objectives

Corporate objectives
Capture 60% of the market
Division objective
Produce and sell x units
Personnel department objective
Assure staffing to meet production & sells objectives

3.4. Approaches to goal (objective) setting

a) The traditional approach

It is essentially a one-way: objectives are set by people at the top of the organization for those at lower levels. It is authoritarian approach.

Assumptions

By setting basic goals, top management can establish the framework within which subsidiary goals can be established to assure meeting the basic objectives.

It may also result from a stereotype of all subordinates as stupid and lazy people who must be coerced into doing anything useful. i.e. "bossism' a domination of subordinates without regard to the realities of the situation, like sexism & racism, it is the enemy of open mindedness & realistic thinking that are essential for effective management.

Consequences

Where the objective or the framework provided by the superior removes troublesome uncertainties for the subordinates, the objective may be a welcome classification. However, the imposition of goals can stir resentment & reduce the subordinates' sense of commitment & responsibility. Reduced motivation can occur where the subordinate's power loses its power to satisfy needs for achievement and esteem.

b) Management by Objectives (MBO)

MBO steps:

- superior provides framework
- subordinate proposes goals
- Subordinate and superior agree up on goals
- subordinate reviews progress & reports to superior
- sequence begins again

MBO is an alternative approach to setting goal that emphasizes the participation of the subordinate in setting goals within the framework provided by the superior. It involves a two-way development of objectives for every level in the management hierarchy and every unit in the organization. Objective for every unit are examined for compatibility with those of others units at the same level and for contribution to broader objectives at the next higher level.

Use of the two way approach to setting objectives must be based on stereotype of all employees as trust worthy or, preferably, on an open mindedness that permits seeing individuals for what they are and trusting the ones who warrant it.

Consequences:

When used without realistic assessment of subordinates, it can arouse so much anxiety that the subordinates experience failure in trying to set goals.

Assuming there is no history of deceit or incompetence contaminating the relationship of persons who engage in two-way objective setting, a number of motivational benefits are possible:

- Increased satisfaction of social needs: building a sense of acceptance and belonging

- Arousal of achievement and power needs: i.e. if subordinates influence important decisions.
- Increased satisfaction of needs for esteem and self-fulfillment.

c) Steps in goal setting:

1) Defining the mission

The most general plan of an organization is its purpose or mission. A mission is a firm's reason for existence.

A distinction is made between the primary motivation of investment - which could be a desire for profit, and the company's (organization) mission- provide rail transport, construct bridges, etc.

2) Assessing Organizational Resources

Potential resources of an organization include: production facilities, human resources, borrowing capacity, marketing potential, etc. Not all organizations are aware of their potential resources; as a result resources are under-utilized or stretched to the break-even point. e.g. The administrator of a large university employed high paid consultants while two of its staff is among the nationally respected professionals in insurance programs.

3) Evaluating environmental risks and opportunities

Awareness of environmental forces does not eliminate threat, but it does enable a company to stake a position in its industry that will minimize vulnerability to attack. In as much as competitors exist, it must typically be associated with five forces to which planners must respond.

- New entrants into the industry
- The barging power of suppliers
- Possibility of substitutes for products on services.
- The jockeying of existing competitors for positions

4) Establishing long-term objectives

Long-term objectives are concrete goals that collectively ensure the accomplishment of a company's mission. Long-term objectives are more specific than statements of mission. If properly written, the goals, or objectives of an individual or company can be described in terms the following qualities.

- specific
- measurable
- achievable
- written
- comprehensive
- coordinated
- prioritized
- time bound
- flexible

3.5. Characteristics of effective plans

Effective plans tend to be characterized by:

- situational appropriateness
- creativity
- practicality
- adaptability
- proper authority
- coordination
- explicitness

a) Situation appropriateness

A plan, which fits one situation well, may be totally inappropriate in another. Appropriate planning may focus on the revision of standing plans, policies, procedures, method and rules. Many of these relatively enduring plans are extremely important as guidelines for implementing strategies. Pre-occupation with strategies and goals without appropriately upgrading standing plans may undermine effective implementation. Missions, strategies & long-term objectives are established by top management. While operational plans of various types are established at lower level. A plan must be appropriate to the organizational level and its specific needs. It must be consistent with the management style, with the personalities of its managers & with the structure of the organization. However, technically sophisticated a plan might be, it will probably fail if it calls for open communication when the organizational structure is rigidly mechanistic and its automatic managers communicate only on a need to know.

b) Creativity

Some organizations plan to win others plan to survive. Some with the potential for being leaders in their fields are ultraconservative in their planning, more interested in minimizing risks and preserving the status quo than being innovative. A conservative risk avoidance to planning often seeks the least possible deviation from strategies & tactics that have proven successful in the past and settles for the first strategy discovered that will accomplish the company's mission.

Creative planners critically analyze alternative strategies and calculate risks, but they don't allow these analytical processes to block the divergent thinking and willingness to take risks that innovation involves. Creative planners are more likely to have a flair for dramatic brakes with tradition, an early switch to participate management, quality circles, & robotics. Increasing world competition is forcing rapid response to change in planning that usually places premium on creativity.

c) Practicality

A compulsion to be creativity can interfere with practicality, with workability and sound judgment about what will & will not be effective in the real world. One reason that line managers throughout an organization need to have an input into planning is that planning specialists may tend to become too creative even too scientific & mathematically precise which taking into consideration some of the mundane but important details that only persons in the work place understand.

d) Adaptability

Plans must be adaptable because their effectiveness depends in part on the influence of future events on which planners have no control and about which they have no knowledge while planning. To ensure adaptability, planners need to pause to evaluate how effective a given strategy would be under a variety of possible futures, including the worst possible set of circumstance.

e) Proper authority

A plan is failure unless it can be implemented. The role of authority proves to be especially important. What role does authority play in planning?

1. The authority of top management is required for the initiation of strategic planning
2. It is only after top management has laid the groundwork for planning by formulating strategic and long-term goals that managers down the line are able to plan nationally.
3. Effective implementation depends on effective delegation from the top to the bottom of the organization.
4. Unless top management continues to support the plans adopted, either by carrying them out or officially modifying them, planning can't be effective.

f) Coordination

A plan is effective only to the extent that managers at all organizational levels assume responsibility for a segment of the implementation. The coordination required for that to occur might be accomplished through repetitive cycles of interaction between superiors and subordinates that are practiced in management by objectives. Where plan are made at the top and goals are assigned, coordination takes place primarily through traditional lines of authority in one-to-one relationships.

Lateral coordination (horizontal rather than vertical relationship) is also important aspect of planning and may be achieved through the planned interaction of teams or work groups.

Chapter 4

The Organizing function of management

4.1. Types of organization

Assume you're an employee in a company of your choice. Now, you will interact with a certain set of people, out of your duty. Additionally, as you spend time here, you might make friends out of your work relationships, because humans are social animals. It is important to realize how both of these relationships give rise to types of organisation.

There are two types of organisation:

1. Formal Organisation
2. Informal Organisation

1. Formal Organisation

In every enterprise, there are certain rules and procedures that establish work relationships among the employees. These facilitate the smooth functioning of the enterprise. Further, they introduce a systematic flow of interactions among the employees. Effectively, all of this is done through a formal organisation. Notably, the management is responsible for designing the formal organisation in such a way that it specifies a clear boundary of authority and responsibility. Coupled with systematic coordination among various activities, it ensures achievement of organisational goals. Again, the management builds the formal organisation. It ensures smooth functioning of the enterprise as it defines the nature of interrelationships among the diverse job positions. Additionally, these ensure that the organisational goals are collectively achieved. Also, formal organisation facilitates coordination, interlinking and integration of the diverse departments within an enterprise. Lastly, it lays more emphasis on the work to be done without stressing much on interpersonal relationships.

Advantages of formal organization

The formal organisation clearly outlines the relationships among employees. Hence, it becomes easier to rack responsibilities. An established chain of commands maintains the unity of command. As the duties of each member are clearly defined, there is no ambiguity or confusion in individual roles whatsoever. Further, there is no duplication of efforts which eliminates any wastage. In a formal organisation, there is a clear definition of rules and procedures. This means that behaviors and relationships among the members are predictable. Consequently, there is stability and no chaos existing in the enterprise. Finally, it leads to the achievement of organisational goals and objectives. This is because there exist systematic and well thought out work cultures and relationships.

Disadvantages of formal organization

Decision making is slow in a formal organisation. It is important to realise that any organisational need has to flow through the respective chain of commands before being addressed. Formal organisation is very rigid in nature. This means that there prevails perfect discipline coupled with no deviations from the procedures. Hence, this can lead to low recognition of talent. Lastly, the formal organisation does not take into account the social nature of humans as it talks about only structure and work. Interestingly, we cannot eliminate this integral part of our nature. Hence, it does not entirely display the functioning of the organisation.

2. Informal Organisation

It's easy to understand that if we interact with certain people regularly we tend to get more informal with them. This is because we develop interpersonal relationships with them which are not based solely on work purposes. Rather, these relationships might arise because of shared interests, like if you get to know that your colleague likes the same football club of which you're a fan of.

As a matter of fact, informal organisation arises out of the formal organisation. This is because when people frequently contact each other we cannot force them into a rigid and completely formal structure. Instead, they bond over common interests and form groups, based upon friendship and social interactions.

Unlike formal organisation, informal organisation is fluid and there are no written or predefined rules for it. Essentially, it is a complex web of social relationships among members which are born spontaneously. Further, unlike the formal organisation, it cannot be forced or controlled by the management.

Also, the standards of behaviour evolve from group norms and not predefined rules and norms. Lastly, as there are no defined structures or lines of communication, the interactions can be completely random and independent lines of communication tend to emerge in informal organisation.

Advantages of informal organization

In this type of organisation, communication does not need to follow the defined chain. Instead, it can flow through various routes. This implies that communication in an informal organisation is much faster relative to formal organisation.

Again, humans are social animals. The needs to socialize exist deep within our existence. The informal organisation ensures that there is socialization within the enterprise. Consequently, members experience the sense of belongingness and job satisfaction.

Informal organisation, getting true feedbacks and reactions is not easy. Hence, in informal organisation, various limitations of formal organisation is covered up.

Disadvantages of informal organization

The informal organisation is random and can result in the spread of rumors. Again, we cannot manage and control informal organisation. Consequently, this may result in chaos within the enterprise.

It is important to realize that it is not possible to effect changes and grow without the support of the informal organisation. This can work in both ways, for growth or decline of the enterprise.
To point out again, informal organisation conforms to group standards and behaviors. If such behaviors are against the organisational interests, they can eventually lead to disruption of the organisation.

4.1.1. Benefits of Organization

Small organizations may require no specialization beyond distinguishing one individual's job from another's. However, as organizations become larger and involve more diverse activities, it becomes necessary to divide major tasks into departmental responsibilities. Dividing the work of the organization in to basic departmental responsibilities potentially contributes to effective management in several ways:

1. It can clarify responsibility and authority by specifying what group does what work and who reports to whom.
2. It can facilitate communication and control by grouping people with related job responsibilities.
3. It can increase the likelihood that decisions will be made where information and competence are located.
4. It can arrange for differences in emphasis and status among various activities by positioning them at different levels in the hierarchy.

All these contributions are only potential. Achieving them in practice is contingent upon finding the right organizational structure.
Young and developing organizations are especially prone to restructure themselves. Large organizations also do the same. Accordingly the management function of organizing might be considered as recognizing. So designing organization structure is a continuous or at least periodic activity by which managers attempt to adapt the organization to its changing situations.

4.2. Departmentalization/organizational division

It is the manner in which its components its department, divisions etc or any other sub unit are designed and interpreted. An important aspect of structure is the degree of formalization.
Formalization: the extent to which the units of the organization are explicitly defined and its policies, procedures and goals are clearly stated. It also includes such factors as technology, spans of control, and the number of levels in the hierarchy (layers of management). They anatomy springs life when the organization's positions are filled by people whose behavior is guided by management variables such as objectives, policies, procedures, rules, performance standards, controls, system of motivation, communication and conflict resolution.
The structural & management variables constantly interact and influence one another.
a) Division of work
As an organization grows in size, the need for structuring activities increases.

Increased organization size and a large number of employees permit specialization or division of layout.

Specialization is the concentration on one or small number of activities in order to increase efficiency.

By concentrating on a specific activity people can become more efficient by learning how best to perform that activity and by developing their skills to the outmost.

b) Departmentalization

Departmentalization is the subdividing of activities and responsibility areas into units within the organization.

This process permits the organization to realize the benefit of specialization and to coordinate the activities of the component parts.

It is usually the first step in designing an organization & it involves the grouping of work & individuals into manageable units.

I) Bases of Departmentation

As organizations grow they must constantly be organized in order to cope with increasing complexities. The most common bases of Departmentation are functional, product, customer, geography & process. So depending on their situations organization could use one or more of the bases for Departmentation

1. **Function:** is based on the nature of the work and the skills & technology that are required to perform it. E.g. Academic, Research & Administration with in a given department the work may be further subdivided
2. **Product:** Organizations with diversified product (service) frequency create managerial units based on the product.
3. **Geography:** when the number of people to be supervised is large & dispersed, territorial units afford logical means of developing manageable units.
4. **Process:** The process in which the product may be produced could be used as a basis for departmentation.

4.3. Types of Organizational structure/Charts and How to Use Them

A common method of documenting organization relationship is in the form of an organization chart. Organization chart is a blueprint of the organization indicating lines of authority with in it. It is a simplified representation of the various positions in the organization, identifying their basic function & the person or department to which each individual reports. Organizational charts are a good way to visualize reporting relationships and team roles in businesses, nonprofit organizations, educational institutions and governments. The type of organization chart you need will reflect on the type of organization you have and what information you want to focus on conveying.

Here are four types of organizational structure/charts:

1. Functional Top-Down
2. Divisional Structure

3. Matrix Organizational Chart
4. Flat Organizational Chart

1. Functional Top-Down Hierarchy

A functional, top-down organizational chart reflects a traditional business structure. This structure shows the C-Suite at the top, followed by other senior management, middle managers, and so on. The structure is divided into traditional departments like IT, marketing, finance, human resources, and operations based on everyone's functional role in the organization.

In such an organizational structure, employees with similar skillsets and specialization are grouped together. However, they often suffer from lack of visibility and communication with other departments.

2. Divisional Organizational Chart

A divisional organizational chart reflects a company organized along a product line or specific geography. For example, in a car company the divisions may represent SUVs, sedans, and electric cars. Each division than has it own functional structure like IT and marketing. A company will use a divisional set up like this when one division is sufficiently independent from another; however this kind of structure can also add some accounting and other overhead.

3. Matrix Organizational Chart

A matrix organizational chart reflects a company where employees are divided into teams by projects or product lead by a project or product manager, but also report to a functional manager. It shows a company that operates using cross-functional groups instead of vertical silos. A matrix organizational structure can help facilitate better, more open communication and create a flexible, dynamic work environment that can easily shift resources where they're needed, but it can also create confusion and frustration with dueling priorities and supervisors.

4. Flat Organizational Chart

A flat organization structure will show few or no levels of management between executives and all other employees. This type of structure empowers self-management and greater decision making ability for every employee. It's most often employed by smaller businesses, but it's not unheard of it even at larger companies.

How to Choose from Different Types of Organizations

A type of organization serves as a framework that a firm can use to establish authority among employees and communication structures. However, it is crucial that a company chooses a type that suits its needs best.

1. Size

Size is a major determining factor when deciding what organization to adopt. A small to medium-sized business does not require a vast and highly detailed organizational structure. On the other hand, larger companies require more intense frameworks to ensure that operations run smoothly. Such firms employ more staff; hence, require more managers. For such companies, a matrix organization is the most suitable.

2. Life Cycle

A firm’s life cycle is another essential factor to consider when setting up a company’s organization. Business owners who are trying to grow and expand their operations should choose a structure that allows for flexibility and smooth expansion.

3. Business Environment

Another factor that comes into play when determining the type of organization is the external business environment. A dynamic business setting where the consumers’ needs change constantly requires a stable and sound organizational structure that can weather the storm.

Organizational Chart Uses

An organizational chart has five principal uses:

1. To Show Management Structure. It shows the management structure of the organization at a glance. It can also show other organizational structures, such as relationships between companies with common or affiliated ownership.
2. To Show Other Organizational Structure

   Other hierarchies, such as business ownership structures, can be shown using org charts.
3. As a Planning Tool

   Org charts are used to visualize and plan company reorganizations.
4. An Employee Reference

   It provides a reference for employees to help them understand their role in the organization, who they report to, and who reports to them.
5. An Employee Directory

   Adding other information, such as headshots, telephone numbers and email addresses allows the org chart to also function as an employee directory.

CHAPTER FIVE

LEADING FUNCTION OF MANAGEMENT

5.1. Definition of Leadership

What is leadership?

Each of us believe we have a good idea about what it means to be a good leader, but when it comes to defining the concept, the picture is not so clear. For some, leadership is motivation, for others, it equals results, for others it is inspiration. A simple definition is that leadership is the art of motivating a group of people to act towards achieving a common goal. In a business setting, this can mean directing workers and colleagues with a strategy to meet the company's needs.

This leadership definition captures the essentials of being able to inspire others and being prepared to do so. Effective leadership is based upon ideas (whether original or borrowed), but won't happen unless those ideas can be communicated to others in a way that engages them enough to act as the leader wants them to act. Put even more simply, the leader is the inspiration and director of the action. He or she is the person in the group that possesses the combination of personality and leadership skills that makes others want to follow his or her direction.

Leadership is the ability of an individual or a group of individuals to influence and guide followers or other members of an organization.

1. The individuals who are the leaders in an organization, regarded collectively.
2. The activity of leading a group of people or an organization or the ability to do this.

Leadership involves:

- establishing a clear vision,
- sharing that vision with others so that they will follow willingly,
- providing the information, knowledge and methods to realize that vision, and
- Coordinating and balancing the conflicting interests of all members and stakeholders.

A leader steps up in times of crisis, and is able to think and act creatively in difficult situations.

Unlike management, leadership cannot be taught, although it may be learned and enhanced through coaching or mentoring. Someone with great leadership skills today is Bill Gates who, despite early failures, with continued passion and innovation has driven Microsoft and the software industry to success.

3. The act of inspiring subordinates to perform and engage in achieving a goal.

Leadership involves making sound -- and sometimes difficult -- decisions, creating and articulating a clear vision, establishing achievable goals and providing followers with the knowledge and tools necessary to achieve those goals.

Leaders are found and required in most aspects of society, from business to politics to region to community-based organizations.

5.2. Theories of Leadership

What are Leadership Theories?

Leadership theories are schools of thought brought forward to explain how and why certain individuals become leaders. The theories emphasize the traits and behaviors that individuals can adopt to boost their own leadership abilities. Early studies on the psychology of leadership pointed to the fact that leadership skills are inherent abilities that people are born with. It was not until recently that formal leadership theories emerged, despite leadership becoming a concept of interest at the beginning of time.

Key Leadership Theories

1. Great Man Theory

According to the Great Man Theory (which should perhaps be called the Great Person Theory), leaders are born with just the right traits and abilities for leading – charisma, intellect, confidence, communication skills, and social skills.

The theory suggests that the ability to lead is inherent – that the best leaders are born, not made. It defines leaders as valiant, mythic, and ordained to rise to leadership when the situation arises. The term "Great Man" was adopted at the time because leadership was reserved for males, particularly in military leadership.

2. Trait Theory

The Trait Theory is very similar to the Great Man Theory. It is founded on the characteristics of different leaders – both the successful and unsuccessful ones. The theory is used to predict effective leadership. Usually, the identified characteristics are compared to those of potential leaders to determine their likelihood of leading effectively.

Scholars researching the trait theory try to identify leadership characteristics from different perspectives. They focus on the physiological attributes such as appearance, weight, and height; demographics such as age, education, and familial background; and intelligence, which encompasses decisiveness, judgment, and knowledge.

3. Contingency Theory

The Contingency Theory of Leadership states that a leader's effectiveness is contingent upon with how his or her leadership style matches to the situation. That is, the leader must find out what kind of leadership style and situation he or she thrives in. The Contingency Theory is concerned with the following: "There is no one best style of leadership" A leader is effective when his or her style of leadership fits with the situation.

History of Contingency Theories

The Contingency Theory of leadership was developed by Fred Fiedler in 1958 during his research of leader effectiveness in group situations (Fiedler's, n.d). Fiedler believed that one's effectiveness to lead depended on their control of the situation and the style of leadership. Unlike the Situational Theory of leadership, leader effectiveness is contingent on the leader's style matching the situation, not adapting to it. This theory assumes that styles are fixed, and that they cannot be adapted or modified. A leader is most effective when his or her attributes and style of leadership is matched with the situation and environment around them (Gupta, 2009).

4. Situational Theory

The Situational Theory is similar to the Contingency Theory as it also proposes that no one leadership style supersedes others. As its name suggests, the theory implies that leadership depends on the situation at hand. Put simply, leaders should always correspond their leadership to the respective situation by assessing certain variables such as the type of task, nature of followers, and more.

As proposed by US professor Paul Hersey and leadership guru Ken Blanchard, the situational theory blends two key elements: the leadership style and the followers' maturity levels. Hersey and Blanchard classified maturity into four different degrees:

M1 – Team members do not possess the motivation or tactical skills to complete necessary jobs.

M2 – Team members are willing and ambitious to achieve something, but they lack the necessary ability.

M3 – Team members possess the skills and capacity to accomplish tasks, but they're not willing to take accountability.

M4 – Team members possess all the right talents and are motivated to complete projects.

According to situational theory, a leader exercises a particular form of leadership based on the maturity level of his or her team.

5. Behavioral Theory

In Behavioral Theory, the focus is on the specific behaviors and actions of leaders rather than their traits or characteristics. The theory suggests that effective leadership is the result of many learned skills.

Individuals need three primary skills to lead their followers – technical, human, and conceptual skills. Technical skills refer to a leader's knowledge of the process or technique; human skills means that one is able to interact with other individuals; while conceptual skills enable the leader to come up with ideas for running the organization or society smoothly.

Applying Leadership Theories at the Workplace

To a great extent, leadership theories have helped form and shape the kind of governance that exists today. Many aspects of these theories can be applied to help one improve his or her leadership skills.

1. Maximize Your Strengths

As proposed by the Trait Theory, effective leadership depends on the traits that one possesses. Leaders should strive to focus on their strengths rather than their weaknesses. The strengths vary from one leader to another and may include:
A strong will is crucial to staying resilient and seeing leaders through difficult times. No matter how challenging the situation may be, a strong-willed leader is able to find inner strength and carry on until he overcomes all challenges.
A decisive nature is another strength that some leaders possess. Decisiveness means that when others may be perplexed, a leader can calmly assess the situation and choose one action to unite everyone by. But, since they may not always make the right decisions, they must also be willing to learn from their mistakes.

2. Be Inclusive Leaders

Some of the more complex situational theories emphasize focusing on people. It means that they acknowledge individual people to be their greatest assets and not just mere numbers in their workforce. Being an inclusive leader requires that one constantly involves other people in their leadership, whether it be by always welcoming the feedback of others or delegating more responsibility to others than other forms of leadership.

5.3. Trait Approach to Leadership

The trait approach to leadership was one of the earliest theories of leadership. Although it is not a fully articulated theory with well-developed hypotheses, the trait approach formed the basis of most early leadership research. This approach focuses on the personal attributes (or traits) of leaders such as physical and personality characteristics, competencies, and values. It views leadership solely from the perspective of the individual leader. Implicit in this approach is the assumption that traits produce patterns of behavior that are consistent across situations. That is, leadership traits are considered to be enduring characteristics that people are born with and that remain relatively stable over time.
This style of leadership gives more credence to the qualities a person is born with rather than what they develop or the relationships they develop with followers. Leadership trait theory is the idea that people are born with certain character traits. This is the style that is attributed to a leader who others see as “a born leader”. The innate qualities and characteristics possessed by strong leaders. These traits, while not totally responsible for an individual's success as a leader, are influential in the success of the leader.
Trait theory assumes that leaders share certain physical, psychological and sociological characteristics which determine their effectiveness. Height and appearance are examples of physical leadership traits. Examples of psychological traits include intelligence or charisma, and sociological characteristics include education level or socio-economic class. Trait theory focuses on the individual as the leader and ignores follower needs or situational requirements.

The trait approach to leadership concentrates on the idea that great leaders are born with the given abilities, and not a learned ability. Individuals are brought into this world with all of the characteristics needed to become a great leader.
The trait approach theory of course comes with a fair share of controversy. Numerous studies have tried to narrow down the specific personality traits that make up a good leader giving us items such as drive, self-confidence, honesty, integrity, and tolerant. While these might be good traits of a leader, they are not necessarily traits that all leaders exhibit. For example, one of the most influential leaders in the world was Adolf Hitler. While Hitler exhibited traits such as drive and self-confidence, I would say he was lacking on certain traits such as integrity and honesty. Think of leadership traits in a comparison to your hand. A thumb is a finger, but not all fingers are thumbs. A great leader can have honesty and integrity, but not all leaders have honesty and integrity.
The trait theory also indicates that great leaders cannot be made, or learned. If you are not born with specific personality traits, you are not destined to be a leader. I think the ability to learn is a quality of a great leader. Being able to learn from your mistakes and apply them towards future leadership situations is a fantastic characteristic to exhibit.

5.3.1 Common traits a leader must have:

Intelligence: Developing intelligence is a lifestyle choice. Having strong verbal ability, perceptual ability and reasoning appears to make on a better leader. Most people want to follow someone they feel is "smart", able to problem solve and have strong social skills. While it is good to be bright, a leader's intellectual ability should not be too much from that of his or her followers. This too, would depend on the situation.
Self-confidence: The ability to be certain about one’s competencies and skills. This allows the leader to move ahead because they believe that what they are doing is correct. They have the skills to be successful.
Determination: The desire to get the job done. Individuals with determination are willing to assert themselves, take initiative and be persistent. This could also be shown as dominance.
Integrity: The quality of honesty and trustworthiness. The leader with a high level of integrity will take responsibility for his or her actions.
Sociability: This refers to a leader’s ability to seek out pleasant social relationships. Leaders with a high degree of sociability are friendly, outgoing, courteous, tactful and diplomatic.

Trait Theory Strengths

Intuitively, the trait theory approach to leadership makes sense, and the theory has withstood testing and research since the 1920s. Having a list of traits that predict leadership success can provide companies with a blueprint or inventory to use when recruiting leaders or grooming junior workers for leadership positions. Finally, the approach provides a deep understanding of what makes an individual successful as a leader.

Trait Theory Weaknesses

The trait approach to leadership has several limitations. The theory focuses solely on the leader and does not factor in the needs of followers or the situational dynamics. Trait theory identifies those with the potential for leadership, but having any of the identified traits is not a guarantee of success. Not all traits identified as leadership markers help in all situations. For example, height may be an indicator of leadership success in the military or other industry which depends on physical strength, but may not carry as much influence in business. Finally, the amount of a certain trait is also controversial. For example, the most effective business leaders have above average intelligence, but are not geniuses, according to Gill.

How does trait leadership work?

Trait leadership focuses on the leader, not necessarily the followers or the situation. The leader exhibits a certain set of traits to be an effective leader. Trait leadership works well for organizations with managers in leadership positions have specific traits. Then the company will go out and get the people with those traits. They are not interested in developing these traits, they want them immediately. The person fits the needs of the organization. Or, if an organization has the time, they will help develop an individual's traits. School is a good example of an organization in this situation.

5.4. Style of Leadership

'Leadership is not a position or a title, it is action and example'—Unknown

No matter what your job responsibilities entail, you would be expected to showcase your leadership skills at some point or the other at the workplace. Exhibiting leadership is an extension of your personality that speaks volume about your credibility as a working professional.

With the changing times, the definition of leadership is also changing. A leader is no more seen as a powerful or an influential personality telling people what to do and what not to. He/She is someone who has the ability to take the team members in the right direction by leading them from the front not the otherwise.

With so much being talked about leadership, it makes sense to first define what exactly is the thing called leadership and how it is useful to elevate your career growth. "Simplify the way you manage your projects and teams. Switch to ProofHub."

A leadership style refers to a leader's characteristic behaviors when directing, motivating, guiding, and managing groups of people. Great leaders can inspire political movements and social change. They can also motivate others to perform, create, and innovate. As you start to consider some of the people who you think of as great leaders, you can immediately see that there are often vast differences in how each person leads. Fortunately, researchers have developed different theories and frameworks that allow us to better identify and understand these different leadership styles.

Here are just a few of the most prominent leadership styles that have been identified.

1. Democratic Leadership/participative leadership/Commonly Effective

Democratic leadership is exactly what it sounds like -- the leader makes decisions based on the input of each team member. Although he or she makes the final call, each employee has an equal say on a project's direction. Democratic leadership is one of the most effective leadership styles because it allows lower-level employees to exercise authority they'll need to use wisely in future positions they might hold. It also resembles how decisions can be made in company board meetings.

2. Autocratic Leadership/authoritarian leadership/Rarely Effective

Autocratic leadership is the inverse of democratic leadership. In this leadership style, the leader makes decisions without taking input from anyone who reports to them. Employees are neither considered nor consulted prior to a direction, and are expected to adhere to the decision at a time and pace stipulated by the leader. Frankly, this leadership style stinks. Most organizations today can't sustain such a hegemonic culture without losing employees. It's best to keep leadership more open to the intellect and perspective of the rest of the team.

3. Laissez-Faire Leadership/Delegative Leadership/Sometimes Effective

If you remember your high-school French, you'll accurately assume that laissez-faire leadership is the least intrusive form of leadership. The French term "laissez faire" literally translates to "let them do," and leaders who embrace it afford nearly all authority to their employees.

Although laissez-faire leadership can empower employees by trusting them to work however they'd like, it can limit their development and overlook critical company growth opportunities. Therefore, it's important that this leadership style is kept in check.

4. Strategic Leadership/Commonly Effective

Strategic leaders sit at the intersection between a company's main operations and its growth opportunities. He or she accepts the burden of executive interests while ensuring that current working conditions remain stable for everyone else. This is a desirable leadership style in many companies because strategic thinking supports multiple types of employees at once. However, leaders who operate this way can set a dangerous precedent with respect to how many people they can support at once, and what the best direction for the company really is if everyone is getting their way at all times.

5. Transformational Leadership/Sometimes Effective

Transformational leadership is always "transforming" and improving upon the company's conventions. Employees might have a basic set of tasks and goals that they complete every week or month, but the leader is constantly pushing them outside of their comfort zone.

This is a highly encouraged form of leadership among growth-minded companies because it motivates employees to see what they're capable of. But transformational leaders can risk losing sight of everyone's individual learning curves if direct reports don't receive the right coaching to guide them through new responsibilities.

6. Transactional Leadership/Sometimes Effective

Transactional leaders are fairly common today. These managers reward their employees for

precisely the work they do. A marketing team that receives a scheduled bonus for helping generate a certain number of leads by the end of the quarter is a common example of transactional leadership.
Transactional leadership helps establish roles and responsibilities for each employee, but it can also encourage bare-minimum work if employees know how much their effort is worth all the time. This leadership style can use incentive programs to motivate employees, but they should be consistent with the company's goals and used in addition to unscheduled gestures of appreciation.

7. Bureaucratic Leadership/Rarely Effective

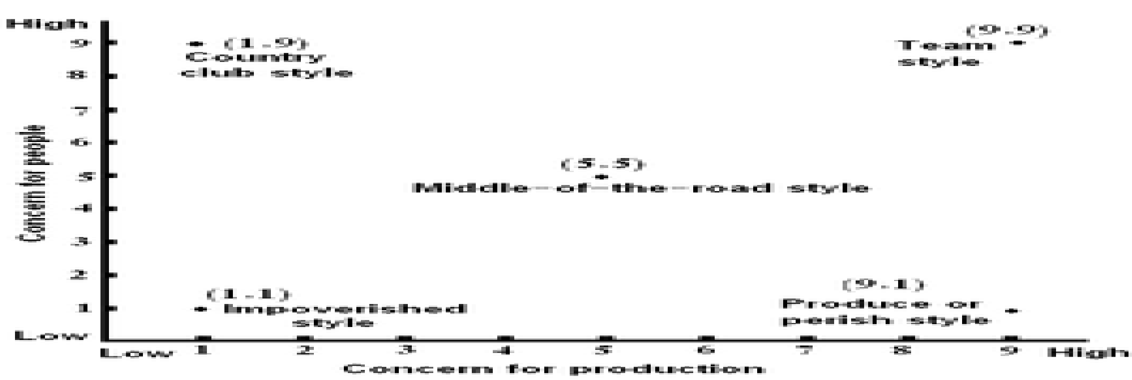
Bureaucratic leaders go by the books. This style of leadership might listen and consider the input of employees -- unlike autocratic leadership -- but the leader tends to reject an employee's input if it conflicts with company policy or past practices.
Employees under this leadership style might not feel as controlled as they would under autocratic leadership, but there is still a lack of freedom in how much people are able to do in their roles. This can quickly shut down innovation, and is definitely not encouraged for companies who are chasing ambitious goals and quick growth.

5.5. Leadership Grid

5.5.1. Leadership Grid and its association with leadership styles

The Leadership Grid is a model of behavioral leadership developed in the 1950s by Robert Blake and Jane Mouton. Previously known as the Managerial Grid, the Leadership Grid is based on two behavioral dimensions: concern for production, which is plotted on the X-axis on a scale from one to nine points; and concern for people, which is plotted on a similar scale along the Y-axis.
The model identified five leadership styles by their relative positions on the grid:

- Impoverished (concern for production = 1; concern for people = 1)
- Produce or Perish (9, 1)
- Middle of the Road (5, 5)
- Country Club (1, 9)
- Team (9, 9)



1. The Indifferent or Impoverished (1,1)

These leaders have minimal concern for people and production. Their priority is to fly under the radar while they content to seek solutions that won't bring any negative focus to themselves or their department. Preserving their employment, position as well as their seniority is what drives their elusive and evading behaviors. In short, the indifferent leaders are ineffective and are sorely lacking in any of the traits that can be attributed to successful and effective leaders.

Impact on employees:

- × Employees have a high degree of dissatisfaction
- × No harmony within the group
- × High turn over

Impact on organization:

- × Inefficient operation

2. The Country Club or Accommodating (1, 9)

These leaders will go above and beyond to ensure that the needs and desires of his employees are met. These leaders are making the assumption that their staff will yield maximum results as they are likely to be self-motivated when they are lead in such environment. These leaders will have behaviours that will yield and comply with the needs of their staff. The productivity of the group however, can suffer from the lack of attention on tasks.

Impact on employees:

- × Employees are Happy
- × Good team harmony

Impact on organization:

- × Low productivity

3. The Status Quo or Middle-of-the-Road (5, 5)

These leaders balance out the needs of their staff with those of the organization, while not adequately achieving either. These leaders will balance and compromise their decisions, often endorsing the most popular one. They dedicate minimal efforts towards facilitating the achievements of their staff or the production results in average or below average levels.

Impact on employees:

- × Employees are not really discontent nor are they happy
- × Good harmony within the group

Impact on organization:

- × Average performance

4. The Dictatorial or Produce, Perish or Control (9, 1) Similar to autocratic leader

These leaders focus all of their attention to production-related matters and very little towards the needs of their employees. These leaders will direct and dominate while holding the belief that efficiency gains can only be achieved through rigid disciplines especially those that don't require human interaction. Employees are considered expendable resources. Productivity is usually short lived as high employee attrition is unavoidable. The dictatorial style is inspired by the McGregor X theory.

Impact on employees:

- × Employees experience a high level of dissatisfaction
- × High level of conflict within the group

Impact on organization:

- × High employee turnover
- × Peak performance is short lived

5. The Sound or Team (9, 9)

According to Dr. Robert R. Blake and Dr. Jane Srygley Mouton (and I agree), the sound leader is the most effective leadership style. These leaders will contribute and are committed, can motivate and are motivated while holding the belief that trust, respect, commitment and employee empowerment are essential for fostering a team environment where team members are motivated, thus resulting in maximum employee satisfaction as well as the most efficient productivity. This sound leadership style is also inspired by the McGregor Y theory.

Impact on employees:

- × Employees are forming a highly cohesive team
- × Employees are satisfied
- × Employees are motivated and work as a team

Impact on organization:

- × Low employee turnover
- × Attracts highly skills employees
- × Efficient organization

5.5.2. Contingency Leadership Theory

What is the Contingency Theory?

The Contingency Theory of Leadership states that a leader's effectiveness is contingent upon with how his or her leadership style matches to the situation. That is, the leader must find out what kind of leadership style and situation he or she thrives in. The Contingency Theory is concerned with the following: "There is no one best style of leadership" A leader is effective when his or her style of leadership fits with the situation.

History of Contingency Theories

The Contingency Theory of leadership was developed by Fred Fiedler in 1958 during his research of leader effectiveness in group situations (Fiedler's, n.d). Fiedler believed that one's effectiveness to lead depended on their control of the situation and the style of leadership. Unlike the Situational Theory of leadership, leader effectiveness is contingent on the leader's style matching the situation, not adapting to it. This theory assumes that styles are fixed, and that they cannot be adapted or modified. A leader is most effective when his or her attributes and style of leadership is matched with the situation and environment around them (Gupta, 2009).

CHAPTER SIX

CONTROLLING FUNCTION OF MANAGEMENT

6.1 Definition of controlling

Controlling: following planning, organizing and leading – is the fourth management function. As indicated in the latter sections of this module, controlling is a six-stage process designed to ensure that a firm's strategies and plans will be put into effect successfully. It has long been recognized as an important part of effective managerial practice.

The Nature of Controlling

Today's development organizations often face difficult conditions in their external and internal environments. In addition, coordinating the work of many individuals and groups is quite challenging. Because of this, organizations do not always function smoothly. When they do not achieve the results they intended, they must change their actions. Such changes are necessary to maintain organizations health and to ensure accomplishment of its mission, objectives, strategies and plans. The systems and techniques necessary to bring about change are developed and implemented through the controlling function.

It is important to realize that some managers rely too heavily on the controlling function. This is because controls allow managers to reduce the amount of variation in individuals' work. With less variation, the conditions managers face become more predictable. Thus, the tendency to rely too extensively on controls is understandable.

However, success in today's organizational achievement requires the creative energies of an organization's entire workforce. The use of too many controls prevents employees from using their innovative talents. First-, middle-, and top-level managers should use only controls that are appropriate to the conditions they face. For example, mature, experienced employees require fewer controls than do those who are just beginning to develop their work skills. Generally speaking, managers should use the controlling function to set the parameters within which employees are encouraged to use their innovative abilities in pursuit of the firm's mission.

Who Controls?

In the most effectively controlled organizations, many people do the controlling. Finance controllers, all levels of managers, organizational planners, quality control analysts, and, potentially, every employee in the organization contributes significantly to the controlling process. At the highest level, members of the board of directors are responsible for controlling the entire organizations actions and accomplishments. The responsibilities of the board of directors are especially critical with respect to the proper use of the organization's assets.

The traditional controlling model was designed to establish order in the workplace and allow managers to exercise direct control over employees. A more commonly accepted model of controlling today recognizes that employees respond best and most creatively not when they are tightly controlled by management, placed in narrowly defined jobs, and treated like an unwelcome necessity, but, instead, when they are given broader responsibilities, encouraged to contribute, and helped to take satisfaction in their work.

6.1.1. The Importance and Limitations of Controlling

A. Importance of Controlling

1. Helps in achieving organisational goals:

When the plans are made in the organisation these are directed towards achievement of organisational goal and the controlling function ensures that all the activities in the organisation take place according to plan and if there is any deviation, timely action is taken to bring back the activities on the path of planning.

2. Judging accuracy of standards:

Through strategic controlling we can easily judge whether the standard or target set are accurate or not. An accurate control system revises standards from time to time to match them with environmental changes.

3. Making efficient use of Resources:

Like traffic signal control guides the organisation and keeps it on the right track. Each activity is performed according to predetermined standards. As a result there is most and effective use of resources.

4. Improving employee motivation:

An effective control system communicates the goals and standards of appraisal for employees to subordinates well in advance.

A good control system also guides employees to come out from their problems. This free communication and care motivate the employees to give better performance.

5. Ensures order and discipline:

Control creates an atmosphere of order and discipline in the organisation. Effective controlling system keeps the subordinates under check and makes sure they perform their functions efficiently.

Sharp control can have a check over dishonesty and fraud of employees. Strict control monitor, employees work on computer monitor which brings more order and discipline in work environment.

6. Facilitate coordination in action:

Control helps to maintain equilibrium between means and ends. Controlling makes sure that proper direction is taken and that various factors are maintained properly. All the departments are controlled according to predetermined standards which are well coordinated with one another. Control provides unity of direction.

7. Controlling helps in improving the performance of the employees:

Controlling insists on continuous check on the employees and control helps in creating an atmosphere of order and discipline. Under controlling function it is made sure that employees are aware of their duties and responsibilities very clearly.
They must know clearly the standards against which their performance will be judged. These standards help the employees to work efficiently.

8. Controlling helps in minimizing the errors:

Small errors or small mistakes may not seriously affect the organisation. But if these errors are repeated again and again it will become a serious matter and can bring disaster for the organisation.
An effective controlling system helps in minimizing the errors by continuous monitoring and check. The managers try to detect the error on time and take remedial steps to minimize the effect of error.

B. Limitations of Controlling:

1. Difficulty in setting quantitative standards:

Control system loses its effectiveness when standard of performance cannot be defined in quantitative terms and it is very difficult to set quantitative standard for human behaviour, efficiency level, job satisfaction, employee's morale, etc. In such cases judgment depends upon the discretion of manager.

2. No control on external factors:

An enterprise cannot control the external factors such as government policy, technological changes, change in fashion, change in competitor's policy, etc.

3. Resistance from employees:

Employees often resist control and as a result effectiveness of control reduces. Employees feel control reduces or curtails their freedom. Employees may resist and go against the use of cameras, to observe them minutely.

4. Costly affair:

Control is an expensive process it involves lot of time and effort as sufficient attention has to be paid to observe the performance of the employees. To install an expensive control system organisations have to spend large amount. Management must compare the benefits of controlling system with the cost involved in installing them. The benefits must be more than the cost involved then only controlling will be effective otherwise it will lead to inefficiency.

6.2. Types of Control

An organization gains commitment from all of its employees when it establishes controlsat three organizational levels: operational, tactical and strategic controls.

1. Operational Control

Operational control is concerned with activities related to the out puts of organizational goods or the provision of its services. An example is recording daily activities in order to measure an individual's or group's performance. Generally, first-level managers are responsible for operational control. The controls they develop must be consistent with the guidelines and controls developed by middle- and top-level managers.

2. Tactical Control

Tactical control concerns how well an organization's actions are being received in the by end users. Middle-level managers synchronize the strategies of the organization with the day to day operations. Conducting feedback sessions to evaluate the relationship between an organization and one of its client groups is an example of tactical control. Tactical controls must be consistent with guidelines set by top-level managers and supportive of controls established by first-level managers.

3. Strategic Control

Through ***strategic control***, top-level managers examine the accuracy of their assumptions about general economic, social and political conditions and the actions of other computing organizations. Comparing an organizations strategic performance with that of similar organizations is an example of strategic control. In addition, top-level managers attempt to predict future environmental conditions that may call for adjustments in the organization's strategies or plans. Through effective integration of these three levels of control, all employees can have meaningful opportunities to participate in the development of controls.

6.3. The Organizational Controlling Process

The control process involves carefully collecting information about a system, process, person, or group of people in order to make necessary decisions about each. Managers set up control systems that consist of four key steps:

1. **Establish standards to measure performance**. Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance. Standards generally are classified into two-

Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.

Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2. **Measure actual performance**. The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-
    - Attitude of the workers,
    - Their morale to work,
    - The development in the attitudes regarding the physical environment, and
    - Their communication with the superiors.

   It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3. **Comparison of actual and standard performance-**. Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, " If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

   Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-
    - Erroneous planning,
    - Co-ordination loosens,
    - Implementation of plans is defective, and
    - Supervision and communication is ineffective, etc.

4. **Take corrective actions**. Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-
    a. Taking corrective measures for deviations which have occurred; and
    b. After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

These steps must be repeated periodically until the organizational goal is achieved.

6.4. Characteristics of effective controls

Controlling system can broadly be classified as budgetary and non-budgetary in nature. Let us see what do we mean by these two broad categories of control one after the other.

A) Budgetary Control

A budget is a plan expressed in monetary terms. The process of preparing a budget is planning in every sense of the word, and the budget itself is the resultant plan. As such, the budget, like any other plan, should possess the characteristics of objectivity, flexibility, and structuralization (laid out in sufficient detail and clarity that it is capable of precise execution). The extent to which a budget reflects these characteristics is a measure of its probable success.

Budget preparation is a planning process, but once prepared, the budget becomes part of an organization’s control system. The first step in control is to set standards (production, inventory, spending, and so forth). The budget itself constitutes a set of standards. The second step, the measurement of performance against accepted standards, can be carried out with unusual precision in the area of budgetary controls because the standards are expressed solely in quantitative terms.

To maximize the effectiveness of budgets, three actions are recommended in their implementation. First, since budgets are used to guide managerial decisions, managers should have input into the goals their budgets support. This participation enhances managerial awareness of the purposes of budgets and of the performance expected. In order to give the managers of budgets every opportunity to perform as effectively as possible, top-managers need to clearly communicate their expectations.

Second, control centers need to be established so that primary responsibility for results can be easily traced to specific managers. Without points of control, it is difficult for managers to understand the reason for differences in budgeted and actual results and, subsequently, to take appropriate action. Managers need to be aware of their responsibilities and held accountable for those activities within their control.

Finally, performance evaluators need to employ management by exception to detect budget deviations. Systems need to be developed that make obvious any deviation from budget beyond acceptable tolerances. At the earliest possible time, managers need to be informed of the results of their decisions by the persons evaluating their performance and by those monitoring compliance with budget requirements. Early feedback reduces deviation from standards and assists managers in meeting goals.

B) Non-budgetary Control

Although budgets are one of the most widely used control techniques, note that they are just one of several control devices. Budgets involve potential dangers as well as distinct advantages. One of the strengths of budgets- the conversion of all aspects of organizational performance into money units, a single comparable unit of measurement– can become its greatest weakness if it results in measuring only those things that are easy to measure, i.e., those aspects of organizational performance readily converted into money. Equally important factors, such as managerial and organizational development, may be ignored because achievement in these areas is not readily convertible into money units.

Second, there is a danger of confusing symptoms and causes. A decline in revenue from sales does not necessarily call for greater sales effort; instead, the real cause may be a poor product, the actions of competitors, or general economic conditions. And finally, there is a danger of autocratic control by the staff organization. The function of the controller or the budget director is to coordinate and guide the development of budgets, but the actual control of performance is in the hands of the line managers.

CHAPTER SEVEN

COORDINATION, AUTHORITY AND POWER

Introduction

We have studied about management and its functions so far. For an organization to be effective, the different functions and its different elements should be coordinated in a good way. To do so, the authority and power relationship among the different management levels has to be clearly identified for it gives guidance to distinguish who is responsible for what including the accountability issues. Managers are leaders who influence behavior of their subordinates; power is needed to be an effective leader. There are different kinds of power such as legitimate power, coercive power, referent power, reward power, expert power and others. In this chapter, concept of power, delegation of authority and decision making process are dealt with in relation to organizational coordination.

7.1. Authority and Power Relationship

What is authority? **How does it differ from Power**?

Power is a much broader concept. It is the ability of individuals or groups to induce or influence the beliefs or actions of other persons or groups. Authority in organization is the right in a position (and through it the person occupying the position) to exercise discretion in making decisions affecting others. It is, of course, one type of power, i.e. power in an organization setting.

Although there are many different bases of power, the power we are most concerned with is a *legitimate power*. It normally arises from position and derives from our cultural system of rights, obligations, and duties, whereby a 'position' is accepted by people as being 'legitimate'.
Power may also come from the expertise of a person or a group. This is the power of knowledge usually called *expert power*. Physicians, lawyers, and university professors may have considerable influence on others because they are respected for their special knowledge. Power may further exist as *referent power*, i.e. influence that people or groups may exercise because people believe in them and their ideas.

In addition, power arises from the ability of some people to grant rewards. Purchasing agents, with little position power, might be able to exercise considerable influence by their ability to speed up or delay a much-needed spare part. Also, university professors have considerable *reward power*; they can grant or withhold high grades.

Coercive power is still another type. Although closely related to reward power and normally arising from legitimate power, it is the power to punish either by firing a subordinate or withholding a merit.

Functional Authority

Functional authority is the right which is delegated to an individual or a department to control specified processes, practices, policies, or other matters relating to activities undertaken by persons in other departments.

7.2. Decentralization and Delegation of Authority

Why do you think that departments, faculties or colleges are established under Debremarkos University? Do you agree that we call it decentralization? Why?

A) Decentralization of Authority

Decentralization of authority is the tendency to disperse decision-making authority in an organized structure. It is a fundamental aspect of delegation; to the extent the authority is not delegated, it is centralized. How much should authority be concentrated or dispersed through the organization? There could be absolute centralization of authority in one person. But that implies no subordinate managers and, therefore, no structured organization. Some decentralization exists in all organizations. On the other hand, there cannot be absolute decentralization, for if managers should delegate all their authority, their status as managers would cease; their position would be eliminated, and there would again be no organization.

Different kinds of Centralization

The term “centralization” has several meanings:

1. *Centralization of performance:* refers to the geographic concentration, such as illustrated by a company operating in a single location.
2. *Departmental centralization:* refers to the concentration of specialized activities generally in one department. For example, a single department may carry out maintenance for a whole plan.
3. *Centralization as an aspect of management:* is the tendency to restrict delegation of decision-making. Managers hold at or near the top a high degree of authority in the organizational hierarchy.

B) Delegation of Authority

Just as no one person in an organization can do all the tasks necessary for accomplishing a group purpose, so it is impossible, as an organization grows, for one person to exercise all the authority for making decisions; there is a limit to the number of person managers can effectively supervise and for whom they can make decisions. Do you remember what we call this concept in management from module 1? Yes, we call it span of management. Once this limit has been passed, authority must be delegated to subordinates, who will make decisions within the area of their assigned duties.

Authority is delegated when a superior gives a subordinate discretion to make decisions. Clearly, superiors cannot delegate authority they do not have, whether they are board members, presidents, vice-presidents, or supervisors.

The process of delegation involves (1) determining results expected from a position, (2) assigning tasks to a position, (3) granting authority commensurate for accomplishing assigned tasks, and (4) holding people responsible for accomplishment of tasks in the position.

Clarity of Delegation

Delegations of authority can be specific or general, written or oral. If delegation is unclear, a manager may not understand the nature of the duties or the results expected. The job assignment of a company controller, for example, may specify such functions as accounting, credit control, cash control, financing export-license handling, and preparation of financial statistics, and these broad functions may even be broken down into more definite duties. Or a controller may be told merely that s/he is expected to do what controllers generally do.

Sometimes, particularly for new top jobs, delegations cannot be very specific, at least at the outset. If a development organization hires, for the first time, a center manager at its various parts, the president may be unclear about the amount of authority called for. But this situation should be resolved as soon as possible. One of the first duties of the new appointee should be to establish a description of the job and to clarify the descriptions with the superior and, ideally, with other managers on the same level whose cooperation is necessary.

The Art of Delegation

Most failures in delegation occur not because managers do not understand the nature and principles of delegation, but because they are unable or unwilling to apply them. Delegation is, in a way, an elementary act of managing. Yet studies of managerial failures almost invariably find that poor delegation is at or near the top to the list of causes. Much of the reason lies in personal attitudes toward delegation.

C) Personal Attitudes towards Delegation

Although charting an organization and outlining managerial goals and duties will help in making delegation, and knowledge of the principles of delegation will furnish a basis for it, certain personal attitudes underlie the making of real delegations.

Receptiveness: An underlying attribute of managers who will delegate authority is a willingness to give other people's ideas a chance. Decision-making always involves some judgment, and a subordinate's decision is not likely to be exactly the one a superior would have made. The manager who knows how to delegate must be able not only to welcome the ideas of others, but also to help others and to compliment them on their ingenuity.

Willingness to let it go: A manager who will effectively delegate authority must be willing to release the right to make decisions to subordinates. A great fault of some managers is that they want to continue to make decisions for the positions they have left. Corporate presidents and vice-president who insist upon confirming every purchase or the appointment of every laborer or secretary do not realize that doing so takes their time and attention away from more important decisions.

Willingness to let others make mistakes: Although no responsible manager would sit idly by and let a subordinate make a mistake that might endanger the company or the subordinate's position in the company, continual checking on the subordinate to ensure that no mistake is ever made will make true delegation impossible. Since everyone makes mistakes, a subordinate must be allowed to make some, and their cost is considered an investment in personal development.

Willingness to trust subordinates: A superior may put off delegation with the thought that subordinates are not well experienced, that they cannot handle people, that they have not yet developed judgment, or that they do not appreciate all the facts bearing on a situation. Sometimes these concerns are reasonable, but then a superior should either train subordinates or else select others who are prepared to assume the responsibility. Too often, however, bosses distrust their subordinates because they do not wish to let it go, are threatened by subordinate successes, do not delegate wisely, or do not know how to set up controls to assure proper use of the authority.

Factors Determining the Degree of Decentralization/Delegation of Authority

The following are important factors that determine the degree of decentralization/delegation of authority in an organization:

- Characteristics of delegatees and delegators
- Geographic dispersion of sub-units
- Level of technology
- Timeframe of the decision
- Significance of the decision
- Degree of conformity and co-ordination required
- Desire for uniformity of policy
- Size and character of the organization
- History and culture of the organization
- Management philosophy
- Desire for independence
- Availability of managers
- Control techniques
- Decentralized performance

7.3. Decision Making

What is Decision Making?

Decision making is defined as a rational choice among alternatives. There have to be options to choose from; if there are not, there is no choice possible and no decision. Decision making is a process, not a lighting-bolt occurrence. In making a decision, a manager is making a judgment-reaching a conclusion-from a list of known alternatives.

Decision Making is Universal

Decision making is a part of all mangers' jobs. A manager makes decisions constantly while performing the functions of planning, organizing, leading/directing, and controlling. Decision making is not a separate, isolated function of management but a common core to the other functions.

Mangers at all levels of the organization are engaged in decision making. The decision made by top management, dealing with the mission of the organization and strategies for achieving it, have an impact on the total organization. Middle-level managers, in turn, focus their decision making on implementing the strategies, as well as on budget and resource allocations. Finally, first-level management deals with repetitive day-today operations. Decision making is indeed universal.

Managers make big decisions and small ones daily. Whether they realize it or not, they go through a process to make those decisions. Whether planning a budget, organizing a work schedule, interviewing a prospective employee, watching a worker on the assemble line, or making adjustments to a project, the manager is performing a decision-making process.

A) Types of Decisions

Although managers in large business organizations, government offices, hospitals and schools may be separated by background, lifestyle, and distance, they all sooner or later must share the common experience of making decisions. They all will face situations involving several alternatives and an evaluation of the outcome. In this subsection, we will discuss various types of decisions.

I) Programmed Decisions

Programmed decisions are the decisions made in response to repetitive and routine problems. If a particular situation occurs often, managers will develop a routine procedure for handling it.

II) Non-programmed Decisions

When a problem has not arisen in exactly the same manner before, or is complex or extremely important, it may require a non-programmed decision. Decisions are termed non-programmed when they are made for novel and unstructured problems. Making such decisions is clearly a creative process.

The two classifications-programmed and Non-programmed- are broad, yet it is important to clearly understand the difference between them. The management of most organization faces great numbers of programmed decisions in their daily operations. Such decisions should be made without expanding unnecessary time and effort. Reaching non-programmed decisions, however, is more complicated and requires the expenditure of lots of money worth of resources every year. Government organizations make non-programmed decisions to manufacture new products. Hospitals and schools make Non-programmed decision that influence patients and students years later. Unfortunately, very little is known about this type of decision making.
In most organizations programmed decisions are handled through policies. In some organizations and industries, management scientists have developed mathematical models that help ease these types of decision. Non-programmed decisions, however, are usually handled by general problem-solving processes, judgment, intuition, and creativity.

Types of Decisions and Level of Management

Problems that arise infrequently and have a great deal of uncertainty surrounding them are often of a strategic nature and should be the concern of top management. Problems that arise frequently and have fairly certain outcomes should be the concern of lower levels of management.
Middle managers in most organization concentrate mostly on programmed decisions. The nature of the problem, how frequently it arises, and degree of certainty surrounding it should dictate at what level of management the decision should be made.

B) The Decision-Making Process

Because decision making is such an important part of a manager's job, we discover anything that can improve the quality of decision making. One of the most effective measures is to follow a conscious, rational, decision-making process. A manager who makes decisions on an impulse will not have the day-to-day decision-making success of the manager who consciously works through the decision-making process.
The decision-making process has seven steps. They are logical and simple in themselves, but they are all essential to the process:

1. Define the problem.
2. Identify the limiting or critical factors
3. Develop potential alternatives
4. Analyze the alternatives.
5. Select the best alternative or combination of best alternatives
6. Implement the solution

7. establish a control and evaluation system

Let's look at each step one by one:

I. define the problem

What is the particular problem you have to resolve? Defining the problem is the critical step. The accurate definition of a problem affects all the steps that follow; if a problem is inaccurately defined, every other step in the decision-making process will be based on that incorrect point. A motorist tells a mechanic that her car is running rough. This is a symptom of a problem or problems. The mechanic starts by diagnosing the possible causes of a "rough running" engine, checking each possible cause based on the mechanic's experience. The mechanic may find one problem-a faulty spark plug. If this is the problem, changing the plug will result in a smooth running engine. If not, then a problem still exists. Only a road test will tell for sure. Other causes may still exist.

Is there a good method for a manager to use to define the problem? Yes. A manager needs to focus on the cause of a problem, not the symptoms. This is accomplished by asking the right questions and developing a sound questioning process. According to Peter Drucker, "the most common source of mistakes in management decisions is the emphasis on finding the right answer rather than the right question.

Finding a solution to the problem will be greatly aided by its proper identification. The consequences of not properly defining the problem are wasted time and energy. There is also the possibility of hearing, "what, that again! We just solved that problem last month. Or at least we thought we did."

II. *Identify the Limiting or Critical Factors*

Once the problem is defined, the manager needs to develop the limiting or critical factors of the problem. Limiting factors are those constraints that rule out certain alternative solutions. One common limitation is time. If a new product has to be on the dealer's shelves in one month, any alternative that takes more than one month will be eliminated. Resources such as personnel, money, facilities, and equipment-are the most common limiting or critical factors that narrow down the range of possible alternatives.

III. *Develop Potential Alternatives*

At this point, it is necessary to look for, develop, and list as many possible alternatives solutions to the problems-as you can. These alternatives should eliminate, correct, or neutralize the problem. Alternative solutions for a manager faced with the problem of trying to maintain scheduled production may be to start and extra work shift, to regularly schedule overtime, to increase the size of the present work force by hiring employee, or do nothing. Doing nothing about a problem sometimes is the proper alternative, at least until the situation has been thoroughly analyzed. Occasionally, just the passing of time provides a cure.

While building this list of alternatives, it is wise to avoid being critical or judgmental about any alternative that occurs to you or those assisting you. Censorship at this stage can needlessly limit the number of alternatives developed. Initially, the alternatives should be separate solutions to the problem because a set of alternatives that are variation of one another provides less choice in the final analysis. After the initial brainstorming process, variations of the listed ideas will begin to crystallize, and combination will emerge. In developing alternatives, the goal is to be as creative the wide-ranging as possible. Sources for alternatives include experience, other person whose opinions and judgment are respected, the practice of successful managers, group opinions through the use of task forces and committees, and the use of outside sources including managers in other organizations.

IV. ***Analyze the Alternatives***

The purpose of this step is to decide the relative merits of each of the alternatives. What are the positive and negatives (the advantages and disadvantages) of each alternative? Do any alternatives conflict with the critical (limiting) factors that you identified earlier? If so, they must be automatically discarded. Depending on the type of problem and the potential solutions developed, the manager might need to make a more thorough analysis by applying specific decision-making aids.

V. ***Select the Best Alternative***

By this point, the alternatives have been listed along with their corresponding advantages and disadvantages. Which should be selected? Sometimes the optimal solution is a combination of several of the alternatives. In trying to select an alternative or combination of alternatives, you must, reasonably enough, find a solution that appears to offer the fewest serious disadvantages and the most advantages. Take care not to solve one problem and create another with your choice.

VI. ***Implement the Solution***

Managers are paid to make decisions, but they are also paid to get results from these decisions. A decision that just sits there hoping someone will put it into effect may as well never have been made. Everyone involved with it must know what he or she must do, how to do it, why, and when. Additionally, a good alternative half-heartedly applied by uncommitted person will often create problems, not solve them. Likewise plans and solutions need effective implementation to yield the desired results. People must be sold on their roles and must know exactly what they must do and why. Finally, programs, procedures, rules, or policies must be thoughtfully put into effect

VII. ***Establish a Control and Evaluation System***

The final step in the decision-making process is to create a control and evaluation system. Ongoing actions need to be monitored. The system should provide feedback on how well the decision was implemented, what the results are-positive or negative- and what adjustments are necessary to get the results that were wanted when the solution was chosen.

For a manager who uses this decision-making process, the probability for success in decisions should be improved. Why? Because, it provides a step-by-step road-map for the manager to move logically through decision making.

Is the decision-making process all a manager needs to master to be successful in decision making? No; the manager must be aware of the environment in which he or she makes decisions. In the remaining part of the section, we will examine the decision-making environment. But before we proceed with it you need to do the following activity.

C) The Decision-Making Environment

Decision making, like planning and other management functions, does not take place in a vacuum. There are many factors in the environment that affect the process and the decision maker.

Degree of Certainty

In some situations, the manager has perfect knowledge of what to do and what the consequences of the action will be. In others, the manager has no such knowledge, decisions are made under the conditions of certainty, risk, and uncertainty. These different decision-making environments require different responses from a manager.

Decision making under conditions of certainty means the manager has what is known as perfect knowledge. The manager has had this decision to make before; the alternatives are known, and the consequences of each alternative are fully understood. In this type of decision-making situation, the manager will choose the alternative known to get the best results. Decisions made under conditions of certainty can mean a manager can rely on a policy or standing plan; the decisions will be made routinely.

Decision making under conditions of risk provides a more difficult decision-making environment. In this situation, the manager knows what the problem is, knows what the alternatives are, but does not know how each alternative will work out even though he or she knows the odds (probabilities) of possible outcomes. The manager faces with the dilemma of choosing the best alternative available.

Decision making under conditions of uncertainty is the most difficult for a manager. This decision-making situation is like being a pioneer. In situation, the manager is not able to determine the exact odds (probabilities) of the potential alternatives available. The manager may be dealing with too many variables, or perhaps there are too many unknown facts.

Regardless of the reasons, the manager is unable to accurately predict the probable results of choosing anyone of the alternatives. What can be done? Reliance on experience, judgment, and other people's experiences can assist the manager in assessing the value of the alternatives.

CHAPTER EIGHT

MOTIVATION IN ORGANIZATIONS

Introduction

In chapter four of module one, we treated staffing as organizing human resource of an organization. It is true that human resource is key factor of organizational development. Studying about motivation of employees is, therefore, an important component of management and organization. In this chapter, we will study all about motivation theories developed by different management scholars. Simultaneously, I hope, you students will be able to assess the practicalities of these theories in real organizations which are well known to you.

8.1. Meaning and Theories of Human Motivation

Motivation (in a work setting) is the process by which behavior is mobilized and sustained in the interest of achieving organizational goals. Despite this straightforward definition, motivation is complex and encompasses a broad range of behaviors. Employee motivation cannot be adequately understood without relating the concept of motivation to attempts on the part of leaders to motivate people.

Motivation, Performance and Productivity

Trying hard to reach a goal, or being motivated, does not necessarily lead to desired performance, nor does it necessarily lead to high productivity. Many ambitious, hard-working individuals fail to achieve their job and career goals. The basic explanation of the relationship between motivation and performance is that:

Performance = Ability x Motivation

You need the right knowledge and skills to achieve what you want to accomplish. Many other factors, including economic and technological ones, also influence performance and productivity.

Four factors influence individual performance, only one of which is motivation. To perform well, a person must,

(1) Understand the expectations of the job;

(2) Have the required abilities;

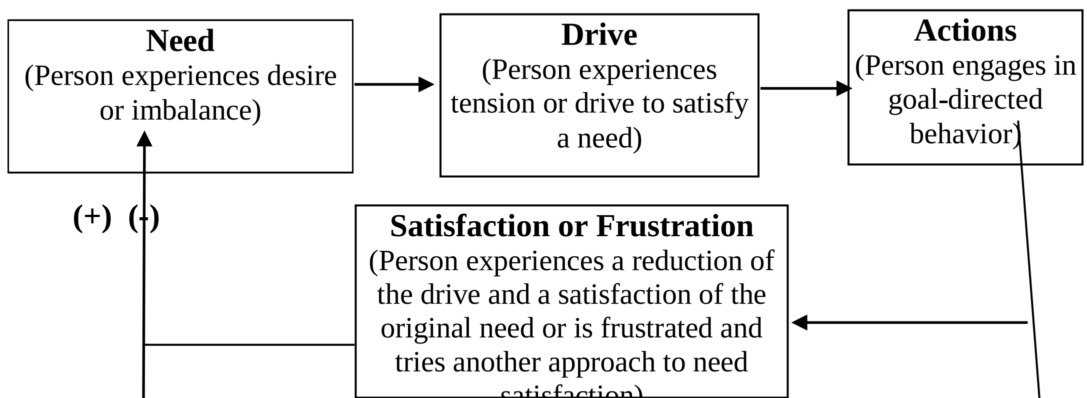
(3) Be motivated to do what is required; and

(4) Work in an environment that allows the intention to be translated into performance. The last point implies, among others, that there are sometimes political reasons why an individual's best efforts will be resisted.

Next to the definition of human motivation, let us see what is underlying the human motivation and the theories related to it. An important purpose of behavior is to satisfy needs, such as the need for recognition from others. If behavior leads to a successful outcome, two things happen:

1) Tension is reduced, and

2) An inner state of satisfaction or equilibrium is achieved. If this state is not achieved, however, tension continues and motivation persists to discover another means of restoring the equilibrium. For instance, a manager who fails to receive a promotion may continue efforts to reach that goal, or the manager may seek to satisfy the same need by running for membership on the city council. If a person's actions lead to positive outcomes, s/he will repeat those successful behaviors. On the other hand, behavior that leads to negative outcomes will usually not be repeated. Instead, the person will likely change tactics to improve her/his success rate. This can be summarized by the following flow diagram (Figure 8.1) named as "A general motivation model based on needs satisfaction."



+ *Positive outcomes lead to a repeat of the successful behavior.*
- *Negative outcomes imply blockage and tend to result in behavioral adjustments to improve the person's success rate.*

Figure 8.1: A General Motivational Model Based on Needs Satisfaction

In the following eight consecutive lessons we are going to study different theories of motivations. Namely, motivation through need satisfaction, motivation through job enrichment, motivation through goal setting, motivation through expectancy theory, motivation through organizational behavior modification, motivation through self determination theory and motivation through organizational culture.

8.2. Motivation through Need Satisfaction

Understanding of need theories helps managers to be effective leaders. These theories are also important because they are incorporated into other explanations of work motivation such as expectancy theory. Four explanations of motivation through need satisfaction are reviewed in the following sections: *Maslow's need hierarchy, Herzberg's two-factor theory of motivation, McClelland's acquired needs theory,* and *the needs for recognition and autonomy*.

(a) Maslow's need hierarchy

Abraham Maslow’s need hierarchy arranges human needs into a pyramid-shaped model with basic physiological needs at the bottom and the need for self-actualization at the top. Before higher-level needs are activated, certain lower-level needs must be satisfied. The central concept in Maslow’s theory is that needs fall into five groups or classes: physiological needs, safety needs, social and love needs, esteem needs, and self-actualization needs.

Physiological needs: These are basic bodily needs such as the need for water, air, food, rest, and sleep. Most normal working conditions in manufacturing and service firms allow for the satisfaction of these needs.

Safety needs: These include needs for security and freedom from environmental threat. Many employees who work at organizations involved in dangerous jobs, such as loggers and miners, would be motivated by the chance to have safer working conditions. Sexual harassment is an example of frustration of the safety need for security, because the harassed person is subjected to an environmental threat.

Social and love needs: These include needs for love, belonging to a group, and affiliation with people. Managers can contribute to the satisfaction of such needs by promoting teamwork and encouraging social interaction in matters concerning work problems.

Esteem Needs: These include needs for self-respect based on genuine achievement and respect from others, prestige, recognition, and appreciation. Occupations with high status satisfy esteem needs. Managers can satisfy the esteem needs of employees by praising their work and giving them the opportunity for recognition.

Self-actualization needs: These are the needs for self-fulfillment and personal development and the need to grow to one’s fullest potential. Self-actualized people are those who have become what they are capable of becoming. Managers can help employees move toward self-actualization by giving them challenging assignments, including the chance to do creative work.

A key principle of the need hierarchy is that as needs at a given level are satisfied, they lose their strength. The next level of need is then activated. A satisfied need ceases to be motivator. For instance, once employees can pay for the necessities of life, they ordinarily seek opportunities for satisfying social relationships. Next, they strive to enhance their esteem. Many successful executives leave corporate life late in their careers in order to pursue activities that will move them further toward self-actualization.

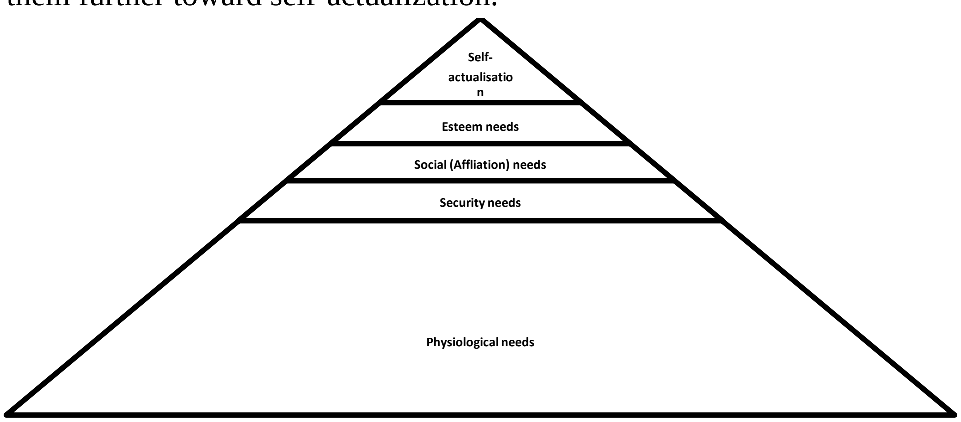


Figure 8.2: Maslow’s Need Hierarchy

Maslow's need hierarchy has several implications. Because a satisfied need is not a motivator, managers must distinguish their employees' unsatisfied needs when making a motivational appeal. The needs for belonging and acceptance become poor motivators once they have been satisfied and once esteem needs have started to emerge. A less obvious implication is that satisfaction at the fulfillment level does not reduce the strength of that need. Instead, the highest level needs take on new forms. Thus, the need for self-actualization always provides a basis for motivation.

(b) McClelland's acquired needs theory

Many other needs influence job behavior in addition to those mentioned specifically in the need hierarchy. David C. McClelland and his associates have provided a useful explanation of several of these needs. They have proposed a theory of motivation based on the premise that people acquire or learn certain needs from their culture. When a need is strong enough, it prompts a person to engage in work activities to satisfy it. Three of these acquired needs are achievement, power, and affiliation.

The need for achievement: is the desire to accomplish something difficult for its own sake. People with a strong need for achievement frequently think of how to do a job better. They are also concerned with how to accomplish something unusual or important and how to progress in their careers. Workers with a high need for achievement are interested in monetary rewards primarily as feedback about how well they are achieving. Individuals with a high need for achievement seek responsibility. They also set realistic yet moderately difficult goals, take calculated risks, and desire feedback on performance. In general, those who enjoy building activities and programs from scratch have a strong need for achievement.

The need for power: is the desire to control other people, to influence their behavior, and to be responsible for them. Managers with a high need for power like to control resources (such as money and real estate) in addition to people. A person with a strong need for power spends time thinking about influencing and controlling other and about gaining a position of authority and status. Executives who want to have buildings named after them or buy professional athletic teams have strong power needs. The need for power is the primary motivator of successful managers.

The need for affiliation: is the desire to establish and maintain friendly and warm relationships with others. People motivated by this need care about restoring disrupted relationships and soothing hurt feelings. They also want to engage in work that permits close companionship. Successful leaders have low affiliation needs, but managers with an extremely low need for affiliation may not show adequate concern for the needs of others.

The acquired needs theory has made an important contribution in identifying needs related to managerial performance. However, the theory is not a complete explanation of work motivation; it focuses on just several key needs. The following section describes two other needs of major importance in understanding motivation in organizations.

(c) The needs for recognition and autonomy

One useful way of motivating workers is to give them a chance to satisfy their needs for recognition and autonomy. The need for recognition is more universal than the need for autonomy.

The need for recognition: is the desire for attention and approval for personal accomplishments. Recognizing employees for work well done exerts a powerful influence on their productivity. Researchers have also discovered that once sales representatives are recognized, their desire for additional recognition becomes insatiable.

Among the formal methods of satisfying recognition needs is giving service awards, recognition pins, and jewelry for outstanding achievement. Managers can also give recognition for good performance and high productivity informally through announcements that a particular employee has done an outstanding job, handshakes, and complimentary memos in the employee file.

The need for autonomy: is a desire for freedom, independence, and control over one's destiny. Accordingly, people with a high need for autonomy may prefer to be self-employed. Those working for a large organization may gravitate toward positions such as field representative or manager of a field unit. Autonomy can often be gained through power, but true autonomy is difficult to find through association with an organization, despite the power or the position. As one supposedly independent businessperson remarked, "now that I'm self-employed, I have the freedom to work 70 hours per week any time I choose."

(d) Herzberg's two-factor theory of work motivation

The *two-factor theory of motivation* divides job elements into two types: Motivators, or satisfiers, which can motivate and satisfy workers; and dissatisfiers, or hygiene factors, are those which can only prevent dissatisfaction. Herzberg's theory is also called the *motivator-hygiene* theory. Motivators relate to higher-order needs, while hygiene factors relate to lower-order needs.

Key points in the two-factor theory

The motivational elements are intrinsic, or job content, factors that make a job exciting. Intrinsic factors include achievement, recognition, advancement, responsibility, the work itself, and growth possibilities. The extrinsic, or job context, factors are hygienic; they are health producing and desirable, but not motivational. Examples of extrinsic factors are pay, status, job security, working conditions and quality of supervision. Herzberg believed that motivation increases when pay combines with a motivator such as challenging work.

Herzberg considered only the presence of intrinsic factors to be motivational. For example, challenging work will motivate many people to exert increased effort. If intrinsic factors such as challenging work are not present, the result is neutral rather than negative, and the employee will feel bland rather than angry or unhappy.

Although the presence of extrinsic factors is not motivational, their absence can cause dissatisfaction. For example, a police captain reported that when officers were assigned old patrol cars, they complained frequently. However, when assigned brand new patrol cars, they did not express much appreciation. Nor did they increase their productivity.

8.3. Motivation through Job Enrichment

Job enrichment refers to making a job more motivational and satisfying by adding variety and responsibility. It is a direct application of Herzberg's two-factor theory. An important aim in designing jobs that are intrinsically interesting, satisfying, and motivating is to increase productivity. Our discussion of job enrichment encompasses characteristics of an enriched job, implementation of job enrichment, and limitations of job enrichment.

Characteristics of an Enriched Job

Based on the work of Herzberg, we can consider nine job characteristics as major contributors to enrichment. These are:

- client relationships
- feedback
- self-scheduling
- direct communication
- authority
- personal accountability
- control over resources
- new learning and unique experiences
- skill variety, and
- vertical job loading

Seven of these characteristics relate directly to client relationships, because performing work for a client or user is a key factor in influencing one's motivation and satisfaction. Two other characteristics–skill variety and vertical job loading–also are important contributors to enriched job. Let us discuss these characteristics briefly one by one

Client relationships: Directly serving a client makes a job seem more responsible. Herzberg noted that too often the "customer" is either a bureaucratic regulation or a supervisor. Because of this, the individual evaluates the job by such factors as how well the "supervisor" (the customer) is pleased or procedures are maintained. It is more satisfying and motivational for employees to deal directly with end users such as employees from another department.

Feedback: This dimension involves the degree to which employees know how well they are performing on a regular basis. Feedback from the client focuses on the quality of the work itself. Therefore, it is preferable for employees to receive feedback from managers that mixes evaluation of the person's characteristics with evaluation of the work.

Self-scheduling: Closely related to autonomy, self-scheduling dimension refers to an employee's authority to decide when to accomplish a work within reason. For example, a computer operator might have the authority to say to clients, "You will have it back in four or five days."

***Direct communication authority*:** Another contributor to job enrichment is to have the authority to communicate information directly to the people who use the information. For instance, an aeroplane service technician might tell the pilot directly that a tire requires replacement.

Personal accountability: A job that is high in personal accountability is one in which the client directly judges how well the employee is performing and can voice complaints to the employee. As Herzberg noted that personal accountability to the client is attempted by stamps with the name and phone numbers of the workers, but the most useful results come from the client close enough to provide immediate feedback.

Control over resources: A job that scores high on this characteristic allows the worker to allocate some of the resources necessary to accomplish the job. Improving control over resources includes holding the employee accountable for tools and material. Thus, the manager delegates this responsibility to the employee.

New learning and unique experiences: This characteristic refers to the opportunity for growth that comes from acquiring new knowledge and skills on the job. Respect for one's job stems directly from the opportunity to learn from it regularly.

Skill variety: This characteristic reflects the degree to which the job requires the person to engage in different activities and use many skills, abilities and talents. Skill variety is also called *job enlargement.* Most managerial positions score high on skill variety, sometimes to a point where there is too much variety.

Vertical job loading: This is pushing responsibility down from the manager to the employee. The process allows the employee to be accountable to a client, the next worker in the workflow, or a customer. Accountability allows the employee to develop new skills and provides a base for seeking additional technical support from both the supervisor and support groups.

8.4. Motivation through Goal Setting

Goal setting is a basic process that is directly or indirectly part of all major theories of work motivation. Goal setting is accepted widely by managers as a means to improve and sustain performance. Goals (desired outcomes of an action) relate to motivation in another important way as goals and needs are closely associated. A person's needs influence which goals he/she will pursue. For example, the manager who has a strong need for power pursues the goal of receiving promotions. In the next sections, we discuss the basics of goal theory and some supporting research evidences.

Goal-setting theory

The core of goal-setting theory, as developed by Edwin A. Locke and Gary P. Latham, is based on 300 studies. The starting premise is that personal goals regulate his/her actions; an individual who is committed to a goal will keep trying to reach that goal. Goals affect not only the level of effort a person will exert and his/her level of performance, but also the choice of behaviours. For example, a person pursuing a difficult goal will often search for efficient and powerful methods to achieve that goal.

The regulation of motivation by goal setting is the best-demonstrated principle of human behavior. This conclusion is based on both research and managerial practice. The following are key propositions of goal theory developed by Locke and Latham, and various researchers:

1. Difficult goals result in higher performance levels than do easy ones.
2. Specific goals get better results than do generalized, "do-your-best" goals.
3. Goals enhance performance by increasing effort and persistence, directing attention, and improving the tactics chosen to reach the goals.
4. Feedback on performance improves the effectiveness of goal setting.

5. Participation in goal setting improves performance only when it leads to clarified goals, difficult goals, and goal acceptance.
6. Goal setting improves performance when people believe that their performance will be evaluated against goals.
7. When goals are set for both individuals and the work group, their impact multiplies.

8.5. Motivation through Expectancy Theory

According to *expectancy theory***,** work motivation results from deliberate choices to engage in certain activities in order to achieve worthwhile outcomes. People will be well motivated if they believe that effort will lead to good performance and good performance will lead to preferred outcomes.

Expectancy, Instrumentality and Valence

The key components of expectancy theory are expectancy, instrumentality and valence. Each one of these components exists in each situation involving motivation. This occurs because each act of motivated behavior serves several ends.

Expectancy is a person's subjective estimate of the probability that a given level of performance will occur. The *effort-to-performance* (E → P), expectancy, refers to the individual's subjective guess about the chances that increased effort will lead to the desired performance. Assume that an extension organization develops a good interest arousal among its clients. The extension organization may achieve such outcomes as higher number of participants, higher status, and the opportunity to make its clients satisfied. In this example, the expected performance is creating good extension campaign. If person does not believe that he/she has the skill to accomplish an assigned task, that person might not even try to perform the task.

An *instrumentality* is the individual's estimate of the probability that performance will lead to certain outcomes. The (P→ O) instrumentality refers to the person's subjective evaluation of the chances that good performance will lead to certain outcomes. For the extension organization, outcomes include high number of interested farmers. In formulating the instrumentality, the employee seeks a subjective answer to the question, "if I do perform well, will the organization really make good on its promises to me?" Expectancies and instrumentalities range from 0.00 to 1.00, because both are probabilities.

Valence refers to the value a person places on a particular outcome. People attach positive valences to rewards and negative valences to punishments. The extension organization might place a high positive valence on making a presentation to a client and assign a negative valence to having his/her work insulted by the client. The maximum value of a positive, valence is +100, while the maximum value of a negative valence is -100. Neutral outcomes (indifference) carry a valence of zero. (Most versions of expectancy theory limit the range of valences from –1.00 to + 1.00. However, such a limited range fails to capture the intensity of highly preferred outcomes).

Motivation = Expectancy X Instrumentality X Valence

Figure 8.3: A Basic Version of Expectancy Theory

The numerical values of valences are unknown in most situations, yet it is reasonable to assume that people attach values of "good," "bad," and "neutral" to potential outcomes derived from their efforts.

The Calculation of Motivation

In expectancy theory, motivation, $\boldsymbol{M = (E \rightarrow P) \times (P \rightarrow O) \times V}$. The potential of an expected outcome to increase motivation can be high only if the expectancies, instrumentalities, and valences are high. And since anything multiplied by zero is zero, a zero value for ($E \rightarrow P$), ($P \rightarrow O$), or V will reduce motivation to zero. Suppose an employee places a maximum value on receiving a praise (V= 100). The employee is confident that she/ he can perform the task required ($E \rightarrow P$ = 0.85). And the employee is even more confident that the firm will come through with the praise if she/he performs well ($P \rightarrow O$ = 0.90). Note that the values of 0.85 and 0.90 are subjective estimates, not true calculations. The employee's motivation is consequently (1 00) (0. 85) (0.90) = 76.5 (above average on a scale of -100 to +100).

A note of caution

The simple formula just presented does not tell the entire story, because each task involves many expectancies, instrumentalities, and valences. Desirable and undesirable outcomes may cancel one another, resulting in a zero valence and therefore producing zero motivation force. For example, a person might not strive for a promotion because its positive valences (such as more money and status) are neutralized by its negative valences. An example would be, having to relocate and leave friends behind.

8.6. Motivation through Organizational Behaviour Modification

The motivational approaches discussed so far emphasize inner states such as needs, satisfactions, expectancies, and valances. In contrast, *organizational behavior modification (OB Mod)* is a system of changing behavior by controlling rewards and punishments. This distinction does not mean that OB Mod contradicts all other theories. To use expectancy theory, for example, managers must offer employees appealing rewards. OB Mod is based on reinforcement theory or behaviorism. Using reinforcement theory, managers are not concerned with the inner states of employees. Instead, they attempt to structure the environment to bring forth constructive effort (motivated behavior) from employees. OB Mod has become the most widely used formal method of motivating employees today. Its principles are incorporated into pay-for-performance programs.

OB Mod Strategies and Schedules

OB Mod is a field of study by itself, but for the purposes of this module we will examine four cornerstone strategies. The first is *positive reinforcement,* which means increasing the probability that a particular behavior will be repeated by rewarding people for making the desired response.

The reward is received contingent upon making the right response. In other words, a bonus is paid for good performance, not for just any performance.

The second OB Mod strategy is *negative reinforcement (or avoidance motivation*) – rewarding people by taking away an uncomfortable consequence of their behaviour. An employee who performs well, for example, is rewarded by being able to avoid an assignment he/she dislikes. There is an important distinction between negative reinforcement and punishment. Negative reinforcement is not punishment; it is rewarding a person by removing discomfort.

The third strategy is *punishment* – the presentation of an undesirable consequence, or the removal of a desirable consequence, because of unacceptable behaviour. A manager can punish a team member by suspending him/her for violating company policy or by taking away the employee's company car.

The fourth cornerstone strategy of OB Mod is *extinction* – decreasing the frequency of undesirable behaviour by removing the desirable consequence of such behaviour. Because the person is ignored, s/he is discouraged. For example, an effective method of getting a person to stop asking redundant questions is to ignore that person.

OB Mod strategies, particularly positive reinforcement and punishment are administered according to schedules. Positive reinforcement is used more frequently than punishment in OB Mod programs. Punishment is usually part of employee discipline, however, and it therefore has an important role in the workplace. Under a *continuous reinforcement schedule,* every instance of the right response is rewarded. For example, successful farmers might receive additional unit of improved seed each time they demonstrate the potential of high yielding variety in a cropping season. They are not rewarded just for sowing an improved variety. The desired behaviour here is demonstrating the result of the high yielding variety .

Under an *intermittent reinforcement schedule,* the employee is rewarded sometimes, rather than every time the right response is made. The more unpredictable the payoff, the higher the motivation will be for many types of behaviours. If a manager praises a team member each time a report arrives on time, the praise will become routine.

OB Mod Applications

There are many applications of OB Mod in the workplace. A representative example of a large-scale OB Mod program took place in a labor-intensive organization. The general purpose of the program was to achieve productivity and quality improvement in product areas. The five implementation steps in this program were as follows:

1. *Identify the critical performance behaviour:* The critical (or desired) behaviour must be observable and measurable, and it usually affects both quality and quantity of performance. It could be something as simple as "complete the paperwork before sending to the next department."
2. *Measure the behaviour identified in the first step:* If the company is not collecting data on quality and quantity, a measurement scheme must be established. An example is tallying the percentage of parts rejected because of poor quality.

3. *Analyze the behaviour:* An essential ingredient of OB Mod is called the A-*B-C (antecedent-behaviour-consequence) analysis.* The antecedents set the occasion for the behaviour to occur, such as a customer making an inquiry. The behaviour is what the worker does, and consequences are the outcomes that now maintain the behaviour, such as having a part accepted by another department.
4. *Intervene to accelerate the desirable performance behaviours and decelerate the un-desirable ones:* The major intervention strategy is to give employees feedback on the critical performance-related behaviour. Employees also receive positive reinforcement for progress and goal attainment. The program strives for immediate, objective, accurate, and positive feedback.
5. *Evaluate the intervention to ensure that performance is indeed improving:* This evaluation makes use of the data that were gathered in the second step and should be as rigorous as possible.

The results of this OB Mod program were substantial, as found in similar studies. Dramatic improvement took place in all product areas. The results included a 64 percent quality improvement in one product and a 52 percent productivity increase in another.

8.7. Motivation through Self-Determination Theory

Critics of organizational behaviour modification contend that workers should be motivated by the joy of work. Herzberg's two-factor theory is also based on this assumption. One alternative to OB Mod is *self-determination theory* – the idea that people are motivated when they have a choice in initiating and regulating their actions.

The Rationale for Self-Determination Theory

Self-determination theory and intrinsic motivation, the idea that work itself is rewarding, are closely related. According to self-determination theory, workers are active agents rather than passive reactors to environmental forces. Two factors influence the perception of intrinsic motivation. Certain characteristics of a task, such as challenge and autonomy, promote intrinsic motivation because they allow satisfaction of the needs for competence and self-determination. Workers' perceptions of why they perform a task also can affect intrinsic motivation. Such motivation is likely to increase when people perceive that they perform tasks for themselves rather than for an external reward.

When an individual performs a task to achieve an external reward such as money or recognition, a shift occurs. The individual believes that the external reward caused the behaviour, and money or recognition is now controlling his/her actions. The worker no longer perceives that s/he is self-determining, and as a result intrinsic motivation may decrease.

Problems Associated with Extrinsic Rewards

Self-determination theory is based on the fact that rewards have some disadvantages. Extrinsic rewards sometimes can lower a person's job performance and be de-motivating, particularly when a creative task is involved. The appeal of extrinsic rewards can also cause people to:

- focus narrowly on a task;
- rush through a job to get a reward;
- regard the task as a drudgery that must be suffered to receive the reward; and
- see themselves as less free and less self-determining.

Despite these problems, an organization should not abandon financial bonuses and other forms of positive reinforcement. Even the people who enjoy their work intensely still want recognition from management. Also, people who love their work, such as successful novelists, entertainers, and athletes, demand huge fees. The sensible solution is for an organization to balance extrinsic and intrinsic rewards.

8.8. Motivation through Organizational Culture

The methods described in the preceding sections aim at motivating people individually or in small groups. A strategic way of enhancing collective motivation is to establish an organizational culture that encourages hard work and the pursuit of goals.

Box 8.1 Definition of organizational culture

An organizational culture is a system of shared values and beliefs that actively influence the behaviour of organization members.

The right organizational culture can inspire employees to be productive, whereas the wrong culture can lead to low productivity. It takes a long time to develop a culture that fosters strong motivation and productivity.

An organization that fosters strong motivation has several important cultural characteristics. For one thing, it rewards excellence by substantially rewarding top performers. Outstanding performers receive large praises and promotions, while poor performers do not get promoted, receive few praises, and may even be terminated. The organization may also provide an atmosphere that rewards creative thought by giving tangible rewards to innovators. It imposes penalties on people whose creative ideas fail because this encourages innovation.

Employees harbor a pervasive belief that the organization is a winner. If employees perceive that they belong to a winning team, they will be highly motivated. Proud organizations capitalize on this aspect of organizational culture. For example, Haramaya University has a high calibre experience of teaching and research especially in agricultural fields. Most of the agricultural graduates of this university are occupying key positions in the country's agriculture and rural development related organizations. Moreover, many of the graduates witness that the university has relatively better handling system for its students. Maintaining such kind of organizational culture motivates the teachers in the university regardless of the payment.

Finally, an organization that fosters motivation has a spirit of helpfulness that encourages employees to believe that they can overcome setbacks. Employees believe that when they face job difficulties, the company will help them.

So far, in this chapter we studied about the different theories of motivation. As a conclusion we may briefly look at the general suggestions for motivating employees.

General Suggestions for Motivating Employees

Many practical suggestions for employee motivation stem directly from research and theory about motivation and leadership. As you study the suggestions presented here, observe the link between leadership (discussed in chapter 5) and motivation. Most motivational methods require leadership skill and good judgement. In general the following suggestions can be made to motivate employees.

1. *Select motivated employees.* Because the source of motivation is within the individual, outstanding organizations try to hire employees who are well motivated in the first place. For example, conscientiousness relates to good job performance in all the occupational groups that have been studied.
2. *Pay careful attention to individual differences in choosing rewards.* It is the manager's task to identify high valence outcomes of specific employees. Among these might be pay, additional vacation time, challenging assignments, recognition, or simply a few words of appreciation. Valences often can be identified by a direct discussion with employees about their preferences.
3. *Use positive reinforcement more than punishment.* At times, punishment is necessary. Yet, it can produce such negative side effects as anxiety and retaliation against the firm, including making costly mistakes intentionally.
4. *Choose appropriate rewards.* For maximum results, managers should choose a combination of intrinsic and extrinsic, individual and group rewards. Intrinsic rewards are ideal because the employee's work becomes self-motivating. However, virtually no employee will be content with intrinsic rewards alone. Tangible rewards such as above-average salary increases are important. Financial incentives are the most effective when pay is a burning issue, such as with people in financial difficulty or those who crave luxuries.
5. *Provide feedback on performance.* Team members need to know the wrong and right things they do. Managers should give criticism privately in order to minimize negative side effects.
6. *Make rewards contingent on successful job performance.* Performance is encouraged when all forms of accomplishment receive the same reward. Rewards should be linked to levels of accomplishment.
7. *Make the links between performance and rewards explicit.* For instance, a manager might tell a health and safety specialist what percentage of decreases in job-related illnesses would lead to an outstanding performance appraisal.
8. *Be aware of the motivational power of interesting work and appreciation of work.* Surveys have shown that employees strongly value these motivators. A manager should, therefore, make interesting assignments, give appropriate credit, and encourage participative decision-making. Recognizing employee contributions is especially important because it raises personal and professional self-esteem, leading to higher motivation.

9. *See to it that rewards follow as soon as possible after the desirable behavior has taken place.* Even if a full reward, such as a new assignment, cannot be given immediately, the manager should mention immediately that the reward will be forthcoming.
10. *Empower team members.* When employees feel more important, they work more productively and have higher job satisfaction.
11. *Capitalize on the Pygmalion effect.* Managers who do an outstanding job of motivating employees believe in their team members. This confidence becomes a *self-fulfilling prophecy*.
12. *Use training and encouragement to enhance employee motivation.* Sometimes team members do not believe strongly that effort leads to good performance. They may require some encouragement and training to believe that they are capable of achieving performance standards. Similarly, the manager needs to see to it that factors beyond the employees, such as paperwork delays do not affect performance adversely.

CHAPTER NINE:

ETHICAL AND SOCIAL RESPONSIBILITY IN MANAGEMENT

9.1. Views on Ethics and Social Responsibility

There is a general philosophy to the belief that any organization is part of a total society and has the obligation to help solve broad and important social problems even if it means that the organization's benefits are retarded. This social action is not elective. Organizational managers must make the changes to solve our social ills or else change will be forced upon them. In some circumstances, the social problems are so great that, if left unsolved, they may bring down the entire structure of the organization and the society.

The issues are clear and familiar. Putting a stop to the poisoning of our environment and inappropriate use of natural resources, implementing the betterment of cultures, and improving race relationships are among the list of social desires. Organizations must have more direct concern for that part of society, which exists beyond their doors. The need is to cultivate and interact with dynamic, self-generative, and interdisciplinary programs with relevance to problems of tomorrow. In social responsibility, the issue is about ethics.

9.1 Definition of ethics

The word ethics has its root in Greek word, *ethos,* and meaning character-guiding beliefs, standards, or ideals of a group, a community or people. Today, ethics refers to the moral values and standards defining desirable conduct. Ethical standards reflect behaviors that promote human welfare in terms of both individual and society. We can refer to ethics as the glue that binds a society together. For instance, we find *managerial ethics, business ethics, corporate ethics, medical ethics, legal ethics, educational ethics,* etc. applied in different areas.

Managerial ethics are the moral values and standards that define desirable managerial behaviors. This has strong relationship with social responsibility.

Social responsibility is concerned with an organization's obligation to pursue long-term goals that will serve its own interests as well as those of society. It is the moral conduct that relates to such broad issues as environmental pollution, discrimination and poverty, and reflects the moral values and behavioral standards of the entire organization. When dealing with social responsibility issues, managers should be aware of both economic and social outcomes of their actions.

Eg. An automobile manufacturer who produces cars with faulty brake, a pharmaceutical house that makes false claims about its cold remedies, etc.

There is a tendency to think of social responsibility in terms of organization and to think of ethics in terms of individuals, but this is not a useful distribution. In the final analysis decision are made by individuals (people) & therefore, individual managers are some level must assume responsibility for every corporate decision.

The most useful way to distinguish business ethics from social responsibility is in terms of a decisions implications for society as whole, with this frame of reference, (relating to daily operating decisions with limited social impact); social responsibility is concerned with macro-ethics (relating to decision with broad implications for a large segment of society).

The differing values of social responsibilities that influence managerial behavior reflects a vast array of values, perceptions, attitudes, needs, and experiences, since they reflect the social, religious and political philosophers of their authors.

For practical purpose, there are three views of social responsibilities

1) The classical view
2) The accountability view
3) The public view

1) The classical view

At the heart of classic view is Adam Smith belief that in a capitalistic, free enterprise economy an invisible hand is continually at work for the good of the public. From this prospective to form concepts of social responsibility in terms of our objective set of ethical standards or intensity of commitment to the welfare of others makes no sense. It is the invisible hand the competitive system itself that protects the society.

2) The Accountability View

Recognizes the victors of a free market & seeks to pressure them. On the other hand, it accepts the fact that business is chartered by society & should therefore be accountable to it.

Business should only fulfill its responsibility to its stakeholders but should also deal equitably with others upon whom its success is dependent. These include employed customers, suppliers, creditors and the community. It encourages employees to spend whatever money is required to prevent water & air pollution. A business should have created social problems by discriminating against minorities, by setting inflationary prices, or by paying low wages. It should not affect the aesthetic values of society by defacing the landscape nor be unfair to present & future generation by wasting fuel. Generally, this view recognizes that each business pays its own way and treats each of its public with fairness & consideration.

3) The public view

It is also called the quality of life view. It portrays business as a partner with government, education, and other institution that solving society's problems and thus improve the quality of life for anyone.

A business, which is committed to the public view, sets genuinely altruistic as well as selfish goals. It actively works at solving public problems such as poverty, unemployment, pollution, inflation & crime. An argument for the public view is that business is sanctioned & promoted by society for the good of the society; therefore, it has a normal obligation to society. An agreement against the public view is that the introduction of social goals clashes with the traditional orientation of managers toward efficiency, competitiveness & profits.

However, the cost to society of irresponsible managerial action is often unacceptably high. In fact, society also pays when business begins to set its house in order. As companies assure additional responsibility for the welfare of their employees by providing full converge of health insurance or guaranteed annual wages to an already massive employee benefit program the costs must be passed on. Society in general must bear the brunt of business expenditures associated with the social responsibility issue.

9.2. Determinants of Ethical Standards and Practices

Micro-ethics (small day-to-day) decisions those managers often express their ethical values. Seemingly insignificant decisions that are routinely made by individual managers affect all members of society who interact with business.

Collectively these decisions comprise the concise & moral behavior of the enterprise. The major social responsibility decision a company makes is usually consistent with values expressed in its management's daily operating decisions.

Since the values of managers differ greatly, it is understandable that managers disagree about whether a particular course of action is ethical depending on the following factors.

a) Common practice

'Everybody does it' is a common justification for questionable business practice e.g. bribery, espionage is to place oneself at a competitive disadvantage and thereby to court financial disaster.

b) Legality

When managers behave in ways that society consider detrimental, laws are passed to define correct or ethical behavior.

Laws do change behavior, and at times the higher standards are internalized (accepted as part of the manager's value system). But laws also provoke hostility in the law, and therefore, feel no moral conjunction about breaking it.

c) Enlighten Self-interest

Enlightened self-interest, also called intelligent selfishness, is sometimes used as a public justification for ethical behavior that is motivated at least, in part by the managers personal system of religious or social values.

It takes little moral sensitivity to recognize that unselfish behavior is often in one's own self-interest. The need of highly normal people for self-respect often results in unselfish behavior that is not calculated to bring an external return or pay off.

Their pay-off is internal; it is expressed in the satisfaction of being a good person as judged by one's values. It does not provide a basis for deciding between right & wrong. It is only a motivation for behavior perceived to be right.

d) Codes of Ethics

There is a need for objective standards, other than laws & government regulation, to help managers make ethical decisions. When dependent solely on the subjective standards of individual managers, ethical decisions are disputable & subject to all forms of perceptual, defensive & serving bias.

Most professions have dealt with the need for objective standards by developing codes of ethics by which their members are expected to live.

e) Personal morality

High personal standard of conduct, individual commitment to rules that respect human rights & dignity. Managers with personal integrity & moral sensitivity are capable of understanding & motivation required benefiting from codes of ethical & legal statements of socially responsible conduct.

Factors Affecting Managerial Values and Behaviors

There are three major factors affecting managerial ethics. These are *individual, organizational* and *environmental factors*.

Individual factors are things like values, work background, age, tenure with the firm and personality (e.g. ego strength, Machiavellianism/deceitfulness, etc.) of the individual. ***Organizational factors*** include top-level managers' philosophies and behaviors, the organization's re-enforcement system, and job dimensions (e.g. degree of visibility and degree of contact with people outside the firm).

Environmental factors comprise the state of political, social and cultural institutions; competition in the global marketplace; general economic conditions; and availability of resources.

Guidelines for Ethical Management

The following are some helpful guidelines for ethical management:

- Behave ethically;
- Screen carefully and hire the right people;
- Develop a meaningful code of ethics;
- Offer ethics training;
- Do not become isolated; and
- Create the capability to deal with ethics

CHAPTER TEN

MANAGEMENT OF CHANGE IN ORGANIZATION

10.1. The Need for Change

Definition of organizational change

Change is defined as the process of alteration or transformation that individuals, groups, and organization undergo in response to internal and external factors. Organizational change is thus the transformation that organizations undergo.

Types of change

There are four types of change:

1) **Change by exception:** Change by exception is usually handled by setting up a project to mange its implementation. It has a distinct beginning and end where success can be relatively measured. It will often have little impact on the way the remainder of the organization works.
2) **Incremental change:** By far the most usual type of change is that occurs in an evolutionary way, often without the participants realizing that it has happened.
3) **Pendulum change:** This is often associated with fashion. In other words, the change swings from side to side of a spectrum as moods change. An obvious example is the fashion for centralization or decentralization.
4) **Paradigm shift:** A paradigm is a way of viewing the world, or the values, which underpin our viewpoint. Change might take place as a shift occurs in the values and beliefs that influence our viewpoints. Many would argue that a paradigm shift is taking place in public administration at the moment.

Why is change necessary or important to organizations? Stated simply, organizations must change because their environments change. They must continually change and adapt to the ever-changing circumstances. Organizations that do not adapt to change in a timely way are unlikely to survive.

All organizations, whether business or public, must be subject to a perpetual state of change. To survive and thrive, they must develop new products; or services; expand into new markets; reorganize their structures; introduce new technology; and change working methods and practices. Change is unstoppable, and no organization can avoid it. Organizations that cannot manage their own changes may cease to exist. Unless they adapt to changes, survival cannot be taken for granted even for the most successful organizations.

In general, change is needed for the following purposes:

- To meet changing customer needs,
- To meet changing market conditions,

- To respond to internal pressures,
- To take advantage of new opportunities, and
- To respond to competitive pressure.

10.2. Factors that Cause Change

Changes in organization are stimulated by a number of internal and external forces, often interacting to reinforce one another. Let us see one force after the other.

10.2.1. Internal Forces

Pressures for change may arise from a number of sources within the organization, particularly from new strategies, technologies, and employee attitudes and behavior. For example, a top manager's decision to seek a higher rate of long-term growth will affect the goals of many departments of the organization. Unexpected opportunities may motivate managers and employees of an organization to develop new ways of doing things. Useful ideas can come from the lowest levels of the organization. Open-door policies, suggestion systems, and other vehicles for upward communication can stimulate organizational change. The introduction of automated equipment to perform tasks that previously required human labor may also call for a complete change in work routines, training programs and compensation arrangements.

The entrance of more women and minorities into the work force may also force managers to consider the merits of flexible work schedules, innovative benefits like holiday care, and more substantial employee-training programs. Furthermore, work dissatisfaction, as manifested in high turnover rates or strikes, may lead to changes in management policies and practices.

10.2.2. External Forces

A variety of external forces, including technological advances and competitive actions, can pressure organizations to modify their structure, goals, and methods of operation. Outside pressures come from changes in the organizations' technological settings, economic, political, legal, social, and competitive environments. In what follows, we will briefly review some of the external factors that can necessitate organizational changes.

1. The technological environment

Advances in information and technologies are transforming the modern organization. Many major technologies, such as computers, television, space communications, atomic energy, and genetic engineering are relatively recent developments. Changes in each of these categories occur at incredible speed, and companies desperately try to keep pace. As more productive and useful technologies become available, organizations will be forced to adopt them just to keep up.

It should also be noted that the introduction of new technology leads to changes in skill requirements for production workers, which in turn entails new management systems which commensurate with changes in leadership. Technology that alters products or services also alters financing and facility requirements. In addition, technological changes may require new marketing techniques as well as purchasing and communication systems, with each setting off a chain reaction of behavioral adjustments.

2. The economic environment

Economic factors outside an organization affect its ability to function. These factors include the ability to raise money, sell products, hire qualified labor, and purchase necessary goods and materials. Economic conditions such as inflation or deflation, growth or recession, and employment or unemployment all influence how an organization operates. Organizational change occurs as managers adapt to changing economic conditions.

3. The political and legal environments

The other critical forces requiring organizational change include political and legal forces. These can occur at every level – global, regional, national, and the level of local communities. Some of the political and legal conditions that can affect the proper functioning of business and public sector organizations include:

- Privatization;
- Deregulation;
- Diplomatic problems with foreign governments;
- Changes in the civil services;
- Other changes in federal and state laws;
- Multilateral restriction imposed by international organizations (Flight restriction on Libya/Sudan, embargo on British beef export because of Mad Cow Disease, etc.)
- Pressures from civic societies (Pressures from environmental associations).

The case of US companies working in South Africa during apartheid regime offers a good example of the impact of political conditions in bringing about organizational changes. That is, many US companies doing business in South Africa were put under constant pressures from social and political groups to boycott South Africa because of the country's policy of apartheid. With pressure, these companies may be forced to change their international strategies and relocate entire divisions. Another example is furnished by problems related to the disposal of hazardous waste materials. Legal and political pressures are forcing companies to change their procedures for disposing these materials.

4. Social conditions

Multitudes of social factors can also entail changes in organizational behavior. These take various forms. For example, organizations have started to consider the rights of women, minorities, and the physically disadvantages. Organizations are affected by changing social expectations and employee demands pertaining to such things as maternal leave, divorce, child care, job-related-stress counseling, and HIV/AIDS. Organizations must respond and adapt to these multiple social forces if they are to survive and prosper.

5. Competitive environment

Completive pressures can also bring about significant changes in organizational operations. Competitive pressure stimulates management to adopt or suffer marketing loses. To survive and prosper, an organization must adapt to existing and new competitors.

Nowadays, a high number of organizations face stiff international competition. For example, Japan’s rise to economic status is the result of winning fierce competition in some businesses. Many developed countries and emerging economies are fast becoming significant players in global competition. In the United States, whole industries including autos, televisions, steel and textiles have felt the effect of sever global competition.

Generally, many forces necessitate change in an organization. The forces may emanate either from the organization itself or from external sources. The organization must respond and adapt to these multiple forces if it is to survive and thrive. It must innovate and continuously improve its products and services to meet changing customer demands and competition. Technologies must be updated and new and better ways to organize and manage must be found. Complacency and the status quo are dangerous.

10.3. Managing Change in an Organization

Change can be planned or unplanned. The latter just happens in the natural course of events. Planned change, on the other hand, is the result of consciously designed preparation to reach a desired goal or organizational state. The key questions to be answered in the process of change management are:

1. Why are we inducing change?
2. What do we want to achieve?
3. How do we plan to make that happen?
4. What consequences do we anticipate from the change?

Besides, an effective management of change involves the following key factors: – change agents, performance gaps, levels and targets of change, systems approach, and content and process.

a) Change Agent

In every situation in which a change is desired, some person or group must be designated as the catalyst for change. That person or group is called the *change agent*. The change agent is the individual who is responsible for taking a leadership role in managing the process of change. Managers or staff at various levels in organizations can serve as change agents. Consultants brought in from outside can also be change agents. Their role is to recognize the need for altering the status quo and to plan as well as manage the implementation of the desired changes. The individual, group, or organization that is the target of the change attempt is called the *client system*.

Characteristics of Successful change Agents

The change agent must possess certain qualities or characteristics which identify him/her to be more effective than others. The effective change agent is an outgoing person, has considerable interpersonal skills, is creative and takes risks, and is good in organizing activities.

The way the change agent manages the process of change is indicated by certain factors and characteristics which have been identified. The first letters of these factors together spell HELPSCORES. These are:

1. Homophyly: It is the degree of closeness and similarity between the change agent and the client. The closer the relationship the easier and more successful the change will be.

2. Empathy: It involves understanding of feelings, emotions and thoughts. This sincere understanding leads to improved communications between the client and the change agent, which is very helpful in bringing about the desired change.

3. Linkage: It refers to the degree of collaboration between the change agent and the client. The tighter the linkage, the more likely the success is.

4. *Proximity:* The client and the change agent should have easy access to each other. The closer the proximity, the better the relationship Proximity facilitates the possibility to develop collaborative linkages.

5. Structuring: This factor involves proper and clear planning of all activities that are related to change. If these activities are planned in a clear-cut and step-by-step manner, then the implementation will be easier.

6. Capacity: This factor refers to the organization's capacity to provide the resources that are needed for a successful organizational development effort and implementation. These resources must be adequate and available when needed.

7. Openness: It refers to the conceptual environment or metal framework, which is conducive to the development of respect and understanding for each other's ideas, needs and feeling. The degree of openness between the change agent and the client would considerably affect the outcome of the program.

8. Reward: All members expect that the change will bring potential benefits. These rewards should be both in the short run and in the long run. The greater the potential for rewards, the more determined the effort in making the change.

9. Energy: This refers to the amount of effort put into the change process. This effort involves both the physical and the psychological energy. The client's energy must be well spent and channeled into the change program itself. The energy of the change agent should not be spread over too many clients, for in that case, each of the clients may not receive the needed energy.

10. Synergy: This simply means that the whole is greater than the sum of its parts. It means that the previous nine factors involving a variety of people, resources, energies, and activities result in synergy, if they mutually support the change program.

In planning and managing change, managers need to have competence (or draw upon the competence of others) in three areas.

I. Technical competence: This is with respect to the substance of the changes to be implemented. For example, if the change involves the introduction of a new computerized management information system, then competence in the analysis of such systems is important.

II. Planning and monitoring techniques: This includes techniques which are important for effective sequencing of change processes. Monitoring progress should enable plans to be rescheduled and updated as appropriate.

III. Process competence: This includes a range of communication, team building, influencing and negotiating skills.

The extent to which each of these three areas needs to be emphasized will vary with the change situation. Frequently, technical skills and planning and monitoring techniques are prioritized. But process competence is equally important.

b) Performance Gaps

It is the difference between the status quo and the desired new standard of performance or desired organizational state. The change agents should evaluate and be evaluated in terms of performance gaps.

c) Levels and Targets of Change

Change agents must identify the level at which their efforts will be directed. Efforts can be made to change individuals, groups, and entire organizations. Each represents a different level, or unit of change. Besides, change agents focus on targets to alter in attempting to close performance gaps and reach desired objectives. These targets of change include people, technology, jobs and workflow, organizational structure and processes, culture, and management. The following examples illustrate how managers can change some of these targets.

Table 10.1 Targets of Change

Target	Example
Individual	Fire a person and replace him or her with someone new Change knowledge skill attitude or behavior
Technology	Replace existing technology with a more modern machine or way of doing work
Structure	Change form a functional structure to a divisional structure Add a new department or division, or consolidate the existing ones
Processes	Change the pay system from hourly wages to salaries
Culture	Implement a program to encourage valuing quality and service
Management	Encourage participation in the diagnosis and solution of problems by people at lower levels to replace a top-down approach

d) Systems Approach

Since various sub-systems of an organization are all parts of an interdependent system, a change in any single target often leads to changes in the others. Example, when companies introduced computers to improve productivity, a series of changes followed. First, people had to learn new skills because of the new technology. Often, a new data processing department was introduced into the structure. People throughout the organization had to learn a new vocabulary, and the way information is processed begins to change. Through time, managerial levels may be altered. For instance, the need for middle managers decreased in some companies as computers facilitated the organization and flow of information.

Not all change is as pervasive as the introduction of computer technology, but it is common for changes to ripple throughout and entire organization. Managers sometimes make a simple change without considering the systems implications. This often leads to unintended consequences.

e) Content and Process

Two key concepts in managing change are content and process. Content is *what aspect of change,* and process is the *how aspect of change.* For example, assume a manager is concerned about decreasing productivity among the secretarial staff. She thinks the cause might be excessive talking among the secretarial staff, she may decide to move their desks farther a part or place partitions between them. This is a *content* change.

How this manager introduces and implements the change is the *process*. For example, she may decide to announce the change by memo or in a staff meeting, or she might have the desks moved during the night so that the staff will find out about the change when they come to work the next day. Each of these three approaches to process might lead to different results, some quite unintended, including more serious morale problems within the organization. Managers would like to have rules for deciding which action is right and which is wrong. They should critically assess the alternatives and select the one that benefits the organization most. Such an effort needs programming a change. Let us continue with what is meant by programming change.

Programming Change

The realization of organizational change requires effective planning or programming. A change program should incorporate the following processes:

1. **Recognizing the need for change:** The need for change is sometimes obvious, as when results are not in line with expectations, things clearly are not working well, or dissatisfaction is apparent. As the pain in such situation increases, so does the incentive to change.
2. **Setting goals:** Defining the future state or organizational conditions desired after change.
3. **Diagnosing the present conditions:** This diagnosis should be done in relation to these goals.
4. **Defining the transition state, activities and commitments required to meet the future state**.

5. **Developing strategies and action plans:** For managing this transition in light of the analysis of the factors that are likely to affect the change process.

10.4. Lewin's 3-Step Model of the Change Management

Kurt Lewin contemplates about the forces prevailing during organizational change.

Kurt Lewin (1951) envisaged that any potential change involves the interplay of multiple opposing forces. These forces are broadly categorized under two major fields – the *driving forces* and *restraining forces*. The driving forces are the factors that encourage or *facilitate* the change, while the restraining forces are the factors that *obstruct* change. If these opposing forces are approximately equal, there will be no movement away from status quo for change to occur, the driving forces must be increased and/or the restraining forces must be reduced. This requires a thorough analysis and understanding of the forces likely to resist change as well as those creating the need for change. Lewin called this process "**force-field analysis**", which involves:

1. Analyzing the restringing forces or driving forces, which will affect the transition to the future state? The restraining forces include the reactions of those who see change as unnecessary or constituting a threat.
2. Assessing which of the driving or restraining forces are critical, i.e. assessing the relative importance of the driving and the restraining forces.
3. Taking steps both to increase the critical driving forces and to decrease the critical restraining forces.

In making this analysis, the change agent should recognize that new ideas are likely to be misunderstood and may necessitate efforts to ensure complete understanding of the feelings and fears of those affected so that unnecessary worriers can be relieved and, as far as possible, ambiguities should be resolved.

Lewin further studied the process of bringing about effective change. He noted that individuals experience two major obstacles to change. First, they are unwilling (or unable) to alter long-established attitudes and behavior. Second, their change of behavior frequently last only a short time. That is, after a brief period of trying to do things differently, individuals often return to their traditional behavior.

To overcome obstacles of this sort, Lewin developed a three-step sequential model of the change process. The model involves "unfreezing" the present behavior pattern, "changing" or developing a new behavior pattern, and then "refereeing" or reinforcing new behavior. His model is illustrated by the figure below.

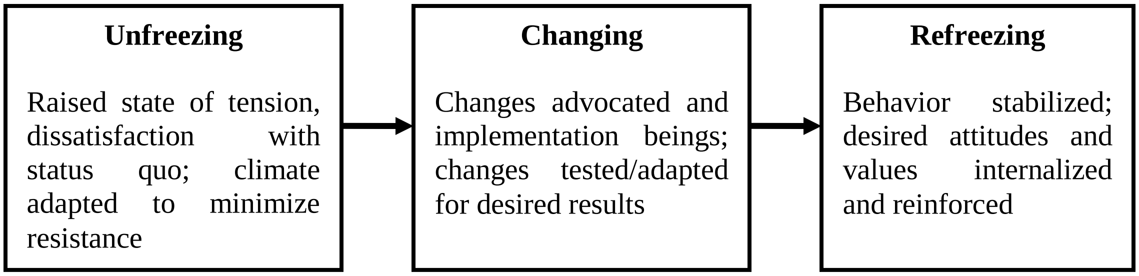


Figure 10.1: Three-step change process,(Source: Holt (1993: 477).

1. Unfreezing

It involves making the need for change so obvious that the individual, group, or organization can readily see and accept it. It is the process of creating a climate ready for change. In this stage, the management realizes that the current strategy is no longer appropriate and the organization must break out of (Unfreeze) its present pattern. As such, it tries to make other people (employees) realize that some of the past ways of thinking, feeling, and doing things are obsolete.

2. Changing

Once the members have been prepared to accept change, their behavioral patterns have to be redefined. There are three methods of reassigning individuals' new patterns of behavior. These are:

a) Compliance: It is achieved by strictly enforcing the reward and punishment strategy for good or bad behavior. The fear of punishment or actual reward seems to change the behavior for the better.

b) Identification: This occurs when the members are psychologically impressed to identify themselves with some given role models, whose behavior they would like to adopt and try to become like them.

c) Internalization: This involves some internal changing of the individual's thinking in order to adjust to a new environment.

As a whole, in the second stage, new behavior is developed and change is effected through a conscious process as individuals seek to resolve the anxieties experienced during unfreezing stage.

3. Refereeing

It means locking the new behavior pattern into place by means of supporting or reinforcing mechanisms, so that it becomes the new norm. It is the process of institutionalizing the new state of behavior or work by rewards, or by other reinforcement mechanisms.

In the end, Lewin's model is concerned with psychological adaptation to changes that modify personal behavior. If employees view changes as unjustified, the adaptation process may fail to take place. Difficult interpersonal relationships, uncommitted leaders, inflexible authority structures, institutional politics and many other factors can prevent change. In fear of these factors, many organizations often hire skilled consultants to facilitate the change process.

10.5. Resistance to Change and Gaining Support

Change is neither always accepted nor always rejected. Some people desire change and welcome new experiences for different reasons. On the other hand, there are a good number of people who resist change for various reasons than one. Management may recognize the need for change, but most employees may resist the process. No matter what resistance arises, the change must occur continually in order to adjust to dynamic forces that are continuously at play. The society will become stagnant if no changes take place. The reasons for resistance to change must be studied carefully and thoroughly. Therefore, it is important to understand why people often resist change. There are four main reasons for resistance to change:

1. Parochial self-interest
   - Threat to core skills and competence
   - Threat to status
   - Threat to power relations
2. Misunderstanding and lack of trust
   - Lack of information
   - Misinformation
   - Historical factors (poor timing)
   - Low trust in organizational climate
   - Poor relationships (quarrelsomeness)
3. Contradictory assessments
   - No perceived benefits
   - An assessment that the proposed change is wrong/ill-conceived
   - Strong peer-group norms, which may shape contradictory assessments

1. Low tolerance to change
   - Fear of the unknown
   - Fear of failure
   - Fear of looking stupid
   - Reluctance to experiment
   - Custom-bound (unwillingness to disturb status quo)

A variety of reasons thus exist for resistance to change. The change itself or the method of implementation may be opposed. But if managed correctly, the opposition can be minimized or completely eliminated. How should resistance to change be managed? Let us briefly see the mechanisms for this.

Managing Resistance to Change

If the change is to be implemented successfully, it needs full acceptance and cooperation from employees. But how can managers get employees' cooperation to cooperate? Specifically, how can they manage their employees' resistance to change? Kotter and Schlesinger (1979) put forward six valuable ways of overcoming resistance to change. These are:

1. Education and Communication: Management should educate employees about upcoming changes before they occur. It should also communicate the nature and the logic of the change.

2. Participation and involvement: If management involves those who might resist change with the design and implementation of the change, resistance may be prevented.

3. Facilitation and support: Management should make the change as easy as possible for employees and be supportive of their efforts.

4. Negotiation and agreement: When necessary, management can offer concrete incentives for cooperation with the change. Rewards such as bonuses, wages and salaries, recognition, and job assignment can be examined and perhaps restructured to reinforce the direction of change.

5. Manipulation: This involves making covert attempts to influence others. It can be done through selective use of information and the conscious structuring of events.

6. Explicit and implicit coercion: This involves the use of force to make people to comply with their wishes. Some managers apply punishment to those who resist change.

Each of the above approaches has advantages and disadvantages, and each is useful if applied in appropriate situations. Thus, managers should not use just one or two general approaches; effective change managers are familiar with the various approaches and know how to apply them according to the situation.