COURSE GUIDE

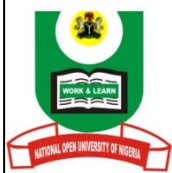**FMS 105**
ELEMENTS OF MANAGEMENT I

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NATIONAL OPEN UNIVERSITY OF NIGERIA

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INTRODUCTION

FMS 105 - Elements of Management I is a two -credit course for students offering programmes in the School of Business and Human Resources Management.

The course consists of 15 units i.e. three modules at five units per module. The material has been developed to suit undergraduate students taking management courses at the National Open University of Nigeria (NOUN) by adopting an approach that highlights the key areas of management in private and public enterprises.

A student who successfully completes the course will surely be in a better position to manage different sections in private and public organisations.

The course guide gives you an idea of what the course is all about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully. It also gives you some guidance on your tutor-marked assignments. Detailed information on tutor-marked assignment is found in the separate assignment file which will be available in due course.

WHAT YOU WILL LEARN IN THIS COURSE

This course will introduce you to the major aspects of management. In this course, you will learn about what it takes an organisation to attain its objectives.

COURSE AIMS

The course aims to give you an understanding of the techniques of managing private and public enterprises.

COURSE OBJECTIVES

At the end of this course, you should be able to:

*   define the concept of management
*   discuss planning for the advancement and development of employees, and the satisfaction of the needs of employees
*   highlight the stages in decision-making
*   describe the relationship between leadership and power.

WORKING THROUGH THIS COURSE

To complete this course, you are required to read the study units, read set books and read other materials provided by the National Open University of Nigeria (NOUN). You will also need to undertake practical exercises for which you need access to a personal computer running. Each unit contains self-assessment exercises; and at certain points during the course, you will be expected to submit assignments. At the end of the course, you are going to write a final examination. The course should take you about a total of 17 weeks to complete. Below are the components of the course, what you have to do, and how you should allocate your time to each unit in order to complete the course, successfully, on time.

COURSE MATERIALS

Major components of the course are as listed below.

- Course guide
- Study units
- Textbooks
- Assignment file
- Presentation schedule

STUDY UNITS

The study units in this course are as follows.

Module 1

Unit 1   Evolution of Management Theory
Unit 2   Management Functions and Behaviour
Unit 3   Decision-Making in Business
Unit 4   Planning
Unit 5   Control

Module 2

Unit 1   Organising
Unit 2   Communication
Unit 3   Directing and Leading Function
Unit 4   Staffing Function
Unit 5   Recruitment and Selection

Module 3

Unit 1   Employee Training and Development
Unit 2   Motivation
Unit 3   Forecasting
Unit 4   Delegation and Decentralisation of Authority
Unit 5   Social Responsibility

TEXTBOOKS AND REFERENCES

Certain books have been recommended for this course. You should read them- where you are so directed before attempting the exercises.

ASSIGNMENT FILE

In this course, you will find all the details of the work you must submit to your tutor for marking. The marks you obtain for these assignments will count towards the final mark you obtain for this course. Further information on assignments will be found in the assignment file in this course guide. There are 15 tutor-marked assignments in this course; you should attempt all the 15.

TUTOR-MARKED ASSIGNMENTS (TMAs)

There are fifteen tutor-marked assignments in this course; and you are advised to attempt all. Aside from the course material provided, you are advised to read and research widely using other references which will give you a broader viewpoint and may provide a deeper understanding of the subject. Ensure all completed assignments are submitted on schedule before set deadlines. If for any reasons, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an extension. Except for exceptional circumstances, extensions may not be granted after the due date.

FINAL EXAMINATION AND GRADING

The final examination for this course will be of three hours' duration and have a value of 70% of the total course grade. All areas of the course will be assessed and the examination will consist of questions, which reflect the type of self-testing, practice exercises and tutor-marked problems you have previously encountered. All areas of the course will be assessed.

Utilise the time between the conclusion of the last study unit and sitting for the examination to revise the entire course. You may find it useful to

review your self-assessment tests, tutor-marked assignments and comments on them before the examination.

PRESENTATION SCHEDULE

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marked assignments and attending tutorials. Remember, you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

COURSE MARKING SCHEME

The work you submit will count for 30% of your total grade for the course. At the end of the course, you will be required to sit for a final examination, which will also count for 70% of your total mark. The table below shows the brake-down of the marking scheme for the course.

Table 1:   Course Marking Scheme

ASSESSMENT	MARKS
Assignment 6 (TMAs)	4 assignments, best 3 will be used for C.A = 10 x 3 = 30%
Final Examination	70% of overall course marks
Total	**100% of course marks**

COURSE OVERVIEW

This table brings together the units and the number of weeks you should take to complete them and the assignment that follow them.

Unit	Title of Work	Weeks Activity	Assessment (end of unit)
	Module 1		
1	Evolution of Management Theory	1	
2	Management Functions and Behaviour	1	
3	Decision Making in Business	1	
4	Planning	1	
5	Control	1	
	Module 2		
1	Organising	1	
2	Communication	1	
3	Directing and Leading Function	1	

4	Staffing Function	1	
5	Recruitment and Selection	1	
	Module 3		
1	Employee Training and Development	1	
2	Motivation	1	
3	Forecasting	1	
4	Delegation and Decentralisation of Authority	1	
5	Social Responsibility	1	
		1	
	Total	**15**	

HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the lecturer. There is the advantage of reading and working through the course material at the pace that suits the learner best. You are advised to think of it as reading the lecture as against listening to the lecturer. The study units provide exercises for you to do at appropriate periods instead of receiving exercises in the class.

Each unit has common features which are designed, purposely, to facilitate your reading. The first feature being an introduction to the unit, the manner in which each unit is integrated with other units and the entire course. The second feature is a set of learning objectives. These objectives should guide your study. After completing the unit, you should go back and check whether you have achieved the objectives or not. The next feature is self- assessment exercises, study questions which are found throughout each unit. The exercises are designed basically to help you recall what you have studied and to assess your learning by yourself. You should do each self-assessment exercise and the study question as you come to each in the study unit. The next features are conclusion and summary at the end of each unit. These help you to recall all the main topics discussed in the main content of each unit. There are also tutor-marked assignments at the end of appropriate units. Working on these questions will help you to achieve the objectives of the unit and to prepare for the assignments which you will submit and the final examination.

It should take you a couple of hours to complete a study unit, including the exercises and assignments. Upon completion of the first unit, you are advised to note the length of time it took you, and then use this information to draw up a timetable to guide your study of the remaining units. The margins on either sides of each page are meant for you to make notes on main ideas or key points for your usage when revising the

course. These features are for your usage to significantly increase your chances of passing the course.

FACILITATORS/TUTORS AND TUTORIALS

There are 15 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the names and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments; keep a close watch on your progress and on any difficulties you may encounter as this will be of help to you during the course. You must mail your tutor-marked assignments to your tutor- well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following may be circumstances in which you would find help necessary- when:

- you do not understand any part of the study units or the assigned readings.
- you have difficulty with the self-assessment exercises.
- you have a question or problem with an assignment with your tutor's comment on an assignment or with the grading of an assignment.

You should try your best to attend tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain maximum benefit from course tutorials, prepare your list of questions ahead of time. You will learn a lot from participating in the discussions.

SUMMARY

FMS 105 - Elements of Management 1 is intended to expose students to the nitty -gritty of managing enterprises , be it private or public, corporate or small business enterprises , and government or non - governmental organisations . Upon completing the course, you will be equipped with the knowledge required to produce a good research work as well.

MAIN COURSE

CONTENTS   PAGE

MODULE 1

UNIT 1   EVOLUTION OF MANAGEMENT THEORY

CONTENTS

1.0   INTRODUCTION

Management is as old as man. There are several theories and principles under which the discipline operates. The principles guiding operations of managers have evolved over time. The evolutionary or development of management is spread over several periods. Therefore in this unit, we shall be studying the evolutionary process of management as a discipline.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- discuss the evolutionary process of management as a discipline from the pre-industrial period to the modern-day
- illustrate the contributions of the various management scholars
- explain modern approaches to management
- describe management process as propounded by various schools.

3.0   MAIN CONTENT

3.1   Pre-Industrial Period

In the pre-industrial period, management was practiced by various parts of the world including Africa. The well-known kingdom of Ghana, Mali and Songhai are known to have had a wonderful administrative system. Ghana's judicial system, for example, was well organised and managed and had both a lower court and a court of appeal. The army was very efficient and well disciplined that the King of Ghana can put up 200,000 warriors in the field within a short notice.

The importance attached to commerce and craftsmanship was evidenced by the lucrative trade between Ghana and other countries such as Spain, Morocco, and all North African countries. The shops of the local craftsmen dotted the market places. Cloth weavers, potters and shoemakers were abundant, and some employed more than two scores of men and apprentices. What is said of Ghana can be said of Mali. Taxes were very efficiently collected from businessmen and craftsmen, wood carvers, silversmiths, goldsmiths, copper smiths, weavers, tanners and dyers. The King's affairs were so well organised and so efficiently and effectively run that it was devoid of bureaucracy. The Kings planned, organised, and coordinated the international trade that existed between their kingdoms / countries and foreign countries.

Another well documented, properly organised management system was that of the Egyptians who carried out organised activities such as the construction of pyramids, irrigation projects and the building of canals. The Pharaohs and their viziers were the managers who planned, organised and directed and controlled the work of the subordinates. Management of enterprises was also practiced by the Babylonians, the Romans and the Greeks who were engaged in commerce.

3.2   Industrial Revolution

This was the period of intellectual awakening when the scientific and technological discoveries of Galileo, Watt, Gilbert and Harvey, and other prominent geniuses gave rise to the industrial revolution. One of the major advantages of the industrial revolution is that it gave birth to accelerated rate of resources accumulation and the growth of large scale enterprises. It brought under one roof- hundreds of employees working together.

This created its own management problems for the entrepreneurs. It made the division of labour, specialisation and delegation of responsibilities necessary as the owner-manager could no longer supervise all his operations alone. The entrepreneur was forced by competition to engage in crude performance of managerial functions. He still regarded his employees as part of his "tools". Employees resented the factory conditions and the meager wages while employers fought back with "blacklist", dismissal and threats. There were series of pools, mergers and trusts as a way of adapting to the environment.

With this, emerged different concepts and principles on how to manage a business effectively. These are conveniently divided here into four groups as listed below.

(a)   The scientific management movement;
(b)   The human relations school;
(c)   The administrative school, and
(d)   The modern approaches to management

Let us look at these one after the other.

3.2.1 The Scientific Management Movement

The scientific management school placed special emphasis upon production. Their main pre-occupation was what to do in order to increase employee productivity so that the entrepreneur could realise enough revenue. Scientific management was intended to bring about "a complete mental revolution", which must occur in the minds of the workmen and management.

3.2.1.1 Frederick Winston Taylor

Frederick W. Taylor is often referred to as the father of scientific management. According to Taylor:

Scientific management is not any efficient device, nor a device of any kind for securing efficiency; it is not a new system of figuring cost; it is not a new scheme of paying men, it is not a piece work system, it is not a bonus system; it is not a premium system, it is not a scheme for paying men; it is not holding a stopwatch on a man writing things down on him.

According to Taylor, the essence of scientific management is to:

(a)   increase the output of the average employee, and
(b)   improve the efficiency of management.

He opines that each worker is motivated by financial need and that his tendency for restricting output is fear of replacement. To solve this, he advocates complete education of employees to the fact that their need for more money and job security can only be met by increased output at a low cost. He advocates placing workers on a piece work in order to encourage them to earn more.

3.2.1.2 Taylor's Principles of Management

Taylor's principles of management can be summarised thus:

(a)   the gathering, analysis and codification of all "rule of thumb" and data existing in business;
(b)   careful selection of employees and development of employees to enable them attain their optimum potential;
(c)   educating men on scientific method that has been tested and proved to be effective;
(d)   management should reorganise these in order to carry out their duties properly.

Thus, Taylor insists that management should not rely on tradition or intuition, but rather should subject every job to a critical analysis, inventive experiments and a thorough objective evaluation which he applied in the machine shop in order to attain best results. Taylor was criticised for his lack of humanitarian concept.

3.2.1.3 Charles Babbage

One of the fore-runners of Frederick Taylor was Babbage who spent his life working on the "Difference Engine", a project considered to be a fore-runner of our modern data processing equipment. His major contributions to the field of management include the underlisted.

(a)   Division of labour and specialisation- he stressed the need for dividing and assigning labour on the basis of skill. He used pin production to illustrate the benefits of division of labour pointing out the savings in time and the acquisition of skill within a relatively short time as a person concentrates on only one operation.

(b)   Automatic operation- he stressed the need for replacing manual operations by automatic machinery.

3.2.1.4   Frank Gilbreth

Gilbreth is known for his work on time and motion studies. His book ***Cheaper by the Dozen***, made him very popular. Gilbreth believed that there was one best way which was believed to be the way that required the least motion.

He identified seventeen basic elements (listed below) in on-the-job motions which he called "Therblings" (Gilbreth spelt backwards).

(1)   Search
(2)   Find
(3)   Select
(4)   Grasp
(5)   Position
(6)   Assemble
(7)   Use
(8)   Disassemble
(9)   Inspect
(10)   Transport loaded, moving hand or body with a load
(11)   Pre-position
(12)   Release load
(13)   Transport empty
(14)   Wait-unavoidable
(15)   Wait-avoidable
(16)   Rest-necessary for overcoming fatigue, and
(17)   Plan.

His other contribution was the development of a flow chart which highlighted the need for breaking an operation into units and steps for different employees to perform.

3.2.1.5   Henri Fayol's Emphasis on Administration

The first principles of management were advocated by a French engineer and geologist- Henri Fayol. He isolated a set of principles that have been taught to other managers and students of management over the years. The fourteen (14) principles of management cover all aspects of management – human relations, scientific management as advocated by Babbage and Taylor. Fayol's principles of management are as listed below.

(1)   Division of labour
(2)   Authority
(3)   Discipline
(4)   Unity of command
(5)   Unity of direction
(6)   Subordination of the individual interest to the general interest
(7)   Remuneration
(8)   Centralisation
(9)   Scalar chain (line authority)
(10)   Order
(11)   Equity
(12)   Stability of tenure of personnel
(13)   Initiative
(14)   *Esprit de corps*.

In the development of management concept over the years, no nation appears to have a monopoly. Charles Babbage and Frederick W. Taylor are from the United States of America; Robert Owen is Scottish, while George Elton Mayo is from Australia. They worked to find the best way of increasing the productivity of workers and improving their economic, social and psychological well being.

3.3   Modern Approaches to Management

After a scholarly review of management concept over the years, Harold Koontz in his article *"The Management Theory Jungle"* has classified the major "schools" of management into six broad areas as shown below.

(1)   The Management process
(2)   Empirical school
(3)   Human relations school
(4)   Decision theory school
(5)   Mathematical school

3.3.1 The Management Process School

This school of thought perceives management as a process of getting things done (through people), operating in organised groups. The management process school attempts to establish a conceptual framework, identify the principles and formulate a theory of management based on it. This group believes in the universality of management. He grouped Henri Fayol, and Frederick Taylor as belonging to the same school. This school, he believes, looks to the function of managers.

3.3.2 Empirical School

This is Koontz's second classification. In this section are those who studied management through the analysis of the experience of successful managers. An attempt was made by examining the successful operation to form generalisation concerning the nature of management and the ability to apply the best management techniques. Ernest Dale, the great organiser typifies this group. The criticism for this school is in the area of the danger of using the past to judge the present or believing that what appeared to be right in the past may fit a situation in the present or future.

It could be argued that the empirical school is identical to the management process school. Taylor and Fayol were men with many years of practical experience on the job and what they postulated were based on their own experiences. Dale's comparative approach is based on structure- with less of experience. Both aim at deriving concepts or principles to be used as a guide for the practice of management.

3.3.3 Human Relations School

This group concentrates on the interpersonal relationship between management and workers. This group places emphasis on the understanding of employees by management. It stresses motivation, meeting workers needs and aspirations. The school believes that effective use of human relationship will aid management in realising the organisational goals. The criticism for this school is that it tries to link management too loosely to the field of psychology and sociology. The study of group dynamics and interpersonal relationship is not limited to management.

3.3.4 Decision Theory School

This group believes in rational decision-making. They perceive management as engaged in constant selection of courses of action from

available alternatives. The group engages in the analysis of decision from varying viewpoints – the economic rationale of the decision, decision makers and psychological aspects of decisions and decision-making. Most of the members of this school are economists and they tailor their analysis to include utility maximisation, indifference curve, marginal curve and economic behaviour under uncertainty. They have broadened the area of decision-making to include every aspect of the organisation and all the factors that influence the enterprise.

3.3.5 Mathematical School

There is a class relationship between the mathematical school and the decision theory school. These people classify themselves as "management scientists". They attempt to quantify some areas of management such as planning, decision-making and control in the form of mathematical symbols and models. In recent times, this field is called operations research. With the advent of computers, this school has gained recognition and has extended its activities to include simulation and game theories requiring sophisticated algebraic symbols and equations.

It can be seen from the above that this field is approached by many experts in different ways. As it has been pointed out, it is best to use the systems concept as a way of describing the total organisation rather than emphasising a specific function as enunciated by the various schools.

4.0   CONCLUSION

The discussion in this unit has taken us through the evolutionary process of management from the pre-industrial period through medieval, industrial revolution to modern-day management. You have also been exposed to the approaches to modern management and various schools of thought in management.

5.0   SUMMARY

In this unit, you have learnt the evolution of management theory, as well as the contributions of various management experts or practitioners to the development of management principles.

6.0   TUTOR-MARKED ASSIGNMENT

1.   What are the major contributions of scientific management movement?
2.   Write short notes on the following and show their relationship:
       a.   Division of labour

8

b.   Specialisation

7.0   REFERENCES/FURTHER READING

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**UNIT 2   MANAGEMENT FUNCTIONS AND
                     BEHAVIOUR**

CONTENTS

1.0   INTRODUCTION

There is no human endeavour that does not require proper management
to make room for proper functioning. All types of organisations
(whether profit making or non-profit making), government
establishments, business enterprises, hospitals, cooperatives, churches,
require good management to function effectively.

Management is one of the most important human activities that
permeate all organisations. Whenever people work together for the

attainment of a predetermined objective, there is a need for management that is charged with the responsibility of ensuring that the aims and objectives of the organisation are realised. It is the manager's responsibility to ensure that every member of the group contributes his/her best. To get people to put in their best, the manager has to understand people, their emotional, physical and intellectual needs. He has to appreciate that each member of the group has his own personal needs and aspirations and that these are influenced by such factors as ethnic, social, political, economic and the technological environment which he is part of.

Not all people can manage effectively or aspire to management position. Whenever people work together, there is generally a need for the co-ordination of efforts in order to attain expected results in reasonable time, and with minimum amount of money, discomfort or energy. All people who oversee the function of other people who must work in subordinate position are managers. Managers are people who are primarily responsible for the achievement of organisational goals. Any organisation that fails to realize its objective often blames it on management. In those enterprises that the stock-holders feel that they do not attain their objectives, there is a tendency to blame it. on those responsible for piloting the affairs of the organisation management. Thus management is often accused of lack of initiative; ineptitude, misconduct or are said to be unqualified and are called upon to resign. The manager is the individual to provide the dynamic force or direction. He is the person in charge or expected to attain results.

The manager does not spend all his time managing. He is like a football coach. He does not play the game but directs the players on how to play. Like a vice-chancellor of a university, he does not have to teach in the classroom but must plan admission, develop committees, represent the university, have budgets and reports prepared and ensure that students are properly housed. A manager that fails to achieve the objectives as expected, is either dismissed or asked to resign. In large organisations, such as the civil service or Government Corporation, there are often many instances of dismissals, transfers, demotions and promotions. A manager is expected to possess special talents or abilities, quite different from non-managers. In all countries, management has emerged as a leading group in our economic society. They are a class by themselves, distinct from ownership and labour. According to Peter Drucker, "rarely, if ever, has a. new basic institution; or new lending group, a new central function, emerged as fast as has management since the turn of the century."

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- define management as a concept
- differentiate between management as an art and as science
- state the concepts, principles and theories of management
- describe the universality of management and management as a system
- discuss organisational goals and objectives.

SELF-ASSESSMENT EXERCISE

What are the major functions of management? Illustrate your answer with examples.

3.0   MAIN CONTENT

3.1   Meaning of Management

Different meanings have been attributed to the word "management". Some people see it as referring to a group of people. They think of a management team or a group of individuals in an organisation. Management is also seen as a process demanding the performance of a specific function. Here management is a profession. To a student, management is an academic discipline. In this instance, people study the art of managing or management science. According to the American Institute of Management:

> It is used to designate either a group of functions or the personnel who carry them out; to describe either an organisation's official hierarchy or the activities of men who compose it: to provide antonym to either labour or ownership.

Management is defined as "getting things done through others". It can be more scientifically defined as the co-ordination of all the resources of an organisation through the process of planning, organising, directing, and controlling in order to attain organisational objectives. Management is the guidance or direction of people towards organisational goals or objectives. It can also be seen as the supervising, controlling and co-coordinating of activity to attain optimum results with organisational resources.

3.1.1 Management as Art

According to C.C. Nwachukwu (1992:4):

> Art is the imposition of a pattern, a vision of a whole, on many disparate parts so as to create a representation of that vision; art is an imposition of order on chaos. The artist has to have not only the vision that he or she wants to communicate, but also skills or craft with which to present the vision. This process entails choosing the correct art form, the correct techniques. In good art, the result is a blending of vision and craft that involves the viewer, reader, or listener without requiring that he separates the parts, in order to appreciate the whole.

Art requires technical skill, and conceptual ability. An artist must possess the know-how in order to create a desired object. To be a successful or creative artist, one has to understand the fundamental principles governing it. In the same manner, to be a successful manager, or top flight executive, one has to master the art of managing. When one sees management as an art, one thinks of creative ability and special aptitude to design or effect a desired result.

There are special areas of management that are not subject to the rigours of science. The manager, as a result, has to depend on past experience and judgement instead of depending on any testable technical knowledge as is the case in engineering, physics or survey. In special areas as human behaviour, instances abound where the manager will rely on experience collected over the years through practical experience. The application of this knowledge to individual situation is seen as an art- for the acquisition is not subject to the rigours of science.

3.1.2 Management as Science

Frederick W. Taylor is known as the father of scientific management. This title he earned by his pioneering efforts in taking exception to the traditional approach to management that tends to depend on intuition; past experiences or hunches. Scientific management uses the methods of science in making decisions and evaluating its consequences. Science attempts through systematic procedure to establish the relationships between variables and the underlying principles. Management is science, when it employs systematic procedure or scientific methods to obtain complete information about a problem under consideration; and the solution is subjected to rigorous control procedures to ensure the correctness and establish validity.

It must be observed that the two are not mutually exclusive, but complementary. A good manager must know the concepts and principles of management (management science) and also how to apply them in unique situations. A successful manager blends experience with science in order to achieve a desired result. One decision could involve both science and art in order to attain total result desired. The ability to use both judiciously makes for a successful manager.

3.2   Principles of Management

Principles are best seen as fundamental or general truth on which other truths depend. This implies a dependent and independent relationship. It could be descriptive, prescriptive or normative. Thus, a principle describes a relationship or what should be done if something else happens.

It is often difficult to formulate principles in management because of the difficulty in conducting controlled experiments. One of the most important variables – people, is not easy to control. Most of the principles of management in use today were developed by observation and deduction. This is because management principles are subject to change and interpretation than are the laws in the physical sciences. One of the principles of management- unity of command, states that *each subordinate should be accountable to one, and only one superior.* Sometimes this principle is violated, especially, when an organisation has established, well-defined superior – subordinate relationships. There is a need for principles of management. It helps to increase efficiency since the manager uses established guidelines to help solve his everyday problems.

Principles of management help in subordinate development. Without these principles, development will depend on trial and error. A course in management development stresses the time tested principles formulated over the years by experience and experimentation. Fayol, after more than 40 years of practical business experience, drew up his principles of management. The same is true of Taylor, Chester Barnard and Alvin Brown. Without principles, the understanding and development of management will be an arduous task.

One of the most important impacts of principles is that it has helped to promote research in management. Management is not 'an exact science; it deals with people whose behaviour is unpredictable and complex. Research is often difficult without some established principles. Most researches in management deal with tested facts to establish validity and reliability.

3.3   Concept and Theory of Management

Concepts are abstractions formed from generalisations .Concepts are the corner stone for the development of principles and theory. In reality, a concept is a commonly agreed upon definition of an object, event or process. The importance of concept can be illustrated by the fact that unless a concept is very clear to those who must use them, knowledge cannot be effectively transferred to another person. The same word must mean the same thing to all people. The words "management" and "organisation" are typical examples. They do not appear to imply the same phenomena among various persons.

A scholarly grouping of concepts and principles creates a theory. A theory presents a framework of principles and concepts for the clarification of a theory. A theory presents in a formal manner interrelated principles. Thus, the theory of management is the synthesis of the concepts and principles of management. We have, as a result of this systematic synthesis, many theories – organisation theory, theories of leadership, theories X and Y, Graicunas theory and the like. Management theory attempts to present in a concerted manner loose facts about human behaviour in organisation.

3.4   Management as a System

The system approach to management encourages management to perceive the internal and external environmental factors as an integrated whole. As a result of this system's concept, the manager views the physical, human, environmental and psychological facets of the job as linking to form an integrated whole. An example of a system is the motor car. The parts are assembled in a manner to produce a unified whole. Every system is made up of subsystems. For the system to function effectively, the subsystems must function effectively. In a general sense, the human being is a complex system made up of sub-systems such as the circulatory system, the auditory system and so on. These sub-systems are inter-dependent. When any of them fails to function effectively, the entire system experiences a severe setback.

The system's concept is often used in business to highlight the interrelationship between the functional areas of management. These functional areas such as production, marketing, finance, procurement and personnel could be seen as the subsystems. These functions must be properly coordinated for the enterprise to attain its desired objectives. The function of the manager has to do with managing the system. He is to create and define the objective of each sub-system and integrate the subsystems. The success of a manager goes beyond the "effective" management of any of the functional areas – (finance, marketing, or

production). He must not only strive to achieve the objectives of each of the functional areas, but also attain integrated balanced company objectives. Failure to recognise this fact can make each system pull in the opposite direction and a common objective may not be attained.

The interrelationship in a system can be demonstrated by a simple illustration. For the sales department to meet delivery dates promised to customers, it has to rely on the production target, the purchases department must order enough raw materials. For the purchases department to order enough raw materials, the accounts department must make enough money available- in time for the order to be placed and received on schedule.

The success of any system depends on the relationship between the system and its sub-systems. In a business organisation, factors such as goal clarity authority relationships and the structuring of the sub-systems could affect the performance of the entire system. The systems approach to management recognises that management system is a complex formal system organised to functional effectively and efficiently to achieve a desired goal. Where the system does not function as expected as a result of poor communication, personality clashes, poor or lack of goal congruency, the entire organisation suffers.

3.5   Universality of Management

Management function is identical in all formal organisations- whether it is a profit-making organisation or a non-profit-making organisation. All people who occupy management positions perform the same type of functions. They plan, organise, staff, direct and control. They get things done through and with subordinates. Their principal responsibility is to achieve organisational objectives through group efforts.

The concept of the universality of management implies that all managers, irrespective of their position in the organisational hierarchy, perform (at one time or the other) identical functions. The concept also connotes that management know-how is transferable from one organisation to another. Managers seldom perform the actual activities themselves. Their functions are managerial, not technical.

What managers do in organisations are the same –

1.   Managers make decisions.
2.   Managers focus on objectives.
3.   Managers plan and set policies.
4.   They organise.
5.   They communicate with subordinates, colleagues and superiors.

6.   They direct and supervise by securing actual performance from subordinates.
7.   They control organisational activities.

It is as a result of all these multiple functions that management has grown into a big profession. The professional manager, who occupies an important position in the organisation, thinks about the corporation and its health and growth.   The chief executive is, for example, a professional manager who owes no allegiance to a function or specialty, for his function is to guide and direct the company as an integrated unit-not in managing its separate parts.

3.6   Organisational Goals/Objectives

All organisations are purposive. They are established to accomplish an objective. Individuals in an organisation work in order to help accomplish these objectives. These individuals wish to accomplish their own goals through the organisation. When the goals of the individual and the goals of the organisations are the same, we have goal congruency. An organisation's goal can be implicit and require explicit formulation before they can be realised. Goals can be differentiated between official and operative goals. Official goals are mainly for "public consumption", while operative goals are those that are, in fact, pursued by the organisation and this influences its operation. It could be the official goal of the Nigerian National Petroleum Corporation to protect the environment while the company dumps pollutants into rivers, streams and lakes. Here the official goal reflects societal expectations from it. In some instances, the official goal and operative goals could be the same and only differ by the degree of specificity.

3.6.1 Characteristics of Good Goals

Certain basic characteristics distinguish good goals from "wishes". Good goals must possess the following qualities.

(a)   They must be specific and clearly stated.
(b)   Their achievement must be measurable or verifiable.
(c)   They must be realistic.
(d)   They must specify period of achievement.
(e)   They must include intermediate targets or goals that will facilitate the attainment of the major objectives.
(f)   Objective must be modern and up to date.
(g)   They must be ranked according to relative importance.

Thus a good objective is measurable, specific, verifiable and attainable.

3.6.2 Advantages of Organisational Objectives

The importance of organisational objective in a developing country can hardly be overemphasised. As pointed out earlier, management personnel in developing countries are young, inexperienced and often have a shallow concept of organisational principle. It is not unusual for the owner not to have clearly stated objectives except "to maximise profit". In public corporations, for example, their objectives are general- at best. Often one hears such phrases as "make profit", "be self supporting" etc., and these objectives move from profit making to social welfare redistribution. In civil service, the situation is worst. There are no targets, no deadlines or definite expectations from management. It is important to highlight the need for goals.

(i)   **Organisational goals help the organisation to orient itself to its environment.** A typical environment presents management with risks and opportunities. A good goal makes the organisation while helping to exploit the opportunities to minimise the impact of risks.

(ii)   **Good organisational goals help in policy formulation and administration.** All policy issues such as marketing policy, production and purchasing policy, personnel policy and financial policy are influenced by company objectives. If a pharmaceutical company wishes to be a leader in rheumatic, muscular and neuralgic pain tablets and research, the personnel policies and practices must provide for the recruitment of quality scientists for its research work. As well, production policies must be highly imaginative and flexible to adapt to the attainment of the objectives; and the financial policy must allow for adequate funds for creative research and liberal remuneration to attract seasoned researchers and salesmen.

(iii)   **Clearly stated objectives** help all sub-systems to pull in the same direction, thus making for easy co-ordination of activities. Sales department and production department will complement each other. Production will insist on quality products to reduce rejects and returns; and, the sales department will not promise unrealistic delivery dates, or insist on allowing discounts on high quality items. Advertising will stress quality and service- and not price.

(iv)   Clear objectives make for **consistency and unity of purpose and direction**. It prevents management from stressing short-run gains at the expense of long-run company objectives. Objectives serve as motivators and provide a definite direction.

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3.6.3 Common Organisational Goals

There was a time that economists believed that 'the sole purpose of any business is to maximise profit". This concept is still shared by many people in developing countries. These organisations stress short-run objectives. In their recruitment policy, they will hire poorly qualified employees who use their companies as a training ground to gain experience; they insist on high mark-up, and low-rent stores. In the long-run, they lose business to bigger organisations that insist on well trained, experienced employees with its attendant low cost as a result of reduction in the number of rejects and returns, customer loyalty, and the advantages that accrue from high turnover of products.

The major organisational goals include the following.

(a)   Profitability
(b)   Survival
(c)   Growth
(d)   Market-share
(e)   Productivity
(f)   Innovation
(g)   Employee welfare
(h)   Service to customers and
(i)   Social responsibility.

It must be emphasised that objectives must be set for every department, for each supervisor and for every employee. "It is important that every human being has one or more goals towards which he is striving. It is supreme in his thoughts and serves as the pinnacle of this hopes and ambition".

3.6.4 Personal and Organisational Objectives

As pointed out, all individuals have personal objectives which they plan to achieve through the organisation. People act in a manner that will help them to attain desired objectives. A. typical employee's goals can be divided into two main groups. There are certain objectives that he/she aims at achieving in the short-run and those that he looks forward to achieving sometimes in the future. Some of these objectives can include money, excitement, security, happy life, leadership position, recognition in the society and many other broad objectives. Sometimes no clear-cut distinction is made as to the best way to attain them and no real priority is placed on them. Somehow, in his head, even if not properly articulated, there is some form of hierarchy of objectives. As a rational being, he will behave in a way that will lead to the attainment of valued goals.

An employee is consistently evaluating whether the organisation is the instrument through which he can attain his own goals, and trying to determine whether his objectives are consistent with the goals of the organisation and others in the organisation. Where these differ remarkably, there is a conflict. The degree of this disparity in objectives determines the intensity of the conflict. If the individual discovers that the objectives are diametrically opposed, he may elect to withdraw his services if he has an alternative opportunity. If he has none, he may decide to reorient his objectives to arrive at a reasonable compromise between his objectives and organisational goals. Every person has zones of indifference. This zone is said to be narrow if a person is relatively intolerant of disagreements between his goals and those of the organisation, if the person remains loyal- irrespective of disagreements.

Individual objectives should be incorporated in organisational objectives, and sincere efforts should be made in order to realise both. An individual who finds his objectives in serious conflict with organisational objectives should withdraw his services from the organisation. Organisations and individuals function better when there is goal congruency. Each then works toward the realisation of the common objective for his survival depends on it.
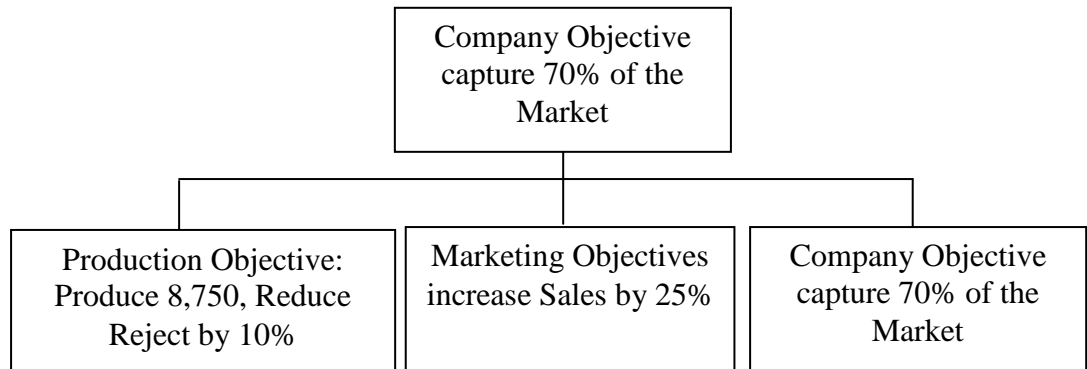

Figure 2.1: Chart of Objectives
Source: C. C. Nwachukwu (1988:13)]

From the above chart, one has to conclude that every department in the organisation should have well spelt out goals. This should layout the contribution expected from each department. It should also spell out what contributions each unit expects from other departments towards the achievement of its goals.

As C.C. Nwachukwu (1992:13) summarises it:

> To obtain balanced efforts the objectives of all managers on all levels and in all areas should also be keyed to both short-range and long-range considerations. And, of course all objectives should always contain both the tangible busi-ness objectives and the intangible objectives for manager, organisation and development, worker performance and attitude, and public responsibility. Anything else is short sighted and impracticable.

Well articulated organisational objective eliminates management by "crisis" and "drives". Many executives in Nigeria-about 62%, claim that there are no well written .organisational objectives either for the entire organisation or for the departments or units. The civil service is characterised by management, by drive or crisis. Whenever a project is envisioned, employees are driven to accomplish the objective only to relax thereafter. Management by drive is an admission of lack of planning and betrays incompetency.

Organisations must make it possible for each unit to measure its performances quantitatively or qualitatively. This acts as a feedback for the manager who periodically evaluates his own performance as a self-imposed appraisal.

3.7   Nigerian Civil Service

One of the major problems-as identified earlier, confronting the Nigerian civil service is lack of clear objectives. The objectives of the civil service are intangible so are their results. The aim of the civil service is "to serve the people". This sounds ambiguous and cannot easily be subjected to any quantitative or qualitative evaluation. To determine when a civil service has become result oriented entails having specific, limited, clearly defined targets to be accomplished within a given time. As Drucker puts it, "only if targets are defined can resources be allocated to their attainment and deadlines set, and somebody can be held accountable for results".

The Nigerian civil service does not have definite expectation from employees because goals are, at best, hazy even to the level of key management personnel who end up becoming "administrators" instead of managers. Lack of clear-cut objectives and goals is, in part, responsible for the constant personality clashes, excessive red-tapism and bureaucracy. Many key executives, "push files" and lack initiative and ingenuity.

3.8   Objectives of Nigerian Businessmen

One of the critici FMS often voiced against Nigerian indigenous businessmen is their lack of clearly stated objectives and the fact that they adopt a very narrow concept of their function and often stress the wrong objectives in their enterprises . Below is given the business objectives of some Nigerian indigenous businessmen:

Table 2.1:   Objectives of Nigerian Businessmen

Factors	1st *Choice*	*n = 108*
	n%	
To make money or profit	- 47	
To grow larger	- 6	
To be very successful in business	- 10	
To provide a good product	- 5	
To contribute to community development	- 10	
To provide jobs for relations and friends	- 9	
To be independent	- 5	
To leave something for my children	- 4	
Others	- 4	
	100	

The table above shows that in this study, 47% of the respondents gave the making of money or profit as their first choice, whereas those with the desire to grow larger and be successful in business constitute 6% and 10% respectively. The selection of good objective is an aid to the successful operation of an enterprise.

3.8.1   Multiple Objectives

From the foregoing analysis, it can be inferred that each organisation has multiple objectives. There should be no conflict in the various objectives. These objectives should form a logical network for the optimal attainment of organisational goals. One objective should be instrumental to the realisation of another objective. The higher the company's share of the market- other things being equal, the higher the overall profit. The more qualified and aggressive the sales force, the higher the volume of sales per salesman.

Below is a summary of the importance attached to each goal by company directors. The questionnaire was adapted from George E. England.

Table 2.2: Responses for 365 Managers to Importance of Various Goals

Goals of Business Organisation		*N = 365* *% of total group indicating* *very important*
High Productivity	-	*85*
Profit Maximisation	-	*72*
Efficiency	-	*68*
Organisational Stability	-	*65*
Organisational Growth	-	*60*
Industrial Leadership	-	*40*
Employee Welfare	-	*52*
Social Welfare	-	*10*

3.8.2 Business and Ethics

The discussion on business and ethics is more important in Nigeria than in many other countries because of many instances of unethical business practices in the country. It is widely discussed in the media that there is corruption in all aspects of Nigerian life. You have to bribe a cashier to get paid; you have to offer money to a clerk to make sure that your file does not disappear; you have to bribe a doctor in a public hospital to receive treatment and you cannot renew your driving license unless you offer a gift to the officer in charge.

In government circles, the demand for l0% kickback of the contract sum is the accepted norm. Businessmen are not left out in the corrupt practices. Executives are known to have made some decisions in order to benefit themselves rather than to optimise public service. An executive in any decision to purchase equipment is expected to take such factors such as availability of parts, cost, quality, delivery time and operating cost into serious consideration before a decision to purchase is reached. Some executives ignore these important facts in order to receive "kickbacks" of 10 – 20% of the cost of the equipment.

3.8.3 Conflict of Interest

Conflict of interest arises when an executive deals with a company in which it has vested interest. An executive who is a majority shareholder in a company that is their major supplier of raw material is "likely to' have a conflict of interest. The same fact is true when a manager is the owner of a company that has contracts to construct roads, buildings, or

offers any other contract for the organisation. The manager will find it difficult to enforce quality or engage in worthwhile bargaining. He will, most likely, divulge classified information to his company on the lowest and highest bids already received. In order to avoid a conflict of interest, some companies have rules that state that:

> no member of management of the company is allowed to accept any gift or gratuities from third persons which might conceivably tend to induce him to violate his duties to the company or to have any appreciable interest in any business enterprise which is a supplier or has business relationships with the company.

The punishment for the violation of such rules is dismissal.

3.9   Unethical Business Practices in Nigeria

The most common unethical business practices in Nigeria are presented below.

1.   Outright bribery
2.   Unfair practices in pricing
3.   Price discrimination
4.   Dishonest advertising
5.   Price collusion by competitors
6.   Unfair and prejudice in recruitment
7.   Cheating of customers
8.   Dishonest advertising
9.   Unfair credit practices
10.   Overselling
11.   Collusion by competitors
12.   Dishonesty in making and keeping to contracts.

3.9.1 Factors that Determine Ethical Conduct – Socially Accepted Ethics

An organisation is an integral part of the society and is influenced by social, political, economic and technological factors prevailing in a society. The ethical conduct of an organisation is in part determined by the moral ethics prevailing in the society as a whole. If the society condones general laxity that will influence the organisation, the society sets the ethical climate.

3.9.2 Ethical Climate in the Industry

The ethical climate in an industry influences the behaviour of a company. As 10-20% commission appears to be the accepted sum- as kickback, for the award of contract in Nigeria, every company competing for a contract has to build in such a commission in its quotation if it wants to win the contract. The general feeling shared by many company executives is "if you can't beat them, join them". Thus, *garri* sellers, and rice sellers have the "magic cup" to sell their commodities to a customer unless the customer is vigilant. The general attitude seems to be caveat emptor (let the buyer beware.)

3.9.3 A Man's Personal Code of Behaviour

There are many honest and sincere people in organisations who will eschew riches if the only way to be rich is through unethical practices. They are guided by their personal conviction and conscience. If they are company executives, they set the tone and get others to follow. In general, the ethical standard of an organisation is dependent upon the ethical standard of each member of the group.

3.9.4 The Behaviour of Management

The ethical standards of a company are determined by the ethical standards of the executive. They set the ethical behavioural patterns to be emulated by the subordinates. If they resent and firmly condemn unethical practices in the company, the subordinates will toe the line. The subordinates' ethical behaviour is reinforced and influenced by the behaviour of management. The two factors, individual personal code of conduct and the organisation's ethical values determine the organisation's code of conduct- for each reinforces the other. In a company where management is made up of men of integrity, ethical standards are likely to prevail. If management gets out good company policies governing the relationship with their customers, competitors and the general public, ethical behaviour will prevail.

Baumhart aptly summarises the factors determining ethical conduct and unethical conduct as follows.

(a)   Factors determining ethical decision

1.   A man's personal code of behaviour
2.   Behaviour of a man's superior in the company
3.   Formal company policy
4.   Ethical climate of the industry
5.   Behaviour of a man's equals in the company

(b)   Factors determining unethical decisions

1.   The behaviour of a man's superior in a company
2.   Ethical climate of the industry
3.   Behaviour of colleagues in the company
4.   Lack of company policy
5.   Personal financial needs.

4.0   CONCLUSION

In this unit, you have learnt about management functions and behaviour, definition of management and reasons for management.

5.0   SUMMARY

In this unit, you have been exposed to the following:

- definition of management
- differences between management and the act of managing
- the reasons for management
- the position of various authors on management as an art and as a science
- the principles, concepts and theory of management
- the universality of management
- organisational goals and objectives.

6.0   TUTOR-MARKED ASSIGNMENT

Write short notes on the following:

1.   multiple goals objectives
2.   concept and Theory of management
3.   principles of management.

7.0   REFERENCES/FURTHER READING

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UNIT 3   DECISION-MAKING IN BUSINESS

CONTENTS

1.0   INTRODUCTION

In business, there are absolutely no right or wrong decisions but intelligent choices. What one considers a right decision in a particular time frame may turn out to be an unintelligent decision if the circumstances change. This is particularly true in developing countries where most of the variables required for intelligent decision are lacking. In some industries, the total production is unknown, the consumption pattern is not clear, the total population is a guess work, supply of raw materials is influenced by political consideration and the lead time for the supply of raw material is most unpredictable.

An entrepreneur may decide to import large quantities of raw material because it is under license. The restriction can be lifted within a month after the importation, purely on political grounds without giving consideration to its consequences on the successful operation of the businessmen in the industry.

Decision-making is one of the most crucial activities of management. The necessity to decide is the everyday preoccupation of management in all types of organisations, whether small enterprises or multi-national corporations. The decisions that management has to take are sometimes simple and in other instances, complex and overwhelming. A decision to increase production in a particular industry can necessitate the employment of more labour, increase in plant capacity, acquisition of more equipment, borrowing of money and the mastering of new technological know-how.

This decision can affect the entire economic climate, resulting in full employment, with its attendant consequences – increase in money in circulation and inflation. In this unit, you will be introduced to decision-making and all that it entails.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

•   define decision-making
•   identify the process involved in decision-making
•   classify decisions
•   highlight the stages in decision-making
•   describe group decision-making
•   discuss creative thinking and steps involved in creative thinking.

3.0 MAIN CONTENT

3.1 Decision-Making Process

Definition

A decision is the selection of alternative course of action from available alternatives in order to achieve a given objective. The decision process is influenced by the unique environment of the decision maker, his organisational position, available knowledge and experience in decision-making. A decision is a choice aimed at achieving optimum result in a given situation.

Decisions are made when a person finds himself in a situation where he must act and he is not quite sure of the choice that will give the best result. A decision can be seen as a mental process that forces us to analyse the situation in order to master it, or increase our knowledge of the area in which decision is to be made. An intelligent decision is one which yields the best intelligent response to a situation. Decisions aim at making things happen – in order to achieve an objective. Absence of

a decision is a decision. A decision not to act or to postpone a major decision is a decision.

3.2   Nature of Decision-Making

As pointed out earlier, decision-making presupposes the existence of alternatives. From these alternatives, the decision maker selects the one that will yield the desired result. This entails the existence of some criteria for measuring or comparing the desirability of the alternatives in relation to the purpose. Figure 3.1 below shows the structure of decision-making. According to Buffa, all decisions go through this process.
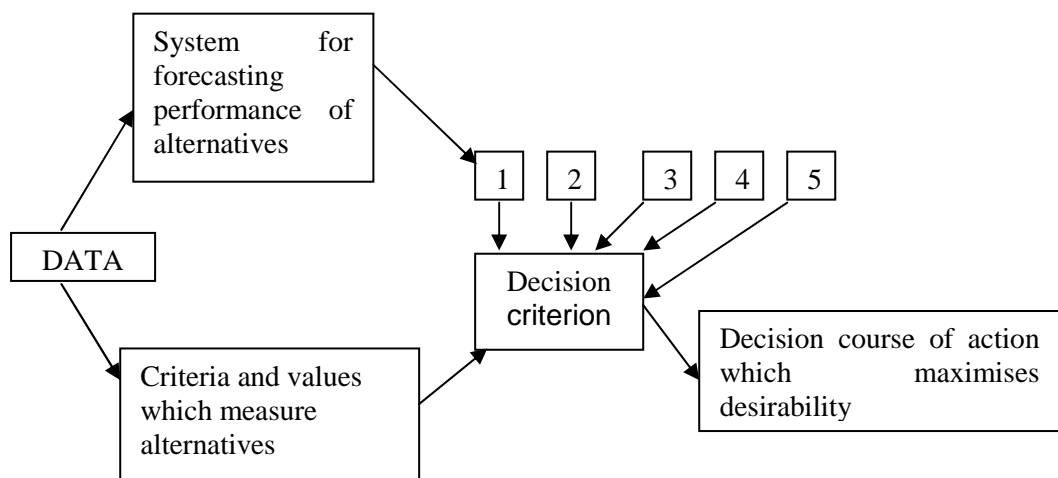
Figure 3.1:   Structure of Decision-Making

Each alternative can have desirable and undesirable aspects. The alternative that appears to have the most desirable result- based on our '*decision criterion*' is the one to be selected. Every decision is based on a probability that the anticipated event will occur. If a quantitative method is used, the value of each alternative is computed. The course of action that maximises the final desirability is the rational decision.

3.3   Classification of Decision

Decision-making can be classified into three major groups:

-        decision-making under certainty
-        decision-making under risk
-        decision-making under uncertainty.

(a)   Decision-making under certainty

Certainty – it is assumed that there is a single-space, complete and accurate knowledge of the consequence of each event.

A decision made with full knowledge of the occurrence of an event is said to be decision under certainty. In this situation, the decision maker knows what the stated value of the pay-off is expected to be. If, for instance, the value is N1.00, in making the decision one has to select the alternative that gives the expected pay-off of N1.00. Assuming that a service organisation wishes to determine the cheapest way of handling its security services and finds out that:

(a)   if it subcontracts security service, it would cost ₦7,000 per annum;
(b)   if it handles its own security by hiring 4 security-men, it would cost ₦10,000 per annum;
(c)   if it installs burglary proof and other security measures it would cost ₦12,000 per annum.

In this situation, it is easy to select plan (a), since it entails the lowest cost.

(b)   Decision-making under risk

Uncertainty – the consequence of each choice cannot be defined by a correspondence relationship even within a probabilistic framework.

(c)   Decision-making under uncertainty

Risk – it is assumed that accurate knowledge about the probability distribution of the consequence of each alternative exists.

3.4   Stages in Decision-Making

Every decision-making process has some basic elements in order to be effective. They include:

-    the formulation of goal or goals
-    mental process to acquire knowledge on the situation
-    analysis to determine alternative course of action
-    choice procedure
-    implementation.

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        │     Formulation of goals     │
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    │   Acquire knowledge of the problem  │
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│  Analyse the situation to determine alternatives │
└──────────────────────────────────────────┘
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        ┌─────────────────────────────┐
        │       Select alternative      │
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          │     Implementation     │
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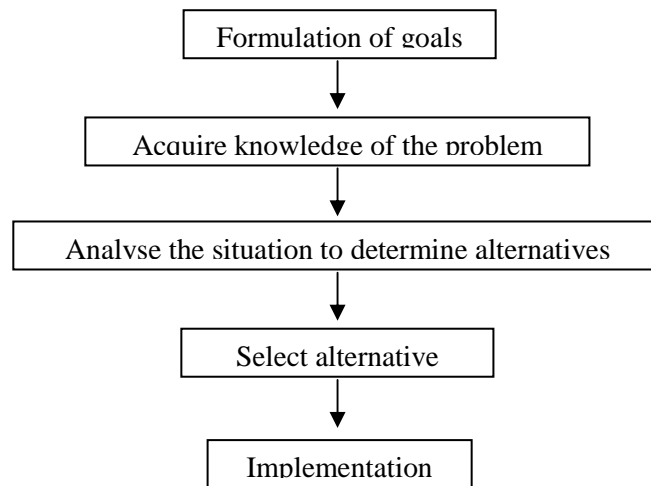
Figure 3.2:   Elements in Decision-Making

(a)   Formulation of goals

For one to make a decision, one must have goals that one expects to achieve. The goals to be achieved may be determined by the organisation and could aim at minimising cost or maximising profit. In the case of the production manager, the decision at that level could be to reduce rejects by 20 percent or increase average output by 10 percent.

(b)   Acquire knowledge

A rational decision requires the decision maker to acquire a thorough understanding of the problem in order to make an intelligent choice. This demands that the decision maker saturates himself with facts about the situation. At this stage he seeks information from employees who have expert knowledge about the situation understudy. When vital decisions are to be made, "brainstorming" is encouraged in order to avoid costly, hasty decisions. It is advisable to hear both from those who are interested in the problem and those who are opposed to it. The step is likened to a situation where a "car won't start" in the morning. Why? What is the cause of the problem?

(c)   Analysis to determine alternatives

The essence of analysis at this stage is to determine possible courses of action – the search for alternatives. The number of alternative ways of solving the problem that could be thought out depends on the effort expended by the decision maker in the search for alternatives. This is one of the crucial steps in rational decision-making. It involves the utilisation of the vital information gathered through the process of defining the problem. The decision maker can gain insight from experts

and engage in creative logical reasoning. This will help to achieve the objective with cost effectiveness in mind.

(d)   Decision

Decision is the selection of the course of action believed by the decision maker to yield the best result under the circumstances.   The final selection is influenced by the decision maker's past experience, his value judgement, and the logical process that has been established and followed in the previous steps (a) – (c) above.

It has to be pointed out that the selected solution may not necessarily be the most satisfactory solution, but the most intelligent decision under the circumstance. This has often been called *satisficing*. An entrepreneur may decide- in the circumstance, to select the alternative that "minimises his risk or involves "minimum regret" or gives him optimum result in the short-run. There is a tendency for Nigerian entrepreneurs to seek short-run instead of long-run growth.

It is important at this stage to ask four vital questions:

(a)   did I consider all possible alternatives that bear on the question?
(b)   does the selected alternative contribute to the realisation of the intended objective?
(c)   will the decision lead to the attainment of the preferred solution?
(d)   is this alternative capable of implementation?

(e)   Implementation

A decision-making process is not completed until it is implemented. The essence of any decision is to secure action. If this stage is not properly carried out, the entire process is a waste of time and resources. For some important decision to be implemented effectively, the decision-maker has to seek and obtain the willingness of operation of all involved. He has to "sell" the decision to the workforce. Factors involved in securing acceptance include effective communication, motivating the employees into accepting the decision and pointing out the advantages to be achieved, effective control of the process for the implementation of the decision and, promote timing of events to aid coordination.

3.5   Group Decision-Making

An organisation is not better than the people that make it up. The success or failure of an organisation depends on the creativity of its human resources. Efficient and effective utilisation of these people to

make use of their intellectual abilities, in part, helps the growth of the organisation. There is a popular saying that "two heads are better than one, even if they are 'coconut' heads". This illustrates the importance of participative decision-making.

One of the major problems encountered in retaining young university graduates in many indigenous enterprises is the absence of participative decision-making. The entrepreneur is reluctant to involve the young graduates in areas they believe they can contribute their best in the organisation; whereas, employees like to be involved in decisions that affect the organisation, especially those that affect them directly.

Decisions are expected to be made in a social environment. It is a situation in which each participant contributes his ideas towards the realisation of a predetermined goal. No idea is useless, no matter how stupid it sounds. In many instances, what some people call "stupid" or "crazy" ideas are those that disagree with their own. There is a popular saying that "where the people always agree, only one person is doing the thinking". Group decision calls for varied views- some optimistic and some pessimistic.

In the final analysis, what determines whether a decision is to be made by an individual or group is the type of decision to be made, and the importance of the decision to the immediate attainment of organisational objectives.

3.5.1 Committee Decision

In modern organisations, committees are increasingly being used as effective administrative tools. In large and small organisations, committees are used for a variety of reasons. In large decentralised organisations, a committee is the device for achieving coordination of activities and sharing information among the various departments and divisions of a company.

A committee can be seen as a group of people assembled together to take action on an administrative task. In some organisations, there are committees for each key functional area such as finance, production, sales, audit, purchasing, and engineering. These are generally permanent committees. These committees often meet, regularly, once or twice a month to discuss general problems affecting their operation. There are instances where committees are appointed to study and offer solution to a specified organisational problem. They stop functioning as soon as the assignment is completed. This is generally called an *adhoc* committee.

Committees such as salary adjustment committee, tenders board committee, employee grievance committee or question box committee can be *adhoc* committees. They can also be permanent committees. The government makes use of some committees in dealing with specific assignments. In Imo State, the government appointed the University Planning Committee to help plan the state university; at a point too, the federal government appointed the Revenue Allocation Committee. These are *adhoc* committees which fail to exist as soon as their functions are completed.

3.5.2 Selection of Committee Members

The effective use of committees to proffer solutions to organisational problems depends on the selection of the right people to serve in the committee . Most of the critici FMS often voiced in the use of committees as an effective device in decision -making bother on the quality of people appointed to serve on them . Committees are often seen as "a group of people who keep minutes and waste time and money ". Hudson, writing on this important issue, observes that:

> "Equally sad and costly are the "good" people who are un-trained to the rigours of sound committee working – the people who debate on ideas, who lack a gift for negotiation, the people who are spineless, irrational, hyper-sensitive and over emotional people who are blindly devoted to an ideology, blindly loyal, or blindly combative.

The selection of members of a committee should be based on qualifications such as knowledge of the subject matter to be assigned to the committee, interests, responsibility, availability and emotional maturity.

The number of people to serve in a committee is to be determined by the nature of the assignment. A large number is sometimes very cumbersome to manage and makes it often difficult to agree on a specific time and date for meetings.

3.5.3 Committee Chairman

The success or failure of a committee, in most instances, depends on the chairman. The chairman is expected to be a mature, intelligent, skillful, versatile person who is capable of accommodating varied opinions. A committee succeeds when the members believe that the chairman is equal to the task and is capable of leading the committee to arrive at mature conclusions. A capable chairman is in a position to help reduce

some of the major disadvantages associated with committees such as cost, idle debates, danger of compromise and slow action.

3.5.4 Benefits and Limitations of Committees

Almost all formal organisations have committees because it has been very useful as one of the basic democratic ways of operation and the realisation that the concentration of tasks in one individual does not make for efficient and effective control. The following are the basic advantages.

(a)   **It makes different viewpoints available.**   The interaction between members brings out different viewpoints that could not have been considered or given due weight if the decision was made by one person. Collective views make for thorough and complete analysis. Thus, it provides a forum whereby knowledge, experience and abilities of several experts are brought together.

(b)   **Better coordination-** committee decision helps to promote better coordination in the company. In any type of organisation, there is often constant need for coordination in order for everyone to pull in the same direction. The coordination of sales department with production, purchases and advertising departments brought about by their being in the same committee will help to achieve optimum results.

(c)   **Committee as advisers-** a committee can be advisory in nature. This type of committee is created to advise, counsel and make recommendations to the managing director to help him make an intelligent decision. An administrative commission of inquiry is a typical example of an advisory committee.

(d)   **Collective responsibility for decision-** when the chairman of the committee takes a decision, it becomes a collective decision of the committee, irrespective of whether a member likes it or not. The decision becomes the decision of the "group" which they cannot afford to disagree with. In some instances, there is an "overtone" which suggests to members that he would like them to "go along". What he really demands from them is support.

(e)   **Lack of accountability-** one of the major disadvantages of a committee decision is that many committees only recommend or advise. To advise is not to decide, as the decision lies with the chief executive who is accountable for the outcome of the decision. In a committee decision, no one is held accountable or responsible for the decision because of the nature of the

impersonality that characterises all committees. It has to be observed here that depending on the nature and authority, a committee may serve in a service, advisory, coordinating information or final decision-making capacity.

3.5.5 Use of Committees in Nigerian Organisations

Committees, standing and *adhoc*, are extensively used in Nigerian organisations. All organisations with more than 50 employees have one form of committee or the other. In a study of Nigerian establishments, 78 percent of the organisations reported the existence of one committee or the other- with varying degrees of authority and life span. Interestingly, 58 percent of the respondents in industry, commerce and service organisations advocated the use of more committees while 28 percent of the respondents in the public service advocated the use of more committees. Some managers, 68 percent, serve in more than four committees at a time. Only 2 percent serve in only one committee. The most popular committees in Nigerian organisations are given in table 3.1 below.

Table 3.1:   Committees in Nigerian Organisations

Functional Areas	No. of Companies with the Committee	Percentage of total frequency of mention
General Management	204	85
Finance	96	40
Marketing	156	65
Production	84	35
Labour and Personnel	132	55
R & D New Products	108	45
Public Relations	132	55
Others	60	25

It is interesting to observe that a large percentage (55 percent) have labour and personnel committees. It is equally revealing to note that 40 percent of the respondents believe that committees are very efficient and only 28 percent believe that they are not efficient. The summary is in the table 3.2 below.

Table 3.2:   Efficiency of Committees in Nigerian Organisations

Degree of Efficiency	No. of Respondents	Percentage
Very efficient	48	20
Efficient	96	40
Not efficient	72	30
No opinion	24	10
Total		**100**

A cursory analysis of respondents by occupation shows that 55 percent of those in the public service reported that committees were very efficient as a device for decision-making. The reasons given ranged from the inability of committees to implement their decisions to committees serving as "rubber stamp" for management, to the entrenchment of highly centralised structures that cannot accommodate the decision of committees. It is true that the potential benefits of group participation in decision-making are seldom achieved in many instances. Nevertheless, this should not be seen as sufficient reason to underestimate the importance of committee decision. The quality of decision-making by committee is a function of the environment for decision, the quality of leadership and the caliber of people in the committee.

3.6   Creativity in Decision-Making

A good committee can be very creative. A creative committee is one that comes up with new ideas, new approaches, and new ways of doing old things, doing a common thing in an uncommon way, a new product, or new application or a combination of existing knowledge. Creativity is one of the highly sought after talents in management. A creative manager seeks original solutions to existing problems. Creative thinking is necessary in business, for the organisation is constantly in search of imaginative solution to problems posed by its competitors and the total environment. Many organisations have in their midst individual great inventiveness, and the unusual ability to create new ideas is the realisation that some people are more creative than others; this is why committees are often used in the solution of some of organisational problems.

An ideal environment that is supportive of and promoting creative thinking is necessary for individuals to challenge that imagination. The recruitment of people who are creative is a necessary precondition to encouraging creativity in an organisation.

3.7   Steps in Creative Thinking

Studies have shown that certain steps are necessary in creative thinking. These can be summarised as follows:

(1)   Problem identification
(2)   Investigation
(3)   Incubation
(4)   Illumination
(5)   Verification

1.   Problem identification

The first step in creative thinking is the perception that a problem exists. This can be in production, sales, customer relations or advertising. The discovery of this problem launches the creative individual immediately to seek for suitable solution.   No creative work has been achieved without dissatisfaction with the existing situation which forces the "genius" to seek new ways.

2.   Investigation

Investigation is the second step in creative thinking.   Here, the individual examines the problem and analyses old ways of performing the task. This can call for intensive research into existing knowledge on the subject. There could be an exploration into all the possible avenues that will lead to the discovery of such things as the interrelationships, and associations.   This step involves the accumulation of facts and figures that bear on the subject. A thorough examination which helps the individual to saturate himself with facts and figures on the problem will help to develop a creative solution.

3.   Incubation

This is a very important stage in the process. Here, the entire mind reflects on the problem. Sometimes, a creative solution is not easily available and the individual leaves the subject for more reflection. Creative thinking is not a choice of alternatives as in decision-making. It is a process of mulling the problem over. It may involve the use of the unconscious mind. The creative person is, at this time, in a special state of mental "stress", and detaches himself from things around him. He could go around the circles with a real solution arising and he can at this stage leave the problems for a while to avoid mental fatigue.   This period is characterised by frustration and helplessness.   This is often referred to as the gestation period. Rest is recommended. The rest period would refresh the mind.

4.   Illumination

An ideal brainstorming session highlights the importance of new ideas. The rules for successful brainstorming session include the following.

(1)   Criticism of ideas must be withheld until after the session;
(2)   The group must welcome diverse suggestions and encourage the wildest of ideas;
(3)   Developing a greater quality of ideas increases the likelihood of having one really useful idea;
(4)   Each member of the group should improve and relate his own ideas to the ideas of others.

5.   Verification

Some of the major critici FMS of brainstorming are that it is time consuming. Many man-hours are spent in generating ideas and also in crystallising them. It also produces many superficial ideas.

Nevertheless, its usefulness in creative thinking can hardly be overstated. In many organisations, it is indispensable in determining the name of a new product and determining a new advertising slogan. Political parties in Nigeria use it very extensively.

3.8   Qualitative Methods of Decision-making

The use of qualitative methods as aid in the decision-making is well recognised in large organisations in developing countries, and to a less extent, in small industries. One of the major reasons for this is the limited education of the owners of small businesses. With increased education and the separation of owner-manager, these techniques will be increasingly found useful by small businessmen.

3.8.1 Operations Research (OR)

The mathematical techniques used as aid to decision-making are often called operations research. Churchman et al., define operations research as:

> "an application of the scientific method to problems arising in the separation of a system which may be presented by means of a mathematical model and in solving of these problems by resolving the equation representing the system".

Operations research has gained wide acceptance because of its use in modern high speed electronic computers. Basically, operations research is the application of scientific method in the solution to business problems; *OR* is applied in a variety of business problems which include the following.

(1)   Productive scheduling
(2)   New product development
(3)   Long-range planning
(4)   Warehouse location selection
(5)   Retail outlet selection
(6)   Product mix selection
(7)   Air and highway traffic control
(8)   Portfolio management.

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The use of *OR* entails the building of models called equations to represent the system.

3.8.2 Linear Programming (LP)

Linear programming is a relatively new mathematical technique in situations requiring the optimum allocation of resources, money, capital equipment, raw material and personnel. It is useful in production management because allocation problem pose great complexity involving a large number of variables can equally be solved through linear programming techniques. If the Nigerian Bottling Company wishes to determine the best cost method of distributing its products from its four bottling plants to a number of warehouses located all over Nigeria, linear programming technique can be used.

3.8.3 Queuing Theory

Queuing theory is often called waiting-line theory. The system is used in determining the optimal utilisation of a facility in an intermittent service.

4.0   CONCLUSION

In this unit, you have learnt that decision-making is one of the most crucial activities of management. It has also been emphasised that there is the need to make decisions in all types of organisations, whether small enterprises or multi-national corporations. The decisions that management take are sometimes simple and in other instances, complex and overwhelming.

5.0   SUMMARY

In this unit, you have been exposed to decision-making, the process involved in decision-making and classification of various decisions. Also, the unit has highlighted to you the stages in decision-making, group decision-making, creative thinking and the steps involved in creative thinking.

6.0   TUTOR-MARKED ASSIGNMENT

What do you understand by the term decision-making in management? List and discuss the processes involved in decision-making.

7.0   REFERENCES/FURTHER READING

Satya, Saran Chatterjee. (1966). *An Introduction to Management: Its Principles and Techniques*. The World Press, pp. 184 – 186.

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UNIT 4   PLANNING

CONTENTS

1.0   INTRODUCTION

Planning has been defined previously as one of the five major functions of management. However, since planning is a bridge between the present and the future, it has been called the primary management function. Planning is particularly important because of scarce resources and uncertain environment with a fierce competition for these resources.

Planning is a decision-making activity requiring the process of ascertaining objectives and deciding on activities to attain these objectives. It is also a process of preparing for change and coping with uncertainty by formulating future courses of action. The basic purpose

of planning is to reduce the risk of uncertainties, and to initiate a coordinated effort within the organisation for the purpose of organisational success. In this unit, you will be taken through the rudiments of planning so as to be able to understand what the topic is all about.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- discuss planning, procedures and rules, and organisational objectives
- illustrate the six P's of planning, reasons for planning and the limitations of planning
- describe the principles of effective planning, levels of planning, strategic planning and strategic planning process
- state types of strategies, policies, procedures and rules
- highlight the characteristics of sound policy, sound goals and advantages of objectives.

3.0   MAIN CONTENT

3.1   Planning Defined

The planning process has three characteristics (Boone, 1981). These are as listed below.

1. **Planning is anticipatory in nature.** A decision must be made now as to what to do and how, before it is actually done.

2. **Planning is a system of decisions.** It involves a process of making decisions which will define what is to be achieved in the future and the formulation of action plans for achievement of goals.

3. **It is focused on desired future results.** Planning is a means of ensuring that the important organisational objectives are accomplished as and when desired.

The most comprehensive definition of planning is given by Cyril L. Hudson (1970), who states that:

> To plan is to produce a scheme for future action; to bring
> about …… a deliberate attempt to influence, exploit, bring
> about and control the nature, direction, extent, speed, and
> effects of change. It may even attempt deliberately to

create change, remembering always that change (like decision) in any one sector will, some way, affect other sectors.

Since Peter Drucker is, supposedly, a pioneer scholar of modern management, it will be interesting to note how he defines it. His definition- as cited by George A. Steiner (1969), is that:

Planning is the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organising systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectation through organised, systematic feedback.

Peter Drucker, thus, encompasses the element of feedback that would ascertain the quality of decisions and the accuracy of planning.

SELF-ASSESSMENT EXERCISE

Do you agree that "planning is a bridge between the present and the future"? If so, why?

3.2   The Six P's of Planning

They are as follows.

1.   Purpose

An effective planning system requires a clear understanding of the organisation's purpose. What are the reasons for the organisation's existence? Is it to increase profit or increase market share or generate more employment or introduce more products, and so on ? This purpose must be clear and elaborate.

2.   Philosophy

Philosophy incorporates the fundamental beliefs as to how the organisation's purpose is to be achieved. For long-term survival and growth, a philosophy of ethical conduct must be adopted. For example, General Motor's philosophy is based upon profitability through quality, service and ethical behaviour. IBM's philosophy was to elevate the level of the salesman to an executive, etc.

3.   Premise

This involves the strengths and weaknesses of the organisation and its knowledge and assumptions about its environment. By forecasting and other methods, the management can make some conclusions about the trends of the environment and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.

4.   Policies

Policies are general guidelines or constraints that aid managerial thinking and action. In a typical organisation, there are production policies, financial policies, accounting policies, marketing policies, personnel policies; and these form the basis for planning and necessary operational actions.

5.   Plans

Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as to how to reach the objectives and also at what stage the progress is at a given time.

6.   Priorities

A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials etc., must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources. Prioritising goals will determine what is relatively more important. A goal that is given higher priority will receive more attention and more resources. For example, a research-oriented organisation will get different priorities and resources than a profit-oriented organisation. Setting priorities for goals will be established on the basis of philosophy and premises of the organisation as well as social, political, and economic measures and value conflicts. In any case, such priorities will affect the planning process.

SELF-ASSESSMENT EXERCISE

Explain some of the reasons for planning. Are there "good plans" and "bad plans"? Describe some of the characteristics of good planning.

3.3   **Reasons for Planning**

The reasons for planning are itemised below.

1.   Planning is essential in modern business. The growing complexity of the modern business with rapid technological changes, rapid changes in consumer tastes and growing tough competition necessitates orderly operations not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

2.   Planning is related to performance. It can be expected and there is evidence to support the hypothesis that companies that engage in formal planning consistently perform better than those with no formal planning. They can even improve their performance over a period of time. Performance can be measured by such factors as return on investment, sales volume, growth in earnings per share etc., (Thune et al.; 1972).

3.   Planning puts a focus on objectives. The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. This ensures maximum utility of managerial time and efforts.

4.   Planning anticipates problems and helps the smooth flow of operations. Since planning is about forecasting the future, the needs of the organisation are anticipated in advance; then proper acquisition and allocation of resources can be done, thus minimising wastage and ensuring optimal utility of these resources.

5.   Planning is necessary to facilitate control. Since plans are made to achieve objectives, periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in the following ways (Boone et Al.; 1981).

(a)   Establishing advanced warning of possible deviations from the expected performance. The deviations in production, sales, profits, etc., may come to light during periodic investigations and remedial action can be taken.

(b)   Provision of quantitative data. There may be provision in plans to compare the actual performance, in quantitative terms,

concerning production of sales, with industry statistics or market forecasts.

6.　　Planning helps the process of decision-making. Since planning specifies the actions and steps to be taken in order to accomplish organisational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules etc., are clearly laid down (Asthana and Misra, 1983).

3.4　Characteristics of Good Planning

A good plan can be identified by certain characteristics. Some of these characteristics are given below.

1.　　A good plan is based upon clear, well-defined and easily understood objectives. General objectives like improving morale or increasing profits are ambiguous in nature and do not leave enough room for specific steps and plans. If possible, objectives must be quantified for the sake of simplicity.

2.　　A good plan must be simple and comprehensive. It should be simple so that all employees can grasp its significance and it can be easily put into operation. It should be detailed enough so that it covers all aspects of the operations that are necessary to achieve objectives.

3.　　It should be well-balanced, but flexible. A good plan should be well-balanced so that the existing resources are properly utilised for all functions; and that short-term gains are not at the cost of long-term gains and vice-versa. Similarly, it should be flexible enough to incorporate any changes in these resources, if necessary. Additionally, it should be responsive to changed conditions so that if future events do not follow the anticipation, the same plan can be modified.

4.　　Every plan should be time-bound. Even though planning is an attempt to anticipate the future, the time period allowed for achieving goals should be reasonable. Long-range planning has more uncertainties built into it due to difficulty in correctly anticipating events for a longer period of time. Hence, the period covered should be reasonable and reasonably stable.

5.　　Planning should be participatory- involving subordinates. Planning should not be an exclusive responsibility of top

management. Subordinates will not be responsible if a plan is imposed upon them. Also, participation of subordinates generally ensures sincere and serious effort on their part to make the plan successful.

6.   Planning is initiated by different managers of different divisions at different times. It is necessary that a good plan should incorporate all these departments, maintaining consistency, and unity of purpose at all times and focusing on the overall objective.

A good plan strives for optimal utility of physical as well as human resources in unison and harmony. According to David W. Ewing (1967):

> "planning is a two-sided affair. Planners may think only of the formal, economic, physical and technical resources side when they develop a program. But if the human side is not attended to properly, then chances are that the planning will not be successful".

3.5   Benefits of Planning

The benefits of planning are as stated below.

1.   Planning gives managers a sense of purpose and direction. Since planning is future oriented, it forces managers to look beyond the present. Also it creates a unity of purpose, since the objectives are formally expressed and the methods and procedures to obtain these objectives clearly defined.

2.   Proper planning enhances motivation. If plans are properly communicated to all levels of the organisation, then everyone can feel involved in carrying them out. When people get involved, their sense of belonging increases, and thus, they are highly motivated.

3.   Planning provides a framework for decision-making. Knowing the organisational objectives and the methods to achieve these objectives eliminates ambiguity in the decision-making process. Also planning provides for feedback, periodic evaluation of programs and indication for any deviation so that corrective action can be taken. Hence, the decision-making process is made a little easier. Also systematic planning requires an understanding and evaluation of many variables that influence events; hence, it is highly unlikely that an important variable

would be overlooked which could adversely affect either the decision process or the operation.

4. Proper planning results in proper and effective utilisation of resources. Since planning involves the identification of such resources for optimum utility, wastage is reduced to the barest minimum. This will also reduce unproductive work, idle time for workers, and downtime for machines, which would logically result in minimum cost of operations.

5. Since accurate forecasting of future events is an integral part of effective planning, it reduces the elements of risk and uncertainty. Also, since planning is done in advance, it prevents hasty judgements and haphazard decisions and results in disciplined thinking.

6. It improves the competitive strength of the company in two ways. First, since operations are planned in advance, the company is able to take its time in shopping around for best and competitive rates for raw materials, equipment and parts and for human resources. Secondly, proper planning gives the company an advantage if it decides to make changes in its line of products, or expansion in plant capacity or changes in methodology (McFarland) etc. Studies have shown that companies with formal planning system have performed significantly better in the overall, than those with informal planning or no planning (Krager, 1973).

7. Formal planning forces managers to examine all areas of the organisation from all angles and efficiently coordinate the activities of all these areas. Without this process, these managers may ignore or overlook some critical aspect due to pressure of time constraints or other factors, thus affecting the outcome of the efforts negatively (Camilius, 1975).

8. Planning provides performance standards and standards for measuring the progress of the organisation. Well developed plans can aid the controlling process. By establishing advanced warning of possible plan deviation, remedial action can be taken if these deviations occur. Performance standards and performance appraisal methods assist in the development of human potential and an equitable reward system. Thus, it can be a good training ground for future managers and career-oriented executives.

3.6   Steps in Formal Planning

Planning can be considered as a series of sequential steps. These steps are as follows.

Steps (1)   Establish and define clearly the central and overall objectives of the organisation. A well-defined objective can make the difference between success and failure of an enterprise. It clearly defines the product or service as well as the purpose of the company. Along with the overall mission of the company, it is also necessary to establish specific objectives and goals. For example, the overall objective of a hospital is to provide quality healthcare.

Step (2)   Determine your current position relative to your objectives. Make an assessment of your strengths and weaknesses. This will show the distance the company has to cover before reaching its goals. The analysis of current strengths and weaknesses will determine if goals are realistic and achievable or whether they have to be re-evaluated and modified.

Step (3)   Develop forecasts and future conditions. In order to effectively plan, it is important and necessary to forecast (as accurately as possible) future trends that will affect the company's position and operations. The factors of forecast will include general economic conditions, changes in consumer attributes, new technological and product developments, possible competitive strategies and any adverse legal developments.

Step (4)   Preparation of derivative plans. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company, to support the formal plan. Derivative or sectional plans are developed in each area of the business, but within the framework of the primary plan in order to coordinate and integrate programs and policies of all sections of the enterprise.

Step (5)   Implement plan and evaluate results. The success of a plan will depend upon how effectively the plan is implemented. This implementation is going to require a combination of all skills and coordination of all factors. Also in this ever-changing dynamic environment, it is necessary to keep the plan open to evaluation and modification. The plans should be periodically re-

evaluated to measure its progress and effectiveness so that any deviations can be corrected and any adjustments can be made.

SELF-ASSESSMENT EXERCISE

What are some of the problems encountered in the process of planning? Which of these problems generally contribute heavily towards failure of some plans?

3.7   Problems and Limitations of Planning

There are situations in which sometimes even well-designed plans fail to bring the desired results. There are some established reasons why plans fail. Some of these reasons, according to K.A. Ringbakk (1970), are listed below.

1.   Corporate planning is not integrated into the total management system. The top management fails to identify and associate properly the formal planning with the central concept of the organisation's mission.

2.   *There is a lack of understanding of the different steps of the planning process*. The management may not be knowledgeable or skilled in understanding all steps of the planning requirements.

3.   *Management at different levels in the organisation has not properly contributed to planning activities*. Since all strategic planning is generally formulated and conducted at top management level, the middle management and lower management cadres which are closer to the operations may not understand all aspects of planning and thus may not be able to contribute some necessary key factors as inputs.

4.   *Poor information and inadequate inputs may have formed the basis for planning*. Since reliable data and information is the backbone of formal planning, such information may not be available. Poor information may also be due to faulty forecasting or poor judgements.

5.   *In starting formal planning, too much is attempted at once*. Due to excitement and emotional expectations, plans may be implanted too quickly and with too high expectations.

6.   *The management is not always willing to cancel or modify poor plans*. A poor plan may adversely reflect on management's

ability and understanding, and hence they may be unwilling to accept that the plan was poorly formulated, thus their unwillingness to modify it.

7.   *Management fails to operate by the plans*. This may be because of lack of full understanding of all the aspects of the plan or it may be due to some inherent resistance to the plan; or it could be due to some effect of unforeseen events and circumstances which could disrupt the effectiveness of the plans.

8.   *Resistance to change by organisational members*.

9.   *Lack of contingency plans*.

While all these factors contribute to the failure of otherwise well-developed plans, the *resistance to change* by the management and the *absence of contingency plans* contribute heavily and hence require proper *attention*.

SELF-ASSESSMENT EXERCISE

Resistance to change is considered to be one of the major problems of implementing any innovative plans. What are the possible causes for this resistance and how can these be remedied?

3.8   Resistance to Change

Even though planning and plans are so important to organisational success, a study in the 1970's revealed that about 50 percent of line managers were very reluctant to actively participate in the planning process (Martin, 1979). Sometimes, even top managers are lukewarm in supporting the process, thus serving as poor role models for the junior staff.

Since most of the resistance is emotionally oriented, it is necessary to take steps that will build confidence in management's ability to work as a team under a participative management system. Renato Targiuri (1979) has suggested some steps which would inspire that confidence in management. These steps are listed below.

1.   All managers must be made aware of the benefits derived both at individual as well as the organisational level.

2.   Communication lines among all level managers and any staff specialists should be kept open and accessible.

3.   Set up a system of recognition and rewards to encourage all to participate in the planning process and contribute uniquely to its success.

4.   Perhaps, a seminar and a lecture by a trained industrial psychologist in an informal, small group session will enhance positive thinking.

5.   An honest discussion among the participants about the reasons for resistance and suggestions to overcome it will be helpful.

6.   The lower management should not be left to implement the plan, but should be encouraged to join in the design of the plan as well.

7.   All managers should be trained in the mechanics and techniques of planning.

3.9   Provision for Contingency Plans

Contingency plans are alternative methods to either take over earlier plans if they seem to fail due to unexpected circumstances or modify them as the situation demands. Contingency plans help management to respond quickly to unpredicted changes, thus avoiding panic in crisis situations (Linneman, 1981).

The contingency plans should also be consistent with the general mission and policies of the organisation and should be as simple as possible. However, it is very important to keep a close watch on the development and progress of the original plans, so that if there are any early signals of the possibility of failure of the original plans, then the contingency plans can be put into execution without delay. For example, when the aviation controllers in America went on strike affecting the operations of airlines, such contingency measures were effectively taken. A new force of controllers was already on ground to take their place immediately, and many went through a quick and concentrated form of training.

In addition to the reasons that contribute to the failure of some planning processes, there are some other limitations that inhibit the successful formulation of formal plans. These are listed below:

1.   *Planning is expensive.* A good deal of time, energy, and money is involved in setting up the planning machinery for the purpose of gathering and analysis of data and testing of various alternatives about long-range planning. Accordingly, the cost of planning and the benefit derived from it must be adequately balanced.

2.   *Planning is time-consuming*. Planning is time-bound and sometimes advanced planning may delay immediate action that may be necessary; and thereby resulting in loss of valuable opportunity. Certain situations do pop up where prompt action is so urgent and unavoidable that no time could be devoted to advance planning. This is especially true in sudden and unexpected emergencies.

3.   *Planning is a hindrance to innovation*. In a planned set-up, everything is pre-conceived and every operation pre-planned. This means simply proceeding according to plans and following the rules mechanically. This does not leave any ground for a manager's initiative and innovation. This is a big handicap for imaginative and creative managers. This problem can be overcome, however, by making the plans less rigid and more flexible in order to accommodate any new and relevant suggestions.

4.   *Mental ability*- planning can be highly frustrating sometimes, because it requires an extremely detailed, careful and analytical thought process. Accordingly, it is more of an intellectual exercise. The conceptual skill required in planning is in short supply. According to George Steiner (1969):

      "Planning is hard work. It requires a high level of imagination, analytical ability, creativity and fortitude to choose and become committed. The management must exert pressure to demand the best efforts in managers and staff. Both the talents required and the maintenance of high quality planning is difficult to achieve".

3.10 Principles of Effective Planning

These principles are primarily based upon the submissions of Gary Dressler (1985). They are as follows.

1.   **Keep aims crystallised** (Hudson, 1967). These aims must be clear, unambiguous, solid, reasonable and attainable. Badly defined objectives do not support accurate planning.

2.   **Develop accurate forecasts.** Accurate events and trends are the most important inputs in planning. Accordingly, the managers making the forecasts must be highly skilled and must use forecasting methods that are suitable.

3. **Involve subordinates in the planning process.** This will ensure the acceptance of the plans by those who are going to implement it. Studies have indicated that the people, who put the plan into operation, do it much better when they participate in the formulation of the plan, than when the plans are assigned to them (Bass, 1970).

4. **The plan must be a sound one.** A plan must be a sound one in order to be effective. There are many examples of companies who spent large amounts of money on plans that turned out to be unsound ones, and hence, less effective. Mitroff and Emshoff (1979) suggest a *devil's advocate* approach, in which someone deliberately criticises the plan in order to eliminate any bugs in the plan and further refine it.

5. **Assign planning responsibility to the right people (Lorange and Vancil, 1976).** Basically, the right people are those who are directly involved with the operation and who will be implementing the plan. These are primarily the "line" people, even though the "staff" (specialists) is encouraged to assist in the formulation of plan.

6. **Don't be over-optimistic.** Objectivity is an essential ingredient of effective planning. Over-optimism is based on feelings and intuition. Don't see what you want to see but see what there is.

7. **Decide in advance the criteria for abandoning a project (Paul et al., 1978).** There is no need to continue to stick to the plan if it is not working out as expected. However, the criteria for abandoning a particular project should be established at the beginning. For example, if a particular advertisement commercial does not increase sales by 10 percent in 6 months, it should be replaced.

8. **Keep your plan flexible (Pau, et al.).** Keep the progress of your plan under constant review so that it can be revised and modified as the situation demands. Future trends should also be assessed by continuously monitoring economic, social, political, technological, and competitive trends. Any changes in these variables may require changes in the original plans.

9. **Review long-range plans on a short-range basis.** Long range plans are more risky due to dynamic environment. Accordingly, long-range strategic plans should be split up into manageable periods. Also, the basic assumptions underlying strategic plan as well as its progress should be measured and reviewed at such set

intervals. In addition, identify reasons for under-performance or over-performance- as the case may be, and new decisions should be made about the plans.

10. **Fit the plan to the environment.** Assess the environment – current, as well as future. If the environment is comparatively stable, the plan can be rigid. However, if the environment is volatile, the plan must remain highly flexible to accommodate for change.

3.11 Levels of Planning

There are basically three levels of planning associated with the different managerial levels. These levels are as follows.

1.   Strategic Planning

Strategic planning is conducted by top management which includes Chief Executive Officer, President, Vice-Presidents, and General Managers etc.; and it is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objectives. It is a long-range planning and may cover a period of up to 10 years. It basically deals with the total assessment of the organisation's capabilities, its strengths and its weaknesses and an objective evaluation of the environment. The planning also determines the direction the company will be taking in achieving these goals.

2.   Intermediate Planning

This planning covers a time frame of about 6 months to 2 years and is contemplated by middle-level management made up of functional managers, departmental heads and product-line managers. They also have the task of polishing the top management's strategic plans. The middle-level management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial, and material factors. They refine the broad strategic plans into more workable and realistic plans.

3.   Operational Planning

These plans are the responsibility of lower management cadre and are conducted by unit supervisors, foremen etc. These are short-range plans covering a time span from one week to one year. These are more specific and they determine how a specific job is to be completed in the best possible way. Most operational plans are divided into functional areas such as production, finance, marketing, personnel, etc. For

example, production plans will require an analysis and decisions covering inventory levels of raw materials as well as finished product; flexibility of current production facilities, how to cope with changing technology, etc. These plans are relatively stable and are linked with the planning objectives of the middle management levels and the top management levels.

Even though planning- at all levels, is important, since all levels are integrated into one, strategic planning requires closer observation since it establishes the direction of the organisation.

3.12 Strategic Planning

Strategic planning, as defined earlier, is the process of planning how to achieve organisational goals with available resources; and it is undertaken by the central management of the organisation. Strategic planning is necessary and important for the following reasons (Herkhuis, 1979).

1. First, there are a large number of external variables –with constant values – that affect the operations of the organisation. These variables include- changing international environment, political and governmental policies and forces, economic trends, competition tactics, technological changes and social dynamism. Strategic plans must have provisions to cope with these situations.

2. Secondly, all natural resources are becoming scarce. Management must decide on how to compete for these resources and how to allocate them properly. Human resources are constantly changing in nature. There is more and more of an educated workforce and most routine work is being taken over by computers and robots. Hence a proper redistribution of human resources must be properly put into focus.

3. Thirdly, there has been an information explosion which has necessitated increase in knowledge and ability to plan effectively. Since, effective strategic planning ensures success; all competitive forces are contributing a lot of their energies in perfecting these plans; thus generating an absolute necessity to introduce strategic planning in most companies.

3.13 Strategic Planning Process

Similar to the formal planning process, the process of strategic planning can be considered to constitute the following steps.

1.   **Define and express clearly the mission of the organisation.** The mission must be clearly understood. It could be high quality product at low cost. It could be high quality product at high cost to have and keep a quality-oriented image like Rolls Royce or Mercedes Benz automobiles.

2.   **Determine long-range goals and objectives.** These should be more specific in nature, but in accordance with the general mission of the organisation. These can include the types of products the company wants to produce and promote and the long-term profit potential.

3.   **Make predictions about the economic environment in the future.** This will involve the use of some forecasting techniques to predict the growth of the company's market share.

4.   **Develop a long-range plan.** This may extend to 10 years in. This strategic plan would involve the definition and description of all actions that would be taken in order to achieve the company objectives.

5.   **Develop short-range plans.** Within the structure of strategic plans, it is important to break it up into short periods, e.g., a plan for a period of one year. These plans will also provide for periodic evaluation of the strategic plans so that corrective action can be taken if there are deviations. Such a revised long-range strategic plan will reflect the effect of current conditions on the plan.

3.14 Types of Strategies

A strategy is an action plan which sets the direction that a company will be taking. Formulating a strategy entails decision-making; and will involve consideration of external environment of the company, as well as the internal environment-in terms of strengths and weaknesses of the company. According to William F. Guelick (1972), there are four strategies: stability, growth, retrenchment or a combination approach.

1.   **Stability Strategy**

Stability strategy implies "leaving the well enough alone". If the environment is stable and the organisation is doing well, then it is better to make no changes. This strategy is exercised, most often, and is less risky as a course of action. An example of stability strategy would be an organisation that is satisfied with the same product, serving the same consumer groups and maintaining the same market share. The

organisation may not be motivated and adventurous to try new strategies to change the status quo.

2.   Growth Strategy

Growth means expansion of the operations of the company and addition of new areas of operations. Growth strategy can be risky and involves forecasting and analysis of many factors that affect expansion, like resource availability and market availability.   However, growth is necessary due to volatility of businesses and industries. Growth must be properly planned and controlled, otherwise the organisation can fail. This is evident from failures of Laker Airways and W.T. Grant Company. However, growth is not only necessary but desirable, since growth is an indication of effective management and it attracts quality employees as a result.   Growth can come due to expansion or diversification or merger with similar firms.

A classic example of growth of existing services is that of McDonald's Hamburger chain. Starting from scratch in the 1950's, it developed into a franchise chain of 6,000 outlets in 1979 with a sale of over 5 billion dollars per year (Rowan, 1979).

Diversification of services or products is another example of growth and strategy. Banks are going into stocks brokerage. Potamkin Cadillac car dealer in New York City is also dealing in Japanese imported cars. Avon products- primarily a cosmetics company, has gone into the jewellery business. Similarly, General Motors acquired Electronic Data Systems (EDS), a computer company and Philips Morris, a company producing tobacco products acquired Miller Brewing Company producing beer and also acquired a soft drink company- Seven-Up.

3.   Retrenchment Strategy

Retrenchment primarily means reduction in product, services, and personnel. This strategy is many times useful in the face of tough competition, scarcity of resources and reorganisation of the company to reduce waste. Most airlines have streamlined their operations. Most automobile manufacturers had closed down many plants and retrenched personnel during the economically difficult period of 1979 – 1980. The City University of New York (CUNY) had a major cutback on faculty during the financial crisis of the late 1960's. Retrenchment strategy, though reflecting failure of the company to some degree, becomes highly necessary for the very survival of the company.

4.   Combination Strategy

Combination strategy means using a combination of other strategies; and it is primarily used by large complex organisations who may want to cut back in some areas and expand in others. Also, in time of financial difficulties, a company may employ retrenchment strategy; and later resort to growth strategy, if the economic situation improves. In order to make strategic planning effective, it is necessary to have the right people involved who will objectively and intelligently look at all all factors involved in the success of these plans and strategies. It is important to draw correct conclusions about the following:

(a)   the mission and the goal of the organisation
(b)   the environment, both external and internal
(c)   the strengths and weaknesses of the organisation
(d)   management ethics and values.

3.15 Policies, Procedures and Rules

Let us start by looking at policy first. It is necessary to frame some policies for successful planning. A policy is a statement and a predetermined guideline that provides direction for decision-making and action. Policies are usually general enough to give the manager sufficient freedom to make judgements; while at the same time, they are specific enough to establish constraining boundaries. For example, regarding employment, a company policy may be to employ personnel without regard to race, religion, sex, or age; and within the bounds of this policy, a manager can make decisions. Policies must be based upon a thorough analysis of objectives and should be consistent with the company's mission and philosophy.

Policies, being formal statements, serve as ready guides for answering numerous questions, and making many routine day-to-day decisions, especially about recurring problems, thus freeing management's time for more important and unique decisions. This helps improve the efficiency of operations. If the policies are clearly understood and adhered to by all, there will be fewer problems and fewer complaints to start with. There may be separate policies for separate functions, but they must be all coordinated around a common theme, serving a consistency of purpose.

Appropriate policy guidance enables managers to anticipate and predict action for a given set of situation variables. There are organisational policies formulated for all types of situations and functions. There may be sales policies, production policies, personnel policies, accounting policies, etc. These policies cover all aspects of these functions. For

example, personnel policies will specify decisions regarding selection, training, remuneration, labour relations, firing and promotion of personnel, etc. According to Newman Sumener, and Warren (1970), a policy may:

(i) be specific or broad in nature.
(ii) deal with one or many aspects of a problem or situation.
(iii) set wider or narrow limits within which action is to be taken.
(iv) specify the steps to be taken when a decision is to be made.

3.15.1 Characteristics of Sound Policy

The characteristics of sound policy are as listed below.

(1) It should be subject to one interpretation; and the intent and the content of the policy must be clearly expressed, preferably, in writing.

(2) It should be stable, but sufficiently flexible. Stability implies that no changes in the policy are to be made except in response to fundamental and basic identifiable changes in the conditions. Flexibility provides enough room for the manager to use his own discretion within the broad boundaries of the policy.

(3) It should be comprehensive in scope. It should be capable of being applied to different situations in a given area, so that most cases can be handled at lower levels of the management, and only some exceptional cases, which are unique and are not covered by the policy, are referred to senior management team. For example, personnel policies should cover guidance for answering all questions that may arise in that area. These may be in reference to hiring, firing, promotions, transfers, training, remuneration, etc.

(4) A sound policy should have a link with the objectives of the company and be in harmony with the economic, political and social environment for the company. Policies are instruments for moving towards the objectives. Sound policies, understood by all, will leave little room for discontent and grievance, hence assisting in smooth operations necessary for achieving objectives. Additionally, if the law demands equal opportunities for all and the society expects it, then the policy should be consistent with these requirements.

(5) A sound policy should help coordinate multiple activities. Even though different work groups and divisions will have different

functional policies, they must be bonded together with the common theme of the organisational goals. These sub-policies should not contradict each other.

(6)   A sound policy, not only prescribes general guidelines for conduct, but also establishes criteria for current and future action for a given set of circumstances and given decision variables, and methods and procedures for accomplishment.

(7)   It must be based on known principles, facts and truth. For example, a policy based on the assumption that- "the customer is always right", may be a good policy, but it is not based on truth. Similarly, a policy based on assumption that older people are less efficient, may not be based on facts and hence will not be a sound one.

(8)   A sound policy should establish the desired image of the company. Policies are useful indicators of the conduct and philosophy of the company and about what the company stands for. These policies being formal statements can easily be communicated to the staff of the organisation, as well as the members of the public.

3.15.2 Procedures

While policies cover a broad area of action, procedures prescribe the exact manner in which an activity is to be completed. It is a series of steps established to accomplish a specific project.   They generally indicate how a policy is to be implemented and carried out. They are more precise guidelines permitting little or no individual discretion. George R. Terry (1961) has defined procedure "as a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished".

As an example, let us assume that a company *policy* is to promote from within, whenever possible. It must lay down procedures for such promotion as to the type of position to be filled, credentials required, method of interview, etc.

3.15.3 Rules

Whereas procedures specify a chronological sequence of steps to be performed, a rule is a very specific and narrow guide to action. For example, a company may prescribe a number of safety rules, such as "no smoking within company premises". Wearing safety belts in cars and

airplanes is another example of safety rules. "No eating in the classroom" is a rule in all schools and colleges, etc.

A rule is meant to be strictly followed and is generally reinforced by invoking penalties. For example, if it is a rule to report for duty at 9.00 a.m., then any person who consistently breaks this rule can be fired. A recent New York state law requires that all car drivers not wearing safety belt while driving are subject to fine.

All policies, procedures, rules and regulations, methods and strategies are designed to implement and support the planning process so that goals and objectives of the organisation are achieved in an orderly way. Planning is a very important and critical ingredient of organisational operations and decision-making. It is not a panacea for all ills. Perhaps the following observation made by George Steiner is a good indication of the significance of planning.

> "Planning will not solve all the problems of a manager. Nor will planning, *per se,* guarantee business success. For some companies, a continuous flow of imaginative ideas is the only thing that can bring success. For some companies, completely unexpected and unpredictable events will bring failure despite sophisticated corporate planning. Some companies will succeed without planning, largely through a benevolent environment. But what has been said here is that, other things being equal, comprehensive corporate planning will bring much better results than if it is not done. It will provide a useful framework for better innovations, creativity, vision and decision-making. All things considered, managers will be considerably better off with comprehensive planning, than without it".

3.16 Organisational Objectives

Planning, plans and strategies are all means to an end. Accordingly, the end of the objective must be very clear. These objectives are "those ends which the organisation seeks to achieve by its existence and operations" (Glueck, 1976).

Objectives, which are desired outcomes and goals which are more concrete aims, both provide direction for the organisation. They direct the efforts of the management towards the end. They also provide a standard against which the organisation can measure its performance and results. Accordingly, these objectives must be specific, clear, precise, easy to understand, and goals should be consistent with the

long-range mission of the organisation, and should be established with the following considerations.

(a) Environmental Conditions

These conditions include the availability of raw materials, skilled labour, energy and other resources. The long-range objectives must ensure that these resources will not become scarce. Additionally, the objectives must keep abreast with new technological developments.

(b) Economic Conditions

The current economic conditions and economic trends must be seriously considered while setting objectives. The objective of expansion during recession may not be advisable. Economic fluctuations must be assessed and predicted accurately.

(c) Internal Resources

There is no point in establishing an objective if we do not have the means to achieve it. Accordingly, objectives should be set relative to the company's resources of capital, skilled personnel, physical equipment, etc.

(d) Anticipating the Future

Future events, being most unpredictable, have a major impact on the realisation of objectives. Future opportunities and threats must be identified- and as much as possible, they must be incorporated in the organisational plans (Klein, 1980).

3.17 Hierarchy of Objectives

Organisational objectives typically exist in a hierarchy. The broader aims of the company are broken down into hierarchical segments of divisional objectives, work group objectives and individual employee objectives. Each higher level objective is supported by one or more lower level objectives. This process enables each member of the organisation to relate his contribution to the overall objectives (Granger, 1963). This helps the proper alignment of all organisational levels with the central aim of the organisation.

3.18 Characteristics of Sound Goals

The characteristics of sound goals are as listed below:

1. **Goals and objectives should be realistic and attainable.** Overly optimistic but unrealistic goals serve as morale-deflators, and hence, ineffective. Realistic goals provide a sense of accomplishment, and thus, act as motivators.

2. **Goals should be specific and measurable.** General goals are difficult to interpret and difficult to measure. For example, "improving employee safety" is more difficult to define and measure than "reducing work accident by 20 percent". Similarly, morale can be measured in terms of employee tardiness and absenteeism which are quantifiable. Similarly, a goal of increasing the market share of the company by 5 percent allows a manager to measure the progress over a period of time.

3. **Goals should be time-bound.** Goals can be set on a daily, weekly, monthly, or yearly basis. In many situations, there are five-year plans and ten-year plans. The time frame in which the given goals and objectives are to be achieved must be realistically established.

4. **Goals should be result-oriented.** The focus should always be on ends and not on means. The means must be modified, if necessary, by retraining employees or changes in methods or equipment, but the end must remain in focus.

5. **Goals should be set in a participative manner.** Goals should not be imposed upon the employees. The people who are responsible for accomplishing these goals should be encouraged to participate in formulating them.

3.19 Advantages of Objectives

Peter Drucker (1954) has identified eight areas where objectives are necessary and useful. These are market standing, innovations, productivity, physical and financial resources, profitability, managerial performance and development, workers' performance and attitudes and public responsibilities. Thus, objectives contribute to every area of management and operations. Specially, objectives are beneficial in the following ways (Prasad, 1979).

1. **Objectives make the integration of activities possible.** It encourages unified planning. Thus, the operations of the

organisation are not disoriented and haphazard but are unidirectional towards a common goal. This helps in coordination of different departments and activities resulting in a sense of unity and harmony.

2. **Objectives serve as guides for decision-making.** A clear understanding of organisational objectives gives managers the direction as well as the tools for effective decision-making. They no longer grope in the dark but have a clear-cut basis for problem solving and making pertinent decisions.

3. **Well-defined and clearly understood objectives are motivating elements.** Very often when individuals participate in goal setting or accept them as desirable, then achieving them presents a challenge and becomes a source of satisfaction to the employee. This is especially true if the individual goals are integrated with the organisational goals.

4. **Objectives act as standards for control.** Organisational goals serve as a criteria or standards against which progress can be measured. Any deviations can be corrected in a timely manner. This reduces costly waste of human efforts and resources, thus increasing organisational efficiency.

5. **Sound objectives serve as a basis for decentralsation.** If the objectives and the process and policies to achieve them are clearly identified, then the decision-making authority can be delegated and assigned to lower level operational management. This will free the top management for policy making and growth decisions.

4.0   CONCLUSION

In this unit, you have learnt that planning is the first of the management functions- as it precedes all other functions. You have also been taken through the subject matter from the concept through to the reasons, levels, steps, and types of planning and the different levels of strategies, etc. Planning is particularly important because of scarce resources and uncertainties of the business environment with a fierce competition for these resources.

5.0   SUMMARY

In this unit, you have learnt about planning-the six P's of planning and reasons for planning. The characteristics, contributions and benefits of planning, steps in formal planning, the principles of effective planning,

levels of planning, strategic planning and strategic planning process have all been made known to you.

Also considered in this unit are the problems and limitations of planning, resistance to change and provision of contingency plans. The unit also examined objectives, types of strategies, policies, procedures and rules, and the characteristics of sound policy and sound goals.

6.0   TUTOR-MARKED ASSIGNMENT

Explain- in detail, the concept of policies, procedures and rules.

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UNIT 5   CONTROL

CONTENTS

1.0   INTRODUCTION

Control is very important in any organisation. Control is one of the most important functions of management- second perhaps, only to the function of decision-making. There is more to control than mere measurement and reporting of activities. It is a dynamic process, requiring deliberate and purposeful actions in order to ensure compliance with the plans and policies previously developed.

When things go smoothly and as planned, they are under control. "Self-control" is a word we are all very familiar with- which simply means that we discipline ourselves in such a manner that we strictly adhere to our plans for our lives and do not deviate from it. "Diet control" means controlling our input of food to a prescribed level in order to achieve a goal of physical fitness. Any deviation would make the process to be out of control, thus affecting the achievement of pre-determined goal.

Control has very broad applications- both in the personal, as well as in the industrial sector. Controls are there to ensure that events turn out the way they are intended to. Control is a powerful force, if applied properly. Controlling your emotions sometimes can save your life. Nuclear power is both useful and destructive; its usefulness will depend upon our skill in controlling it. Controlled air and controlled water run machines and industries.

In this unit, you will learn about this important aspect of management functions.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

* define control
* describe managerial control and types of control methods
* list the characteristics of effective control
* discuss the control process and the behavioural guidelines for effective control.

3.0   MAIN CONTENT

3.1   Managerial Control

The best known definition of management control is given by Anthony (1965) who avers that:

> "It is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives".

Basically, the definition stresses that the function of control is to accomplish organisational goals by implementing previously determined strategies and policies; so that whatever needs to be done, is done properly. In other words, control maintains equilibrium between means and ends or between efforts and output. It makes sure that the actual performance is in conformity with the intended and planned performance leading towards achievement of objectives. The process of controlling ensures that right things happen at the right time in the right way and by the right people.

The importance of control cannot be overemphasised. Its significance is heightened specially because of the following factors which are common to all organisational situations.

1.   **Size of business-** as organisations grow in size and diversity, they become increasingly complex to manage and hence the need for an efficient system of control which is required to coordinate activities and accomplish integration.

2.   **Uncertainty-** control forms a basis for future action. Today's world of rapid and sometimes unpredictable changes makes the future very uncertain. This makes planning very difficult. Hence, control points are necessary to check the progress of activities and plans and make the necessary and constructive adjustments so as to accommodate any environmental changes.

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3.   **Decentralisation trends-** the current trends in decentralisation have brought the decision-making authority to lower level management while accountability for results remains with top management cader. Controls serve the purpose of monitoring and ensuring achievement of results while delegating authority to subordinates.

4.   **Control is vital for morale-** workers are happier when things are under control. People make mistakes. Intuitive decisions can result in errors of judgement, especially when there are so many variables involved. Such wrong decisions can result in lowering of morale. Control techniques reduce the chances of errors in judgement; thus, making the organisational environment more stable- which is morale-boosting.

SELF-ASSESSMENT EXERCISE

Explain the basic meaning of control and justify the necessity for control.

3.2   Requirements and Characteristics for an Effective Control System

Effective controls have certain common characteristics. Some of these requirements and characteristics are discussed below.

1.   Controls must provide useful and understandable information. Misunderstood controls will not be applied properly. The control system format must be simple, clear, and unambiguous, so that irrelevant information is excluded and only useful and necessary data is utilised. This will make it easier for the people who are responsible for monitoring operations. Furthermore, information must be accurate in order for control systems to work properly. Additionally, information should cover all aspects of business so that no aspect that needs to be controlled is overlooked.

2.   Controls should report deviations quickly so as to minimise the ill effects of these deviations. A well designed control system should be capable of identifying potential problem areas before they arise, so that corrective action can be taken before the problem becomes serious and unmanageable. The system should be sufficiently efficient, so that any deviations or control information is relayed to the management immediately after any significant event occurs, so that decisions on this information can be taken without delay.

3.   Controls must be designed so that the right people monitor the activities of their own fields. The sales manager, for example, should be concerned with only sales activities including output of sales representatives, product sales by territories, any price changes that will affect sales and any new products introduced. Similarly, the production manager must control the output as well as the quality of the output etc.

        However, the total control system of the organisation must be delicately balanced. The control program must be set up by individuals who have a total view of the organisation, so that the program does not reflect the biases of one group over the other. For example, financial reports may be excellent, but the company may be facing a strike because the feedback about personnel satisfaction is inadequate.

4.   The focus should be on strategic control points. The control system must reflect and support the organisation's established overall priorities; so that the activities of strategic significance (where deviations will lead to greatest harm), can receive immediate corrective action and minor activities can get lower priority for control purposes.

5.   Control should focus on results. The ultimate aim of the control process is to attain objectives. Gathering information, setting standards, identifying problems, measuring deviations and reports are simply means to the end. The controls must not fail to work. Whether it is the fault of measuring mechaniFMS or the authority structure, it must be modified and corrected.

6.   Controls should be economically realistic. A control system must be worth the expense. The cost of implementing the control system must be less than the benefits derivable from the control system. A control is not desirable, if an increment in improvement involves a disproportionate increase in cost and effort. For example, checking every unit in mass produced items will be costly and ineffective. A small percentage of these units can be taken at random, inspected and decisions made about the entire lot of that item. On the other hand, each part that goes into a space capsule must be thoroughly examined and tested.

7.   Controls should be flexible enough to absorb change. Since most organisations operate under dynamic and changing environment, a rigid set of controls would not be appropriate. Flexible controls can adjust for the uncertainties of the situation. The value of

flexible control can be readily seen in the use of flexible budgets which expand or contract on the basis of volume of business.

8.   Controls should not only indicate deviations, but should also lead to corrective action. Simply uncovering and measuring deviations is not enough, so the control system must lead to corrective action quickly. The system must also disclose where the problem areas are and what factors are responsible for them so that the management can take immediate action.

9.   Controls should be simple, but difficult to manipulate. Simple controls absorb less effort and are more economical. Excessive complexity leads to confusion. It must be designed in accordance with the needs and the abilities of the people who implement it; but it should not be subject to misrepresentation or distortions which can be manipulated to suit somebody's purpose, or to sabotage the operations.

10.   Controls should be acceptable to organisation's members. Too rigid controls may cause resentment resulting in lower morale and inefficient performance. Effective controls require the following,

(a)   Support of top management.
(b)   Participation of all managers in setting up the control system.
(c)   Acceptance and understanding of the control process by all workers.
(d)   Information and feedback on actual performance must be timely and accurate.
(e)   The control system must be well communicated.

11.   Control system must have outside support. The system should facilitate the organisation's dealings with its customers and suppliers. It will be helpful to acquire commitment and support from the people who deal with the organisation.

12.   Control system should be designed by a mix of individuals with specialisation in various and diversified fields of accounting, organisational analysis, strategic planning, management information systems and other related areas. This will ensure balance and eliminate over-domination by any one area.

13.   *The exception principle-* a good system of control should work on the exception principle, so that only important deviations are brought to the attention of management. In other words, management does not have to bother with activities that are

running smoothly. This will ensure that the managerial attention is directed towards error and not towards conformity. This will eliminate unnecessary and uneconomical supervision, reporting and a waste of managerial time.

3.3   The Control Process

Control is a process that measures current performance on a continuous basis and ensures that the performance leads to some pre-determined goal. The desired results are established through the planning process and the performance is measured by established standards.

The elements of the control system are universal in nature. These elements, basically, fall under four distinct steps as listed below.

(a)   Pre-determined goals,
(b)   Measuring performance,
(c)   Comparing actual performance with expected performance, and
(d)   Taking corrective action.

(a)   Predetermined goals

This is a part of the planning process and involves setting a standard of expected performance. The goal must be clearly specified and understood without ambiguity. General goals like "better education" or "high profits" are difficult to interpret and hence lead to confusion and conflict. Goals should be specific as well as meaningful. For example, the goal of a real estate broker may be to sell four houses per month. He can then plan the month and monitor his performance. A vice-president in charge of production may have a goal of keeping production costs within assigned budget over a period of time. He will be able to monitor the costs and take corrective action whenever it is necessary. Similarly, a college professor may have the goal of covering ten chapters from a book over a period of one semester. He will plan his schedule of teaching accordingly to meet that goal.

The goals and objectives should be defined in measurable terms, wherever possible. These should be expressed in quantitative terms, such as physical units produced per period of time, profit to be made per unit etc. Where it is not possible to quantify goals such as in the case of high morale, community relations, discipline or creativity, all efforts should be made to fully understand these qualitative goals and design control mechani FMS that will be useful in measuring performance in these situations. Most of these control mechani FMS will be subjective in nature and the decisions will be made on the basis of personal judgments.

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Quantitative standards - some of the quantitative standards against which performance can be measured are as listed below.

1. **Time standards-** the goal will be set on the basis of time lapse in performing a particular task. It could be units produced per hour, number of pages typed per hour or number of telephone calls made per day.

2. **Cost standards-** these indicate the financial expenditures involved per unit of activity. These could be material cost per unit, cost per person, cost of distribution per unit etc.

3. **Income standards-** these relate to financial rewards received due to a particular activity. Examples will be sales volume per month or sales generated by a salesperson per year etc.

4. **Market share standard-** this goal will be oriented towards the percentage of the total market that a company wants to retain or further acquire. A company may want to increase its share of the market by 4 percent next year.

5. **Productivity-** productivity goals are the key to operational efficiency and should be set on the basis of past performance, degree of mechanisation, employee skills and training required, and motivation of employees. The productivity can be measured on the basis of units produced per man hour etc.

6. **Profitability-** profitability can be expressed as a ratio of net profits to sales. These goals will be set with the consideration of cost per unit, market share, volume of business etc.

7. **Return On Investment (ROI)-** return on investment is a much more comprehensive and useful standard as it involves all facets of the business such as turnover, sales, working capital, invested capital, inventory levels at given times, production costs, marketing cost, transportation costs etc. It is a ratio of net income to invested capital. It is superior to market share as standard because a large share of market does not necessarily mean higher profits.

8. **Quantitative personnel standards-** staff morale and dedication can be measured to some degree by some quantitative standards. The standards may be the extent of employee turnover, number of work related accidents, absenteeism, number of grievances and quality of work.

(b)   Measuring performance

Once the standards and goals have been established, the second step in the control process is to monitor and measure the actual performance. Monitoring and measurement is a continuous activity and involves collection of the data that represents the actual performance of the activity so that a comparison can be made between what is accomplished and what was intended to be accomplished. The measurement of actual performance must be in the units similar to those of predetermined criterion. The unit or the yardstick thus chosen should be clear, well defined and easily identified and should be uniform and homogenous throughout the measurement process. The choice of the unit will also depend upon the speed with which the control information is required; otherwise delay in measurement will delay the corrective action.

What to Evaluate? According to Suchman (1967), there are five types of evaluations. These are as follows.

(i)   Effort- effort reveals the extent of input; and the idea is to measure input to see if it is adequate in meeting objectives. For example, the number of courses offered in the business division at the college will indicate the extent of the business program. Similarly, the number of beds in a hospital will be a measure of input for providing health care. A salesman's performance may be measured by the number of calls he makes per day. Blau (1956) gives an example of an employment agency where performance was evaluated by the number of applicants interviewed and counseled. However, the measurement of input is a poor indicator of results, since simply counseling applicants does not mean that they all get jobs. Similarly, the number of beds in a hospital does not translate to quality health care which is the ultimate.

(ii)   Effectiveness- as we have seen above, the evaluation of input elements does not adequately convey the degree of effectiveness and results. This problem can be eliminated by measuring outputs, such as the number of clients placed in jobs, in the case of the employment agency. However, the degree of effectiveness is relative in nature, since there is no definite value attached to effectiveness. For example, any number of clients placed in jobs could be considered as output.

(iii)   Adequacy- adequacy is the ratio of output to need and is a useful measure if the need and the output can be clearly identified and related. If the needs are satisfied then the performance is adequate. However, defining specific needs is a difficult job.

What the need is for a specific product will be very difficult to evaluate.

(iv)   **Efficiency-** efficiency relates output to input.   According to Euske (1984):

"in terms of efficiency, it is better, if more can be done with the same amount if input or same output can be generated with less input. Efficiency measures are useful for comparing the same process at two points in time or two different processes with the same output".

(v)   *Process-* this relates to the underlying processes which convert effort into outcome, or input into output. It treats output as a function of input so that the focus is on evaluation of mechani FMS that convert efforts into results, rather than the effort itself. This understanding of mechanism will assist in predicting the output of the organisation   for a given input . However , the process must be well understood and be mechanistic in nature in order to be effective.   For example, a salesperson cannot know if his presentation - even though it is well understood , will result in a sale. Hence, the output can be a direct function of input, if the process involved is fully understood and measured.

Steps in measuring performance- performance can be measured by the following steps.

1.   Since it is not possible to check everything that is being done, it is necessary to pick strategic control points for measurement. Some of these control points are listed below.

(a)   **Income-** it is a significant control point and must be as much per unit of time as it was planned and expected.   If income is significantly off from the expectation, then the reason should be investigated and a corrective action taken.

(b)   **Expenses-** total and operational cost per unit must be computed and must be adhered to.   Key expense data must be reviewed periodically.

(c)   *Inventory-* some minimum inventory of both the finished product as well as raw materials must be kept in stock as a buffer. Any changes in inventory level will determine whether production is to be increased or decreased. This is especially true about the airline and hotel industry; they are always concerned about empty

rooms and empty seats. Steps must be taken to reduce these unused facilities.

(d)   **Quality of the product-** standards of established quality must be maintained- especially in food processing, drug manufacturing, automobiles etc. The process should be continuously observed for any deviations.

(e)   **Absenteeism-** excessive absenteeism of personnel is a serious reflection on the social environment and the working conditions. This is especially effective in the airline industry and construction projects, where absenteeism can cause delay and severe problems. Absenteeism in excess of expectations must be seriously investigated.

2.   **Mechanised measuring devices-** this involves a wide variety of technical instruments used for measurement of machine operations, product quality for size and ingredients and for production processes. These instruments may be mechanical, electronic or chemical in nature. Some electronic devices are used to check passengers at the airport for carrying prohibited items; some others are used to detect shoplifting and unchecked books from the library. Polygraph tests are used to check people's explanations for certain acts.

3.   **Ratio Analysis-** ratio analysis is one of the most important management tools. It describes the relationship of one business variable to another. The following are some of the more important ratios.

(a)   **Net sales to working capital-** the working capital must be utilised adequately. If the inventory turnover is rapid, then the same working capital can be used again and again. Hence, for perishable goods, this ratio is high. Any change in ratio will signal a deviation from the norm.

(b)   **Net sales to inventory-** the greater the turnover of inventory, generally, the higher the profit on investment.

(c)   **Current ratio-** this is the ratio of current assets (cash, receivables etc.) to current liabilities and is used to determine a company's ability to pay its short term debts.

(d)   **Net profit to tangible net worth-** net worth is the difference between tangible assets (not goodwill etc.) and total liabilities.

This ratio of net profits to net worth is used to measure profitability over a long period of time.

(e)   **Net profits to sales-** this ratio measures the short run profitability of a business.

(f)   **Net profit to net working capital-** net working capital is the operating capital on hand. This ratio would determine the ability of the business to finance day-to-day operations.

(g)   **Collection period on credit sales-** the collection period should be as short as possible. Any deviation from established collection period should be promptly investigated.

(h)   **Inventory to net working capital-** this ratio is to determine the extent of working capital tied up in inventory. Generally, this ratio should be less than 80 percent.

(i)   **Total debt to tangible net worth-** this ratio will determine the financial soundness of the business. This ratio should remain as low as possible.

4.   **Comparative Statistical Analysis-** the operations of one company can be usefully compared with similar operations of another company or with industry averages. It is very useful performance measuring device. For example, farmers in an area can compare output per acre with farmers of other locations. Any differences can be investigated and the reasons ascertained. Similarly, hospitals at one location can measure their medical costs against those of other hospitals. Similarly, the performance of police departments can be measured by the comparison of crime rates in their locality with that of other localities.

5.   **Personal Observation-** personal observation- both formal and informal, can be used in certain situations as a measuring device for performances, especially the performances of personnel. The informal observation is generally day-to-day routine type. A manager may walk through a store to have a general idea about how people are working. An airline officer may fly incognito to evaluate the performance of in-flight attendants.

Formal observation is properly planned and requires preparation. For example, professors are periodically evaluated by their peers and their students. The in-flight performance of commercial airline pilots is regularly measured by representatives of Federal Aviation Agency.

(c)   **Comparing actual performance with expected performance**

This comparison is the active principle of the process. The previous two – setting the goals and the measurement format – are the preparatory parts of the process. It is the responsibility of management to compare actual performance against the standards established. This comparison is less complicated if the measurement units for the standards set and the performance measured are same and quantified. The comparison becomes more difficult when these require subjective evaluations.

This comparison tells us if anything has gone wrong, if there is any deviation; negative or positive, and what must be done as a restorative process for correcting the deviation. Also, this comparison not only results in the correction of the lapses, but also ensures the application of the preventive steps guiding the conduct in the future.

Evaluation of deviation- before a deviation is corrected, a thorough investigation should be undertaken as to the reasons of such deviations, for not only the symptoms but also the roots of the problem are to be examined. Were these deviations due to unrealistic standards set, or were these due to lack of efficient performance? There are many instances where projects went over budget and over time. These projects should be examined in their entirety and from all angles.

(a)   **Negative deviation-** negative deviations are those that have negative repercussions and may be in the form of cost overruns or the project being behind schedule or the quality or the quantity being below the expected levels. This underperformance must be evaluated to determine whether goals should be changed or any other corrective action is needed. For example, if there has been a delay in completing the project, the reason may be the morale of the workers which may be evident by excessive absenteeism, resignations or inefficient performances. Or it could be due to untrained personnel. A cost overrun can be price increase initiated by outside vendors, or excessive machinery breakdown. These deviations must be detected and evaluated.

(b)   **Positive deviations-** positive deviations indicate that the performance was better than expected and the goals achieved were either sooner than anticipated or less costly than planned. These deviations should also be fully investigated as to why underestimations were made and new revised estimations should be made.

Method of presentation of comparison and results

There are four methods and techniques for presenting the results of these comparisons for managerial attention and action. These are listed below.

(i)   The narrative method
(ii)   The tabulation method
(ii)   The graphical method
(iii)   Mathematical model presentation with relationships of interactive variables clearly defined.

(i)   The narrative method- this method of comparison is more desirable and useful where subjective evaluations and assessments are necessary. This is in the form of a written report and an assessment of affecting variables such as morale, dedication and effectiveness of human resources. The variables are difficult to quantify and an objective evaluation is difficult to obtain.   The narrative method is also unavoidable when measuring and controlling the environmental variables, such as general economic conditions, governmental policies and their effects on strategically planned business policies. These written reports may include visual diagrams and other supporting illustrations.

These written reports are very common when recommending a subordinate for promotion or when recommending a student for admission into graduate studies. The letters of reference that most companies demand from new employees are primarily in the form of written reports from previous employer or other acceptable persons.

(ii)   The tabulation method- this method is the simplest and the most common in which the measures of the goal and the performance evaluations, both in terms of chosen unit are exhibited side-by-side and the deviations between the two may be represented as percentages. This method is specifically useful when the number of variables affected is limited and their effects can be measured in simple manner. For example, if we are measuring waste per unit produced, we can easily make a table of exact waste experienced as against what was expected as a goal.

(iii)   The graphical method of comparison- this method portrays the relationship between the variables under comparison, which are primarily the aimed and actual values. Trends over time and

certain relationships are better portrayed when assimilated and presented in the form of charts, graphs or diagrams.

(iv)   **Mathematical representation-** mathematical models are highly effective and useful when the variables of comparison are related by complex and non-linear relationships.   These models are helpful in reducing the complex relationships among many variables into manageable equations that can be measured and solved.

(d)   **Taking corrective action**

Once deviations have been established and presented, decisions must be taken as to what corrective actions are needed or necessary to remedy the situation and to force events to prescribed or pre-arranged plans. However, these corrective actions must be taken within the constraints of acceptable tolerance levels, external environmental constraints (such as those imposed by custom, organisational guidelines, labour unions, political and economic considerations) and internal constraints of costs and personnel.   Since the actual results do not always conform to the desired results, some deviations may be expected and provided for and hence no corrective action may be needed.   However, when the deviations are of sufficiently serious considerations, the following guidelines may be adopted and looked into:

(i)   Management must deal with the roots of the problems and not the symptoms.

(ii)   Any corrective action should be taken promptly in order to make it most effective.

(iii)   Whenever and wherever possible, corrective action should be built into the existing plans and these controls should be automatic and self-monitoring like a thermostat in controlling the heat (this field is known as *cybernetics*).

(iv)   It must be understood that the goal itself is not a static phenomenon, but it is a function of the dynamic environment. Hence, a look into the need for altering the target itself caused by shifts in the environments may be necessary.

3.4   Types of Managerial Controls

The following classifications may result from the different uses of the concepts of control.

(1)   **Controls used to standardise performance in order to increase efficiency, lower costs and optimise performance.** The standards for performance can be set by using time and motion studies. This will standardise the time utilised for a particular operation and the best method of completing that operation with minimum number of movements.

(2)   **Controls devised to safeguard company assets-** these are partly performance controls which reduce losses due to waste and misuse of raw materials. Some controls may be exercised to reduce losses due to thefts. This will require strong supervisory and accounting procedures.

(3)   **Controls used to standardise quality-** the quality of products may be in terms of size, weight, colour, finish or ingredients. These must be as prescribed. Statistical quality control methods can be used for testing purposes. Some characteristics may be judged by visual observations and inspections.

(4)   **Controls designed to set limits for the delegated authority-** some decisions and actions must be taken by the central management and some operational decisions can be delegated to lower management levels. However, the extent of the use of this authority must be fully described and communicated. These limits are specified through directions and policy manuals.

(5)   **Controls designed to measure worker's performance-** this is to ensure that workers are performing according to standardised level. Performance standards set may be output per hour or output per employee and these standards may be evaluated against set quotas of production.

(6)   **Controls designed to measure and enhance worker attitudes-** some of the areas considered are absenteeism, labour turnover and safety records. The contentment of workers can be gauged by using attitude surveys and close friendly supervision and participative management wherever possible.

(7)   **Controls used to monitor total performance and operations-** some of the factors included are sales and production forecasts,

profitability and market position, personnel development and work environment, etc.

(8)   **Controls designed to synchronise all operational activities of the enterprise.** This will allow central management to keep a balance among various aspects of the company. This can be achieved by prescribing and using master plans, organisational manuals and procedures.

3.5   Types of Control Methods

Most methods of control can be grouped into four basic types which may be applied individually or in combination with each other. These are listed below.

1.   **Pre-controls-** these are sometimes called "feed-forward" controls and are preventive in nature. They are designed to eliminate the cause of any deviation that may occur later and are established before the activity takes place. For example, if a student is performing poorly in a course at the beginning of the semester, he should not wait until the end of the term to make changes in his study habits. He must make adjustments before it is too late. These controls are meant to make sure that performance objectives are clear and all resources are available, at the time when needed, to attain these objectives. Most often, deviations occur because proper planning was not initiated and enforced and proper resources were not available. An example of "feed-forward" controls will be the use of capital budgeting techniques for evaluating capital investments.

2.   **Steering controls-** the key feature of this control is the capability to take corrective action when the deviation has taken place but the task has not been completed. Some of the examples are in-flight corrections of off-course airplanes and guided missiles or steering the car into the lane when it is off the lane.

The great advantage of steering control is that corrective actions can be taken early. An early start with steering controls increases the chances that we will achieve a favourable outcome. For instance, the sooner the failing student gets tutoring in his course, the better are his chances of passing the course.

Steering a course in business is like steering an ocean-liner where several adjustments- *enroute* are necessary. These steering controls are based on forecasts about where one course of action will land as compared to another course of action. The corrective actions are based

on the prediction of results. Of course, the longer the time span between action and results and the higher the volatility of the environment, the more uncertain these predictions can be.

Since effective steering controls require prediction of outcomes, it is necessary to find some indicators that will assist in correctly predicting the results. Some of the indicators are listed below.

(a)   **Input indicators-** the level of some key inputs may predict the response to them. For example, inquiries from customers can result in actual orders to a predictable degree. Similarly, orders received will be a good indicator of future shipments.

(b)   **Success of early steps-** the early attempts and successful results of those attempts can indicate the degree of success of the final project. For example, early receptions of a new product give strong clues to the long run success of the product. Same idea goes for early reviews of a new book or a new play.

(c)   **The skill and sophistication of the process-** the skill and precision with which an operation is completed can predict the success of the outcome. For that reason, a Rolls Royce car lasts much longer than other mass produced assembly line cars. Similarly, the number of good contacts an insurance agent makes is an indication of how many policies he will sell later etc.

(d)   **Symptoms-** some symptoms are clear indications of necessity for steering. For example tardiness and absenteeism is a good indicator of low morale which can affect labour efficiency, and hence, requires that some steering have to be done. Similarly, traffic conditions are good symptoms of whether you will reach your destination in good time or not.

(e)   **Unexpected events-** most processes and expectations of results are based upon certain key assumptions about the environment such as economic conditions, social environment, governmental actions etc. These factors should be carefully monitored so that any unexpected changes can be dealt with carefully and in time.

3.   **Yes/no controls-** these controls are designed to check at each checkpoint whether the activity should be allowed to proceed further or not. These controls are necessary and useful where a product passes sequentially from one point to another with improvements added at each step, along the way. These controls stop errors from being compounded. Quality control checkpoints where inspection will determine whether the activity should

continue or not is an example. Safety checks and legal approvals of contracts before they are immediately noticeable and traceable so that immediate and effective remedial action can be undertaken. There are other types of symptoms that reflect the inadequacy of control process which requires in-depth analysis and reorganisation and re-evaluation of the system. These symptoms of inadequate control are generally due to organisational defects, rather than mechanical defects and can be traced to morale problems.

Some of the symptoms of inadequate controls are as listed below.

(1)   **An unexpected decline in revenues or profits-** this may be an accounting problem or unaccountable responsibility or simply that the quality, quantity and promotional elements have not been adhered to, resulting in low sales.

(2)   **A degradation of service and customer complaints-** excessive customer complaints either about the quality of the product or the service are hardly conducive to the company's survival and growth. How the company handles the customer complaints is further indication of whether the control process is working or not. That is one reason why some companies have a policy of "the customer is always right" and attend to their complaints in a satisfactory manner. A personalised service is always welcome.

(3)   **Employee dissatisfaction-** this may be evident by increase in turnover, number of grievances filed and rate of absenteeism. While the secret of life is- "not to do what you like, but to like what you do"; it is important to create an environment, both physically and conceptually, which will be conducive to worker's dedication to work.

(4)   **Unnecessary working capital shortages-** these are the shortages that are caused by excessive and unused inventories and accounts receivable delinquencies. These symptoms indicate that things are getting out of control and the reasons for these symptoms must be carefully examined. Is the excessive inventory a quality oriented problem or a sales oriented problem? Why are the receivable accounts not received in the prescribed time? Is it a bad choice of credit customers or is it negligence on the part of the accounting people in the organisation? These problems must be investigated and solved so that the working capital is optimally used.

(5)   Idle facilities or personnel- these symptoms are also tied in with other symptoms. For example, idle facilities may be due to already excessive inventory which ties up the working capital that is required to operate the facilities. Similarly, idle personnel may be due to idle facilities or due to improper hiring policies of the organisation.

(6)   Disorganised operations- these may be evident by workflow bottlenecks, lack of operational efficiency thus increasing the cost and time of production. Proper control checkpoints must be established. Excessive paperwork reduces clarity of instructions and operations so that paperwork should be minimal and to the point.

(7)   Evidence of waste, inefficiency and excessive costs- these symptoms may partly be the result of mechanical obsolescence but perhaps, these may primarily be due to lack of worker commitment and low morale which may have deeper roots in the whole organisational control system.

All these symptoms signify a deviation from what the system should be and all efforts should be directed to the creation of work environment in which these symptoms should disappear.

3.6   Behavioral Guidelines for Managerial Controls

Some of the basic means to make the control process more effective and acceptable are as listed below.

1.   Set meaningful, acceptable and attainable standards- the control system will work effectively, if- in setting up these standards, there has been an appropriate input from workers who are expected to meet these standards. Also, control standards should be relevant to the job and the reasons for a particular control system should appear justifiable to those who must comply. The workers work harder, for example, to produce a better quality unit (a control process), if such improvement will get future contracts for the company which will mean more profits for all. Also, while administering controls, management should recognise and take into account feelings and attitudes of individual employees. Management should humanise administration of control.

2.   Establish an effective, accurate and timely two-way communication- for any control system to be effective, information regarding deviations must be communicated to

management and workers, as quickly as possible. This information and feedback must be accurate, for the outcome is dependent upon the accuracy of informational input. The information about the deviation should be gathered quickly because some time elapses between the occurrence of the deviation and taking of a corrective action since managers gather control related information, make an investigative analysis, develop necessary reports, choose a course of corrective action and actually employ this correct decision. This entire period should be minimised, as much as possible.

3. Reward attainment of standards- the control system will work much better, if the employees directly responsible for attaining the set standards are recognised for their contribution. This recognition will boost their morale and induce them to move, even more, positively towards attainment of higher goals. This recognition can be in the form of financial rewards or other forms of status improvement.

4. The best means of effective managerial controls are the development of voluntary cooperation, participation, sense of responsibility, self-control and self-discipline. Self-control adds higher value to a person's self, resulting in higher internal satisfaction and self-actualisation. This induces personal involvement in work and the employee becomes interested in effective work performance.

4.0   CONCLUSION

In this unit, you have learnt about the importance of control as a management function. Emphasis has been laid on the need to embark on control in order to determine whether prescribed procedures are followed or that the set target have been achieved. Where deviation is observed, effort could be made to investigate the cause and institute measures to correct the anomaly.

5.0   SUMMARY

In this unit, you have been exposed to control as a function of management. The unit also examined the following- management control; the requirements and characteristics for effective control; the control process; types of managerial control; types of control methods and the behavioral guidelines for effective control.

6.0   TUTOR-MARKED ASSIGNMENT

1.   What part should employees play in setting up the requirements for an effective control system?
2.   What are some of the symptoms of inadequate control? Are all these symptoms traceable to certain well defined causes? Explain.

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MODULE 2

UNIT 1   ORGANISING

CONTENTS

1.0   INTRODUCTION

Every organisation is made up of human and physical resources. These
resources are brought together in order to accomplish a predetermined
goal. In order to accomplish these objectives, tasks must be identified,
the tools and technology required must be provided and a structure of
relationships must be identified. It is the function of management to
determine the best structure that will optimise the utilisation of
resources. Management organises these resources. The organisation is
a means of achieving the best result from concerted effort. Organisation
deals with people and their relationship in an enterprise. It is the

organisation that determines the types of people required and their relationships. Thus, the type of personnel and structure required in a hospital is different from the personnel and structure required in a weaving enterprise or a university. In this unit, efforts will be made to take you through this topic with the sole aim of giving you a complete overview of this important and the first management function.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- define the concept- organisation
- differentiate between formal and informal organisation
- describe organisational charts, structure, line and staff organisation
- explain what is meant by authority and relationship, power and influence and sources and limits of authority
- discuss kinds of organisation, levels in organisation, superior authority, subordinate acceptance and responsibility.

3.0   MAIN CONTENT

3.1   Meaning of Organisation

An organisation can be seen as an entity. This is true of all business enterprises, churches, hospitals, or clubs. It can be seen as a process of coordinating individuals' efforts to accomplish a common objective. An organisation is a group of people bound together to provide unity of action for the achievement of a predetermined objective. All management theorists – Fayol, Follet etc., recognise this important management function. Organisation is very fundamental to human nature. Man is a social animal and shares relationship with his neighbours. The subject of organisation is central to sociology, psychology and even anthropology.

3.2   Kinds of Organisation

Organisations can be classified into two broad headings-(a) formal and (b) informal organisations.

a.   Formal organisation

Formal organisation can be seen as a direct opposite of informal organisation. It is a planned pattern of group behaviour designed to achieve an objective. Most relationships found in many business enterprises are formal. The main reasons for formal organisations are:

1.   to establish logical patterns of inter-relationships among members of the group;
2.   to secure advantages of specialisation or division of labour whereby the optimum utilisation of talents can be realised;
3.   to coordinate activities of the component parts in order to facilitate the realisation of the goals of the organisation (Massie and Douglas, 1977).

In Nigeria, the problem of formal organisation is not so acute because of the nature of Nigerian businesses. As an organisation grows, the component parts become more complex, the technology changes and requires special expertise and consequently, more attention. Small enterprises do not require the same magnitude of tasks as large ones, and are therefore easier to design.

b.   Informal organisation

Informal organisation can be described as the human interaction that occurs simultaneously and naturally without overt influence.

3.3   Organisational Charts

An organisational chart is a visual device that shows the various departments and how they relate to one another. The chart helps the employees, the board of directors and stockholders to see- at a glance, the division of responsibility and lines of authority. One of the major advantages of an organisational chart is that it helps in studying how to modify or improve the relationships and areas of responsibilities within the organisational structure. An organisation can operate without a formal, organisational chart, but the presence of the chart gives evidence of a thoughtful, planned structure. The chart does in no way indicate the existence of certain positions identified by boxes and line of authority shown by solid straight lines connection. The figure below shows an example of an organisational chart.
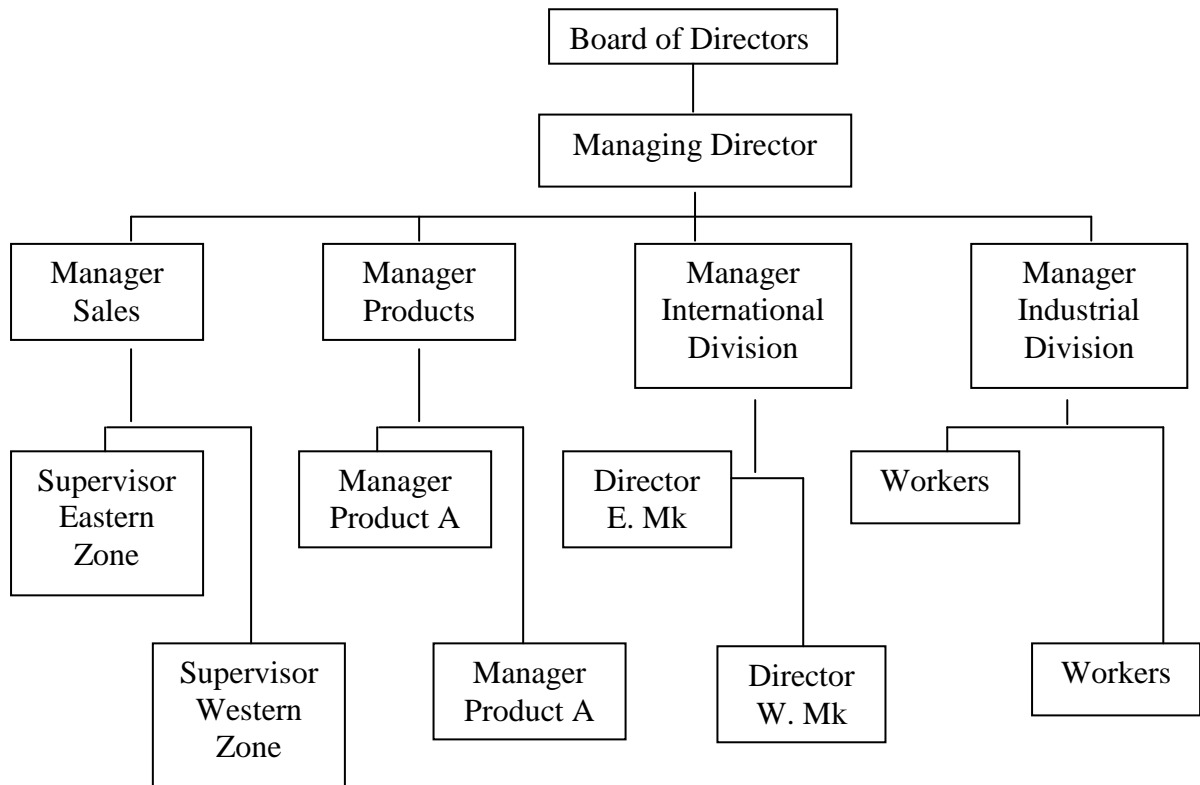
Figure 1.1:   Organisational Chart

3.4   Organisational Structure

Sound organisational structure involves dividing activities into departments, divisions, units and sub-units, defining relationships between the heads and members that make up the units. A good structure:

(a)   identifies the operating departments (sales department, production department and finance department).

(b)   isolates the service department (personnel, research).

(c)   places emphasis on balancing the structure.

(d)   shows the role of committees in the organisation.

One of the major problems confronting management is to decide the organisational structure to be adopted. Important questions relating to duties and role of each department and line executive have to be clearly defined. A decision has to be made if the organisation is to be decentralised or centralised and the number of staff required for each task has to be determined. As experts succinctly summarise it, the important features of an organisation to be designed include division

into sections and units, number of levels, locations of decision-making authority, distribution of and access to information, physical layout of building, type of people recruited, what behaviours are rewarded and so on (Robert, Simon, 1960).

A good organisational design is one that leads to the attainment of organisational objectives. A good organisational design is one that is fixed and will never require a change. The system is created to change when the environment in which it operates contracts or when the company is expanding or reducing its operations/objectives or during the process of re-organisation. A good organisation is judged by its economic performance, ability to operate in a dynamic environment and the growth and satisfaction of the members.

3.4.1 Types of Organisation

Organisational structure can be subdivided into two, namely- line organisation and staff organisation. This is described further below.

Line organisation

In a typical line organisation, authority is divested downward in a straight line from the Board of Directors to the Managing Director and to lower management levels. Every line executive has assigned responsibilities and authority assigned to him and has its supporting staff to execute the functions. A manager with line authority is answerable for the performance of his subordinates. The employees with line function are responsible for the immediate attainment of the organisation's objective. The flow of authority and responsibility is usually straight or direct, and accountability is established. There are three basic advantages-as listed below.

(1) This structure is simple and easily understandable by all, accountability is easily established. Conflict of authority is reduced to a minimum.

(2) It lends itself to quick decision-making. Decision-making is vested in one person who is in charge of the department.

(3) Expenses related to overhead are reduced to a minimum as the role of executive specialists is eliminated.

Line and staff organisation

This form of structure resembles the line structure, only that specialists are included in the organisational arrangements. Decisions are made by

line executives with the advice of staff executives. Staff executives are experts in their fields – (accountants, lawyers, personnel specialists, engineers etc.) they advise the line executives who are directly responsible for the immediate attainment of the organisational goals. Figure below shows the line and staff structure.

```
                        ┌──────────────────┐
                        │ Director General │
                        └──────────────────┘

     ┌──────────────┐    ┌──────────────┐    ┌──────────────┐
     │   Manager    │    │   Manager    │    │   Manager    │
     │  Production  │    │   Finance    │    │  Marketing   │
     └──────────────┘    └──────────────┘    └──────────────┘

  ┌───────────┐  ┌───────────┐  ┌──────────────┐  ┌──────────────┐
  │   Plant   │  │   Chief   │  │ Advertising  │  │ Field Sales  │
  │ Supervisor│  │ Engineer  │  │   Manager    │  │   Manager    │
  └───────────┘  └───────────┘  └──────────────┘  └──────────────┘

              ┌────────────┐  ┌───────────┐  ┌───────────┐
              │ Controller │  │ Treasurer │  │ Salesmen  │
              └────────────┘  └───────────┘  └───────────┘
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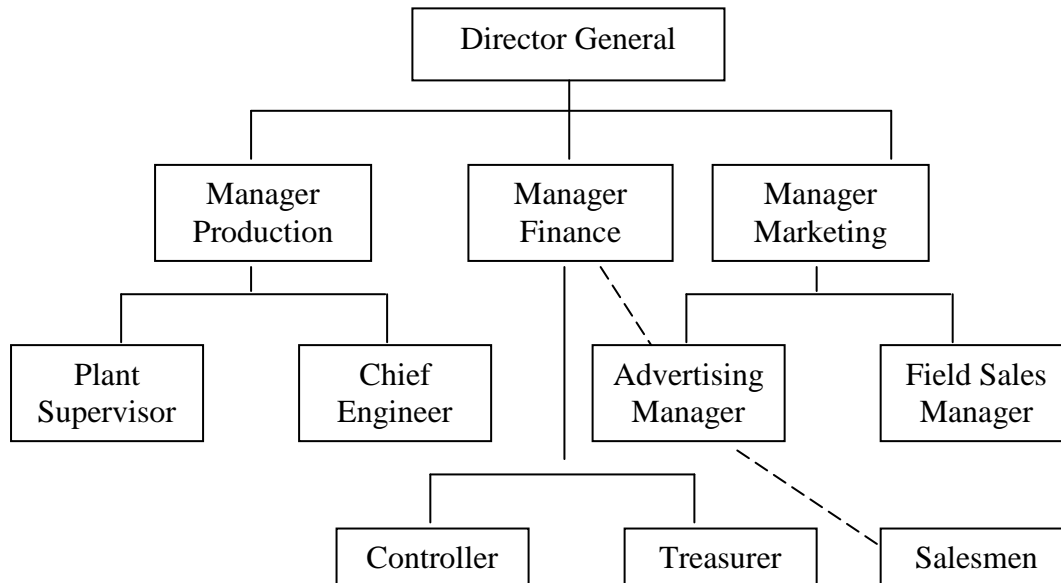
Figure 1.2:   Line and Staff Organisational Structure

In this chart, the solid lines represent the flow of authority, and broken lines indicate a staff or advisory relationship. The advertising manager can advise salesmen but he has no direct control over them. Authority relationships are discussed in full below. Line and staff structure is best used when the organisation is relatively large and serving a big market.

3.5   Authority Relationships

This is further divided into three, namely-line authority, staff authority and functional authority.

a.   Line authority

As pointed out, line authority connotes "command" relationship. This is the authority that makes one to expect obedience from subordinates. Line authority has been described as the chain of command as it flows from the stockholders to the Board of Directors, to the Managing Director all the way to the employees. As Fox observes, "line positions in an organisation are those concerned directly with the creation and distribution of utilities or with the management of such activity.

b.   Staff authority

This position is advisory in nature. Generally, a staff executive is a specialist who study a problem, identify the alternatives and make recommendations to the chief executive for decision. He advises, and to advise is not to decide – only the line executive is vested with that authority, unless this power is delegated to him.

c.   Functional authority

This process allows a staff executive (engineers, lawyers, accountants, and advertising managers) to make decisions and implement them within clearly defined guidelines. This process reduces the workload of line executive by taking advantage of the expertise of the staff executive. The staff authority aims at supplementing the activities of line authority. This process helps to reduce the usual conflict between line and staff executives.

Table 1.1:   Summary of Line, Staff and Functional Authority

S/N	ADVANTAGES	DISADVANTAGES
	LINE AUTHORITY	
1.	Maintains simplicity.	Neglects specialists in planning.
2.	Makes clear division of authority.	Over-works key men.
3.	Encourages speedy action.	Depends on retention of a few key men.
	STAFF AUTHORITY	
1.	Enables specialists to give expert advice.	Confuses organisation if functions are not clear.
2.	Frees the line executive of detailed analysis.	Reduces power of experts to convert recommendations into action.
3.	Affords young specialists a means of training.	Tends towards centralisation of organisation.
	FUNCTIONAL AUTHORITY	
1.	Relives line executives of routine specialised decisions.	Makes relationships more complex.
2.	Provides framework for applying expert knowledge.	Makes limits of authority of each specialist a difficult cooperation problem.
3.	Relieves pressure of need for large numbers of well rounded executives.	Tends towards centralisation of organisation.

3.6   Authority and Responsibility

Authority, as used here, is the right to act or decide. It describes the relationship between and among people or groups. A person has

authority if he has the right to command and expect obedience from the subordinate.

No organisation can survive if authority is not vested in some people. In fact, an organisation is nothing but a structure of authority relationships. In business organisations, authority flows from the top downward. In designing an organisation, the authority relationship is clearly defined. It is the responsibility of those in whom authority is vested to coordinate the activities of the organisation in order to accomplish organisational goals.

Organisational authority is vested in the position not on individuals. The authority is given to an employee because he needs a degree of authority in order to achieve a given level of productivity or sales. When the individual resigns, the authority is inherited by another employee who occupies the position. In this case, we speak of the authority of the manager, the powers of the president or the governor.

3.7   Power and Influence

At this juncture, it is necessary to distinguish between power and influence, in order to contrast them with authority. Power is the ability an individual has to compel another to do something against his wish, despite any resistance. A man who holds a businessman at gunpoint demanding that the businessman should surrender his goods has power to take possession of the goods. Power is evident in a situation where *A* has control over *B* or can force *B* to do something he does not want to do despite resistance.

Influence, unlike authority, is not vested in an individual. *A* has influence over *B* if he can modify or affect *B*'s behaviour. Thus, influence is a very moderate form of power. A person influences his friend because of the rapport they have established over the years. One, who influences, uses persuasion and suggestion to achieve a desired end. Influence takes place in all interpersonal relationships. Unlike power which implies a fear of punishment, harm or loss of status, influence does not.

In an organisation, the interpersonal relationship sometimes dictates the use of authority, power of influence. A supervisor has power over an employee because he has authority to use reward or punishment. A supervisor can also influence an employee to accept a position. Authority is a source of influence and a potential source of power.
A physician may persuade a patient to submit himself to operation. He has, in this instance, knowledge-based influence; just as personal characteristics such as self-confidence, honesty, appearance, or

dynamism can give one charisma-based influence. In Nigeria, a person's appearance influences the receptionist to decide whether the visitor will see a manager without waiting or not. This is commonplace in service establishments such as the post-office, banks, and even restaurants and hotels.

3.8   Sources of Authority

As pointed out, organisational authority is a right to act, to punish and to reward. A person who possesses this authority passes through the following phases.

1.   Positional source

It is often said that authority is derived from the ownership of property. This is the case because, in Nigeria, the constitution allows the ownership of private property and its management. An entrepreneur has been given a license to operate a business, he has authority from the country to own and manage the enterprise. He can delegate this authority to his agents or sub-agents as he deems fit. Any person who accepts employment with the organisation is subject to the authority of the owner or his representatives.

In organisations, people often refer to responsibility being used instead of authority because authority and responsibility go together. One cannot operate without the other. An entrepreneur cannot operate his business without authority to use it. In the use of this labour he owes them a reasonable wage and has authority to enforce compliance with the rules and regulations that govern interpersonal relationships. The origin of authority- whether in economic institution or in social institution where private property is non-existent, may be traced to the rules of basic group behaviour. As these elements change, the position must change.

This authority which is transmitted from the basic social institution to entrepreneurs and managers is aptly called formal authority. This authority so granted can be called institutional or private.

2.   Subordinate acceptance source

The acceptance of authority theory postulates that the source of managerial authority emanates from the acceptance of authority that the manager holds over subordinates. One of the authorities in the field of management, Chester I. Barnard made the following observation on the acceptance of authority theory:

…Disobedience of such a communication is a denial of its authority for him. Therefore, under this definition the decision as to whether an order has authority or not lies with the person to whom it is addressed, and does not reside in "person of authority" or those who issue these orders.

The acceptance theory places great emphasis on subordinate acceptance of the authority of the superior. Generally, a subordinate will recognise and accept his supervisor's authority if he perceives that his directives are in keeping with organisational purposes and will lead to the attainment of his own objectives. The authority an individual has to effect compliance can be reinforced by other means such as persuasion, coercion, use of power, economic or special sanctions. A manager does not depend on acceptance for the execution of his functions; if he does, there will be conflicts and organisational objectives will suffer.

The basic error of acceptance theorists consists not only in conceiving authority, without sanctions, but also in overlooking the powerful effect of social institutions, which confer powers that supersede individual desires. The effectiveness of one's authority can be influenced by acceptance but may not necessarily be nullified by the accepting agent's attitude. Acceptance theory appears to place emphasis on leadership which deals with the ability to influence others' behaviour in order to achieve a given objective. Management has authority and if this authority is not fully accepted by subordinates, it can use power or sanctions to secure compliance. The acceptance of employment in an organisation implies the acceptance of authority in the establishment.

The acceptance of authority is enhanced by the personal qualities of the manager, such as technical competence, supportive behaviour and dynamism. These qualities of leadership are fundamental to the effectiveness of management and not, necessarily, in the source of authority.

3.9   Limits of Authority

Formal authority is very fundamental to the attainment of organisational objectives. All managers who occupy positions of responsibility are vested with it. Effective utilisation of authority promotes organisational harmony and, consequently, the realisation of intended goals. Certain factors limit the amount of authority a particular executive possesses. These factors include one's level in the organisation, superior authority and subordinate acceptance.

3.10 Levels in Organisation

As mentioned earlier on, authority is delegated from top to bottom. The higher a manager is within the organisational hierarchy, the more authority he possesses. The managing director has more authority than his deputy and the deputy possesses more authority than the managers and supervisors. The higher the functions a manager has, the more the authority that is vested in him for the effective execution of these functions.

3.11 Superior Authority

The authority an executive has is influenced by the authority of those above him. A superior authority influences the authority delegated to lower executives in any organisation. The production manager's authority to produce is influenced by the organisation's established policies and procedures. He cannot recruit employees in order to achieve production quota without following the guidelines for recruitments. He can also be asked by a superior authority to stop production until certain conditions are fulfilled.

Closely allied to the influence of the superior authority that limit his authority, is overlapping authority. Where authority overlaps, authority is held in abeyance until it is resolved. Situations arise in an organisation where two executives engage in a dispute as to who has the authority to approve expenditure, to authorise the purchase of equipment or to hire employees. A labour union on strike has the ability to frustrate the efforts of management to function effectively. It has to be noted that authority is not cancelled by power conflict between executives, management or labour unions, or government and entrepreneurs. When conflicts arise, authority is held in abeyance until the conflict is resolved.

3.12 Subordinate Acceptance

The acceptance of authority by subordinates helps in the expeditious attainment of desired goals. Failure to accept one's authority produces the opposite effect. Refusal to accept one's authority does not cancel one's authority; it only reduces one's effectiveness in the given situation. The degree to which the manager is rendered ineffective depends on the amount of power he has to evoke penalties to effect compliance. Ability to evoke punishment and to reward is implicit in all formal authority.

A good executive does not have to punish all the time but when the need arises, it is re-assuring to know that tone can exact compliance. Four

conditions must be met before a message is accepted as authoritative; these are listed below.

1. It must be understood by the recipient.
2. It must be consistent with the purpose of the organisation.
3. It is not incompatible with the personal interests of the recipient.
4. It is within the mental and physical abilities of the recipient.

Many experts have stressed the fact that the acceptance theory can be misleading as the manager can be tempted to manipulate the situation in order to obtain acceptance from subordinates. Other factors that limit effectiveness of authority include technological constraints, economic limitations, social limitations and organisational constraints.

3.13 Responsibility

People in authority are answerable to somebody for their use of authority. This is responsibility. Responsibility implies obligation. A person to whom one delegates authority is obliged to execute, satisfactorily, the assigned duty. Responsibility originates from a superior – subordinate relationship. A subordinate must answer to his boss for the use of formal authority, just as a man answers to his friends for informal authority. In organisations, responsibility is shared. When a manager authorises an employee to execute a task, the obligation created by this delegation from the supervisor to subordinate is shared.

4.0 CONCLUSION

Organising is the second in the hierarchy of functions exercised by management after planning. This unit has given a complete overview of organisation- as it affects mobilisation of human and material resources and structuring of relationships within an organisational set up.

5.0 SUMMARY

In this unit, you have learnt the following:

- the concept organisation
- kinds of organisation
- organisational charts, structure, line and staff organisation
- authority and relationship, power and influence and sources and limits of authority
- levels in organisation, superior authority, subordinate acceptance and responsibility.

6.0   TUTOR-MARKED ASSIGNMENT

Write short notes on the following:

1.   authority
2.   power and influence
3.   responsibility.

7.0   REFERENCES/FURTHER READING

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UNIT 2   COMMUNICATION

CONTENTS

1.0   INTRODUCTION

Communication is considered to be the most important and most effective aspect of the management process. Interpersonal communication is fundamental to all managerial activities. All other functions involve some form of directions and feedback. Effective management is a function of effective communication. Many operations have failed because of poor communication, misunderstood messages and unclear instructions. Even in life- in general, communication plays a very important role among friends, within the family and in all social circles. "Failure to communicate" is many times the cause of lost friendships, divorces and disaffection between parents and children. "My father does not understand me"- is the common cry of a teenager. Accordingly, communication plays an important role in every area of human life.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- define communication
- state the objectives of communication
- explain communication grapevines and communication process model
- discuss the barriers to effective communication.

3.0   MAIN CONTENT

3.1   Definition and Objectives of Communication

Communication is defined as "the process of passing information from one person to another" (Kazmier, 1977). It means transmitting and sharing of ideas, opinions, facts and information in a manner that is perceived and understood by the receiver of the communication. It is a meaningful interaction among people where the thoughts are transferred from one person to another in a manner such that the meaning and value of such thoughts is same in the minds of both the sender as well as the receiver of the communication.

Effective communication is very essential for management to successfully perform its functions. It is an essential ingredient in management-employee relations. According to W.R. Spriegal:

> "most of the conflicts in business are not basic but are caused by misunderstood motives and ignorance of facts. Proper communications between interested parties reduce the points of friction and minimise those that inevitably arise."

Accordingly, through proper communication and sharing of information, management takes employees into confidence and makes them more knowledgeable about problems and policies of the enterprise. According to Prof. A. Dasgupta (1968), the scope for a two-way means of consulting and changing facts, opinions and ideas between management and employees pertain to:

-    knowledge of policies and objectives of an enterprise;
-    knowledge of results and achievements from these policies;
-    knowledge of plans and prospects for the future;
-    knowledge of conditions of service;
-    knowledge of ways and means of improving efficiency and productivity;
-    knowledge of all aspects of industrial safety, health and welfare.

Information and knowledge about these entire aspects make the operations of the organisation, comparatively, trouble free. It is management's responsibility to ensure that employees have all necessary feedback. According to Peter Drucker (1954), a manager does not handle people; he motivates guides and organises people to accomplish their goals. His effectiveness depends upon his ability to communicate well with the employees. Good communication is the foundation of sound management. It is through communication that

workers become aware of their duties and responsibilities as well as the instructions and orders from the upper levels of management hierarchy. Also, through communication, they can make known their suggestions, misunderstanding, confusion, distortions and challenges; and this improves coordination and control. It improves productivity by developing and maintaining good human relations in the organisation. It is a basic tool for motivation and improved morale. Supervision and leadership are impossible without it.

It was largely the work of Chester Barnard in the late 1930s which highlighted communication as a dynamic force in shaping organisational behaviour. He considered it as one of the three important elements of an organisation, along with common purpose and willingness to serve. He also linked communication with his concept of authority. Authority flows down through the channel of communication; authority can lose its meaning if the channels of communication are blocked or if communication is misunderstood or if the strength of communication is diluted. Accordingly, he proposes seven communication factors which are a function of objective authority. These are listed below (as cited in Barnard, 1938).

1.   The channels of communication must be clearly set and be known to all.
2.   Every member of the organisation should be reached by some channel of communication.
3.   The line of communication should be as direct as possible.
4.   There should be no blockage in the line of communication and the complete formal line should be used.
5.   The communicator should be highly skilled in the art of communication.
6.   The line of communication should be constantly kept open.
7.   Every communication should be authenticated.

The objectives of communication, according to Mamoria (1982), are as stated below:

1.   to develop information and understanding among all workers.
2.   to foster any attitude that is necessary for motivation, cooperation and job satisfaction.
3.   to discourage misinformation, ambiguity and rumours.
4.   to prepare workers for a change in methods or environment by giving them the necessary information in advance.
5.   to encourage subordinates to supply ideas and suggestions for improving upon the product or work environment, and taking these suggestions seriously.

6.   to improve labour-management relations by keeping the communication channels open.
7.   to encourage social relations among workers by encouraging inter-communication.

SELF-ASSESSMENT EXERCISE

Define communication and explain the objectives of communication.

3.2   Communication Process Model

A simple communication model which reflects communication as a dynamic interactive process has been proposed by David Berdo (1960). His approach is based upon the following idea:

> If we accept the concept of process, we view events and relationships as dynamic, ongoing, ever-changing, continuous. When we label something as a process, we also mean that it does not have a beginning, an end, a fixed sequence of events. It is not static, at rest. It is moving. The ingredients within a process interact, each affects all the others.

This model- described as a series of steps, consists of the following components.

1.   **Message sender-** this is the source of information or the initiator of communication. This source may want to communicate his ideas, needs, intentions or other pieces of information.

2.   **Encoder-** this is the process inside the human mind in the form of motor skills, muscle system or sensory skills that encode the ideas to be conveyed into a series of symbols or gestures or some other format of expression.

3.   **The message-** the message is a physical form of the thought which can be experienced and understood by one or more senses of the receiver. It can be in the form of hearing, reading or other physical gestures.

4.   **Channel of Communication-** it is a vehicle used for the transmission of the message. It is a medium carrier and bridges the gap between the sender and the receiver. It may be a face-to-face conversation, telephone conversation, in written form or through any form of gesture.

5.   **Perception of the message-** the message is received by the person for whom it was meant and he becomes the receiver of the message.

6.   **Decoding process-** decoding is also done in the same manner as encoding by motor skills, muscle system or sensory skills and the receiver decodes the message for the purpose of interpreting and understanding the meaning of the message.   The more the receiver's intended message the more effective the communication is.

7.   **Action-** this is a response from the receiver who has received and accepted the communication. This may be compliance with an instruction or simply storing the message for future references.

8.   **Feedback-** a feedback determines whether the message is clearly understood and the required action taken. The feedback to the sender completes the process of communication.

3.3   Superior-Subordinate Communication

One of the basic foundations of organisational operations is the communication between superiors and subordinates in the hierarchical system. Traditionally, the dominant theme in this type of organisational communication has been the "downward" communication as far as the directions are concerned and "upward" communication as far as operational reports and other feedbacks are concerned.

The downward communication is from the superior to the subordinate or from the top management down to workers through the various hierarchical communication centers in between. This may include such standard managerial tools as statement of the organisational philosophy and organisational objectives, standard operating and other relevant material.   Downward channels are used to give employees work instructions and other information needed to exercise the delegated authority.

In order for this communication to be effective, the workers should not only be told what to do, but also why they are doing it and why their jobs are important. This increases a feeling of acceptance on the part of workers. It is also important that the communication is transmitted to workers in the language that they can understand. For example, a machine operator may not understand much about the organisational philosophy or any specialised terminology about strategic planning or technological dynamics. They must be communicated in a language that he/she can clearly understand.

Also, most workers are conditioned to accept communication from their immediate superiors; and hence, the message must be filtered down through normal channels and edited on the way down, wherever necessary, without tampering with the content or intent of the message. It is important, however, that there is no communication breakdown at any level or from any source. This breakdown may occur due to failure of the message to get through, failure to deliver the message at the proper time or proper place or improper coding of the message (Schneider, et al., 1976). The message must be coded in the language of the receiver, rather than the language of the sender.

The "upward" communication moves in the opposite direction and is based upon the communication demand system, designed by the management to receive information from operational levels. This information may consist of standard reporting items such as production reports, sales reports, customer complaints, quality control reports etc. According to Ester R. Becker, upward communication provides a clear channel for funneling information, opinion and attitudes up through the organisation. The organisation must provide a climate and an incentive system which is necessary to encourage such communication. This climate can be generated by an "open door" policy where the workers know that their superiors are always available for discussion of problems. The system must ensure that the superiors have developed listening skills as well as a sincere and sympathetic attitude towards worker's problems. This opportunity for upward communication encourages employees to contribute valuable ideas for improving organisational efficiency (Dooher and Vivienne, 1957).

In addition to upward and downward communication, there is horizontal or lateral communication between equals. This is more informal in nature and is necessary in promoting a supportive organisational climate. For example, supervisors at the same level but from different departments, having lunch together or coffee together can discuss and organise their activities in such a manner that they complement each other and the process is beneficial to the company as a whole.

Wenburg and Wilmont (1973) suggest that instead of communication being "upward" or "downward"- which is inter-communication, it should be "transactional" communication which is mutual and reciprocal because, everyone is engaged in sending (encoding) and receiving (decoding) messages simultaneously. Every individual is, constantly, sharing in the encoding and decoding process and each person is affecting the other. In the transactional process, the communication is not simply flow of information, but it develops a personal linkage between the superior and the subordinate.

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According to Katz and Kahn (1966), there are five purposes served by superior-subordinate communication process. These are:

1.   to give specific job instructions and directions.
2.   to give information about organisational procedures and practices.
3.   to educate employees as to why their jobs are important.
4.   to give feedback to subordinates about their performance, as to how well they are doing and how they can improve.
5.   to provide ideological type information to facilitate the indoctrination of goals.

It has been found that in most classical types of organisations only the first two of these five purposes are generally accomplished. Attention to the other three purposes has a very positive impact upon the organisational climate. As Katz and Kahn point out:

> "If the man knows the reasons for his assignment, this would often ensure his carrying out the job more effectively; and if he has an understanding of what his job is about in relation to his sub-system, he is more likely to identify with organisational goals.

In order to achieve these five communication purposes effectively, it is necessary to have effective superior-subordinate communication, which requires a careful attention to the needs and the psychology of the receiver. The importance of the receiver should not be ignored. Donald Roberts has suggested the following ways in which the downward flow of communication can affect the receiver.

1.   People's interpretations of communications coincide with already held beliefs and attitudes.

2.   People usually resist messages and communications that require sudden changes because most people follow the path of least resistance.

3.   Messages that require some kind of change are more easily acceptable if the entire surrounding environment is also changing alongside.

4.   Messages that conflict with values of the receivers will not be acceptable even if these messages are rational and logically desirable.
5.   Messages that fulfill some needs of the receiver will be more easily acceptable.

Based on these observations, it is important that the superior and subordinate work together and have a personal linkage along with professional relationship so that they can discuss problems more amicably and arrive at solutions.

3.4   Oral and Written Communication

Communication may be divided into two, namely: oral and written. They are discussed below.

a.   Oral communication

Oral communication is known as face-to-face communication and may be in the form of direct talk and conversation or public address. It also includes telephone calls or talking on the intercom system. It is most effective when settling a dispute among employees or reprimanding a worker. In one-way form of communication, it is very effective for leaders to address the followers via public address system or audio-visual media. The human voice can impart the message much more forcefully and effectively than written words and is an effective way of changing attitudes, beliefs and feelings, since faith, trust and sincerity can be much better measured in a face-to-face conversation rather than in written words.

Advantages

1.   It is direct, simple, time saving and least expensive form of communication.
2.   It allows for feedback and spontaneous thinking.
3.   It helps in avoiding delays, red tape and other formalities.
4.   It conveys personal warmth and friendliness and it develops a sense of belonging because of personalised contacts.
5.   Any misunderstanding can be cleared immediately.

Disadvantages

1.   There is no formal record of transaction.
2.   If verbal message is passed on along the hierarchical chain of command, then some distortions can occur during the process.
3.   Lengthy and distant communications cannot be effectively conveyed verbally.
4.   The receiver may receive the message in his own perception, thereby misunderstanding the intent of the message.
5.   Spontaneous responses may not be carefully thought out.
6.   The spirit of authority cannot be transmitted effectively in verbal transactions.

b.   Written communication

A written communication is put in writing and is generally in the form of instructions, letters, memos, formal reports, rules and regulations, policy manuals, information bulletins etc. These areas have to be covered in writing for efficient functioning of an organisation. It is most effective when it is necessary to communicate information that requires action in the future and where the communication is general in nature. It also ensures that everyone concerned has the same information.

Advantages

1.   It serves as evidence of events and proceedings.
2.   It provides a permanency of record for future references.
3.   It reduces the possibility of misunderstanding and misinterpretation.
4.   It can save time when many persons must be contacted at the same time.
5.   It is reliable for transmitting lengthy statistical data.
6.   It appears formal and authoritative for action.
7.   It can be checked for accuracy, which may not be always possible in verbal communication.

Disadvantages

1.   It can be very time-consuming for lengthy reports.
2.   There is no feedback opportunity to be sure that the receiver has understood the message.
3.   Written material may leak out before time, causing disruption in its effectiveness.
4.   It leads to excessive formality in personal relations.

SELF-ASSESSMENT EXERCISE

What is communication grapevine?

3.5   Communication Grapevines

While it is necessary to have a formal organisational structure for communication channels, since an effective network and flow of communication may "regulate behaviour, encourage innovation, integrate or coordinate activities and inform or instruct employees (Leavitt, 1951); it is also very beneficial to attend to informal channels of communication. These informal channels-commonly known as grapevine, can communicate important operational matters (that will not be feasible through formal channels) to the management.

This type of communication is more lateral in nature; and it is built around the social relationship and social interaction among the members of the organisation. This informal communication can be considered as a beneficial safety valve capable of carrying important information quickly and accurately. It can also be considered as destructive, focusing on its capacity to spread rumours, destroy morale, misinform and create interpersonal problems. Such consideration will depend upon the type of climate that exists in the organisation (Davis, 1953).

There are some problems with the hierarchical channels of communication that can be minimised through informal channels of communication. According to Mazumdar (1970), such problems are as follows.

1.   The mass of information that is generated every day, if communicated through formal channels, will create a bottleneck in the speedy flow of information, at any level in the hierarchical structure.

2.   Due to several levels in the hierarchical process, much of the information is lost or distorted at each step, since each person at each level may perceive the information in a different perspective. According to Nichols (1962):

       "There is a tremendous loss of information – 37 percent between the Board of Directors and the Vice Presidential level. General supervisors got 56 percent of the information, plant managers and general foremen received only 30 percent of what had been transmitted downward to them. An average of only 20 percent of the communication sent downwards through the five levels of management finally gets to the worker level".

3.   There can be some distortion in information to be communicated in what is known as "protective screening". A subordinate is likely to report to his superior only that portion of the information which is favourable and either ignores or distorts the information that is unfavourable to him. Keth Davis (1960) has suggested that grapevine channel of information should complement the formal channel of communication so that they both have a synergetic effect for the benefit of the organisation.

3.6   Barriers to Effective Communication

The communication must be interpreted and understood in the same manner as it was meant to be sent by the sender, otherwise it will not achieve the desired results and a communication breakdown will occur. There are certain external roadblocks to effective communication like noise, poor timing and incomplete, inadequate or unclear information, poor choice of channel of transmission of information etc., which can affect the proper reception of the communication. In addition, there are personal factors which may make the communication not to be interpreted in the same manner as intended by the sender but in a way that the receiver wants to receive it, depending upon the stimuli present, emotions or prejudices for or against a concept or ideology or personal conflicts; so that instead of interpreting the content of the communication, the intent of the sender may be interpreted.

According to Rogers and Roethlisberger (1952), communication effectiveness is always influenced by "our very natural tendency to judge, to evaluate, to approve or disapprove the statement of the other person or other group". This evaluation tendency may alter the meaning of the entire communication. Accordingly, management should not only attempt to eliminate all external barriers so that the communication is clear and to the point, but also try to understand the perceptions and attitudes of the receiver. Only then can the communication have its maximum effect.

Some of the organisational barriers and some of the interpersonal barriers to effective communication are discussed below.

1.   **Noise barriers-** noise is any external factor which interferes with the effectiveness of communication. The term is derived from noise or static effects in telephone conversions or radio wave transmission. It may cause interference in the process of communication by distracting or by blocking a part of the message or by diluting the strength of the communication. Some of the sources contributing towards noise factors are:

(a)   **Poor timing-** the manager must know when to communicate. A message that requires action in the distant future may be forgotten by the time action is to be taken. Similarly, a last minute communication with a deadline may put too much pressure on the receiver and may result in resentment. A message must be sent at an appropriate time to avoid these problems.

(b)   **Inappropriate channel-** poor choice of channel of communication can also be contributory to misunderstanding the message. The manager must decide whether the communication will be most effective if it is written or by a telephone call or a face-to-face conversation or a combination of these modes. If the communication has been initiated through a telephone call, then it may be necessary to confirm the message of the call by putting it in writing. Face-to-face communication, generally, emphasises the strength of the message because it is supported by non-verbal gestures of eye contact, hand gestures, facial expressions, tone of voice etc.

(c)   **Improper or inadequate information-** the information must be meaningful to the employee. It must be precise and to the point. Too little or too much information endangers effective communication. Ambiguity or use of words that can lead to different interpretations should be avoided.

(d)   **Physical distractions-** the manager must recognise that in the case of face-to-face communications, any distraction can interfere with the process. Telephone interruptions, walk-in visitors or attending to other matters can interfere with the communication process. These external disturbances must be avoided.

(e)   **Organisational structure-** the organisational structure should be such that the chain of command and channels of communication are clearly established and the responsibility and authority are clearly assigned. Communication may be blocked, chaotic or distorted if the channels are not clear and if the passages are blocked or if there are bottlenecks or dead ends.

(f)   **Information overloads-** as dynamic changes are continuously occurring in our life, in our society and in our organisations, they create a mass of information to be processed (O'Reilley, 1980). Overload occurs when individuals receive more information than they are capable of processing. The result can be confusing in processing information or some important information may be laid aside for the purpose of convenience (Bacharach and Aikeu, 1977).

(g)   **Network breakdown-** network breakdown may be intentional or due to information overload and time pressures under which a communication has to be acted upon. Some factors contributing to such disruptions are as listed below.

- Important negative information may be withheld by the managers.
- The secretary may forget to forward a memo.
- There may be professional jealousy resulting in closed channels etc.

2.   **Semantic barriers-** these barriers occur due to differences in interpretations of words and symbols. The words and paragraphs must be interpreted with the same meaning as intended. The choice of a wrong word or a comma at a wrong place in a sentence can sometimes alter the meaning of the intended message. Many times, we have to explain that "it was not what I meant" or "you misunderstood my message" etc., due to poor choice of words.

      For example, a night club advertisement sign indicating- "clean and decent dancing every night except Sunday", can lead to two interpretations. First, that there is no dancing on Sundays and second, that there is dancing on Sundays, but it is not clean and decent (Haney, 1979). Accordingly, it is advised that if there is any ground for misunderstanding in a message, this be reconfirmed with the sender. For example, if you are giving your address to someone on the telephone, it is advisable that the receiver repeats this address so that the sender can verify it, right away, to reassure its effectiveness.

3.   **Feedback barriers-** feedback is the only way to ascertain how a message has been interpreted. Feedback closes the communication loop and is important for effective communication. It is equally important to pay attention to the feedback. Feedback may be for the purpose of communicating the results of an action, or it may be for asking questions about the communication for further clarifications. A student who misunderstands a question in the exam, but does not have the provision to ask for clarification may end up giving the wrong answer.

4.   **Cultural barriers-** cultural differences can adversely affect the effectiveness of communication, especially for multinational companies and enterprises with multi-ethnic workforce. Some examples are as follows.

(a)   Advertisement about action-man soldier toys, where toy soldiers were in tanks holding machine guns, were not permitted in West Germany where they were interpreted as promoting violence (Alsop, 1984).

(b)   Most Jewish people will not work on Saturdays and most muslims will not work on Friday afternoons.

(c)   Establishing deadlines to accomplish work assignment is considered rude in most Middle East countries.

(d)   Punctuality in some countries is not considered important.

(e)   Many important meetings and actions are contemplated after consultations with astrologers in India.

(f)   "Coke adds life" may be misinterpreted as a device for long life.

        Accordingly, management must recognise these barriers as culturally oriented; it must identify these cultural differences and attempt to minimise any adverse effects on communication effectiveness due to these differences.

5.   Perception- perception relates to the process through which we receive and interpret information from our environment and create a meaningful word out of it. Different people may perceive the same situation differently. Hearing what we want to hear and ignoring information that conflicts with what we know can totally distort the intent or content of the message. Some of the perceptual situations that may distort a manager's assessment of people resulting in reduced effectiveness of the communication are as listed below.

(a)   A manager may perceive people to belong to one category or another as stereotypes, rather than individuals. For example he/she may perceive women to be less efficient managers or old people less hard working or lacking drive and creativity.

(b)   A manager may make a total assessment of a person based on a single trait. A pleasant smile may make a positive first impression. Punctuality alone or loyalty alone may cause a favourable perception in the mind of the manager. This is known as the halo effect.

(c)   A manager may assume that his subordinate's perception about things may be similar to his own. A manager who accepts added responsibility and challenges with enthusiasm may expect the same from his subordinates. This perception limits the manager's ability to effectively respond to and deal with individual differences and differing views of work situations.

Management must realise these differences in perceptions and take steps to understand the environment. A successful manager must be aware of the impact of factors that affect perception by interaction with others and should also possess the ability to influence or change the perceptions of others where necessary so that events and situations are interpreted as accurately and objectively as possible. For example, an employee may resist a message simply because he/she has not developed a trust in the manager due to past experiences. If the employee was promised a bonus or promotion on certain accomplishments and did not receive the promised rewards, he may tend to ignore the communication wherever possible. Accordingly, the manager must take steps to eliminate such negative perceptions among employees.

6. **Sender's credibility-** when the sender of the communication has high credibility (as perceived by the receiver), the message is taken much more seriously and accepted at face value. If the receiver has confidence, trust and respect for the sender, then the decoding and the interpretation of the message will lead to a meaning that will be closer to the intended meaning of the sender. Conversely, if the sender is not trusted, then the receiver will scrutinise the message heavily, and deliberately look for hidden meanings or tricks and may end up distorting the entire message.

7. **Multi-meaning words-** many words in English language have different meanings when used in different situations. Accordingly, a manager must not assume that a particular word means the same thing to all people who use it (Pancrazio and Pancrazio, 1981). A study by Lydia Strong (1956) concludes that for the 500 most common words in English, there are 4,070 different dictionary definitions. For example, the word "run" can be used in 15 different ways. Some examples are listed below.

- Babe Ruth scored a *run*.
- I have a *run* in my stocking.
- Did you see him *run*?
- What headline do you want to *run* today?
- There was a *run* on the bank today.
- Who will *run* for President this year?
- Please *run* my bath water.

Accordingly, managers must make sure that they use a word in the same manner as the receiver is expected to understand it; otherwise it will create a barrier to proper understanding.

3.7   Overcoming Communication Barriers

It is very important that management should recognise and overcome barriers to effective communication for operational optimization. This will involve diagnosing and analysing situations, designing proper messages, selecting appropriate channels for communicating these messages, assisting receivers in decoding and interpreting and providing an efficient and effective feedback system. Some of the steps to be taken are as follows.

1.   **Feedback and upward communication-** feedback helps to reduce misunderstandings. Information is transferred more accurately when the receiver is given the opportunity to ask for clarifications and answers to any questions about the message. Two-way communication, even though more time consuming, prevents distrust and leads to trust and openness which builds a healthy relationship, contributing to the effectiveness of communication.

      Upward communication is strengthened by keeping an open-door policy and providing opportunities for workers to give suggestions which should be taken seriously (by management) by acknowledging them and taking appropriate action.

2.   **Improve listening skills-** according to Stuart Chase (1954), "listening is the other half of talking" and is a very important part of the total communication process. Listening is an active mental process and goes beyond simply hearing. Good listening habits lead to better understanding and good interpersonal relationships. Some guidelines for effective listening are as follows.

(a)   Listening requires full attention to the speaker. Do not let your mind wander or be preoccupied with something else; otherwise you will not grasp the meaning of the message in its entirety.

(b)   Ask questions to clarify any point that you do not understand clearly and reflect back to the speaker your understanding of what has been said.

(c)   Make sure that there are no outside interruptions and interferences during the course of conversation.

(d)   Do not prejudge or value the importance of the message due to your previous dealings and experiences with the sender or your perceptions about him, positive or negative.

(e)   Don't jump to conclusions before the message is over and is clearly understood.

(f)   Summarise and restate the message after it is over to be sure of the content and the intent of the message.

3.   Develop writing skills- clearly written messages can help avoid semantic and perception barriers. A well written communication eliminates the risk of misinterpretation. In writing messages, it is necessary to be precise, making the meaning as clear as possible so that it accomplishes the desired purpose. Some helpful hints in written communications are suggested by Robert DeGise (1976); these are as follows.

(a)   Keep words simple- this will reduce your thoughts to essentials and will be easier to understand by the receiver. The message will be lost if the words are complex and do not allow for clarity of meaning.

(b)   Do not be bogged down by rules of composition- while the rules of grammar and composition must be respected, they should not take priority over the ultimate purpose of communication.

(c)   Write concisely- use as few words as possible. Do not be brief at the cost of completeness, but express your thoughts, opinions and ideas in the fewest number of words.

(d)   Be specific- vagueness destroys accuracy which leads to misunderstanding of the meaning or intent of the message. Accordingly, be *precise*.

(e)   Avoid credibility gaps- communication is a continuing process and the goal of communication is complete understanding and trust. Accordingly, management must be sincere and earn the trust of subordinates. Management should not only be sensitive to the needs and the feelings of the workers, but also its promises should be supported by actions. The words management should be as good as a bond. Only then will an atmosphere of congeniality accrue, which will enhance the communication process. According to studies conducted by J. Luft (1969), openness and an atmosphere of trust builds healthy relationship and closes any credibility gaps; thus, contributing to communication effectiveness.

SELF-ASSESSMENT EXERCISE

Is upward communication an improvement or hindrance to effective organisational operations? List and explain some general guidelines that will help improve general communication.

3.8   Guidelines for Effective Communication

These guidelines are designed to help management improve its skills in communicating, so as not only to avoid any barriers to effective communication but also to strengthen the basis for optimum results which depend upon the clear understanding of the desired communication. These guidelines are partially based upon the principles proposed by American Management Association. These are listed below.

1.   **The ideas and messages should be clear, brief and precise-** the ideas to be communicated must be well planned and clearly identified. This will eliminate ambiguity so that the message subject to more than one interpretation. The message must be clear, precise and to the point and free from distortions and noise. It should also be brief so that it is just necessary and sufficient and should avoid loose ends or meaningless and unnecessary words.

2.   **Sense of timing-** the message should not only be timely so that the decisions and actions can be taken in time and when necessary, but also the timing of the message and the setting in which the message is delivered and received is equally important. An important message delivered at the wrong time or in a non-conducive environment may lose its effectiveness. The environment involves physical setting, i.e., whether the communication is conveyed in private, and also it involves the social climate which determines the work setting as well as interpersonal relationships.

3.   **Integrity-** communication must pass through the proper channels to reach the intended receiver. Communication flow must avoid by-passing levels or people. When these concerned levels are omitted or by-passed, it creates bickering, distrust, confusion and conflict. Accordingly, the established channels must be used as required.

4.   **Consult with others who are involved in planning the communication-** if people have participated in the planning process, they will be highly motivated to give active support to

such communication and carry it through. Also such participation will widen the scope and the objectivity of communication. The people who are concerned must know exactly what they need and when they need the communication. The purpose of the communication must be clearly known by all- as to what is to be achieved and how.

5.   **Be prepared to help the receiver-** take the receiver's interests into account, and then the receiver will be more responsive to the communication. Management must clarify any part of the communication that may be necessary and must encourage comments, questions and feedback. Management must always be helpful in carrying out the intended message of communication.

6.   **Mode of delivery-** not only the clarity of intent and the content of the message is important and necessary, but also the method of delivery. Avoid negative statements like- "I am not sure, it will work", but be confident and definitive. The success of the communication also depends upon the tone of voice if the communication is verbal. Written communication should be polite and unambiguous.

7.   **Use proper follow-up-** unless it is a one-way communication, which is simply meant to inform, all communications need a follow up to ensure that it is properly understood and carried out. A verbal communication may need to be followed up by written confirmation. The response and feedback to the communication will determine whether the action on the communication has been prompt, appropriate and accurate. Inappropriate or delayed responses should be immediately investigated and corrective measures instituted.

8.   **Communication should be comprehensive-** communication should be complete so as not only to meet the demands of today but should also be based on the future need of the organisation as well as individuals. A reasonable projection and assessment of future needs and environments – both work and social – should be incorporated, when planning and executing communication.

4.0   CONCLUSION

You have been exposed to communication, in its entirety, in this unit. Its importance in management process has been emphasised. Also, the unit has considered types of communication, barriers to effective communication and how to overcome these barriers.

5.0   SUMMARY

In this unit, you have learnt the following:

- the concept of communication,
- the objectives of communication
- communication process model and superior-subordinate communication
- types of communication
- communication grapevines and the barriers to effective communication
- how to overcome communication barriers and guidelines for effective communication.

6.0   TUTOR-MARKED ASSIGNMENT

In what way does horizontal communication help in creating team spirit and organisational integration?

7.0   REFERENCES/FURTHER READING

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UNIT 3 THE DIRECTING AND LEADING FUNCTION

CONTENTS

1.0 INTRODUCTION

Directing is concerned with channeling human efforts towards the achievement of organisational goal. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organisation. Accordingly, the directing function is the action function that tests the managerial capability in running the organisation.

The satisfactory performance of workers is going to be partly dependent upon the "directional" ability of management, but primarily it is a function of the organisational environment. If the environment is not conducive to optimum performance, the managerial directing in itself cannot bring in the optimum results. Accordingly, favourable conditions must exist which will provide for enthusiastic cooperation among all people to work together to achieve both individual and group goals.

Since the purpose of directing is to make effective use of employees, it is usually initiated by the higher echelons of management. However, the employee input into directing decisions will be highly useful, thus creating an organisational climate where workers enhance the quality of working life.

In this unit, you will be exposed to the functions and roles of directing and leading in management and how these functions relate to the attainment of organisational goals or objectives.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- describe the factors that enhance the quality of performance in an organisation
- illustrate what leadership is all about
- explain the theories of leadership
- discuss leadership styles and personal characteristics of a leader.

3.0   MAIN CONTENT

3.1   Directing and Leading

Directing and leading comprise the managerial function of guiding, overseeing and leading people. The primary element in this function is the human element and ideals of personal relationships. This area is primarily geared towards leadership, motivation, and communication. Since human element is the central element in the art and science of managing, the study of human relations has been of major interest to management.

3.1.1 Organisational Climate

Schneider (1975) refers to organisational climate as the entire internal environment of the organisation. What is the organisational climate or the internal environment? Does it have any physical characteristics or is it primarily the way it is perceived by its members? The climate reflects the needs, desires and aspirations of the people who form the environment. In that context, an environment has about it a set of characteristics that are perceived by the members of the organisation. According to Litwin and Stringer (1966), some of these characteristics include:

(a)   the extent of individual autonomy allowed to members.
(b)   the degree to which superiors establish and communicate objectives, rules and methods to their subordinates.
(c)   the type of behaviours rewarded by the organisation and the type of rewards offered.
(d)   the consideration, warmth and support expressed by superiors to their subordinates.
(e)   the extent of conflict and how it is managed.
(f)   the extent to which the members are allowed to participate in the decision-making process.

Each organisation will be different in terms of climate as well as in the direction style prevalent therein. The directional style will depend upon the philosophy, culture and outlook of the manager. Similarly, the organisational climate is also identified by its culture, its traditions, history of the organisation and so on (Gellerman, 1959). There are a number of categories that define the climate of many organisations. According to Harrison (1972), there are four broad categories. These are listed below.

1. **Power-oriented climate-** these are organisations that are dominated by autocratic leadership. These may be family dominated businesses or an organisation started by one person who is still influential in organisational policy decisions. The power structure is highly visible and the subordinates are highly dependent upon their superiors for job security and job advancement. Decisions are made at the top and the instructions for implementing such decisions pass down along the chain of command.

2. **Role-oriented climate-** in this type of organisation, all managerial and other roles are clearly defined. The operative rules and procedures regulate actions and operations resulting in order and rationality. These organisations are highly stable and changes are difficult to implement. Responsibility and accountability are adequately traceable. Individual judgements are influenced by established rules and regulations.

3. **Task-oriented climate-** in a task-oriented organisation, all efforts are directed towards achievement of goal. For example, if the goal is quality healthcare in a hospital, all decisions and efforts are directed towards that goal. All performances are measured relative to the goal standards. All rewards are based on the degree of contribution towards that goal. All activities, all rules and regulations are designed with only the goal in mind. All unskilled people, relative to that particular goal, are replaced or retrained. Any deviations are taken very seriously. The goals are highlighted. These goals may be profit-making, capturing a market share, imparting high quality education in a university etc. Some innovative business companies who hire only the most professional workers will fall into this category.

4. **People-oriented climate-** these are organisations where people are given a lot of freedom to be their own bosses. The primary purpose of such organisations is to serve the needs of its members. Within the general guidelines of the organisations, rules and regulations are flexible and consistent with the values

as well as the aspirations of the employees. For example, a person associated with a consulting firm takes up only those jobs that he likes to do. Similarly, voluntary work with some civic groups is directed towards self-satisfaction and self-actualisation.

While all organisations may not necessarily fit into any one of these categories, and some organisations may have an integration of more than one type of climate, the specific directing process is highly dependent upon the organisational environment. For example, in an organisation with power-oriented climate, the directing function is highly important and visible, where workers are continuously directed towards certain functions. On the other hand, a people-oriented climate needs minimum of direction from the top.

3.1.2 Human Relations

Direction is concerned with securing the cooperation of workers for the realisation of organisational objectives. Such operation is easier to, if personal objectives are integrated with organisational objectives. While organisational objectives are well established and defined for a given organisation, individual objectives are highly diversified and depend upon the workers' beliefs, perceptions and emotions. Hence, the characteristics of human behaviour as well as the field of human relations must be fully realised by management.

Human relation is a highly diverse field. Human beings can interact with each other in a number of ways – everything from helping and cooperation on one extreme to conflict and aggression on the other (Baron, 1984). Studies by psychologists and cultural anthropologists have provided important insights into the patterns of human behaviour. Some of the factors affecting human behaviour are listed below (Chatterjee, 1966).

1. **Cultural influences-** culture is a learned phenomenon from childhood and is influenced by family environment as well as external environment. It consists of a common way in which people live, think and work in a society and interact with each other. It is a shared set of beliefs, customs and habits within a group. It is crystallised in the institutions that people have built together with grassroots in religion, family, community, education, etc (Hofstede, 1980).

    Business operations and managerial actions are always affected by the cultural setting of the members of an organisation. Some cultures expect participative style of managerial leadership, while members of other cultures believe in personality cult, thus

expecting authoritarian style of leadership. Accordingly, the function of directing must ensure that all directions are in accordance with the cultural values of the people and any possible conflicts are minimised.

2. **Role and status-** status implies social standing in the community and is determined by the role of a person. A police commissioner or a judge has a high status in the society because of the role he plays. For example, a police commissioner who is fired from the job loses his status because he is no longer in the role of a police commissioner.

    Similar status differences exist within an organisation. These differences may be due to the positions in the scalar chain of the hierarchical structure or these may be due to performance of different functions, where respect is earned due to skill in a given function. Chatterjee (op.cit) suggests that these status differences serve four purposes in a formal organisation.

    First, the status system in a hierarchical chain of command influences the directing function of management by facilitating effective and authoritative communication from the top management down to other workers.

    Secondly, the position of higher status is in itself a motivation to persons of lower status who expects to move up through their contributions towards the organisational goal.

    Thirdly, it infuses a sense of responsibility among people of all statuses who want to continue to prove that they deserve that status.

    Fourthly, it identifies and differentiates between persons of superior ability from persons of inferior ability but similar positional status.

    Care must be taken, however, that these status differences do not become the cause of conflicts among people.

3. **Informal social groups-** informal social groups develop and emerge due to spontaneous informal relationships among people and workers who work together as a unit in a given environment. For example, people of similar nature eat together, and take a break together. This results in opportunities for friendship and internally rewarding relationships on the job. Members of these informal groups assist each other and get satisfaction from it.

They also supplement the formal channels of communication and are a good source of information about the psychological set up of the group and its behaviour, which the formal communication route may not uncover. Accordingly, management must seek out these groups, come to understand them, recognise their importance, and utilise them, constructively.

4. **Perception-** there is an old saying that "everyone sees the world through different eyes". Also there is a poem that suggests something like- "as in cloud and fire, a man sees the image of his own desire". Even when exposed to the same situation or information, people react differently, with each person believing that he/she is correct. The process through which we interpret the meaning of the world around us is termed "perception", and it plays a very important role in behaviour (Martlin, 1983).

   Accordingly, management must understand that how the worker views and interprets the environment around him is very important. It will aid the function of directing, if management directs its efforts in accordance with the worker's view of the organisational climate and in addition tries to modify the worker's behaviour so that his/her viewpoint coincides with the management's viewpoint regarding organisational operations.

5. **Logic and emotions-** man is logical to a point, but he is much more emotional in nature. Even his logic, sometimes, is directed towards justifying what his emotions believe in. If a man loves a woman he will not listen or believe anything said against her. The logical aspect of human beings provide for economic rationality or utilitarian concept, which forms the basis for decisions and actions in choosing careers and work conditions and exercising many other responsibilities and duties of life. However, emotions play a greater part in shaping up behaviour, especially when feelings are affected.

   The measure of success of the directing function will depend upon, not only the logical aspect of the human thought process, but also on how it harnesses the emotions of the worker in a positive manner, favourable to organisational objectives. This will create loyalty – sometimes blind loyalty – and dedication among workers.

3.1.3 Principles of Direction

Some of the principles of direction are as listed below.

1.   **Integrated objectives-** effective directing requires that the goals of the organisation and the individuals in the organisation should be integrated so that all subordinates develop a sense of belonging to the organisation and hence the contributions of the subordinates to the company goals will be at the maximum.

2.   **Direct supervision-** superiors should maintain direct contact with subordinates. Informal relationships facilitate the function of directing. It also makes communication easier, encourages feedback and faster decisions. Also, when the direction and communication is properly understood and comprehended, there will be fewer misunderstandings and mistakes leading to efficiency in quality and productivity.

3.   **Participative managerial style-** subordinates' morale will be higher when their views are seriously incorporated into the managerial decision-making. This will assist the formation of democratic management. The democratic process makes the directing process easier, since directing, then, is not taken as a command but as a form of guidance for improvements.

4.   **Unity of direction-** the direction must be clear and unambiguous and from a single chain of command, otherwise the authority will be undermined resulting in disorder and confusion.

5.   **Follow-through-** effective direction demands achievement of results. The results can only be achieved by being constantly in touch with the developments. This requires continuous supervision, guidance, advice and coaching of subordinates in their activities to attain the desired goals.

The directing function can be conceived as a vector with two dimensions, namely: (1) magnitude, and (2) aim or direction. Hence, there must be a goal to be reached- a movement towards that goal. Management must steer the organisation towards that goal by directing the efforts of the subordinates in the right direction with magnitude or efficiency. Since handling people is central to directing and leading, some of the major factors that contribute towards effective leadership are discussed in detail.

SELF-ASSESSMENT EXERCISE

Explain the directing function of management and analyse some of the principles of the directing function.

3.2   Leadership

Leadership is an integral part of management and plays a vital role in managerial operations. If there is any single factor that differentiates between successful and unsuccessful organisations, it has to do with dynamic and effective leadership. Peter Drucker (1954) points out that "managers (business leaders) are the basic and scarcest resources of any business enterprise". George Terry (1960) points out that, "of every one hundred new business establishments started, approximately 50 or one half go out of business within two years. By the end of 5 years, only one-third of the original one hundred will still be in business". Perhaps it will be a valid assumption to state that the major cause of these failures is ineffective leadership.

Leadership is not an attribute of business alone. In the military, in the government, in the academia, in hospitals and in places where people work in groups, the leadership function emerges. There must be somebody to guide that group. Leadership may be defined as the art of influencing and inspiring subordinates to perform their duties willingly, competently and enthusiastically for the achievement of group objectives. Most management writers agree that, "leadership is the process of influencing the activities of an individual or a group in efforts towards goal achievement in a given situation" (Hersey and Blanchard, 1982).

It is important to add the element of "willingness" in the above definition. This element differentiates successful and effective leaders from the common run of the mill managers. Motivating and influencing people to move towards a common goal are all essential elements of management, but the "willingness" of the followers to be led highlights a special quality that puts a leader high above others.

Based on these elements of a leadership function, leadership may be defined as:

$$L = F (f, g, w, s)$$

where leadership (L) is a function (F) of:

f   =   followers
g   =   goal
w   =   a measure of willingness on the part of subordinates, and
s   =   a given situation.

3.3   Types of Leadership

There are mainly two types of leadership, namely: formal and informal leadership.

(a)   Formal leadership

Formal leadership occurs when a person is appointed or elected as an authority figure. For example, anyone who is appointed as a manager is also given the authority to exercise formal leadership in relationship to his subordinates. Similarly, a formally elected leader of a country or a state acquires the authority of leadership and giving direction to the country or state.

(b)   Informal leadership

Informal leadership emerges when a person uses interpersonal influence in a group without designated authority or power. These leaders emerge in certain situations, because of their charm, intelligence, skills or other traits, and to whom other people turn to for advice, direction and guidance. Religious and civic leaders fit into this category. Successful managers, who exercise their given authority in a formal way, are also capable of exercising informal leadership relationships with people both within as well as outside the organisation.

3.4   Traits of Leadership

A leader has certain inherent qualities and traits which assist him in playing a directing role and wielding commanding influence over others. Some of these traits, according to Jago (1982), are as follows.

1.   Energy- drive
2.   Appearance- presentability
3.   A sense of cooperativeness
4.   Enthusiasm
5.   Personality – height and weight
6.   Initiative
7.   Intelligence
8.   Judgement
9.   Self-confidence
10.   Sociability
11.   Tact and diplomacy
12.   Moral courage and integrity
13.   Willpower and flexibility
14.   Emotional stability
15.   Knowledge of human relations.

These traits are not universal in nature. Not all leaders have these traits. Not all of these traits work at all times. While some of these traits differentiate successful managers and leaders from unsuccessful ones, it is the behaviour of leaders, either as a result of these traits or otherwise, which is more tangible and obvious and less abstract than traits. The leadership behaviour is directly related to individual worker activity and group activity, absences, turnover, and employee morale. These are indicators, to some degree, of the effectiveness of leadership behaviour.

Many studies have been conducted in order to identify and separate such characteristics and personal traits that reflect the behaviour of successful leaders. These traits then can be set up as standards against which the profiles of leaders can be matched and judged. However, such attempts have not been successful. According to Stagdill (1957), who studied the subject of leadership most extensively, "a person does not become a leader by virtue of the possession of some combination of the traits, but the pattern of personal characteristics of the leader must bear some relevant relationship to the characteristics, activities and goals of the followers.

3.5   Theories of Leadership

Let us look at these one after another.

1.   **The trait theory-** the traditional approach has been to describe leadership in terms of personal traits and special characteristics of leaders. These traits are not acquired, but are inherent personal qualities. The trait theory emphasises that leaders are born and not made. This theory proposes that leadership is a function of these inborn traits. Some of these traits include intelligence, understanding, perception, high motivation, socio-economic status, initiative, maturity, need for self-actualisation, self-assurance and understanding of interpersonal human relations. The existence of these traits becomes a measure of leadership. It holds that the possession of certain traits permits certain individuals to attain position of leadership. This relationship between successful leadership and traits was extensively studied by Stogdill (1948). Stogdill (1974) believes that the pattern of leadership trait is different from situation to situation. A person who becomes a leader in one situation may not become one in a different situation. There is no single personality trait that will typify a leader and be applicable in all situations.

Leadership implies activity movement and getting the work done. The leader is a person who occupies a position of responsibility in coordinating the activities of the members of a group. Hence, leadership

must be conceived of in terms of interactions – for one to lead – and others who want to be led.

The trait theory of leadership has suffered from lack of conclusiveness and over-simplifications. The critics have charged that the theory focuses attention only on the leader and disregards the dynamics of the leadership process. Also, the theory ignores the situational characteristics which may result in the emergence of a leader. Some of the other weaknesses and failures of the trait theory are listed below.

a.   All the traits are not identical with regard to the essential characteristics of a leader.
b.   Some traits can be acquired by training and may not be inherited.
c.   It does not identify the traits that are most important and those that are least important in identifying a successful leader.
d.   The traits required to *attain* leadership may not be the same that are required to *sustain* leadership.
e.   It fails to explain the many leadership failures in spite of the required traits.
f.   It has been found that many traits exhibited by leaders are also found among followers without explaining why followers cannot become leaders.
g.   It ignores environmental factors, which may differ from situation to situation.

2.   **Behaviour theory-** this theory studies leadership by looking at leaders in terms of what they do. A leader's effectiveness is judged in terms of individual-subordinate outcome. Research studies conducted by Katz, Maccoby and Morse (1957) suggest that leadership behavior should be defined along employee-centered dimension and production-centered dimension- both complementing each other. This style is expected to show improvements in productivity.

      Further in-depth investigations into this approach have been conducted at Ohio State University (Stogdill and Coons: 1957). These studies isolate two particular factors affecting the leadership dimension. These are:

(a)   consideration (of employees)
(b)   initiating structure (giving directions and orders).

Consideration connotes rapport between the leader and the group, mutual warmth and trust, a concern for the needs of the members of the work group, an attitude that encourages participative management, two-way communication and respect for the feedback of the followers. While

initiating structure involves creating a work environment, so that the work of the group is organised, coordinated, sequential, and organisationally relevant so that people know exactly what is to be done and how it is to be done.

The structure entails that the leader has to organise and define the role each member is to assume, assign tasks to them and push for the realisation of organisational goals. An important discovery made by the Ohio studies is that the leader does not necessarily have to rate high both on consideration as well as structure element. He can be high on one and low on the other and still lead the group successfully.

Studies conducted by House, Filley and Kerr (1971) conclude that both structure and consideration are related to satisfaction and they affect grievances and employee turnover. Groups with medium and high considerations and low structure are lowest in grievances and turnover.

One advantage of this theory is that these two dimensions of leadership behaviour are tangible and observable and do account for a major part of the behavior of a leader. Even though a causal connection of these two dimensions has not been demonstrated, their relationship to leadership effectiveness has been quite obvious.

3.   **Contingency theory-** this theory states, that an analysis of leadership involves not only the individual traits and behaviour but also a focus on the situation. Leadership behaviour is used in combination with work group contingencies to predict outcomes. The effectiveness of the leader's behaviour is contingent upon the demands imposed by situation. There are three major components that are significant for leadership effectiveness. These include individual differences among leaders, differences among situations and the manner in which these two variables are related.

(a)   **Fiedler's contingency theory-** Fiedler conducted extensive studies in this area and developed a scale to identify different types of leaders. This scale is called Least Preferred Co-worker scale (LPC). The *LPC* reflects primarily the style of leadership. The scale assesses how favourably or unfavourably the leader describes his least preferred co-worker. A high *LPC* scored leader is the one who sees even the least preferred co-worker in relatively favourable terms and is more relationship-oriented; and a low *LPC* leader is more task-oriented.

Fiedler selected three components that affect the situation and also could be manipulated to bring about the changes. First is the leader-group

relationship which examines the degree of trust that the group members place in the leader. The second is task structure that focused upon the number of steps needed to complete the task. The third is the leader's positional power involving the extent of legitimate power the leader possesses.

The most favourable situation for a leader then will be where the leader-group relations are positive, the task is highly structured and the leader has substantial authority to take decisive actions.

(b) **The situational leadership approach-** similar to Fiedler's contingency model, the situational approach, developed by Hersey and Blanchard, is based upon the premise that different types of situations demand different types of leadership. The focus is on the situation in which the leadership is exercised and not upon the leader. A successful leader under one set of circumstances may be a failure under a different set of circumstances. For example, Winston Churchill was considered a successful Prime Minister and a leader of England during World War II. However, he turned out to be much less successful after the war when the situation changed.

The situational approach defines leadership in terms of ability to handle a given situation and is based on the leader's skill in that given area. Heresy and Blanchard define the major situation variable as "task maturity"- which is the ability and willingness to perform the task. This approach can best be described by a hypothetical example developed by Robert A. Baron (1985). Imagine the following scene-

> *The top executives of a large corporation are going in their limousine to meet the president of another large company at a distance. On the way, their limousine breaks down many miles from any town. Who takes charge of the situation? Who becomes the situational leader? Not the president or the vice-president of the company, but the driver of the car who knows enough about the vehicle to get the car started again. As he does or oversees the repairs, he gives direct orders to these top echelons of the organisation, who comply; but once they arrive at the meeting, the driver surrenders his authority and becomes a subordinate again.*

This example suggests that in a given situation, the person most likely to act as a leader is the one who is most competent for that situation or for a given group as the case may be. Thus, in defiance of the trait theory, some shy and introvert person may take command of leadership, if

he/she meets the group's requirements under given circumstances. However, it must be understood that it will require the leaders to change their behaviour to fit the changed situation, if necessary, rather than having to change the situation to suit the leadership behavioural style. This means that the leaders must remain flexible and sensitive to the changing needs of the given group (Graef, 1983).

While this approach emphasises that external pressures and situational characteristics determine the emergence and success of leaders in performing a given role; it is probably a combination of both types of characteristics that sustains a leader over a long period of time. A leader is more successful when his personal traits complement the situational characteristics.

4.   **The path-goal theory-** the path-goal model of leadership behaviour was propounded by House and Mitchell (1974). This model emphasises that the leader's behaviour has to complement the group work setting and aspirations. This approach is based upon the expectancy theory of motivation and reflects worker's beliefs that efforts will lead to successful results. The leader sets up clear path and clear guidelines through which the subordinates can achieve both personal and work-related goals and assists them in achieving these goals. This will make the leader behaviour acceptable and satisfying to subordinates since they see the behaviour of the leader as an immediate source of satisfaction or as a source of obtaining future satisfaction.

This approach is largely derived from the path-goal approach to motivation (Hellreigel and Slocum, 1974). To motivate workers, leaders should:

(a)   recognise the subordinate's needs.
(b)   arrange for appropriate rewards to his followers for goal achievement.
(c)   help subordinates in clearly establishing their expectations.
(d)   demolish, as far as possible, the barriers in their path of goal achievement.
(e)   increase opportunities for personal satisfaction which are contingent upon satisfactory performance.

The path-goal model takes into consideration the different types of leadership behaviour. There are four such types of behaviour that will support this approach, depending upon the nature of the situation. These are listed below.

(a)   **Directive-** when the demands of a task on hand are ambiguous, directive leadership is needed; but when the task is inherently clear or clarification is otherwise available, then a high level of directive leadership is not required and may, in fact, impede effective performance.

(b)   **Supportive-** supportive leadership is friendly and approachable and has the most positive effect on the satisfaction of the followers working on unpleasant, stressful or frustrating tasks that are highly repetitive.

(c)   **Achievement oriented-** this type of support helps subordinates to strive for higher performance standards and increases confidence in their ability to meet challenging goals. This is especially true for followers who have clear- cut, non-repetitive assignments.

(d)   **Participative-** this leadership approach encourages subordinate's participation in the decision-making process. The leader solicits subordinate's suggestions and takes the suggestions seriously into consideration before making decisions.

In addition to the various patterns of leadership, certain characteristics of subordinates themselves such as their ability, experience, motives, dedication etc., and various aspects of the situation such as the structure of the work tasks, openness of communication, extent of feedback provided etc., form important ingredients of the path-goal model.

5.   **Vroom-Yetton model (1974) -** this is a normative theory for it simply tells the leaders how they should behave in decision-making. The focus is on the premise that different problems have different characteristics and should therefore be solved by different decision techniques. The effectiveness of the decision is a function of leadership which ranges from the leader making decisions himself to a totally democratic process in which the subordinates fully participate and the contingencies which describe the attributes of the problem to be dealt with. For a successful leader, it is imperative to know the best approach to solving the problem at hand and to know how to implement each decision-making method well, when required.

The model dictates that the decision reached should be high in quality, should be accepted by the people who have to implement it and should be time efficient. The leader, while choosing a strategy, decides which element he will focus on and which may be neglected to some extent. Studies performed to test the validity of this theory concludes that the participative and democratic style of leadership is more appropriate and

successful at higher levels of an organisation, whereas directive decision-making style are utilised at lower levels.

6.   The managerial grid- the managerial grid was developed by Robert Blake and Jane Mouton (1978) and plays an important part in managerial behaviour in organisational development. It is built on two axes- one representing the "people" and the other the "task". Both the horizontal as well as the vertical axis are treated as a scale from 1 to 9. Where 1 represents the least involvement and 9 the most involvement, so that the coordinates (1, 1) will indicate minimum standards; and coordinates (9, 9) will indicate maximum dedication of the workers and highly structured operations. Such an involvement will reflect upon the managerial orientation towards task and towards workers who are expected to perform such tasks. Blake and Mouton have identified five coordinates that reflect various styles of leadership behaviour.

The managerial grid figure and these styles are shown in the figure below:

Coordinates (1, 1) - the manager makes minimum efforts to get work done; minimal standards of performance and minimum worker dedication.

Coordinates (9, 1) - excellent work design; well established procedures; minimum worker interference; orderly performance and efficient operation.

Coordinates (1, 9) - personal and meaningful relationships with people; friendly atmosphere and high morale. Loosely structured work design.

Coordinates (5, 5) - satisfactory performance achieved by equating the necessity for performance and reasonable morale.
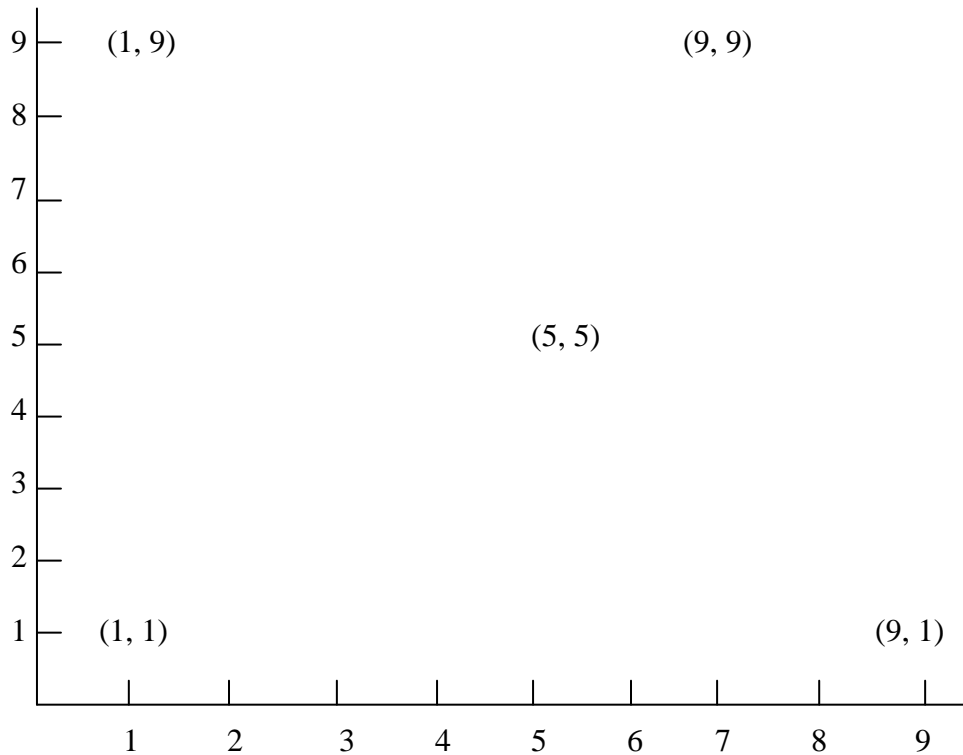
Figure 3.1:   Managerial Grid

Coordinates (9, 9) - ultimate in managerial efficiency; thoroughly dedicated people; trustworthy and respectable atmosphere; highly organised task performances.

This grid provides a reasonable indication of the health of the organisation as well as the ability of managers. It is the objective of all management to move as close to coordinates (9, 9) as possible. Accordingly, managers should be carefully selected on the basis of their ability to coordinate people and tasks for optimum benefit.

SELF-ASSESSMENT EXERCISE

Under what circumstances are the following types of leadership more desirable and why?

i.   Autocratic leadership
ii.   Participative leadership
iii.   Free-reign leadership.

3.6   Leadership Styles

Leadership styles can be classified according to the philosophy of the leaders. What the leader does determines how well he leads. A style leadership is a "relatively enduring set of behaviours which is a

characteristic of the individuals, regardless of the situation" (Fiedler, et al.). Some of such styles are discussed below.

1.   Autocratic or dictatorial leadership

Autocratic leaders keep the decision-making authority and control in their own hands and assume full responsibility for all actions. Also, they structure the entire work situation in their own way and expect the workers to follow their orders. The autocrat ranges from tough to paternalistic, depending upon whether his motivational approach is threat and punishment or rewards. The autocratic leader believes that his leadership is based upon the authority conferred upon him by some source, such as his position, knowledge, strength or the power to punish and reward.

Advantages

(a)   Autocratic leadership is useful when subordinates are new on the job and have had no experience either in the managerial decision-making process or performing without active supervision.

(b)   It can increase efficiency, when appropriate, and get quicker results, especially in a crisis or emergency situation when the decision must be taken immediately.

(c)   The paternalistic autocracy is useful when subordinates are not interested in seeking responsibility or when they feel insecure at the job or when they work better under clear and detailed directives.

(d)   It is useful when the chain of command and the division of work is clear and understood by all.

Disadvantages

(a)   One way communication without feedback leads to misunderstanding and communication breakdown.

(b)   An autocratic leader makes his decisions, alone- which can be very dangerous in this age of technological and sociological complexity.

(c)   Since it inhibits worker's freedom, development of commitment to the objectives of the organisation is hampered.

(d)   Since it engenders worker's resentment, it creates problems with their morale resulting in poor productivity in the long run.

(e)   It is unsuitable when the work-force is knowledgeable about their jobs and the job calls for team work and cooperative spirit.

2.   Participative or democratic leadership

In this type of leadership, subordinates are consulted and their feedback is taken into decision-making process. The leader's job is primarily in the manner of a moderator, even though he makes the final decision and he alone is responsible for the results. The group members are encouraged to demonstrate initiative and creativity and take intelligent interest in setting plans and policies and have maximum participation in decision-making. This ensures better management, healthy labour relations, higher morale and greater job satisfaction. This type of leadership is especially effective when the workforce is experienced and dedicated and is able to work independently with least directives.

Advantages

(a)   Active participation in the management by labour assures rising productivity and satisfaction.

(b)   Workers develop a greater sense of self-esteem, due to importance given to their ideas and their contribution.

(c)   They become more committed to changes that may be brought about by policy changes, since they themselves participated in bringing about these changes.

(d)   The leadership induces confidence, cooperation and loyalty among workers.

(e)   It results in higher employee morale.

Disadvantages

(a)   Democratic leadership requires some favourable conditions in that the labour must be literate, informed and organised. This is not always possible.

(b)   This approach assumes that all workers are genuinely interested in the organisation and that their individual goals are successfully fused with the organisation goals. This assumption may not always be valid.

(c)   There must be a total trust on the part of management as well as employees. Some employees may consider this approach simply as an attempt to manipulate them. Accordingly, the employees must be fully receptive to this approach to make it meaningful.

(d)   Some group members may feel alienated, if their ideas are not accepted for action. This may create a feeling of frustration and ill-will.

(e)   This approach is very time consuming and too many viewpoints and ideas may make the decision-making process more difficult and may be a source of frustration to impatient management.

(f)   Some managers may be uncomfortable with this approach because they may fear an erosion of their power-base and their control over the labour.

(g)   This approach relies heavily on incentives and motivation of recognition, appreciation, status and prestige. The labour force may be more interested in financial incentives instead of prestige.

3.   Laissez-faire or free-reign leadership

In this type of leadership, the leader is just a figurehead and does not give any direction. He acts principally as a liaison between the group and the outside elements and supplies necessary materials and provides information to group members. He lets the subordinates plan, organise and develop their own techniques for accomplishing goals within the generalised organisational policies and objectives. The leader participates very little and instead of leading and directing, he becomes just one of the members. He does not attempt to intervene or regulate or control and there is complete group or individual freedom in decision-making. This type of leadership is highly effective when the group members are highly intelligent and are fully aware of their roles and responsibilities and have the knowledge and skills to accomplish these tasks without direct supervision.

This type of leadership is evident in research laboratories where the scientists are fairly free to conduct their research and make their decisions. Similarly, in a university or a college, the chairperson does not interfere in the professor's teaching methods, but only assigns the courses to be taught. From then onwards, the professors are very much their own leaders.

Advantages

(a)   It creates an environment of freedom, individuality as well as the team spirit.

(b)   It is highly creative, with a free and informal work environment.

(c)   This approach is very useful where people are highly motivated and achievement-oriented.

Disadvantages

(a)   It may result in disorganised activities which may lead to inefficiency and chaos.

(b)   Insecurity and frustration may develop due to lack of specific decision-making authority and guidance.

(c)   Team spirit may suffer due to possible presence of some uncooperative members.

(d)   Some members may put their own interests above the group and team interests.

3.7   Personal Characteristics of Leaders

Leadership is an intangible quality and its effectiveness can best be judged by the behaviour and attitudes of followers. Even though personal backgrounds and personalities differ widely; education, social status etc., are poor indicators of judgement of successful leaders. However, some behavioural characteristics may be common to most effective leaders. Some of these characteristics are listed below.

(1)   **Ability to inspire others -** this may be an internal "charisma" which is an inborn trait and may not be a learnable factor.

(2)   **Problem solving skills -** an effective leader has developed the patience and ability to look at the problem from various angles and get down to the cause of the problem and tries to solve the problem, rather than the symptoms of the problem.

(3)   **Emotional maturity -** they are self-confident, rational and emotionally mature. They do not lose temper quickly and are open hearted towards differences in opinions and opposing viewpoints. They are warm and sensitive and not vindictive in nature.

(4)   Ability to understand human behavior - he must understand the needs, desires and behaviour of their subordinates and show respect for such desires. He is emotionally supportive and is careful enough to avoid ego threatening behaviour. He must give credit to subordinates when the efforts are successful.

(5)   Verbal assertiveness - a leader must be an effective orator and must be confident of his opinions and views. He must communicate his views honestly and in a straight forward manner without fear of consequences.

(6)   Willingness to take risks-routine work - no matter how well done, never makes a leader. Good leaders always charter the unknown. They must accept and seek new challenges. However, the risks must be calculated ones and the outcomes of actions must be reasonably predicted. Should these risks result in failure, a leader must take full responsibility and not shift blame on others, even though they may be operative factors. He must be willing to tolerate frustration and defeat and learn from it.

(7)   Dedication to organisational goals - a leader must demonstrate his dedication and commitment to the organisation's mission, goals and objectives by hard work and self-reliance. He must make sure that his followers fully understand the organisational objectives and are equally dedicated and willing to work for these objectives.

(8)   Skill in the art of compromise - settling differences is a vital part of leadership and genuine differences must be solved by compromise and consensus. This will induce faith in the fairness of the leader. He must be willing to give in where necessary and must be able to take criticism and defeat with grace. However, he must not compromise for the sake of compromising for smooth sailing only and must be willing to take a stand on controversial issues and accept the consequences.

3.8   Leadership and Power

A formal leader cannot function without the authority and the power to make decisions and take actions. Some of the functions of a formal leader that require power and authority to perform are listed below (Krech, et al., 1962).

(a)   Setting of organisational goals within constraints of internal needs and external pressures.

(b)   Integrates the activities of his group and develops its team spirit cohesiveness.

(c)   Serves as a representative of group members and an official contact with other parts of the organisation and facilitates group interaction.

(d)   Gives out rewards and punishments or recommendations.

(e)   Serves as a father figure and sometimes has a major impact on the norms, beliefs and values of the group.

(f)   He is instrumental in resolving internal conflicts by bringing about a balance among conflicting interests.

(g)   Serves as a model of behaviour for other members.   These functions can only be exercised with a power base. Some of the power bases classified by French and Raven (1960) are listed below.

(1)   Legitimate power- this is the power that is vested in the leadership to take certain actions. This power may be designated by a legitimising agent, for example, the president of a company designating his assistant to make certain decisions. Similarly, the power may be given to a particular leader who has been elected by the populace. For example, the president of a country or an elected mayor of a city has certain power and authority. This power may also be culturally specified.   In many cultures, children simply "obey" their parents.   In some other cultures, people of certain casts are highly respected.   In India, old age brings with it the power to command respect.

(2)   Reward power-this power is based upon the ability to give or influence the rewards and incentives for the subordinates. These may be in the form of promotions, increase in pay, bonuses or other form of recognition for a job well done.

(3)   Coercive power - on the other end of the reward power is the coercive power which is the ability to influence punishment. This is the power to reprimand, demote or fire for unsatisfactory execution of duties.

(4)   Referent power - this power is more of personal nature than a positional nature, in the sense that this power is not designated or acquired because of a position, but because of personal "charisma" of the leader. This is especially true in the case of film stars and celebrities whose followers and fans follow what the celebrities do.

(5)   **Expert power-** this is also a personal power acquired by expertise in a field or area. For example, we generally follow our doctor's or our accountant's instructions, because we believe in their ability and knowledge in those specified areas. If the subordinates view their leaders as competent, they would follow him (Organ and Hammer, 1982).

(6)   **Connections-** some people have a lot of influence over others simply because of their "connections" with the right people. A person knowing the manager of a company can get a job for somebody or recommend a promotion for somebody and hence commands considerable influence. Hence, this "connected" person has "clout" via the resources of his friendship with the right people.

4.0   CONCLUSION

In this unit, you have been guided through the functions and roles of directing and leading in management and how these functions relate to the attainment of organisational goals or objectives.

5.0   SUMMARY

In this unit, you have learnt the following:

- factors that enhance the quality of performance in an organisation
- the types and traits of leadership
- theories of leadership, leadership styles and personal characteristics of a leader
- the relationship between leadership and power.

6.0   TUTOR-MARKED ASSIGNMENT

1. If you are asked to give a lecture on "how to become an effective leader" – what would you say?
2. Differentiate between trait theory and behavioural theory of leadership.
3. "Leaders are born, not made"- comment on this.

7.0 REFERENCES/FURTHER READING

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UNIT 4   THE STAFFING FUNCTION

CONTENTS

1.0   INTRODUCTION

There are a number of factors that contribute towards the success of an enterprise. These factors include capital, equipment, manpower, etc. While all these factors are important, the human factor is the most significant one, since it is the people who have to use all other resources. Without the productive efforts of workers, the materials and resources will be of no use. Also, if the people who are in charge of these resources are not sufficiently qualified, then the utilisation of these resources will not be at the optimum.

Accordingly, the staffing function of management is a very significant one; especially in the light of continuous and dynamic developments in the field of technology, increase in the size of organisations due to expansion, acquisitions, and mergers and due to changes in the social structure which makes the group behaviour of the workers more complicated.

Staffing is the traditional management function of attraction and selection of the best people and putting them on jobs where their talents and skills can best be utilised, and retention of these people through incentives, job training and job enrichment programs in order to achieve both individual and organisational objectives. This emphasises managing human and not material or financial resources. This function

is becoming extremely specialised due to unique importance and complexity of human nature and ever changing psychology, behaviour and attitudes.

The staffing function is generally handled by the personnel department where personnel management is concerned with "planning, organising, directing and controlling the development, compensation and integration of people into the system for the purpose of contributing to organisational, individual and social goals". The Personnel Management is a continuous phenomenon and requires a constant alertness and awareness of the organisational needs and the personnel policies should be such that there is a continuous monitoring of the system, since the unanticipated shortages or excess of qualified people in any organisation signal a defect in the planning system. Also, personnel policies and decisions are constantly changing due to the following considerations.

1.   Social and legal pressure is high to increase the proportion of minority workers. This may sometimes results in less than optimal compatibility of job and the worker.

2.   Affirmative action- some organisations are obliged to give special considerations to minorities including women workers in order to compensate for past discriminations against them. This has been a result of special upheaval against a male-dominated society and businesses where women and minorities were not treated at equal level. This affirmative action may require more pre-assigned jobs for minorities and women, faster promotions for them and lowering of performance appraisal standards for them. In India, for example, the scheduled caste people have been allotted some reserved places in most medical colleges and other professional universities and in many government jobs to compensate for the discrimination that these minorities have suffered over many years.

3.   Workers are shifting their idea of success-where success always meant a job with good pay, now it is more and more measured by the degree of challenge on the job, new opportunities and job enrichment and self-fulfillment.

4.   The number of people who prefer to work on a part-time basis is increasing. Even full-time workers are trying to get fewer work week hours so that they can have more leisure time.

5.   Education level of the total workforce is rising. This also applies to blue collar job workers due to compulsory education to a certain age as well as social awareness about the benefits of a good education.

6.   There is a shift towards more skilled jobs. Due to advent of mechanisation and specialisation and technological innovations, the number of unskilled jobs have been steadily decreasing giving rise to more skilled jobs requiring training and adaptation.

7.   Labour unions are becoming stronger and highly protective of the workforce. The objectives of the unions are to protect their workers from discriminatory treatment, increase their pay and fringe benefits, improve their working conditions and help all employees in general. Accordingly, Personnel Management policies are affected by union's objectives and goals.

8.   There are continuous social and technological changes. Social values are constantly changing due to amalgamation of many cultures and ideologies and emphasis on rationalisation and objective thinking rather than adherence to traditional social values. Similarly, automation and computerisation of industries have changed the requirements of jobs and employees requiring continuous monitoring of job descriptions and policies about personnel requirements.

Since a number of factors affect the formulation and execution of personnel policies, it is important that these policies be based upon sound principles which will ensure that equity and justice are accorded to all employees, "a fair day's pay for a fair day's work" is adopted and opportunities are offered to all employees for job satisfaction and job enrichment. Some of the essential characteristics of a sound personnel policy programme are given below.

(1)   The policy statement should be clear and easily understood so that what it proposes to achieve is evident.

(2)   It should be formulated after careful consideration, discussion and review and preserved in writing in order to provide a definitive meaning to policies and procedures.

(3)   It should be reasonably stable and should be continuously monitored and periodically reviewed and revised so as to adjust to changing social, legal and technical environment and changing constitution of the workforce.

(4)   It must be consistent with the missions and general goals of the organisation without violating the individual goals and objectives so that due regard is given to all concerned parties – the employers, the employees, the government and the community.

(5)   The policies should have the full support of all employees and be preferably evolved after full consultations with the trade unions so that the interests of the union members are inherently protected.

(6)   It should provide for two-way communications so that the employees are continuously informed of any developments in the organisation and the management gets necessary feedback.

(7)   It must make a measurable impact on the process of recruitment, retention and retirement which can be evaluated and qualified.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

•   define staffing
•   discuss human resources planning, selection and retention
•   explain the importance of training and development in an organisation.

3.0   MAIN CONTENT

3.1   Human Resource Planning

Human resource planning involves objective and systematic assessment of present staffing needs of an organisation, identifying the available personnel to satisfy current needs, forecasting the future demand and supply of employees, formulating staffing strategies and continuously monitoring, evaluating and updating these needs and resources of supply.

In today's complex organisational structure, operating in highly involved and complex economic, political, socio-cultural and technical environment, the most suitable employees are becoming more and more crucial and indispensable assets for effective performance. As a result, the price of poor staffing will be very high requiring improved manpower planning as an economic necessity.

Human resource planning is important in providing the following direct benefits to organisations.

(1)   It improves the utilisation of human resources by helping the management forecast the recruitment needs in terms of both numbers as well as the types of skills required and develop ways to avoid or correct problems before they become serious and disrupt operations.

(2)   It helps focus the recruitment efforts on the most likely sources of supply. This will cut down the total costs of hiring and training personnel and reduce costs associated with hiring mistakes.

(3)   It makes provisions for replacement or back-up staff from either inside or outside the organisation whenever the need arises either on a temporary or permanent basis. These available sources of supply are important to identify specially in the case of any emergencies that may occur.

(4)   It helps achieve an integration of personnel plans with other operating as well as strategic plans by making available the personnel management information base to other organisational activities.

3.1.1 Forecasting Manpower Needs

Manpower forecasting is defined as "the process of collecting and analysing information to determine the future supply of, and demand for, any given skill or job category". The primary purpose for manpower forecasting is to prepare for employment, training and development and proper use of human resources. Forecasting has become very important due to complexity of organisations requiring more skilled personnel which are in short supply.

In addition to assessing the current situation relevant to personnel, in the organisation, an effective human resource planning program takes into consideration the future needs and trends in both job and personnel availability. This will require reliable forecasting of both the demand and supply. The key to any forecasting procedure is to determine what causes things to happen the way they do. If we could know what determines the supply and demand for people, we can predict the needs, making the planning for changes in personnel easier. Now, let us consider some salient issues here.

a.   **Opinion of expert forecasters**- expert forecasters are those who are knowledgeable at estimating future human resource needs. These may be the personnel managers or external consultants who are asked to assess future needs. These forecasts can be taken further ahead by using the "Delphi technique", where the

experts are anonymously surveyed, their opinions refined, and these opinions sent back to experts for further evaluation. The process is repeated until a consensus is reached.

b.   **Trend projection forecasts**- past trends of employee needs can be projected into the future. One method used is known as extrapolation- where, if the past trend is linear in nature, it can simply be extended into the future. For example, if in the past the company has been consistently growing, requiring on the average 10 additional workers per month, then by extrapolation, the future needs will be 120 workers per year.

Another method of trend projection is known as "indexation". This method relies upon matching employment growth with some index. For example, growth in the number of employees in the production area may be tied in with the volume of sales, so that for a certain increase in sales, there is a corresponding increase in the number of employees in production.

Both extrapolation and indexation are simple and appropriate. However, in long range human resources projection, more sophisticated statistical analysis techniques are available and employed, taking into consideration external, organisational and workforce factors, which may not remain constant from time to time.

Some of the other forecasting methods include the ones listed below.

(a)   **Budget and planning analysis**- short-term human resource needs can be estimated by looking into the departmental budgets and financial allocations for more employees as well as any anticipated changes in the workforce like terminations, resignations, promotions, transfers, etc.

(b)   **New ventures analysis**- human resource needs for new ventures or organisational expansion can be calculated by comparison with similar operating functions. The growth of the new venture can also be established by past trends of similar operating companies.

(c)   **Computer models**- these are most sophisticated approaches involving solutions of mathematical formulae and equations, taking into consideration the relationship and effect of all relevant variables are extrapolation, indexation, survey results and other estimates.

The factors to be considered for forecasting demand and supply are as follows.

(A)   Forecasting demand

(i)   Anticipated growth of the organisation- this growth rate can be calculated from past trends on the assumption that all variables affecting this growth will remain constant.

(ii)   Budget constraints and allocations- budget allocation, specifically, for the purpose of new employees will determine the number of new workers that can be hired, thus putting a ceiling on the maximum number.

(iii)   Anticipated turnover in personnel due to retirement, death, transfers, termination of service, promotions etc.- some of these can be anticipated or calculated, to some extent, accurately in advance by taking information about individuals. Especially, loss due to retirement and promotion can be calculated quite accurately by preparing a retirement and promotion or transfer profile. This makes the projection of future demand easier and more accurate.

(iv)   Introduction of new technology- with continuous technological developments, innovation and automation, personnel needs are constantly changing. In many places, computers are either replacing workers or reducing their numbers. The type of new technology introduced will determine the number as well as qualifications of the people that may be hired or transferred.

(v)   Minority hiring goals- the goals established by the organisation about hiring minorities or the handicapped, as a part of the affirmative action policies may affect the demand for the total number of employees, especially when it is difficult to match skilled, semi-skilled or unskilled minority workers to the specific job requirements.

(B)   Forecasting supply

(i)   Promotions of employees from within the organisation- promotions are a good and a reliable source of supply of experienced and skilled personnel, who do not need to be extensively trained and who are also familiar with the organisational goals, policies, and philosophy.

(ii) **Availability of required talent in the external labour market-** this may be assessed by unemployment figures, a survey of private and public employment agencies and other sources.

(iii) **Competition for talent within the industry-** if competition is very tough then it will be more difficult to tap the supply and the cost of additional workers will become very high. Conversely, if the need for a particular talent is not very high in the competitive industry, then the supply will remain flexible.

(iv) **Population movement trends-** demographical changes will also affect the sources of supply. For example, if there is a tendency for people to move from rural areas to urban areas then the supply in the rural areas will dry up. Similarly, most new immigrants from outside have a tendency to settle in cities, thereby increasing the supply in the urban areas.

(v) **Enrolment trends in vocational schools and colleges and universities-** if there is a marked increase in the number of students in training programmes as well as colleges, this will improve the supply of skilled personnel and personnel with specialised educational backgrounds. On the other hand, due to high cost of education, there may be a decline in college enrolment, signifying a trend in scarcity of educated people.

This forecasting of supply and demand of human resources should result in the preparation of a detailed file on future staffing needs.

3.2   The Staffing Process

The staffing function entails the following sequential steps.

Step 1:   Analyse the job by preparing job description, job specification and job analysis.

Step 2:   Actual recruitment- this will explore all the internal and external sources from where the required personnel can be recruited.

Step 3:   Employee selection- this crucial step involves using such techniques as will identify and isolate the suitable people who will eventually be selected.

Step 4:   Retention- when the right people have been hired, they must be retained so that they stay with the organisation for a long time. This step discusses such factors that are influential in maintaining the workforce.

Step 5:   Training and development- this consists of all such programmes that assist in continuous growth and development of the employees.

Step 6:   Performance appraisal and career development- this step involves devising methods that would judge an employee's performance over a period of time and providing opportunities to employees to develop their careers and managerial talents.

All these steps are discussed in detail below.

1.   Job Analysis

Job analysis is an orderly study of job requirements; it involves systematic investigation relating to the operations and responsibilities including knowledge, skills and abilities required for the successful performance of a job. The process of job analysis provides the following information.

(a)   Work activities - This relates to determining exactly what is being done and achieved, including processes and procedures being used.

(b)   Job context - this specifies the working conditions, including physical setting, supervision, work schedule, incentives and motivations, social environment of workplace, job hazards or any other discomforts.

(c)   What equipment, tools or machines are used? Is it dealing with plastics, metals etc? Is it using milling machines, punch presses etc?

(d)   Performance expected - this may be expected output in quantity or quality. The performance may also be measured in terms of error analysis, as to the percentage of errors (as in typing, for example), work standards, time required to complete each unit of the job, knowledge used or services performed.

(e)   Required personal attributes - this involves required educational background, skills, training, experience, physical strength coordination or dexterity, aptitude and any other attributes required for the job.

(vi) Job analysis - it is the process for obtaining all pertinent facts about the job and it forms a basis for creating job description and job specification.

2.   Job Description and specification

Job specification is a systematic, organised and written statement of "who does what, when, where, how and why". It describes the work to be performed, the responsibilities and duties involved, conditions under which the work is performed, the relationship of one job to other similar or dissimilar jobs and the skill, education, and experience required. A job description is used for a variety of purposes such as recruitment and selection, job evaluation etc. A job description generally contains the following data.

(a)   **Job Specification -** it includes job title, code number of the job (if any); the department or division to which the job belongs etc.

(b)   **Job summary -** it is a brief summary, in a sentence or two, explaining the contents of the job, its hazards or any other specific aspects.

(c)   **Duties performed -** it is a comprehensive listing of the duties together with the importance of each duty and the percentage of time devoted to each major duty. Included are any other additional responsibilities like custody of money, training of subordinates etc.

(d)   **Supervision -** if supervision is required, then it gives the number of persons to be supervised along with their job titles and the extent of supervision involved and whether it is general supervision or close supervision.

(e)   **Machines, tools and equipment used -** this will include the type of machinery handled and the type of raw materials used.

(f)   **Working conditions -** it specifies the work environment in which the job holder must work. Here are listed any special working conditions in terms of cold, heat, noise levels, dust, fumes and any other hazards that may pose a risk to life and the probability of such a hazard occurring.

Job descriptions are freely used in educating new employees about their duties and responsibilities. According to Burack and Smith:

-       Job descriptions reduce confusions and misunderstandings. They communicate to workers in clear terms as to what they are required to do.
-       Since it gives a clear picture of duties and responsibilities, it gives a greater job satisfaction as the worker knows what is expected of him.

-       Good job descriptions are effectively used in recruiting, training and placement of right workers to the right jobs.
-       They reduce discrimination and assist in objective performance appraisal.

Job Description Guidelines

Although there is no set way of writing a job description or any specific principles for developing a job description, some general guidelines are proposed by Cascio. These are as follows.

(a)   Give a clear, concise and readily understandable picture of the whole job with clearly defined duties to be performed.

(b)   Brevity is usually considered to be important depending upon the type of job being analysed, specifying simplicity and accuracy.

(c)   Select the most specific words to show- (1) the kind of work; (2) degree of complexity; (3) degree of skills required; (4) specific assigned responsibility to a particular worker and its accountability.   Use action words like "types letter" or "collecting, sorting out, routing and distributing mail" etc.

(d)   When job descriptions are written for supervisory jobs, the main factors should be identified and listed. Included along with this is a description as to whether the supervisor delegates any of his responsibilities or not and to what extent. The job description should be such that even a new employee will clearly understand the job and his duties and responsibilities by reading the job description.

Job specification specifies personality requirements and lists qualifications both physical and mental, necessary to perform the job properly. It is used in informing the prospective employees about minimum acceptable qualities required to get the job and perform it well. It may be a specific period of experience, a specific educational degree or specific physical requirements such as height, weight etc. These specifications specifically relate to the following.

1.   **Physical characteristics -** these include general health, height, endurance level, vision, hearing, colour discrimination, motor coordination, reflexes etc.

2.   **Psychological characteristics -** these include mental dexterity, analytical ability, intuitive judgement, alertness and ability to concentrate.

3.   **Personal characteristics -** these include personal appearance, emotional stability, maturity, patience, aggressiveness, outgoing nature, poise, initiative and drive, leadership qualities, cooperative spirit, conversational ability etc.

4.   **Responsibilities -** these include supervision of others, responsibility for safety of others etc.

5.   **Other characteristics -** these may include age, sex, education, experience, training required, fluency in languages and other sensory demands such as sense of sight, smell or hearing etc.

3.2.1 Recruitment

After manpower needs have been determined, the next step in the staffing function is recruitment of candidates for the jobs to be filled. Recruitment is the process of attracting qualified personnel, matching them with specific and suitable jobs, and assigning them to these jobs. Its aim is to develop and maintain adequate manpower resources upon which an organisation can depend, when it needs additional employees.

There are basically two sources of supply from where potential employees can be drawn, both at managerial as well as operative levels. These are:

i.   internal sources
ii.   external sources.

The extent to which internal sources or the external sources will be used will depend upon the specific environment of the organisation as well as its philosophy of operations. Some companies prefer to promote from within- for key positions, because these personnel know the company well. Others prefer to hire from outside, because these personnel do not know the company at all so that they can bring some new and fresh ideas into the company. Both of these sources are explained below.

i.   Internal sources

Internal sources are the most obvious sources and are primarily within the organisation itself, and include its present working force. Most organisations have procedures for announcing vacancies, which may be through bulletin, notice boards, newsletters or word of mouth or personal recommendations. Some promotions may be built in the hierarchical structure and take place automatically on the basis of seniority or when a position at the upper level becomes available.

Whenever a vacancy occurs, someone from within the organisation is upgraded, promoted or transferred to another department or location.

Occasionally, a person may be demoted to fill a job. The internal recruitment process can be very encouraging and motivating to employees; since they are assured that they will be preferred over outsiders when the opportunities occur. This reinforces a sense of loyalty among employees, for it provides them an opportunity for advancement. This also helps management to be assured of the quality of performance of employees since the organisation generally keeps a record of the employees' performance and progress.

Also, internal recruitment is economical in terms of time and money, since all the energies expended in the process of hiring new candidates from outside are avoided. Additionally, new employees from outside always have to go through a period of orientation during which the contribution of the employee to the organisation is highlighted. This problem can be avoided through internal recruitment.

One of the drawbacks of the internal source of recruitment is that promotions may be biased in nature and may be based on seniority rather than merit, resulting, sometimes, in unqualified personnel taking up more responsible jobs. Also, it discourages "new blood"- which may be more innovative and creative from entering the organisation.

ii.   External sources

The external sources are varied and many. Most organisations cannot fill their manpower needs from sources within and hence they must look for outside sources, especially for lower entry jobs, for expansion and for positions whose specific requirements cannot be met by people within the organisation. This outside pool of potential candidates includes:

1.   **New entrants to the workforce -** these may be college student who has just finished studies and are entering the job market.

2.   **The employed -** these are the people who may be temporarily out of a job. These may be people with skills and abilities. These may be people who are currently at jobs that are unsuitable to them and who may be looking for better opportunities.

3.   **Retired experienced persons -** these may be accountants, mechanics, security guards etc. They have the necessary experience and may be hired as consultants or supervisors.

Some of the sources of external recruitment include the following.

(1)   Active files of potential candidates kept at the organization - these are the resumes of the candidates who had earlier applied but not selected.   Similarly, unsolicited applications may constitute a much used source of personnel. Such records can prove to be a good source if they are kept up to date.

(2)   Walk-ins and gate hiring - these are potential candidates, generally for lower level jobs who simply walk into the office and ask for a job. This method is especially useful for mass hiring of unskilled and semi-skilled workers.

(3)   Employment agencies - these employment agencies may be public or private. The public employment agencies are subsidised by the local governments and may provide a variety of services. These services include:

(i)   placement services;
(ii)   employment counseling on occupational choices;
(iii)   services to special groups, such as war veterans, handicapped personnel, released criminals in order to rehabilitate them etc.

These agencies are a major source of hourly blue-collar job workers. The major reason for this is that unemployed people are generally required to register with these agencies and be available for work, in order to collect the unemployment insurance.

Private employment agencies have a pool of applicants, specialising in different areas and supply them to the organisations for a fee charged either to the applicant or to the organisation. Some agencies specialise in temporary help, others in executive recruitment. They supply general office help, secretaries, sales people, technical workers, accountants, computer personnel, engineers etc. They generally interview and screen the candidates and match their skills with the job requirements on file, before sending them to the organisations. This makes it easier and time saving for the organisation that would otherwise be spending a lot of energy in the recruiting and the selection process.

(4)   Advertising- advertising is a powerful technique reaching a wide audience and generally a potential target market. It is a most frequently used method and consists of a brief statement of the nature of the job and its requirements and the remuneration. Adverts in the newspapers may be for ordinary jobs or for highly skilled and executive positions. More highly specialised recruiting adverts that are not immediate in nature, are placed in

the technical and professional journals which reach a target market. One of the disadvantages of this method of recruitment is that there may be a large number of applicants for a few jobs, making the screening process very costly.

(5)   **Colleges, universities, and other educational institutions-** these include technical and trade schools as well as alumni placement offices at colleges and universities. Some colleges have work- study programs which provide an opportunity for students to work part-time while they finish college, after which- most often, these students are absorbed by the companies. These sources are specifically useful for recruiting into middle management positions like accountants, financial analysts, systems analysts etc. Many colleges have career day forums, at least once every semester, where representatives of recruiting companies visit the campus to discuss matters of employment with potential graduates.

College recruitment is one of the least expensive techniques of attracting white collar employees into junior level managerial and executive positions and other technical and career oriented jobs. This is because a lot of potential candidates can be interviewed in a short period of time. Colleges are also a target market where it is possible to narrow in on the potential candidates, thus saving a lot of time that would otherwise be spent in screening out unsuitable candidates.

(6)   **Professional associations-** professional associations keep their members informed about job opportunities through their technical newsletters and professional journals. Some of them have their own time and especially at the time of their annual meetings, conventions and conferences.

(7)   **Labour unions -** labour and trade unions are a useful source, especially for manual workers, including unskilled, semi-skilled and skilled workers. These workers may be plumbers or electricians. In the construction industry, many contractors get their labour force from local labour unions.

(8)   **Military processing centres -** this is an excellent source for highly disciplined veterans who have been trained as mechanics, welders, pilots etc. These veterans may be retired officers or personnel who want to leave the army for civilian jobs. Many of the technicians and pilots for commercial jetliners were initially trained in the armed forces.

(9)   **Employees' referrals-** these are friends and relatives of the present employees of the company. It is a useful source of recruitment, since the employees, for the sake of their own reputation, would only recommend people who they believe to be adequately qualified. If the current employees are highly satisfied in their jobs with an organisation, they generally convey their feelings to many persons in the community, which will make it easier to attract employees from the community when the need arises. One drawback of the referral technique is that it encourages nepotism which may be at the expense of quality.

(10) ***Billboards at social and community centers***- these are primarily for non-professional lower level jobs, sometimes of temporary nature. These may be for babysitters, typists, waitresses etc.

(11) **Scouting-** some company representatives are continuously out in search for talent. Some recruiting firms have head hunters who specialise in pirating executives from one organisation to another.

(12) **Foreign consulates-** many multinational companies, which are commencing operation in a country, may advertise in that country's consulate to recruit native personnel who can be trained and sent to take up the appointment. For example, a company in India which is looking for an American trained executive may advertise through the Indian Embassy, in America, either through a bulletin board at the Embassy or through the Embassy newsletter.

(13) **Open house-** it is relatively a new technique of recruitment, where a company has an open house and it invites the members of the community to see the company facilities in an informal and social manner. This helps create a positive image of the company for any future personnel needs.

Which of these sources, as discussed above, provide the best candidates? While some sources are identifiably more suitable for certain types of jobs- for example, walk-ins for hourly paid workers, other sources must be studied for their contribution as economically and technically the "best" sources. It has been found that employee referrals are perhaps the best source of employees while newspaper adverts and employment agencies are among the worst.

A study conducted by James A. Breaugh, focusing on research scientists, showed that on the basis of quality and dependability factors, the applicants recruited through college placement offices and newspaper adverts were inferior in performance to those recruited

directly or through professional journals. Accordingly, it is very important that companies study all the different sources for the purpose of optimising the recruitment process and getting the best candidates with minimum costs.

3.3   Selection

Selection is a process of choosing the right candidate from a pool of applicants. This process is established to achieve a good match between the job requirements and the candidate's skills and motives. A good match results in increased productivity and quality performance. A bad match is extremely costly to the company due to cost of training the candidates, the cost of mistakes made by the candidate and the cost of replacement.

McMurray has listed some comprehensive steps that can be taken in the selection process. The first step for the management is to be thoroughly familiar with the requirements of the job as well as the qualifications and expectations of the candidate. This will include any leadership qualities or decision-making authority inherent in the job. After looking at the resumes of the candidates, those candidates whose qualifications do not adequately match the requirements of the job are rejected outrightly. This leaves a pool of more suitable candidates.

The second step is to conduct a preliminary screening interview, before a more comprehensive interview is conducted, to have an initial assessment of the candidate's abilities and motives. This interview will generally establish a candidate's goals and aspirations and general attitudes towards the organisation

The third step is the completion of a formal application form which summarily lists a person's background, education, experience and any special abilities. The data submitted in the application form determines the suitability of the candidate, as well as predicting his chances of success at the job. The information requested and provided should be relevant to the selection, factual, legal and not unduly sensitive or personal.

The fourth step is to check the candidate's references and seek opinion from his previous employers or instructors- if he is fresh out of college. This should be done prior to the comprehensive interview so as to have a better idea about the candidate, especially in the area of those characteristics that do not show up on application forms. These characteristics include leadership qualities, ability to act assertively and decisively, ability to communicate well and attitude towards subordinates as well as superiors.

The fifth step is to give certain tests to the candidate- if necessary, to make judgements about certain specific aspects of the candidate. These tests may be classified in many ways and the type of test will depend upon the type of job required to be **filled**. For example, "intelligence tests" are given to measure the mental ability, mental capacity, and general intelligence of the candidate. The test usually includes verbal comprehension, memory, inductive reasoning, perception etc. Most of these tests are framed by psychologists. Similarly, "aptitude tests are meant to measure an individual's capacity to learn a given job, if the candidate is given proper training. *IQ* tests are one kind of an aptitude test. "Performance tests" are given to evaluate the candidate's ability to do a job. A typist may be asked to type a letter, for example. Similarly, classroom examinations at the end of the semester are kind of performance tests. "Personality tests" are used to measure fundamental aspects of a candidate's personality- such as self-confidence, emotional stability and behaviour under stress. "Ink blot tests" are a kind of personality tests.

The sixth step is the in-depth interview which is conducted to evaluate the applicant's acceptability in terms of his ability to fit into the company's culture and his "motives" in joining the company. An interview can be structured in which well designed questions are asked that are pertinent to the job and their answers analysed, or it could be unstructured as a free thought flowing two-way communication. In order to make the best of an interview, it is essential that both the candidate and the interviewer be fully present. Good grooming, a choice of clothing, a firm handshake, the manner of sitting and general enthusiasm will give good initial impression. It is also important for the candidate to know about the company- as much as possible, and be prepared to answer questions thoroughly and precisely.

The seventh step is to establish the applicant's physical health. This can be checked from his medical records as well as a thorough physical examination conducted by the company physician. This will ensure that the candidate is physically fit and capable to exercise his responsibilities.

The final step is the process of hiring itself. In some responsible executive positions, management may want to get socially acquainted before the final decision is made.

3.4   Retention

The hiring process and the training process are very costly. It requires a lot of time, effort and money during the process of selecting the right person who will be most suited to the job. It will be even more costly if

the right person- once hired, leaves the organisation because the work environment is not such where his potential would be most utilised. Accordingly it is necessary to create a work environment which will be conducive to maintaining the workforce and keeping them in high morale. The employees should be fairly paid for their work and a conceptual environment created in which the employees feel a sense of belonging with the company. Some of the factors involved in retention of workforce are as follows.

(a) **Compensation administration -** this involves a fair compensation on the basis of time spent, units produced, hazards of the job, skills required etc. In addition, it is necessary to provide fringe benefits as well as incentives with fringe benefits like medical and life insurance, paid vacation, profit sharing, stock options, sick leave etc. Other incentives can include opportunities for advancement, promotion, added responsibility, recognition for contribution etc.

(b) **Labour relations -** good labour relations and fair union representation provide for proper channels for processing grievances as well as mutually beneficial negotiations with the management which provide for job security and job advancement.

(c) **Health and safety -** if there is any job related health and safety hazards, then, it is necessary to provide safeguards against any such occurrences or the ill-effects of any such occurrences. This is especially important in the chemical and mining industries. All mechanical operating machinery must have protective shields, where necessary. Extra compensation should be paid to night shift workers because of the inconvenience caused due to night work. All efforts should be made to make the work environment physically and mentally safe and healthy.

(d) **Auxiliary employee services -** these include recreational facilities, food services, company newspaper and athletic facilities for the employees and their families. Other factors such as common cafeteria for workers and managers, visiting worker's homes occasionally and periodic company picnics and Christmas parties and so on, will help to bring the employees closer to each other, creating a family environment.

3.5   Training and Development

Training, generally designed for non-managers is to sharpen technical and mechanical skills. Training is defined as "a short term process

utilising a systematic and organised procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose". The term 'development' refers broadly to the nature and direction of change induced in the employees as a result of educational and training programs. 'Development' is managerial in nature and it is career focused. According to National Industrial Conference Board, "management development is all those activities and programs which, when recognised and controlled, have a substantial influence in changing the capacity of the individual to perform his present assignment better and in so doing, are likely to increase his potential for future management assignment". In that respect, training and development seem to be a continuous phenomenon- training emphasising manual skills at one extreme and development emphasising philosophy at the other extreme.

According to Planty, McCord and Efferson, training:

i.   must be a continuous process;
ii.   must be planned systematically in order to accomplish the desired results efficiently;
iii.   must be aimed at all employees of the firms;
iv.   must result in benefits both to the organisation as well as employees.

In order for the training programs to be most effective, the following principles must form the basis for the programs.

(a)   Training is most effective when the learning experience occurs under conditions that are identical to the actual conditions that occur on the job.
(b)   Training is most effective if the superior who is training the employee is made responsible for the progress of the candidate and overall results of the training program.
(c)   Training is most effective if the learner is given helpful, friendly and personal attention and instruction. This will create self-confidence in the employee and the desire to do better.

3.5.1 The Need for Training

It is important that employees are inducted through training programs to improve their job knowledge; skills and future performance. The need for proper training is emphasised by the following factors.

1.   **Increased productivity-** adequate training increases skill which improves both the quality as well as the quantity of the product due to increase in the level of performance.

2. **Improvement in employee morale -** training improves needed skills which build up confidence and satisfaction. This, in turn, develops enthusiasm and pride which are indicative of high morale.

3. **Availability for future personnel needs of the organization -** good training programs develop the employees and prepare them for future managerial and executive positions. Accordingly, when the need arises for personnel changes, internal sources can be utilised more effectively. This will ensure the organisation's ability to sustain its effectiveness despite the loss of key personnel.

4. **Improvement in health and safety -** proper training can help prevent industrial accidents and create a safer work environment. Accidents are generally caused either by deficiencies in machines and equipment or due to deficiencies in people who are not properly trained to handle and maintain such equipment. Skilled and knowledgeable workers are less prone to accidents due to training in job skills and safety attitudes.

5. **Reduced supervision -** a trained employee supervises himself. He accepts responsibility and expects more freedom and autonomy and less supervision. This creates a spirit of participation and teamwork. Additionally, it can result in crease of span of supervision, reducing the costs associated with supervision.

6. **Personal growth -** training programs give the participants a wider awareness, a sense of self-satisfaction and fulfillment, an enlightened philosophy and a value system that are the apex of the personal growth.

7. **Organisational stability -** training and development programs foster the initiative and creativity of employees which increases a sense of belonging, thus preventing manpower obsolescence.

3.5.2 Steps in a Training Program

An effective training program consists of the following steps.

1. **Discover the training need -** training needs can be identified by assessing the current and future business conditions and by matching them with the skills and resources available and by evaluation of the performance of the people with specific emphasis on areas of improvements.

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2.   **Establish objectives of the training programs -** a full assessment must be made of the potential achievements following the training program and those that are directly attributable to these programs.

3.   **Getting ready for the job -** this step will specify the type of workers who need to be trained. Are they newcomers in the organisation? Are they older employees who need to be retrained? Are they supervisory staffs who need to be trained in the art of behaviour modification? As much as possible, the training programs should be designed to fit individual needs.

4.   **Presentation of operations -** this step involves the selection of qualified trainees and the identification of training methods. The trainer should build a rapport with the learner and clearly guide him into learning and digesting new knowledge and techniques. Instructions should be given completely, clearly and patiently and a free flow of communication and participation should be encouraged.

5.   **Evaluating the effectiveness of the training program and follow up -** the effectiveness of the program can be appraised by written and oral tests; by observing the trainees when put on jobs independently and comparing the results after the training program has been initiated. This should continue until the performance of the worker is up to expectation and then the trainer can be put on his own with reduced supervision.

3.5.3 Training Methods

There are basically two ways by which non-managerial workers including those in supervisory roles can be trained for a particular job. These are as follow.

1.   **On-the-job training -** this method is the most widely used method and it simply means putting the worker on the job under close supervision of a trained instructor. In support, there may be a variety of training aids, techniques, such as procedure charts, lecture manuals, sample problems, demonstrations etc. This training continues until the supervisor is satisfied that the employee can perform the job without supervision.

       In order to train employees in a variety of jobs, some trainers will move employees from job to job. This process is known as job rotation. It helps the organisation to have a pool of multi-task

trained workers in case of absences, vacations or disengagement of some workers.

2. **Off-the-job training (vestibule training) -** this training is conducted in a training room within the organisation, with on-the-job situation to work with. Some companies prefer this technique, since it does not disrupt normal operations. Training is generally given in the form of lectures, discussions, case studies and demonstrations.

4.0   CONCLUSION

The staffing function of management is a very significant one, especially in the light of continuous and dynamic developments in the field of technology, increase in the size of organisations due to expansion, acquisitions, and mergers and due to changes in the social structure which makes the group behaviour of workers more complicated. In any organisation- whether small or big, management must undertake staffing functions of recruitment, selection, training, and retention.

5.0   SUMMARY

In this unit, you have been taken through the process of staffing in an organisation. You have also learnt about recruitment, selection, placement, training and retention.

6.0   TUTOR-MARKED ASSIGNMENT

1. Should staffing be considered the most important function of management, since other factors are automatically taken care of, if we hire the right people? Explain.
2. What are some of the considerations which are continually impacting personnel policies and decision?

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UNIT 5   RECRUITMENT AND SELECTION

CONTENTS

1.0   INTRODUCTION

(Recruitment is Distinct from Employment and Selection)

Once the required number and kind of human resources are determined, management has to find the places where required human resources are available and also find the means of attracting them towards the

organisation before selecting suitable candidates for jobs. All this process is generally known as recruitment. Some people use the term 'recruitment' for employment. These two are not the same thing. Recruitment is only one of the steps in the entire employment process. Some others used the term recruitment for selection. These two terms are not one the same either. Technically speaking, the function of recruitment precedes the selection function and it includes only finding, developing the sources of prospective employees and attracting them to apply for job in an organisation; whereas selection is the process of finding out the most suitable candidate for the job out of the candidates attracted (i.e., recruited). Formal definition of recruitment will give clear cut idea about the function of recruitment.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- illustrate the terms recruitment and selection, and the essentials of selection procedure
- discuss the impact of personnel policies on recruitment
- highlight the main sources of recruitment and the reasons why different people or organisations prefer different sources
- explain recruitment techniques, placement and induction and types of recruitment appeal
- describe organisational relationships and factors that promote the use of selection agencies/consultant as well as factors affecting selection decisions.

3.0   MAIN CONTENT

3.1   Definition of Recruitment

Recruiting refers to those sets of activities an organisation uses to attract job candidates possessing the appropriate characteristics to help the organisation reach its objectives (Glueck, 1978). According to Byars and Rues (1984), recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen. The basic purpose is to develop a group of potentially qualified people. These definitions can be analysed by discussing the processes of recruitment through systems approach.

3.1.1 Subsystems of Recruitment

There are four subsystems in recruitment which can be divided into further subsystems as shown in the figure below:

(a)   Finding out and developing the sources where the required number and kind of employees will be available.

(b)   Developing suitable techniques to attract the desirable candidates.

(c)   Employing the techniques to attract candidates, and

(d)   Stimulating as many candidates as possible and making them to apply for jobs irrespective of number of candidates in order to increase selection ratio (i.e., number of applications per one job vacancy) in order to select the most suitable candidates out of the total candidates available and due to lower yield ratio. Recruitment is positive as it aims at increasing the number of applicants; and selection is somewhat negative as it selects the suitable candidates in which process, and unsuitable candidates are automatically eliminated. Though, the function of recruitment seems to be easy, a number of factors make performance of recruitment a complex one.

3.1.2 Complexity of the Function of Recruitment

Performing the function of recruitment, i.e., increasing the selection ratio is not as easy as it seems to be. This is because of the hurdles created by the internal factors and external factors which influence an organisation.   The first activity of recruitment i.e., searching for prospective employees is affected by many factors like:

(i)   organisational policy regarding filling up of certain percentage of vacancies by internal candidates;
(ii)   local candidates- ('sons of the soil'-those in the catchment area, where the organisation is located/host community);
(iii)   influence of trade unions;
(iv)   government regulations regarding reservations of certain number of vacancies to candidates based on community/region/caste/sex;
(v)   influence or recommendations, nepotism etc.

As such, management is not free to find out or develop the sources of desirable candidates; and alternatively, it has to divert its energies into developing the sources within the limits of those factors- though it cannot find suitable candidates for the jobs as shown in the above figure. The other activity of recruitment is consequently affected by the internal factors such as:

(i)   working conditions;
(ii)   promotional opportunities;
(iii)   salary levels, type and extent of benefits;
(iv)   other personnel policies and practices;

(v)   image of the organisations;
(vi)   ability and skill of the management to stimulate the candidates.

It is also affected by external factors like:

(i)   personnel policies and practices of various organisations regarding working conditions, salary, benefits, promotional opportunities, employee relations etc;
(ii)   career opportunities in other organisations;
(iii)   government regulations.

However, the degree of complexity of recruitment function can be minimised by formulating sound policies.

SELF-ASSESSMENT EXERCISES

i.   What is recruitment?
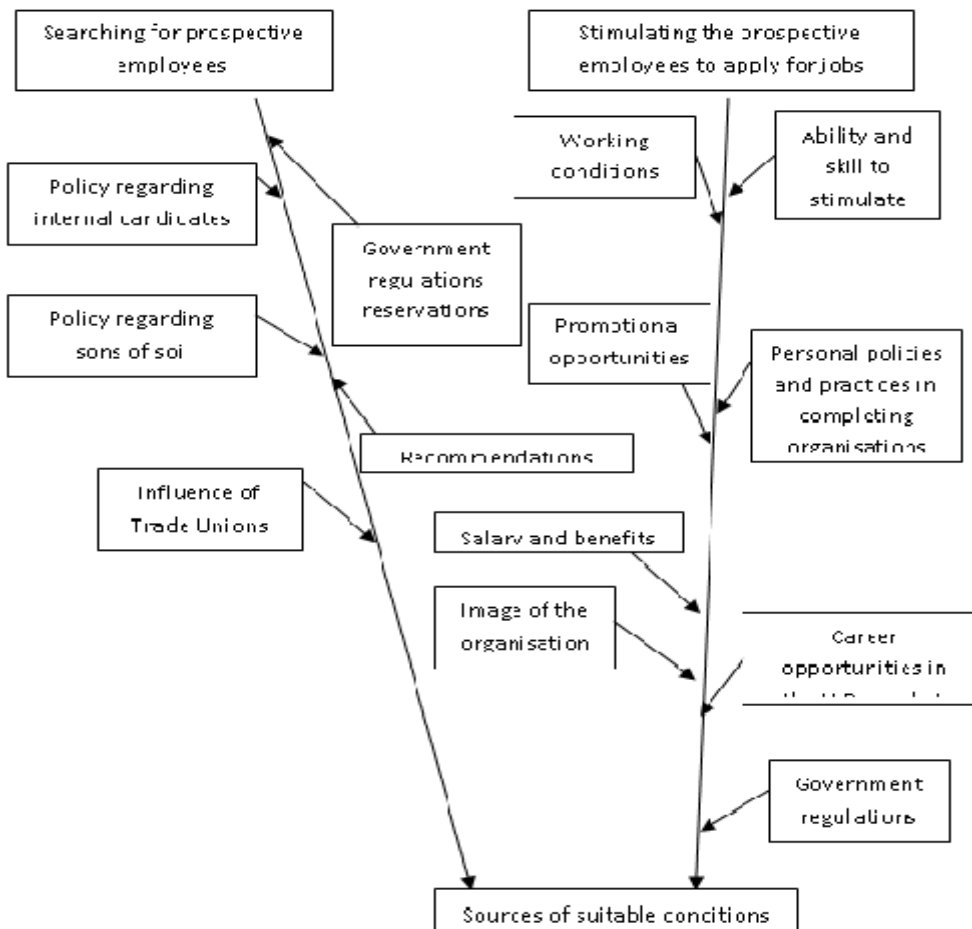ii.   What are the sources of recruitment? Which of the sources is most appropriate in Nigeria?

Figure 5.1: Challenges of Recruitment function

3.1.3 Recruitment Policy

Recruitment policy of any organisation is derived from the personnel policy of the organisation. In other words, the former is a part of the latter.   However, recruitment policy by itself should take into consideration government's reservation policy, policy regarding catchment area , personnel policies of other organisations regarding merit, internal sources, social responsibility in absorbing minority sections, women etc. Recruitment policy should commit itself to the organisation's personnel like enriching the organisation's human resources or serving the community by absorbing the unemployed and disadvantaged people of the society, motivating employees through internal promotions, improving employee loyalty to the organisation by absorbing the retrenched or laid off employees or casual / temporary employees or dependants of present/former employees etc.
The following factors should be taken into consideration in formulating recruitment policy. They are:

(a)   government policies;
(b)   personnel policies of other competing organisations;
(c)   organisation's personnel policies;
(d)   recruitment sources;
(e)   recruitment needs;
(f)   recruitment cost;
(g)   selection criteria and preference etc.

SELF-ASSESSMENT EXERCISE

Suggest an ideal induction procedure for sales executives in an electrical appliance manufacturing organisation.

3.2   Impact of Personnel Policies on Recruitment

Recruitment policies are mostly drawn from personnel policies of an organisation. According to Dale Yadar and Paul D. Standohar (1984), general personnel policies provide a variety of guidelines to be spelt out in the recruitment policy. Important among them are:

(a)   abiding by the public policy and relevant laws on selection;

(b)   providing   the   employees   the   security   and   continuous employment;

(c)   integrating organisational needs and individual needs;

(d)   providing the freedom and opportunity to employees to utilise their talents, skill and knowledge to the maximum extent;

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(e)   treating all employees fairly and equally in all employment relationships including salary, benefits, promotions and transfers;

(f)   protecting women and minority candidates;

(g)   providing suitable jobs which can be handled easily by physically-handicapped and those employees who are partially disabled due to accidents during the course of duty; and giving due consideration to those who cannot do their present jobs due to health reasons.

After formulation of the recruitment policies, management has to decide whether to centralise or decentralise the recruitment function.

3.3   Centralised versus Decentralised Recruitment

Recruitment practices vary from one organisation to another. Some organisations like commercial banks resort to centralised recruitment, while some organisations like the Indian Railways (for Group III and Group IV positions) resort to decentralised recruitment practices. Personnel department at the central office performs all the functions of recruitment in case of centralised recruitment and personnel departments at unit level (zonal level) performs all the functions of recruitment concerning the jobs of the respective unit or zone.

3.3.1 Merits of Centralised and Decentralised Recruitment

Let us look at these one after another.

a.   Merits of Centralised Recruitment

i.   Average cost of recruitment per candidate/unit should be relatively less due to economies of scale.
ii.   It will have more expertise available to it.
iii.   It can ensure broad uniformity among human resources of various units/zones in respect of education, skill, knowledge, talent, etc.
iv.   It hampers malpractices, abuse of powers, favouritism, bias etc.
v.   It will facilitate interchangeability of staff among various units/zones.
vi.   It enables the line managers of various units and zones to concentrate on their operational activities by relieving them from the recruitment functions.
vii.   It enables the organisation to have centralised selection procedure, promotional and transfer procedure etc.

viii.   It ensures the most effective and suitable placement to candidates.
ix.   It enables centralised training programmes which further brings uniformity and minimises average cost of staff.

Despite these advantages of centralised recruitment, some organisations resort to decentralised recruitment for the following reasons.

b.   Merits of Decentralised Recruitment

i.   The unit concerned concentrates only on those sources/places where it normally gets the suitable candidates. As such, the cost of recruitment will be relatively less.

ii.   The unit gets most suitable candidates as it is well aware of the requirements of the jobs regarding cultural, traditional, family background aspects, local factors, social factors etc.

iii.   Units can recruit candidates, as and when they are required, without any delay.

iv.   The units will enjoy freedom in finding out, developing the sources, in selecting and employing the techniques to stimulate the candidates.

v.   The unit will relatively enjoy advantage about the availability of information, control and feedback and various functions/processes of recruitment.

vi.   The unit will enjoy better familiarity and control over the employees it recruits rather than on employees selected by the central recruitment agency.

Both systems of recruitment have their own merits and demerits. Hence, management has to weigh both the merits and demerits of each system before making a final decision about centralising or decentralising the recruitment.   Alternatively,   management   may   decentralise   the recruitment of certain categories of employees, preferably middle and top level managerial personnel and centralise the recruitment of other categories of employees, preferably lower level positions, in view of the nature of the jobs and suitability of those systems for those categories of positions.   Management has to find out and develop the sources of recruitment after deciding upon centralising or decentralising the recruitment function.

3.4   Sources of Recruitment

Sources are distinct from techniques. Where are suitable candidates available in required number? How can they be informed about the availability of jobs and about the jobs and organisation? Now we deal with the first question as the answer to it deals with the sources of recruitment, and the answer to the second question deals with the techniques of stimulating prospective candidates (or techniques of recruitment). Generally, learners of human resource management may feel that sources and techniques of recruitment are one and the same. But they are different. Sources are those where prospective employees are available like employment exchanges. While techniques have to do with stimulating prospective employees to apply for jobs; this can be through nomination by employees, advertising, promotion etc.

Now we propose to discuss about the sources of recruitment. When a person is needed to fill a vacant organisational position, this individual may come from inside or outside the company. Some companies prefer to recruit from within, since this aids employee morale, loyalty and motivation. Other companies prefer to recruit externally to prevent 'inbreeding' and to encourage new ways of thinking.   Although recruitment policies vary significantly from company to company, some authorities feel it is a good practice to promote from within, if anyone in the company has the requisite qualifications needed to fill a vacancy (Menk, 1979).

3.4.1 Internal Sources

Internal sources include:

(a)   present permanent employees;
(b)   present temporary/casual employees;
(c)   retrenched or retired employees;
(d)   dependents of deceased, disabled, retired and present employees.

   (a)   Present permanent employees - organisations consider the candidates from this source for higher level jobs due to:

 (i)   availability of most suitable candidates for jobs relatively or equally in the same rate as the external source;
(ii)   the need to meet trade union demands;
(iii)   the policy of the organisation to motivate present employees.

(b)   Present temporary or casual employees - organisations find this source to fill vacancies relatively at the lower level owing to the availability of suitable candidates or because of pressures

from trade unions or in order to motivate them on the present job.

(c)   **Retrenched or retired employees -** generally, a particular organisation retrenches the employees due to lay off. The organisation takes the candidates for employment from the retrenched employees due to obligation, trade union pressure and the like. Sometimes the organisations prefer to re-employ their retired employees as a token of their loyalty to the organisation or to postpone some interpersonal conflicts for promotion etc.

(d)   **Dependent or deceased, disabled, retired and present employees -** some organisations, in an attempt to show their loyalty, provide employment to the dependant(s) of deceased, disabled and present employees. Such organisations find this source as a potential source of recruitment.

3.4.2   Why Organisations Prefer Internal Source

Organisations prefer this source to external source, to some extent, for the following reasons:

(i)   Internal recruitment can be used as a technique of motivation;
(ii)   Morale of employees can be improved;
(iii)   Suitability of internal candidates can be judged better than the external candidates;
(iv)   Loyalty, commitment, a sense of belonging, and security of present employees can be enhanced;
(v)   Employees' psychological needs can be met by providing an opportunity for advancement;
(vi)   Employees economic needs for promotion, higher income can be satisfied;
(vii)   Cost of selection can be minimised;
(viii) Cost of training, induction, orientation, period of adaptability to the organisation can be minimised;
(ix)   Trade unions can be satisfied;
(x)   Social responsibility towards employees may be discharged;
(xi)   Stability of employment can be ensured;

However, organisations do not excessively rely on internal source; as, even, too much consumption of sugar tastes bitter. Excessive dependence on this source results in 'inbreeding'; it discourages flow of new blood into the organisation, and the organisation will become dull and backward when there are no innovations, new ideas, excellence and expertise.

3.4.3 External Sources

Organisations have at their disposal a wide range of external sources for recruiting personnel. External recruitment is often needed in organisations that are growing rapidly, or that have a large demand for technical, skilled, or managerial employees. External sources provide a larger pool of talent, and they prove to be cheaper, especially when dealing with technical or skilled personnel who need not be offered any training in the organisation, in the long run.

Organisations usually try to dig up external sources of recruitment for the following reasons.

(i)   The suitable candidates with skill, knowledge, talent, etc., are generally available;
(ii)   Candidates can be selected without any pre-conceived notion or reservations;
(iii)   Cost of employees can be minimised because employees selected from this source are generally placed in minimum pay scale;
(iv)   Expertise, excellence and experience in other organisations can be easily brought into the organisation;
(v)   Human resources mix can be balanced with different background, experience, skill etc;
(vi)   Latest knowledge, skill, innovations or creative talent can flow into the organisation;
(vii)   Existing knowledge, skill and experience will also broaden their personality;
(viii)   It fosters long-run benefit to the organisation in the sense that qualitative human resources can be brought in.

External sources include the following:

(a)   Educational and training institutes
(b)   Private employment agencies/consultants
(c)   Public employment exchanges
(d)   Professional associations
(e)   Data banks
(f)   Casual applicants
(g)   Similar organisations
(h)   Trade unions.

(a)   **Educational and training institutes -** different types of organisations like industries, business firms, service organisations, social or religious organisations can get experienced candidates of different types from various educational institutions like colleges and universities imparting

education in science, commerce, arts, engineering and technology, agriculture, medicine, management studies etc. Trained candidates in different disciplines like engineering, medicine can also be assessed through the vocational training institutes of state governments in various trades, National Industrial Training Institute for Engineers, etc. Most of the universities and institutes imparting technical education in various disciplines like engineering, technology, and management studies provide facilities for recruitment and selection. They maintain the bio-data and performance required of the candidates. Organisations seeking to recruit candidates from this source can directly contact the institutes either in person or by mail and stimulate the candidates to apply for jobs. Most of the organisations using this source perform the function of selection after completing recruitment in the campus of the institute itself with a view to minimising time and securing prospective applicants before they are attracted by some other organisations.

(b)   **Private employment agencies/consultants -** public employment agencies or consultants like ABC Consultants in India perform the recruitment functions on behalf of a client by charging fee. Line managers are relieved from recruitment functions so that they can concentrate on their operational activities and recruitment function is entrusted to a private agency or consultants. However due to limitations of high cost, inefficiency, and the confidential nature of this function, managements, sometimes, do not depend on this source. However, these agencies function effectively in the recruitment of executives. Hence, they are also called executive search agencies. Most of the organisations depend on this source for highly specialised positions and executive positions.

(c)   **Public employment exchanges -** government set up public employment exchanges in the country to provide information about vacancies to the candidates and to help the organisations in finding out suitable candidates. The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 makes it obligatory for public-sector and private-sector enterprise in India to fill certain types of vacancies through public employment exchanges. These industries have to depend on public employment exchanges for the specified vacancies.

(d)   **Professional organizations -** professional organisations or associations maintain complete bio-data of their members and provide the same to various organisations on requisition. They

also act as an exchange between their members and recruiting firms in exchanging information, clarifying doubts etc. Organisations find this source more useful to recruit experienced and professional employees like executives, managers and engineers.

(b)   **Data banks -** management can collect the bio-data of the candidates from different sources like employment exchange, educational training institutes etc., and store them in a computer. It will become another source and the company can get the particulars as and when it needs to recruit.

(c)   **Casual applicants** - depending on the image of the organisation, its response capability, and participation in local activities, level of unemployment, candidates can apply casually for jobs through mail or in person. This will be a suitable source for temporary and lower level jobs.

(d)   **Similar organizations** - generally, experienced candidates are available in organisations producing similar products or are engaged in similar business. The management can get most suitable candidates from this source. This will be the most effective source for executive positions and for newly established organisation or diversified or expanded organisations.

(e)   **Trade unions** - generally, unemployed or under-employed persons or employees seeking change in employment put a word to trade union leaders with a view to getting suitable employment due to the latter's intimacy with management. As such, trade union leaders are aware of the availability of candidates. In view of this fact and in order to satisfy the trade union leaders, management always contacts trade unions for suitable candidates.

It is not necessary, however, to tap from all these sources in order to recruit people. Usually, management decides about the sources to be exploited, well in advance, depending on the nature of the vacancy to be filled, the time required to fill the vacancy, the availability of a larger pool of candidates etc. Immediately after this, management has to decide about the techniques to adopt while recruiting candidates for various positions.

3.5   Recruitment Techniques

Recruitment techniques are the means by which management contacts prospective employees or stimulates them to apply for jobs; it is also the means of providing necessary information or exchanging idea.

Management uses different types of techniques to stimulate internal and external candidates. Techniques for stimulating internal candidates are listed below.

(1)   Promotion - most internal candidates will be stimulated to take up higher responsibilities and express their willingness to be engaged in higher level jobs, if management gives them the assurance that they will be promoted to the next level.

(2)   Transfers - employees will be stimulated to work in the new sections or places, if management wishes to transfer them to the places of their choice.

(3)   Recommendations of the present employees - management can contact persuade outsiders to apply for job in an organisation through the recommendations of present employees, trade union leaders etc.

(4)   Scouting - scouting means sending the representation of the organisations to various sources of recruitment with a view to persuading or stimulating the candidates to apply for jobs. The representatives provide information about the company and exchange information and ideas and clarify the doubts of the candidates.

(5)   Advertising - advertising is a widely accepted technique of recruitment, though it mostly provides one way communication. It gives candidates information about job openings and stimulates them to apply. This can be through different media like newspapers, magazines of all kinds, radio, television etc.

The technique of advertising should aim at (a) attracting attention of prospective candidates, (b) creating and maintaining interest, (c) stimulating candidates to take action.

Management, in order to achieve these objectives of advertising, has to:

(f)   analyse job requirements;
(ii)   decide who does what;
(iii)   write the copy;
(iv)   design the advertisement;
(v)   plan and select the media, and
(vi)   evaluate responses.

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Management, after selecting the recruitment techniques, has to decide upon the type of appeal in order to make the recruitment efforts effective.

SELF-ASSESSMENT EXERCISE

Explain the importance and types of recruitment appeal.

3.6   Types of Recruitment Appeal

The recruitment agency should know what his organisation can offer and what the potential candidate wants (Milton, 1970).   Different candidates like young, old, women, men – have different needs.   An appeal's effectiveness depends upon applicant's fundamental and immediate needs and those needs which are not met by his present job. Recruiters should have the talents of an advertising expert, the skills of a salesman and a market research specialist.   They should also know that an organisation's appeal may be effective in hiring employees but not in retaining them.   They should use those features in recruiting the candidates that are desired by the prospective candidates.   Research studies show that male workers desire security, opportunity for advancement, self-determination, freedom on the job etc.; whereas women employees desire personal relations with people at work, good supervision, pleasant working conditions etc.

SELF-ASSESSMENT EXERCISE

Do you think that recruitment practices in India differ from those of theoretical concepts? If yes, explain the context and reasons for such differences.

3.7   Recruitment Practices

Findings of the various surveys conducted in foreign countries reveal that various organisations use the following sources of recruitment in the order of relative practice – employee referrals, casual applicants, advertising, local educational institutions, public employment exchanges, private employment agencies and unions. Industries in India depend on the following sources.

1.   Internal sources;
2.   A central pool of candidates from which vacancies are filled;
3.   Public employment exchanges;
4.   Casual labourers;
5.   Labour contractors;
6.   Candidates introduced by friends and relatives;
7.   Private employment agencies/consultants;

8.   Campus recruitment like Indian Institutes of Management, Indian Institutes of Technology, Indian Institute of Science, National Institute for Training Industrial Engineers.

9.   Catchment area (sons of the soil)- recently there has been a move in India that the vacancies at the lower level should be filled by local people (sons of the soil). Some organisations, including public sector organisations, have started providing jobs to sons of soil on priority basis. The National Committee on Labour, in this connection, recommended the provision of employment for local persons. Furthermore, the government of India issued directives to the public sector enterprises to recruit local candidates on priority basis.

10. Specified communities and categories - according to government directive, organisations- particularly public sector, have to recruit candidates to a specified extent from the scheduled castes, scheduled tribes, backward communities and from specified classes like physically handicapped, ex-servicemen and the like.

3.8   Selection

After identifying the sources of manpower, searching for prospective employees and stimulating them to apply for jobs in an organisation, management has to perform the function of selecting the right employees at the right time. The obvious guiding policy in selection is to choose the best qualified and suitable candidate for each unfilled spot and to avoid commitments to those who will not work well (Yoda and Standohar, 1984).

3.8.1 Meaning and Definition

The objective of a selection decision is to choose the individual who can most successfully perform the job from the pool of qualified candidates. Selection procedure is the system of functions and devices adopted in a given company to ascertain whether the candidates' specifications are matched with the jobs specifications and requirements or not. The selection procedure cannot be effective until and unless:

1.   requirements of the job to be filled, have been clearly specified (job analysis, etc.);
2.   employee specifications (physical, mental, social, and behavioural, etc.) have been clearly specified;
3.   candidates for screening have been attracted.

Thus, the development of job analyses, human resource planning and recruitment are necessary prerequisites of the selection process. A

breakdown in any of these processes can make even the best selection system ineffective.

3.8.2 Essentials of Selection Procedure

A selection process can be successful if the following preliminaries are satisfied:

1.   Someone should have the authority to select. This authority comes from the employment requisition, as developed by an analysis of the workload and workforce.
2.   There must be some standard of personnel with which a prospective employee may be compared, i.e.; there should be available-before hand, a comprehensive job description and job specification as developed by a job analysis.
3.   There must be a sufficient number of applicants from whom the required number of employees may be selected.

3.8.3 Significance of Selection Process

Selection of personnel to man the organisation is a crucial, complex and continuing function. The ability of an organisation to attain its goals effectively and to develop in a dynamic environment largely depends upon the effectiveness of its selection programme. If the right people are selected, the remaining functions of personnel management become easier. Also, employee contribution and commitment will be at optimum level and employee-employer relations will be constructive, cooperative and congenial. In contrast, where the right person is not selected, the remaining functions of personnel management, employee-employer relations will not be effective. If the right person is selected, he is a valuable asset to the organisation and if faulty selection is made, the employee will become a liability to the organisation.

3.9   Organisational Relationships

Before designing a selection procedure, the manner in which tasks and responsibilities for accepting or rejecting candidates should be shared by line and staff executives, must be laid down. The personnel department should eliminate all unsuccessful candidates, so that the time of the line executives need not be spent on such people. Secondly, candidates who can meet job requirements should be made available promptly. Line executive is ultimately vested with the authority either to accept or to reject a candidate. However, the personnel officer has a duty to see that the right types of personnel are selected and placement done wisely. If he is not satisfied in this regard, he should give his views to the superior and should avoid involving himself in argument with departmental head on methods of selection.

3.10   Using Selection Agencies/Consultants

Some private agencies/consultants in India perform the function of recruitment and selection so as to enable the organisations to concentrate on their main functions. They advertise, conduct tests and interview and provide a list. Some companies have started using the services of these agencies as they provide expertise and reduce workload. The organisation has to take the following factors into consideration in selecting an agency or a consultant.

1.   Reputation, effectiveness, sincerity and punctuality of the organisation;
2.   Advertisement copy, design, media of various agencies;
3.   Amount of fee, payment period and mode;
4.   Objectivity, fair and justice in selection;
5.   Selection techniques to be adopted, particularly psychological tests, interview methods etc.
6.   Competence of the human resources of the agency/consulting firm.

The company has to do the following in case of using an agency or a consultant:

1.   briefing the agency about the requirements, terms and conditions of employment;
2.   providing job and employee specifications and helping the consultant in modifying them;
3.   checking and reviewing the draft of the advertisement;
4.   ensuring that all arrangements are made for conducting test and interview.

3.11   Factors Affecting Selection Decisions

The goal of selection is to sort out or eliminate those judged unqualified to meet the job and organisational requirements; whereas the goal of recruitment is to create a large pool of persons available and willing to work. Thus, is it said that recruitment tends to be positive, while selection tends to be somewhat negative. A number of factors affect the selection decision of candidates. The important ones are listed below.

1.   **Profile matching**- tentative decision regarding the selection of the candidates (who are known) is taken in advance. The scores of these known candidates in various tests are taken as a standard to decide the success or failure of other candidates at each stage. Normally, the decision about the known candidates is made at interview stage. Possible care is also taken to match the candidate's bio-data with the job specifications.

2.   **Organisational and social environment**- some candidates, who are eminently suitable for the job, may fail as successful employees due to varying organisational and social environment. Hence, candidates' specifications must match with, not only job specifications, but also with organisational and social environmental requirements.

3.   **Successive hurdles**- multiple correlations are based on the assumption that a deficiency in one factor can be counter-balanced by an excess amount of another. A candidate is routed through all the selection steps before a decision is made. The composite test score index is taken into account in the selection tests. Hence, for broader line cases, multiple correlation method is useful; and for others, successive hurdles method is useful.
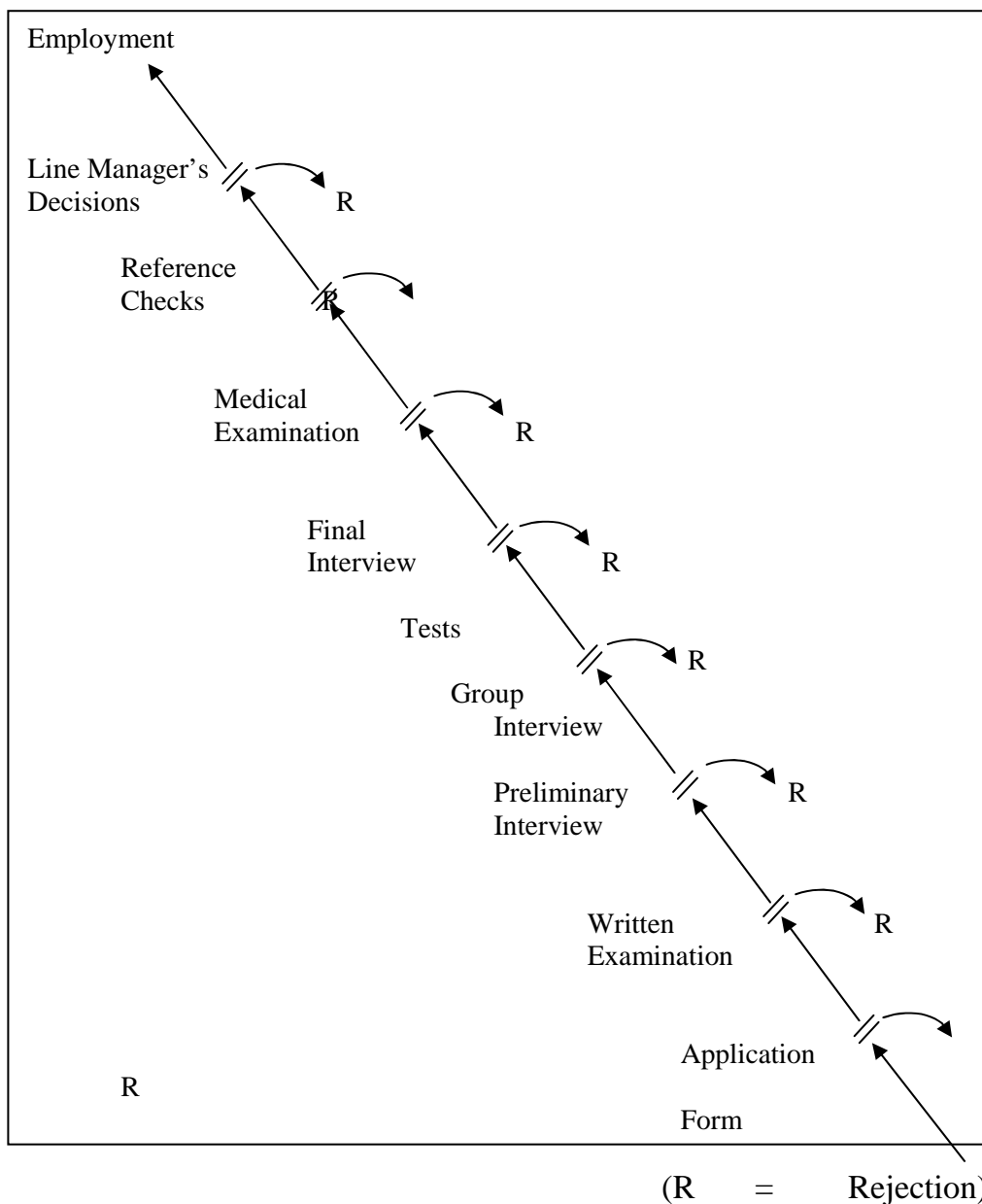

Figure 5.2:   Successive Hurdles in Selection Process

3.12   Need for Scientific Selection Systems

Every organisation has to follow a systematic selection procedure, since problems with the employee start after his selection and employment. In other words, if an organisation selects a wrong person, it has to face a number of problems with him. In addition to the cost of selection, training and other areas will become a recurring expenditure to the company owing to employee turnover caused due to improper selection technique. Every organisation is influenced by the social factors as it is part and parcel of the society. Hence, it has to do justice to all sections of the people in providing employment opportunities. To that extent, organisations should have an objective system of selection that should be impartial and provide equal opportunity. Above all, the organisation should also follow government rules and regulations regarding filling up of certain number of vacancies by the candidates belonging to certain communities and certain regions.

3.12.1   Selection Procedure

There is no standard selection process that can be followed by all the companies in all the areas. Companies may follow different selection techniques or methods depending upon the size of the company, nature of the business, kind and number of persons to be employed, government regulations to be followed etc. Thus, each company may follow any one or the possible combinations of methods of selection in the order convenient or suitable to it.

Selection procedure employs several methods of collecting information about the candidate's qualifications, experience, physical and mental ability, nature and behaviour, knowledge, aptitude and so on, for judging whether a given applicant is or is not suitable for the job. Therefore, selection procedure is not a single act but is essentially a series of methods or stages by which different types of information can be secured through various selection techniques. At each step, facts may come to light which are useful for comparison with the job requirement and employee specifications.

3.12.2   Steps in Scientific Selection Process

The steps are as follows.

1.   **Job analysis**- job analysis is the basis for selecting the right candidate. Every organisation should finalise job analysis, job description, job specification and employee specifications before proceeding to the next step of selection.

2.   **Recruitment**- recruitment refers to the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.   Recruitment is the basis for the remaining techniques of the selection and the latter varies depending upon the former.

3.   **Application form**- application form is also known as application blank.   The technique of application blank is traditional and widely accepted for securing information from the prospective candidates.   It can also be used as a device to screen the candidates at the preliminary level. Many companies formulate their own style of application form- depending upon the requirement of information based on the size of the company, nature of business activities, type and level of the job etc. They also formulate different application forms for different jobs, at different levels, so as to solicit the required information for each job; However, a few companies in our country do not have prescribed application forms; but they ask prospective applicant to apply on white paper giving particulars about his/her name, date of birth, mailing address, educational qualifications, experience etc.

Applications of some of the organisations are brief, general and easily securable while those of others are quite elaborate, complex to answer and require detailed information about the applicant. Some firms ask the candidates to fill up the application forms in their own handwriting so as to draw tentative inferences about their suitability for employment. This is so particularly for clerical positions.

4.   **Written examination**- organisations have to conduct written examination for qualified candidates after they are screened on the basis of the application blanks, so as to measure the candidate's ability in arithmetical calculations, to know the candidates' aptitude in relation to the job, to measure the candidates' aptitude, reasoning, knowledge in various disciplines, general knowledge and English language.

5.   **Preliminary interview**- preliminary interview is to solicit necessary information from the prospective applicants to assess the applicant's suitability for the job. This may be conducted by an assistant in the personnel department. The information thus provided by the candidate may be related to the job or personal specifications regarding education, experience, salary expected, aptitude towards the job, age, physical appearance and other physical requirements etc. If the information supplied by the

candidate is below/above the requirements of the job, the candidate may be eliminated depending upon the availability of number of suitable candidates. Thus, preliminary interview is useful as a process of eliminating the undesirable and unsuitable candidates. If a candidate satisfies the job requirements regarding most of the areas, he may be selected for further process.

Preliminary interviews are short and known as stand-up interviews or sizing-up of applicants or screening interviews. However, certain required amount of care is to be taken to ensure that the desirable workers are not eliminated. This interview is also useful to provide basic information about the company to the candidate.

6. **Group discussion**- the technique of group discussion is used in order to secure further information regarding the suitability of the candidate for the job. Group discussion is a method where groups of the successful applicants are brought around a conference table and are asked to discuss either a case study or a subject matter. The candidates in the group are required to analyse, discuss, find alternative solutions and select the best solution.

    A selection panel thus observe the candidates in the areas of initiating the discussion, explaining the problem, soliciting unrevealing information based on the given information and using common sense, keenly observing the discussion of others, clarifying controversial issues, influencing others, speaking effectively, concealing and mediating arguments among the participants and summarising or concluding aptly. The selection panel, basing on its observation, judges the candidates' skill and ability and ranks them according to their merit. In some cases, the selection panel may also ask the candidates to write the summary of the group discussion in order to know the candidates' writing ability as well.

7. **Tests**- the next stage in the selection process is conducting different tests as given below. The objective of tests is to solicit further information to assess the applicant's suitability. The important tests are listed below.

(i) **Intelligence test-** this test measures various factors like capacity for comprehension and reasoning, word-fluency, verbal comprehension, numbers, memory, space, picture arrangements etc.

(ii)   Aptitude test- this test measure whether an individual has the capacity to learn a given job if he is given adequate training. Examples of specific aptitudes are mechanical, clerical, academic etc.

(iii)   Achievement test- aptitude is a capacity to learn in future, while achievement is what one has accomplished. When applicant's claim to know something on achievement test is administered to measure how well he knows it.

(iv)   Interest test and personality test- the purpose of these tests is to find out the types of work in which a candidate is interest (likes and dislikes) personality tests are similar to interest tests, in that, they involve a serious problem of obtaining honest answers. These tests probe deeply to discover clues to an individual's value system, his emotional reactions and maturity and characteristic mood. They are expressed in such traits as self-confidence, tact, emotional control, optimism, decisiveness, conformity, objectivity, patience, fear, distrust, initiative, judgement, dominance, impulsiveness, sympathy, integrity and stability.

(v)   Judgement test- these tests seek to evaluate the applicant's ability to apply knowledge judiciously in solving a problem.

(vi)   Projective test- this test measures a candidate's ability to project his personality into free responses about ambiguous pictures shown to him. Administration of this test requires great skill.

8.   **Final interview**- final interview is usually followed by testing. This is the most essential step in the process of selection. In this step, the interviewer matches the information obtained about the candidate through various means to the job requirements and to the information obtained through his own observation during interview.

The types of interviews are listed below.

(i)   Informal interview
(ii)   Formal interview
(iii)   Planned interview
(iv)   Patterned interview
(v)   Non-directive interview
(vi)   Depth interview
(vii)   Stress interview
(viii)   Group interview and

(ix)   Panel interview.

9.   Medical examination- certain jobs require certain physical qualities like clear vision, perfect hearing, unusual stamina, tolerance of hard working conditions, clear tone, etc. Medical examination reveals whether or not a candidate possesses these qualities.

10.   Reference checks- after completion of the final interview and medical examination, the personnel department will engage in checking references. Candidates are required to give the names of reference in their application forms. These references may be individuals who are familiar with the candidate's academic achievement or the applicant's previous employer, who is well versed with the applicant's job performance, and sometimes from co-workers.

In case the reference check is conduct on previous employer, information may be obtained on the following areas, namely- job title, job description, period of employment, allowances, gross emoluments, other benefits, rate of absence, willingness of the previous employer to employ the candidate again etc. Further, information can be obtained regarding candidate's regularity at work, character, progress etc. Often a telephone call is much quicker. The method of using mail provides detailed information about the candidate's performance, character and behaviour. However, a personal visit is superior to the mail and telephone methods; and it is used where it is highly essential to get detailed, actual information which can also be secured by observation. Reference checks are taken as a matter of routine and treated casually or omitted entirely in many organisations. But a good reference check used sincerely will fetch useful and reliable information to the organisation.

11.   Final decision by the line manager- the line manager concerned has to make final decision whether to select or reject a candidate after soliciting required information through different techniques discussed earlier. The line manager has to take much care in taking the final decision not only because of economic implications of the decisions but also because of behavioural and social implications. A careless decision of rejecting a candidate will impair the morale of the people. This may make them suspect the selection procedure and the basis of selection of the organisation. A good understanding between line managers and personnel managers should be established for proper final decisions.

12.   **Employment**- thus, after taking a final decision, the organisation
       has to inform the successful as well as unsuccessful candidates.
       The organisation sends the appointment orders to the successful
       candidates, either immediately or after some time, depending
       upon its time schedule. The model appointment order is given in
       the figure below. The organisation communicates the conditions
       of employment to successful candidates along with appointment
       order.   Sometimes some candidates may negotiate with the
       organisation for modification of the terms of employment.

       Organisations, sometimes, accept the request of the candidates.
       The candidates who accept the conditions of employment of the
       organisation (original or modified) will eventually report for
       duty. Organisations do prepare contracts of employment; that is,
       the organisation and the candidates enter into a contract, upon
       mutual agreement on various items of the contract.   Then the
       candidate is employed by the organisation by formally receiving
       an acceptance letter from the candidate.   After this stage, the
       candidate becomes the employee of the organisation. Usually,
       management places the new employee on probation, for a period
       of time to assess his/her performance.

3.13 Placement

Once the candidate reports for duty, the organisation has to place him
initially in that job, for which he is selected. Immediately, the candidate
will be trained in various related jobs during the period of probation.
The organisation, generally, decides the final placement after the initial
training is over, on the basis of candidate's aptitude and performance
during the training/probation period. Probation period, generally, ranges
between six months to two years. If the performance is not satisfactory,
the organisation may extend the probation or ask the candidate to quit
the job. If the employee's performance during the probation period is
satisfactory, his services will be regularised and he will be placed
permanently on a job.

Placement is the determination of the job to which an accepted candidate
is to be assigned and his assignment to that job. It is a matching of what
the supervisor has reason to think he can do with the job (job
requirements). It is a matching of working conditions and what he
offers in terms of relationship with others, promotional possibilities etc
(Pigors and Myers, 1970). It is not easy to match all the factors to the
new employee who is still unknown to many. So the new employee is
placed on probation, until the trial period is over.

3.14 Induction

Introducing the new employee to the job, job location, the organisation, to other employees is the final step of the employment process. Some companies do not lay emphasis on this function as they view that this function will be automatically performed by the colleagues of the new employees. This is common in educational institutions. This process gains more significance as the rate of turnover is high among new employees compared to that among senior employees. This is mainly because of the problem of adjustment and adaptability to the new surroundings and environment.

Furthermore, absence of information, lack of knowledge about the new environment, cultural gap, behavioural variations, different levels of technology, variations in the requirements of the job and the organisation also disturb the new employee. Further induction is essential as the newcomer may feel insecure, shy, nervousness and disturbed. This situation leads to instability. Hence, induction plays a pivotal role in acquainting the new employee with the new environment, company rules and regulations.

Generally, the newcomer may expect opportunities for advancement, enhanced social status and prestige, opportunities to use special aptitudes and educational background, challenges and adventure, opportunity to be creative and original, and lucrative salary. However, jobs with low initial challenge, inadequate feedback, and inadequate performance appraisal result in a feeling of disappointment. Induction is necessary to forestall this.

Induction entails welcoming all employees when they first join a company, giving them the basic information they need to settle down quickly (with enthusiasm) and start work".

Lecture, handbook, film, group seminar are used to impart information to new employees about the environment of the job and the organisation in order to make the new employee acquaint himself with the new situation.

4.0 CONCLUSION

In this unit, you have learnt about recruitment, selection, placement and induction. You have also been taken through the procedures, methods and techniques of recruitment and selection. You also learnt the various sources of recruitment, impact of personnel policies on recruitment, types of recruitment and factors to consider in recruitment, selection, placement, and induction process. The essence of this function is to

ensure that the best hands are eventually employed to work in an organisation.

5.0   SUMMARY

This unit defines recruitment, selection, placement and induction. Also, the unit has highlighted the subsystems of recruitment, listed the complexity of functions of recruitment, centralised and decentralised recruitment, internal and external sources of recruitment. Also, you have been taken through recruitment policy, impact of personnel policies on recruitment, the sources of recruitment, why organisations prefer internal source, external source, recruitment techniques; types of recruitment appeal, recruitment practices, and essentials of selection procedure. You have also been exposed to the steps of selection process, induction and placement of new employees in organisations.

6.0   TUTOR-MARKED ASSIGNMENT

What is interview? Explain its validity and reliability. What are different types of interview?

7.0   REFERENCES/FURTHER READING

Byars, L. L. & Rue, Leslie W. (1984). *Human Resource and Personnel Management.* Illinois, Homewood, p.115.

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MODULE 3

Unit 1   Employee Training and Development
Unit 2   Motivation
Unit 3   Forecasting
Unit 4   Delegation and Decentralisation of Authority
Unit 5   Social Responsibility

UNIT 1   EMPLOYEE TRAINING AND DEVELOPMENT

CONTENTS

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1.0   INTRODUCTION

In the previous units you learnt about employee recruitment and selection. This unit will deal with employee training and development. Employee training and development are at the heart of employee utilisation, productivity, commitment, motivation and growth. Many employees have failed in organisations because their need for training was not identified and provided for as an indispensable part of management function. In this unit a distinction is made between training and development. Training is an organisational effort aimed at helping an employee to acquire basic skills required for the efficient execution of his/her duties, responsibilities/job schedule. Development deals with the activities undertaken to expose an employee to perform additional duties and assume positions of importance in the organisational hierarchy.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

•   discuss employee training and development
•   highlight the importance of qualified manpower and management development
•   explain self development
•   describe the basics of performance appraisal, performance rating/evaluation.

3.0   MAIN CONTENT

3.1   Employee Training: Conditions Requiring Training

Employee productivity is a function of ability, will and situational factors. An organisation may have employees who possess good ability and determination, with appropriate equipment and managerial support, yet productivity will still fall below expected standards. The missing factor in many cases is lack of adequate skills, and knowledge, which are acquired through training and development.

There are certain conditions that will serve as pointers to the need for training. These symptoms manifest themselves in a variety of ways. The most common ones are listed below:

(1)   Lack of interest in one's job;
(2)   Negative attitude to work;
(3)   Low productivity;
(4)   Tardiness;

(5)   Excessive absenteeism;
(6)   Excessive complaints;
(7)   High rejects or low quality output;
(8)   High incidence of accidents;
(9)   Insubordination.

When a company starts experiencing some of these signs, it should consider training. An employee will not complain to management that he requires training; instead he/she will hide his frustration and use money, for example, as an excuse by demanding more wages. He/she may complain of the lack of fringe benefits and use one or two isolated examples to justify the complaint.

SELF-ASSESSMENT EXERCISE

Distinguish between training and development. Why is this distinction important?

3.2   Objectives of Training

Some of the main objectives of training employees include the following.

Increased Productivity- from a company's point of view, productivity is at the apex of all training programmes. A well trained employee is capable of producing more than an untrained employee of equal physical ability. The success or failure of an organisation depends on employees' productivity. A well trained salesman produces more than his counterparts of lesser training (other things being equal).

Lower turnover rate- an employee who is incapable of producing is frustrated by failure and is more likely to abandon his work than those who are capable of producing. An untrained employee is like a dull school pupil; he hates school and likes to absent himself and is likely to be a school drop-out unlike other pupils who enjoy school because they are doing very well. The same situation applies to an unproductive employee. He hates his work and abandons it at the slightest provocation.

Higher morale- a man who is trained has confidence in his ability to perform. He believes that he has control of his environment and is equipped to tolerate occasional disappointments, frustrations and inconveniences. He learns to rationalise and to accept blame for his own failures instead of blaming the organisation. A trained employee derives intrinsic satisfaction from his work which promotes his morale.

Organisations that have regular training programmes give employees the feeling of being appreciated and something to look up to.

Better coordination- training helps in the coordination of men and material. During a training programme, employees are taught company expectations and objectives. They are shown the ladder through which they can attain their own objectives. This gives rise to goal congruency and, consequently, everyone pulls in the same direction. Coordination becomes easy.

On the whole, training reduces cost as it increases productivity, reduces labour turnover and promotes goal congruency.   Lack of training increases rate of absenteeism, it leads to low output, poor quality and results in high cost.

3.3   Determining Training Needs

Before any training programme is undertaken, the need for training has to be identified. The need for training increases as a result of new technology, new products, variety of new customers and other factors such as competitive strategy of competitors. To institute a training programme requires systems analysis. The manager tries to identify the problems encountered by different employees-salesmen, production employees, accounting staff and others. It can be discovered that in sales, for example, the company is picking poor prospects which means that additional training on prospecting is required. Or, analysis can reveal that low productivity in the operations department is due to work scheduling. Training in techniques of scheduling will be ideal.

Training can be a waste of time and resources if the area of emphasis in training is not properly identified. Nothing can be more frustrating and demoralising as teaching a person what he already knows. Concerted effort must be made to clearly identify areas of stress in a training programme.

Praxeonomy- according to Gilbert (1967), the best common sense approach to identify areas of training is to use the formula-

$$D \quad = \quad M - I$$

D = inefficiency in the employee
M = complete list of behaviour necessary for mastery of the job
I   = for all the knowledge of behaviour necessary for the job which the   employee already possesses.

By identifying the behaviour or traits required to perform a job and finding out what an employee lacks, training can then be concentrated in areas of deficiency.

3.3.1 Who Should Do The Training?

It is very important in all organisations to identify people who can carry out-training in the organisation. The arrangement for training is generally the function of the personnel department. In an organisation, resource personnel for training can be drawn from:

(1)   the company's regular line executives
(2)   external specialists or consultants.

Company line executives can be, in the case of sales, senior salesmen, field supervisors, territorial or area managers or sales managers who have proven knowledge of the subjects to be covered. The chief accountant, or accounts supervisors can mount training programme for production managers, salesmen, etc., on how to manage their budgets effectively. The personnel officer can give a lecture to all executives on employee motivation, participative management or on provisions of company labour contract to avoid constant management-labour conflict.

External specialists are used when the required expertise is not available in the organisation. In some instances, in-plant programmes can be arranged and effectively executed by specialists from outside. Many institutions – universities, colleges and correspondence schools offer evening classes for the training of employees on specific skills.

3.3.2 The Trainer

It must be observed here that training should be seen as a right not a privilege and should start soon after employment. The selection of trainers is very essential to ensure maximum result. A good trainer should be identified before training commences. A good trainer is one who encourages maximum participation of employees, has a positive attitude, shows enthusiasm in what he/she is doing and has confidence in himself/herself. Above all, he/she must have thorough knowledge of his/her subject. A good trainer judiciously combines the lecture method of instruction with discussions, role playing and demonstrations. A trainer can be likened to an actor. He/she conveys his/her message artistically utilising his/her entire person.

3.3.3 Methods and Techniques of Training

There is no hard and fast rule as to how to select methods and techniques of training. New training methods are constantly being experimented upon and each produces the desired effect. A manager can achieve his desired objective without knowing exactly what method has been employed. The most popular training methods in use are discussed below.

On the job training -this is the most popular, and in some cases, the only form of training programme used by some organisations. Of the 210 employers responding to the question of training, 90% use on the job training and believe that it is the most effective for their organisations. One of the advantages of on the job training is that it minimises the problem of transfer of learning associated with other methods of training. On the job training can be an ongoing process that does not excessively disrupt normal company operation. The major disadvantage is that the trainer can pick up bad habits (Foreman, 1967).

Apprenticeship programme: this method of training is employed when extensive practice or technical knowledge is required to perform a job. The training combines on the job training with classroom lectures.

Job rotation: this is a training device that makes it necessary to move the trainee from one department or unit to another to master what goes on in that section. The essence of this programme is to broaden his experience in different jobs.

Vestibule training: this is a training device that trains the employee off his regular work area, but in an environment similar to his work place. He practices his skill with identical equipment that he uses at his regular workplace. One of the advantages is that costly mistakes are avoided and the problem of transfer of training is enhanced as the trainee practices with identical equipment and tools.

Role Playing: this is a technique of training where the trainee plays the part of a certain character or acts in an event. He is taught to do a job or make decisions the way he thinks his boss could have made it. Role playing is very exciting as it challenges the imagination of the employee. Role playing promotes retention as it heightens imagination, ingenuity and resourcefulness.

Table 1.1 below shows the most popularly used training methods in Nigeria.

Table 1.1:   Modes of Training in Selected Nigerian Organisations

                                                      Type of Enterprise

Training Techniques		Service % n = 75	Manufacturing % n = 62
On-the-job Training	-	85	95
Job Rotation	-	87	82
Coaching	-	10	65
Lecture	-	75	85
Role Playing	-	68	45
Vestibule Training	-	40	68
Conference	-	72	61

As pointed out earlier, training should be an on-going affair. Training should not always be very formal. A good training can last for only a few hours or weeks; duration does not determine the quality of training. It is important to prepare the employee to be trained. He/she should be motivated to achieve mental preparedness, and he/she must exhibit the desire to learn, by being made to see the usefulness and applicability of the training. Every employee should know the training circle which should come after his performance appraisal. Figure 1.1 below shows how training is an on-going process.
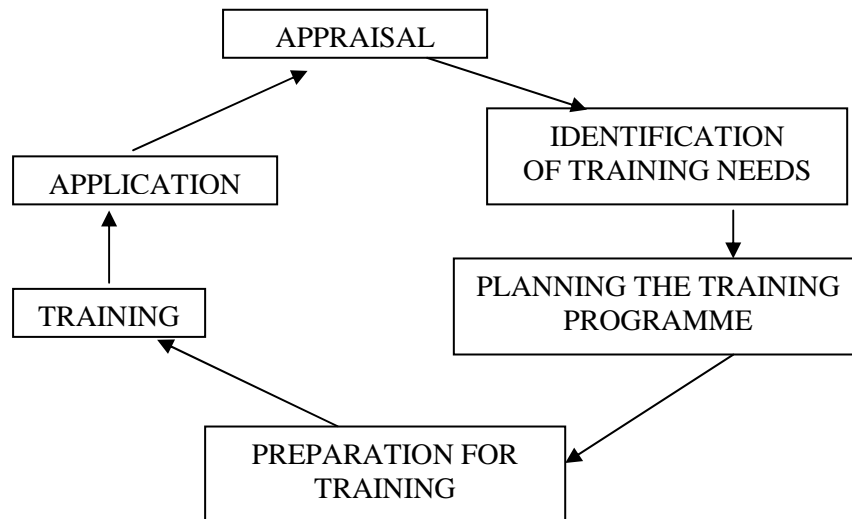

Figure 1.1:   The Training Circle

3.3.4 Evaluation

The purpose of evaluating a training programme is to determine its effectiveness. A training programme is effective if it has achieved the purpose for which it was designed. The information collected in the evaluation process should enable the company to improve on the programme for future trainees, and enable the trainers appraise themselves in terms of method and content. The most objective way of evaluating a programme is to:

(1)   obtain the honest and unbiased assessment from the trainees;
(2)   determine if, in fact, learning occurred by administering tests – oral or written;
(3)   determine if the company has benefited by it through reduction in costs, better morale, and increased productivity, reduced absenteeism rate or reduced rate of staff turnover.

Catalanello and Kirkpatrick (1968) have summarised the basic criteria of evaluation as follows.

Reaction   -   Do the trainees like the programme?

Learning   -   Did the trainees learn the facts, principles, techniques and concepts presented?

Behaviour   -   Did their job behaviour change because of the programme?

Result   -   What tangible results were achieved (reduction in staff turnover, better quality, and increased production)?

One of the major pitfalls of training programmes in Nigeria is the lack of positive reinforcement and the lack of opportunity for the trainee to actively practise what he has learnt. These have to be corrected. Above all, the objectives of the training programme must have been clearly articulated.

3.4 Employee Development

The importance of qualified manpower in the social, political and economic development of any nation can hardly be overstated. No nation is known to have attained sustained high level of economic growth and development without an ample supply of qualified manpower. Of all the factors that unlock the forces of economic growth and development, a country's human resource is the most vital, for

without it, all the other factors have to wait. Changes in the quality of work force account for the rapid economic development that has taken, place in the advanced countries than any other factor.

Kuznet once observes that:

> 'The major capital stock of an industrially advanced country is not its physical equipment; it is the body of knowledge amassed from tested findings and discoveries of empirical science, and the capacity and training of its population to use this knowledge (Kuznet, 1955)'.

The essence of any manpower programme is to "enhance the welfare of workers by maximising their skills and the quality and quantity of their employment opportunity and in so doing, add to the country's economic strength" (Manpower Report, 1969).

Thus, all manpower programmes are aimed at human resources development and utilisation. Professor Harbison sees human resources development as the process of increasing the knowledge, the skills, and the capacities of all the people in a society. In economic terms, he states, "it is the accumulation of human capital and its effective investment in the development of an economy" (Harbison, 1964).

Countries such as Japan, Korea, W. Germany, Italy etc., are known to have attained high levels of development despite the absence of mineral wealth of any significance. Thus, the manpower programme of any nation is intricately interwoven with her economic and social development. The Nigerian government is cognisant of this fact and has overtly encouraged the establishment of many institutions and organisations for the training and development of her manpower. Over twenty universities have been founded and many more are planned. Many colleges of technology have been established for the training of intermediate level manpower.

The educational system of the lower levels is being re-oriented to give adequate emphasis to the acquisition of practical skills. There are over ten federal/state trade schools now in the nation with emphasis on the acquisition of rudimentary skills necessary for successful careers in many organisations.

Government has also set up many institutions to help in management education in the country. The National Manpower Board is responsible for the periodic appraisal of requirements for manpower in all occupations and the development of measures for in-service training of employed manpower both in the public and private sectors. The

Administrative Staff College of Nigeria (ASCON) was established to provide diverse training facilities for senior managers of the economy. The Nigerian Institute of Management, the Centre for Management Development (C.M.D.), have also been established for manpow6r development, training and coordination.

The Industrial Training Fund (I.T.F.) was established to promote and encourage the acquisition of skills in industry and commerce with a view to generating a pool of indigenous-trained manpower sufficient to meet the needs of the economy. The Nigerian government has also entered into bilateral agreements with some foreign countries for the training of Nigerians in practical skills. Each year, many scholarships are offered to deserving Nigerians to study in some foreign countries. Despite all these, the manpower problems of this country are far from being mitigated.

3.5   Management Development

A national survey reveals that promotion is the most valued organisational reward by senior staff. Management development gets an employee ready for a rise in the organisational hierarchy. Promotion gives a sense of self-fulfillment and its denial, especially when one thinks one merit it, deflates one's ego. Every organisation should identify and encourage employees who have the potential to contribute their quota in the organisation and the society as a whole. No organisation can continue to survive and grow in our dynamic environment that forgets to develop its managerial cadre.

3.5.1 Human Asset Accounting

The importance of quality manpower in an organisation has been sufficiently highlighted by Likert who is one of the greatest proponents of human asset accounting. He postulates is that human asset should be quantified and placed on the balance sheet of the organisation. This would imply that the value of the organisation will improve as qualified employees are attracted, trained and developed in the organisation. The asset value of the organisation will decrease as skilled staff leave the organisation or become irrelevant.

Likert points out that the following factors should be used in determining the value of human assets –

(1)   Intelligence and aptitude
(2)   Training
(3)   Level of performance
(4)   Motivation

(5)   Quality of leadership
(6)   Degree of team work
(7)   Communication system and
(8)   Coordination of efforts.

While some of these items are difficult to be given cash value, one thing is certain: the concept shows the importance of quality personnel.

3.5.2 Nature of Management Development

One of the functions of management is self development and employee development. Before an organisation starts an employee development programme, certain factors must be considered.

Organisational Objective- development of objectives is the first step required in the preparation for management development. As discussed by Drucker, an objective is like a compass by which a ship navigates. The compass bearing itself is firm, pointing in a straight line towards the desired post. Objectives give a sense of purpose and direction. This will help the organisation to analyse its long-range goals and strategic plans for the future.

3.5.3 Determination of Employee Development Needs

Based on organisational objectives, a company can determine its high-level or other manpower needs by taking an inventory of the manpower at the present and finding out the skills and traits still required to achieve pre-determined goals. An objective analysis of this situation leads management to state what specific areas development has to concentrate on.

Implementation – implementation involves a systematic procedure to develop the manpower required. This can take the form of job rotation, getting the staff to "assist" higher staff, attendance at university executive programmes, conferences, promotions and role playing.

Evaluation – there is a need for constant evaluation to ensure that the needs are being met. Figure 1.2 illustrates this commonsense approach to management development process.
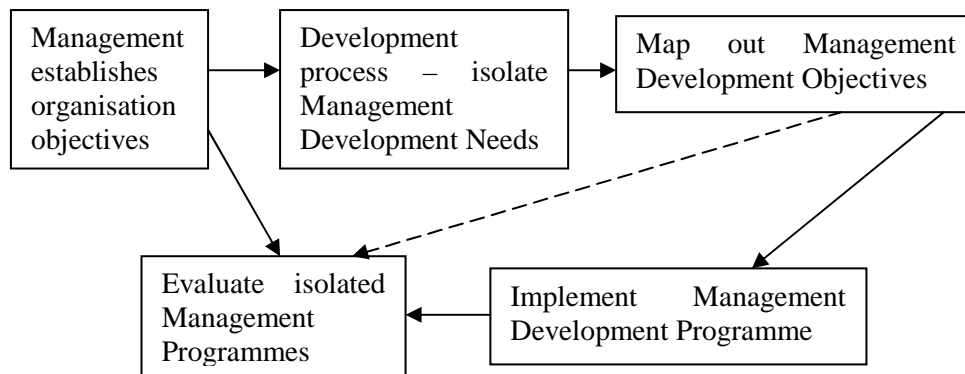
Figure 1.2:   Commonsense Approach to Management Development Process

One of the major purposes of management development is to avoid managerial obsolescence. Management development programmes are growing very rapidly in Nigeria. All major corporations and companies (with over 100 employees) have regular management development programmes especially for those in the upper and middle organisational hierarchy. A study of 102 companies indicated that 85% had annual management development programmes in one form or the other.

The duration of the programmes varies from three days to one month. 40% of these have sent at least three employees overseas in the last two years for courses of three months to one year duration. The techniques used in management development programmes in Nigeria are lectures, role playing, attendance at conferences, short courses overseas, university evening programmes, in-plant training courses and workshops.

The selection of participants is determined by top management. All management development programmes in Nigeria are optional; nevertheless, pressure is exerted on some employees who show little or no interest in sell development. Employees perceive the opportunity to attend short management development programmes overseas as a special recognition and nobody misses the opportunity except in very rare cases.

3.5.4 Problems Associated with Management Development in Nigeria

The following are some of the problems associated with management development in Nigeria- as identified by organisations and employees.

(1)   The objective of training programme is not always clearly stated to participants. There is no mental preparedness.

(2)   Some employees see some development programmes as a few days off work- meant for relaxation.

(3)   There is no positive reinforcement after the training.

(4)   Some of the programmes are not related to employee needs for self development and self actualisation.

(5)   The company does not evaluate the outcome of the programmes. There are, in many instances, no examinations – written or oral or feedback.

(6)   Employees do not have the opportunity to put what has been learnt into practise.

(7)   Many management development programmes are boring as the lecturers speak in general terms.

(8)   There is the problem of transfer of learning. Some of the concepts and principles taught are too academic and very difficult to apply in real life situations.

(9)   Many management development programmes are not properly played and there are no sequences to the courses offered from year to year.

(10)   There is inadequate support from executives.

(11)   Consultants are not properly selected and do not adapt their lectures to suit specific organisational needs.

SELF-ASSESSMENT EXERCISE

What are the different ways of developing managers? Which of these methods do you consider most effective and why?

3.5.5 Management Development Methods

Some of the methods of management development have been discussed in the previous section on employee training. Some more techniques are mentioned below.

Coaching- this method is ideal for both employee training and management development. In this method employees are attached to a supervisor who coaches them on specific concepts. Instant feedback is

given as to how well the employee performs. The advantage is that the employees are attached to experienced teachers.

Assisting- this is a method of developing subordinates aspiring for management positions. As "assistant" to a higher office, the employee gets assigned duties that expose him to different management functions. He learns the procedure for handling, specific tasks assigned to him. He gets a feedback from the manager on how well he performs in his department or office.

Special assignments: special assignments have been used as successfully as a training technique. Management trainees are often assigned to special projects such as membership – of a taskforce, given special board or committee assignments, or asked to resolve problems originating in any departments – production, personnel or finance.

Conferences, seminars and workshops: these are effective method of development. Management personnel are allowed to attend well organised seminars, conferences or workshops organised by colleges and universities. In such conferences scholarly papers are presented by experts and discussions are centered on the presentation. New techniques and concepts are examined and participants are encouraged to ask questions and express their views. Nigerian universities organise many national seminars, conferences and workshops every year for the enhancement of management.

Other useful methods in management development include case studies in which written descriptions of situations are analysed, problems are identified and solutions are sought. Another is simulation in which simulators are used to represent the actual situation as is the case in training of pilots.

There are also executive games in which problems of top management are presented in the form of games. The executive game forces the participants to deal simultaneously with all factors in a business situation – production, marketing, finance, competition, inflation and so on. You can get detailed discussion on these methods in any standard textbook on personnel administration.

3.6 Self Development

At the root of all organisational employee development is self development. The desire for an individual to better his lot in an organisation and attain self fulfillment is necessary for the success of any organisational or group effort. An executive owes it to himself to ensure self development. A manager must desire to develop and grow in

ability for any programmes to be successful. An executive does not have to wait for the organisation to force him to grow; those who do, become obsolete. If a manager wishes to excel, especially in Nigeria, he must engage in activities that will identify him as a potential candidate for success in the organisation.

Not all managers can reach the top, nor can all be exposed to formal management development programmes- given the limited facilities in Nigeria. It is therefore expected that management should use its own initiative to enroll in executive development programmes. As Levinson astutely puts it, "every person who pursues a career, as distinct from a job holder should expect to continue his education for the rest of his professional life". Levinson advocates that every manager should establish alternative competence to increase his/her sense of independence.

Many indigenous organisations in Nigeria are comparatively small to offer more than moral support to an executive who wishes to improve/develop himself. Executive obsolescence is here to stay. New technological breakthroughs are surfacing in several professions – making the conservative executive obsolete. An accounting executive who does not know that high speed electronic data processing procedures are about to make him obsolete needs to wake up. The physician who is not abreast with medical technological advancement in his profession is already obsolete. Whatever the excuse for inaction, the problem remains how to build and maintain adaptive flexibility that will serve a lifetime.

3.7   Performance Appraisals

One of the key responsibilities of the manager is to evaluate the performance of his subordinates. The essence of the evaluation is to assess their character, attitude, potentials and performance on the job. Employee evaluation has often been called performance appraisal, performance rating or performance evaluation. Whatever name it is called, the essence of the rating is to evaluate an employee's strength and weaknesses.

One of the major reasons for employee appraisal is to obtain information for promotion, demotion, transfer, pay increase, training and development and discharge. For an employee, an appraisal gives him a feedback as to how management perceives his contribution to the organisation. If an employee perceives that he is poorly evaluated, it could affect his morale; lead to absenteeism and tardiness and, consequently, his overall productivity will be impaired. This is why

employee evaluation is expected to be done in the spirit of objectivity, honesty and fair play.

When an official evaluates, he is in effect passing judgement that he has the competence to evaluate; he knows the employee and has observed him at work for a long time. Many employees are afraid of evaluation and have negative feelings about it. Every day in an organisation, employees informally evaluate one another; even the supervisor is not left out. When the official evaluation comes out, employees compare opinions they hold with the formal evaluation result from their supervisors. A supervisor is said to be fair or unfair based on employees' preconceived opinion of themselves and one another.

3.7.1 Personal Characteristics in the Appraisal Form

There is a litany of personal characteristics that are evaluated during an appraisal exercise. Some of the major characteristics often included are listed below.

Honesty	Judgement	Loyalty
Personality	Industriousness	Attitude
Dependability	Persistence	Tactfulness
Cooperativeness	Resourcefulness	Maturity
Adaptability	Imaginative ability	Motivation
Initiative	Enthusiasm	
Leadership	Aggressiveness	
Creativity	Skill competency	

Certain basic characteristics are emphasised more in certain jobs than in others. In a sales job, for example, traits such as aggressiveness, persistence, resourcefulness, creativity etc., will be emphasised. Organisations should design their appraisal forms to suit their special needs.

3.7.2 Performance Appraisal Methods

The most common appraisal methods are discussed below.

The ranking method- this is the oldest and the most common appraisal method in use. The supervisor ranks his subordinates from the most productive to the least productive.

Graphic rating method- this is one of the most popular rating methods. This technique measures two major areas of employee work characteristics:

(1)   the basic work characteristics such as knowledge, initiative, dependability, leadership, loyalty, etc.

(2)   the employee's contribution to the organisation such as quality and volume of work done.

Paired comparison method- this closely resembles the ranking method. Two employees are compared at a time and the better one is noted; then those that are noted are paired again. This is not a popular method because there are usually many traits to be evaluated.

Forced choice method- the forced choice method forces the supervisors to make use of retards. The officer doing the rating is forced to select a pair of sentences that best describe the employee. The purpose of this technique is to minimise bias; as his lack of knowledge or inconsistency is easy to detect from his choices.

Critical incident method- in this method the rater is expected to show incidents in the work situation in which the employee being evaluated has shown positive or negative influences in work situations. Factors such as initiative, judgment, creativity etc., are to be shown.

Field review technique- this method allows external specialists to evaluate the employee. Due to the cost involved, this technique is used very sparingly. One of its setbacks is that the outside specialist does not know the employee nor does he have the necessary information for an objective evaluation.

Other employee review techniques include peer rating- where the employee's co-workers evaluate his performance. Surprisingly, peer rating does not differ a great deal from an objective supervisor's rating. An employee can also evaluate himself. Good motivation can make an employee to evaluate himself, bring out his strengths and weaknesses and even suggest ways of improvement.

Evaluation should, at least, be a yearly activity of management. It does not require a man of exceptional ability to evaluate another. Although Taft believes that people who make good raters are characteristically intelligent, emotionally stable and socially skilled, any objective supervisor who knows the employee and what is expected of him is capable of giving a valid employee evaluation.

3.7.3 Steps of Employee Performance Rating

The following steps are recommended as effective steps for an employee appraisal system:

(1)   Prepare the performance requirements. Determine how well you expect the employee to do his work.

(2)   Discuss the performance requirement with the employee and adjust them as needed.

(3)   Observe what the employee is doing.

(4)   Evaluate his performance against requirements.

(5)   Discuss evaluation with employee.

(6)   Take appropriate action.

3.7.4 Pitfalls of Performance Rating

Some of the key pitfalls of performance rating are given below.

(1)   Halo effect –the rater allows one outstanding negative or positive incident or trait to influence his rating of the employee.

(2)   Rating the man and not the job – subjective evaluation of the employee based on the rater's likes and dislikes or whether he gets along well with the subordinate or not, or whether he likes his tribe, religion or language

(3)   Rating every employee average – this is the error of central tendency where the rater sees every employee as average. This problem often is an escapist attitude. He believes it is the most convenient and least contestable way out.

(4)   Pressure of time – this is associated with the lack of time that induces management to rush the appraisal.

(5)   Not sharing the result – here the rater refuses to discuss the rating with the subordinate. In Nigeria, the open reporting system makes this a thing of the past.

(6)   Recency – tendency to rate one positively or negatively because of latest events that took place before the rating.

An analysis of 402 respondents in Nigeria shows that on the average, 42% are victims of these pitfalls. 27% conceded that they often committed the error of rating the man and not the job. Only 42.5% of Nigerian employees responding to a questionnaire on the subject (n - 402) believe that employee appraisal is useful. A larger percentage,

57.5%, believes that it is useless. The reasons given range from its being superficial, the lack of knowledge on - the part of the supervisor to give an informed opinion to "god-fatherism" in the organisation.

3.7.5 Purposes of Performance Evaluation

Performance evaluation is not an end in itself; it is a means to an end. The end is, as pointed out, to help the employee know his weaknesses and strengths, and help the employer make some basic decisions on how to create an enabling environment within the organisational. Ordinarily, employees who contribute most to organisational efforts should benefit more than those who contribute little – that is equity. Perceived inequity forces an employee to withhold a measure of his efforts toward the attainment of organisational goal.

Table 1.2:   Purposes of Merit Rating Programmes

Purpose	Blue Collar Employees Only		White Collar Employees only		Both Blue and White Collar Employees	
	No	%	No	%	No	%
Wage and salary administration	13	76	93	90	114	69
Promotion	10	59	82	80	112	73
Training and development	7	41	72	70	102	61
To help supervisors know employees	4	41	67	65	101	61
Transfer	7	41	76	74	102	61
Follow-up interview	5	29	50	49	57	34
Discharge	1	6	39	38	77	46
Layoff	4	24	26	25	44	27
Personnel research	3	18	28	27	48	29
Total company with merit rating programmes	**17**	**100**	**103**	**100**	**166**	**100**

Source: *National Industrial Conference Board; Personnel Practices in factory and office manufacturing studies in personnel policy -New York, (1964).*

3.7.6 Periodic Appraisal

Employees should be appraised periodically. Most organisations in Nigeria have annual appraisal systems. The formal annual evaluation should not be a substitute for periodic informal employee appraisal. Periodic appraisal gives the employee the opportunity to correct deficiencies before the formal annual evaluation. The main purpose of an evaluation is not punitive but corrective.

Periodic appraisal can assist the supervisor in judging the degree of trust he can place in his subordinate, and trust in his punctual and effective performance. Employees have always held it against their supervisors if they were never told of their in-competency until the time of appraisal. Periodic evaluation helps the supervisor to determine when an employee's task should be enlarged or diluted. Periodic evaluation makes the annual formal evaluation easy and predictable as the subordinate has been receiving feedbacks throughout the year on his performance.

As pointed out, one of the objectives of employee evaluation is to enable the supervisor to know the employee better. The more the number of times an employee is evaluated, the more the supervisor knows him and the more reliable will be his subordinate's evaluation. In the Nigerian civil service where it takes, at least, nine months to dismiss an employee because of the number of steps required for dismissal proceedings, in which the burden of proof seems to be on the supervisor to establish that the subordinate is in fact subject to dismissal, periodic evaluation is necessary to make the task easier for the supervisor.

4.0 CONCLUSION

In this unit, you have learnt about employee training and development, conditions requiring training, objectives of training and how to determine training needs. You also learnt about the importance of qualified manpower and management development, self development and performance appraisals, personal characteristics in the appraisal form, performance appraisal methods, steps in employee performance rating, pitfalls in performance rating, purposes of performance evaluation and periodic appraisal.

5.0 SUMMARY

In this unit, you have learnt about employee training and development, the conditions requiring training, objectives of training, how to determine training needs, the importance of qualified manpower and management development. You have also been exposed to self development and performance appraisals; personal characteristics in the appraisal form, performance appraisal methods, steps of employee performance rating, pitfalls of performance rating, purposes of performance evaluation and periodic appraisal.

TUTOR-MARKED ASSIGNMENT

Distinguish the following.

1.   Recruitment
2.   Selection
3.   Job design
4.   Job specification
5.   Job description and job analysis.

6.0   REFERENCES/FURTHER READING

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UNIT 2   MOTIVATION

CONTENTS

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1.0   INTRODUCTION

One of the major problems confronting management is that of motivating workers to perform assigned tasks to meet or surpass predetermined standards. It is not easy to motivate an individual, for the success of any motivational effort depends on the extent to which the motivator meets the needs of the individual employees for whom it is intended.

In this unit, we shall be discussing motivation, its process, types of motivation as propounded by various authorities to enable learners to comprehend and understand the concept.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

*   define motivation
*   discuss the hierarchy of needs as propounded by Abraham Maslow; McClelland, Herzberg and McGregor
*   explain Herzberg's two-factor theory of motivation
*   distinguish between Maslow, McClelland and Herzberg's theories of motivation.

3.0   MAIN CONTENT

3.1   The Motivation Process

Motivation is that energising force that induces or compels and maintains behaviour. Human behaviour is motivated, it is goal directed. It can also be defined as an internal psychological process which its presence or absence is inferred from observed performance. Motivated behaviour has three basic characteristics, which are stated as follows.

(1)   It is sustained – it is maintained for a long time until satisfied;
(2)   It is goal-directed – it seeks to achieve an objective;
(3)   It results from a felt need – an urge directed towards a need.

A need creates a tension in the individual who moves in a certain direction in order to achieve the desired objective which reduces the tension. A satisfied need does not motivate; conversely, an unsatisfied need motivates. Figure 2.1 below shows the process of motivation.
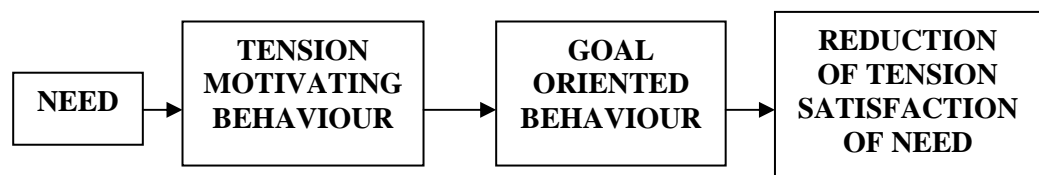

Figure 2.1:   The Process of Motivation

The process starts with a perceived need, then a tension is created which starts the motivating behaviour; then there is a move towards the realisation of the need – a goal oriented behaviour. As soon as the need is satisfied, the tension relaxes. To motivate an employee, management must create real or imagined need for the employee to aspire. A real need can be a desire to achieve through promotion, increase in wages or enjoyment of increased benefits or perks, such as company cars with a chauffeur. Imagined needs of a staff could be an aspiration to have coffee at 10.00 a.m. It is the entitlement of successful executives, to have a secretary, have someone to carry his/her brief-case upstairs, have someone to run the office at the sound of the bell or get visitors to fill papers before they enter into his/her office.

For the purposes of this course, terms such as need, desire, aspiration and drive re used interchangeably. Since every employee has needs, he/she is capable of being motivated. The task of management is to determine the valued needs that will make him/her react according to organisational desires – increased productivity.

3.2   Maslow's Hierarchy of Need

A hierarchy of needs theory was advocated by Abraham H. Maslow. According to him, man always has needs to satisfy. These needs can be classified in a hierarchical order starting from the basic needs to higher order needs.   Once a particular need is satisfied, it ceases to be a motivator of behaviours, and another need emerges. According to this psychologist, these needs can be classified into five (as shown in figure 2.2 below) - these are physiological need, safety need, social need, esteem need and self-actualisation need.
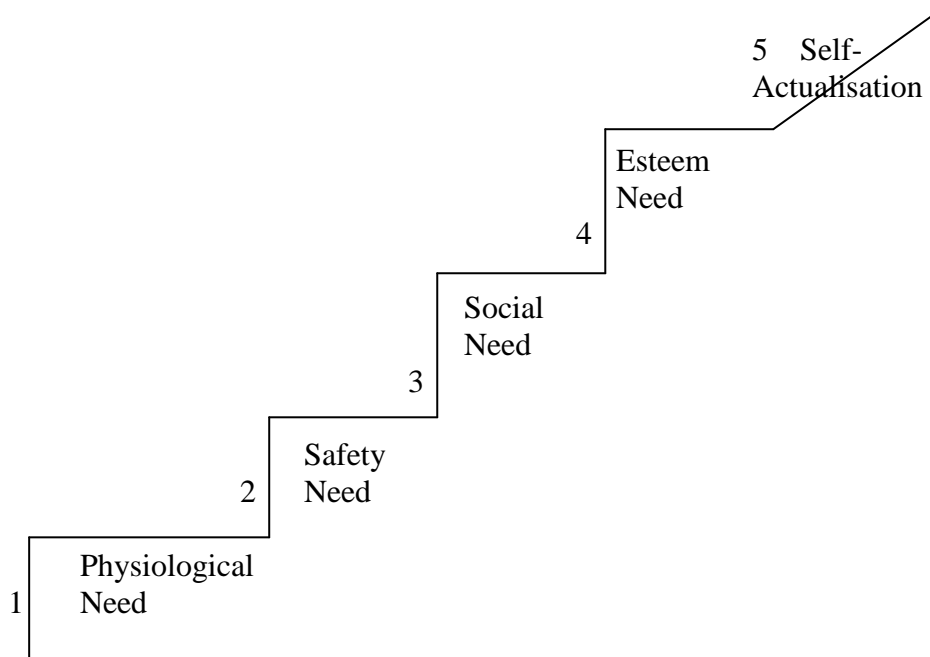

Figure 2.2:   Classification of Maslow's Hierarchy of Need

(a)   Physiological need

This is the basic need of people – food, clothing and shelter. These needs are strongest in man's life and must be satisfied before other needs. This need can be satisfied with money. A man who is starting life needs money to obtain shelter, buy food and clothing. His major preoccupation will be to ensure that these basic needs are substantially satisfied. It appears to have a dominating influence than any other need at this stage of a person's career. At every stage in an organisation, management is to recognise that every kobo means much to the employee. He will trade some comfort for money.

(b)   Safety need

As soon as physiological needs are satisfied, safety need appears. An individual's safety is considered very important. Issues about what happens in times of sickness, about protection from organisational hazards become a major concern. Safety need is a protection against bodily harm, danger, loss of employment, deprivation or threat. An employee likes to know that his employment is permanent. The loss of his job can induce him to seek ways of satisfying his physiological need.

Thus, to encourage productivity, management may threaten him with the possibility of loss of employment. The organisation should help to solve a person's dependency need. The employee gets worried if he is not a confirmed staff or is subjected to discrimination or arbitrary managerial action. Safety need can, indeed, be very strong in an individual.

(c)   Social need

This need is often referred to as acceptance need. The individual has satisfied his two basic needs and wants acceptance- to love and be loved. He values friendship, affection and the sense of belonging. Affection need, esteem need and self-actualisation are secondary needs. They are seldom satisfied by money. At this stage, the individual belongs to small clubs or informal groups at the workplace.

(d)   Esteem need

This is the fourth need. At this stage, the individual has need for recognition, accomplishment, achievement and the need for self-respect. He loves to take responsibilities and prove himself. The esteem need is the "ego" need. He wants his contributions to be recognised and appreciated by management and co-workers.

The feeling of independence, professionalism and confidence is highest at this stage. It is important for management to recognise and reward him for his contribution to the organisational effort. When people who work with him (and management) appreciate him by helping to build up his ego- self-esteem, confidence, power and prestige needs are satisfied.

(e)   Self-actualisation need

This is the last in Maslow's hierarchy of needs. This need is often called fulfillment need. This is the need for an employee to reach his highest potential at workplace or in conquering his environment. As Maslow succinctly puts it, "what a man can be, he must be". A man is actualised when he feels he has reached the highest he is capable of reaching in

organisation or life. The feeling of competency, being the best or having achieved manifests itself.

Maslow believes that an average citizen satisfies perhaps 85 percent of his physiological needs, 70 percent of his safety needs, 50 percent of his love needs, 40 percent of his esteem needs, and 10 percent of his self-actualisation needs. This means that a majority of people do not satisfy their self-actualisation needs. The need for self-actualisation manifests itself in many ways in Nigeria. People like to be seen and referred to as professionals. For example, many people who have achieved status through the accumulation of wealth like to be called Chiefs, or Alhajis; teachers who hold PhD like to be called "Doctor"; professionals like to be called Engineer…Architect…Barrister. Even, women who have earned these titles, like to be addressed as Dr.(Mrs.); Barrister (Mrs.), etc. This is because of the prestige that the titles carry.

Maslow has succeeded in classifying human needs, at least, as an aid in thinking for management. What is being disputed in Maslow's theory is the issue of successive saturation. One can easily see the interrelatedness in human needs. In fact, by satisfying one need, other needs are apparently receiving attention, for the dignity of human beings is predicated on the satisfaction of all the needs. Figure 2.3 below shows the different behaviours associated with need cycles.
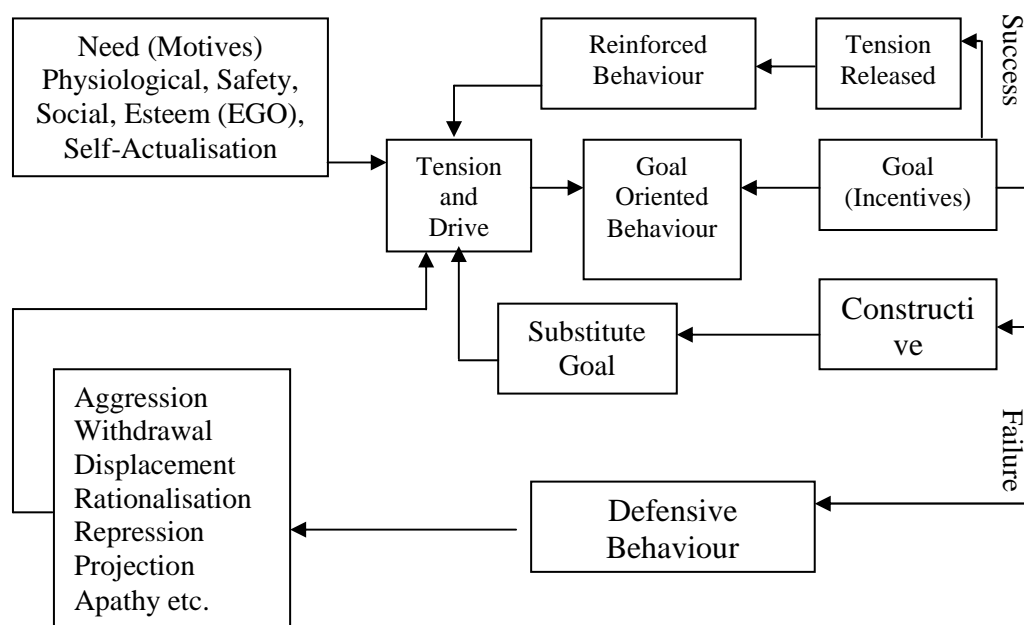

Figure 2.3:   *Behaviour Associated with Need Cycle*

Source: *Howard M. Carlisle: Management: Concepts and Situations, Chicago: Science Research Associates, Inc., 1976, p. 272)*

As shown above, needs or goals are the drives that create the tension that are fulfilled by goal oriented behaviour. Should the need remain unfulfilled as the lower part of the loop shows, new tension is created and a new goal oriented behaviour is made to satisfy the need. If the need is satisfied as in the upper loop, tension is released, a new goal emerges and tension is created. Failure to achieve an objective gives rise to a series of defensive behaviour such as aggression, withdrawal, depression and projection. These are discussed later.

3.3   Need for Achievement

Closely related to Maslow's hierarchy of needs is McClelland et al.'s need for achievement postulate (n – achievement). According to McClelland, some people achieve more than others because they have a greater desire to achieve. McClelland and his colleagues discovered that those who had a greater need for achievement were neither high risk takers, nor low risk takers. They appeared to be realistic about their goals and set moderate challenges for themselves. They were motivated by achievement and saw money as a measure of their progress; so were status and power which were not by themselves needs but were socially accepted measures of success in the satisfaction of the need to achieve.

A supervisor who has a need for recognition among his peers or colleagues will strive for status and recognition. All people who have *n-achievement* are constantly interested in feedback as to the extent that they are realising their objectives.

3.4   McGregor's Postulates

McGregor has some basic assumptions regarding human behaviour. An understanding of these assumptions is important for managers in directing human beings. These assumptions are classified into *Theory X* and *Theory Y*.

Theory X – The basic assumptions are as follows.

1.   Work, if not downright distasteful, is an onerous chore to be performed in order to survive;

2.   The average human being has an inherent dislike for work, and will avoid it if he can;

3.   Due to this human characteristic dislike for work, most people must be coerced, controlled, directed or threatened with punishment to get them to put forth adequate effort toward the achievement of organisational objectives;

4.   The average human being prefers to be directed, wishes to avoid responsibility, has relative little ambition, and wants security above all.

Theory Y – the assumptions of this theory are as follows:

1.   The expenditure of physical energy and mental effort in work is as natural as play or rest;

2.   External control and the threat of punishment are not only means for bringing about effort towards organisation's objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed;

3.   Commitment to objectives is a function of the rewards associated with their achievement;

4.   The average human being learns, under proper conditions, not only to accept but seek responsibility;

5.   The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly distributed in the population;

6.   Under the conditions of modern life, the intellectual potentialities of the average human being are only partially utilised.

As McGregor notes, behind every management action or decision are assumptions about human nature and human behavior. Those managers who subscribe to *theory Y* behave according to the postulates in *theory Y*. They believe that human beings like to take responsibilities and that commitment to an objective is a function of the rewards associated with it. These rewards are the needs that will motivate them to act. The rewards create the tension in the individual that subsides when realised. How we act or react to other people is influenced by our assumptions about those people.

If we believe that an employee has special dislike for work and will avoid it if he can; if we believe that he is at work because he needs money to satisfy his physiological needs, we will attempt to motivate him with money and threaten him with loss of employment (security need) if he does not put in a measure of his effort. A person's attitude towards work is not inherent, it is a learned behaviour. Need appears to be universal; even people whose basic needs are satisfied, still have the need for achievement, status and acceptance. It is not surprising that people whose parents have amassed wealth for them and their entire lineage still struggle to achieve and gain individual recognition, status and power.

A motivated employee has adult characteristics. He enjoys independence, has longer, deeper and more consistent interest in what he does. However, a frustrated employee is forced to act like a child. He has dependency syndrome with erratic, casual or shallow interest.

3.5   Herzberg's Two-Factor Theory of Motivation

Herzberg's two-dimensional theory of motivators and dissatisfiers has received enough publicity in the area of motivation. These two-factor theories have often been called "motivation maintenance theory", "motivation-hygiene theory", or "dual factor theory".

Motivators- according to Herzberg, the motivators are listed below.

1.   Achievements
2.   Recognition
3.   Responsibility
4.   Advancement
5.   Work, itself.

These are factors that will induce an individual to put forth adequate effort in the accomplishment of organisational goals.

Hygiene factors or dissatisfiers - The dissatisfiers are as listed below.

1.   Relationship with supervisors
2.   Working condition
3.   Relationship with peers
4.   Personal life
5.   Compensation (money).

Herzberg et al. observe that an improvement in the hygiene factors, (company policies and administration, supervision, working condition, interpersonal relations, personal life, money, status and security) would serve to remove the impediments to positive work attitudes. When these factors deteriorate to levels below that which the employee considers acceptable, then job dissatisfaction sets in. However, the reverse does not hold true. When the job context can be characterised as optimal, we will not get dissatisfaction, but neither will we get much in the way of positive attitudes.

Herzberg did not advocate the elimination of hygiene factors; instead he feels that they are "housekeeping chores" that must be done. If they are absent, motivators will not work as employees will complain and find unnecessary faults.

To encourage motivation, it is advocated that employers must create an environment that will foster fulfillment on the job. This involves making job meaningful to the job holder so as to enable him derive satisfaction from the work. Good job design helps the employee to derive recognition, a sense of achievement, growth, and responsibility.

3.6   What Motivates Employees?

Evidences from different empirical studies point to the fact that there is no single motivator for everyone. It is equally true that no single force motivates an individual every time. Needs differ and the importance attached to needs by different people also differ.

M. Scott Myers raised three important questions about motivation. These three questions and the answers are as follows.

(1)   What motivates employee to work effectively?

A challenging job which allows a feeling of achievement, responsibility, growth, advancement, enjoyment of work itself and earned recognition.

(2)   What satisfies Workers?

Most factors peripheral to the job – work rules, lighting, coffee breaks, titles, seniority rights, wages, fringe benefits, and the like.

(3)   When do workers become dissatisfied?

When opportunities for meaningful achievement are eliminated and they become sensitised to their environment and begin to find fault.

The study corresponds to Herzberg's study. The answers to his first question agree with Herzberg's motivators; while the answer to his second question corresponds with his observation on dissatisfiers. Although Herzberg's theory is widely discussed, it has been seriously contested. For example, Herzberg listed money as a dissatisfier, evidence points to the fact that money can be either a motivator or a dissatisfier- depending on the individual's pressing need to accept a job and work hard at it. As long as the need persists, it will continue to be a motivator of behaviour. If the individual works hard but does not receive what he considers as adequate remuneration for the effort expended, he could be dissatisfied.

It is evident that management can motivate people by designing jobs so as to satisfy motivational needs. It is clear that any job that robs people of their needs for achievement, recognition, acceptance and self-

fulfillment will tend to dissatisfy. Money, for example, is not an end itself. People need money to achieve independence, recognition from the society, status or privileges bestowed on people by society because of their wealth. When a person has special need for these, he works hard to earn more money for the attendant blessing not for the money itself.

3.7   Herzberg's Theory and Maslow's Theory Compared

Herzberg's two-dimensional theory and Maslow's hierarchy of needs have much in common. A comparison of the two theories points out that the high order needs of Maslow (affection, esteem and self-actualisation needs) correspond with Herzberg's motivators, while the dissatisfiers (Hygiene factors) correspond with Maslow's basic needs. A person who is in need of esteem will be motivated to achieve it-which can be made possible by amassing wealth, and gaining recognition; success breeds success and reinforces a person's esteem of his capability to achieve greater success. When a person achieves, he develops a sense of importance and power and gets a feeling of self-actualisation as he perceives that he has full control of his destiny or environment and has perhaps achieved all that he is capable of achieving in life or a feeling of being "the greatest".

It is through the linkage of performance and reward that an individual achieves individual motivation. The identification of need and reward is a pre-condition for achieving sustained motivation and, consequently, increased productivity. Figure 2.4 below shows the relationship between the two theories.

Maslow Needs   **Herzberg's Motivators**

| Self Actualisation Need |
| Ego (Esteem) Need |
| Social Need |
| Safety Need |
| Physiological Need |

Motivation:
Achievement
Work itself
Advancement
Responsibility
Recognition

Maintenance:
Relation with co-workers & Peers Supervisors
Company Policy
Working Conditions
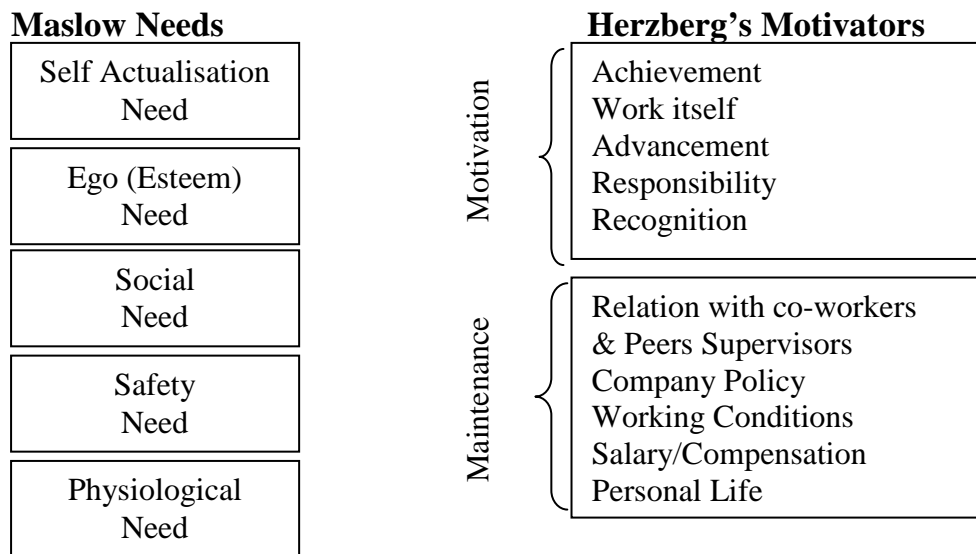Salary/Compensation
Personal Life

Figure 2.4:   Comparison of Maslow's Need Theory and Herzberg's Motivator/Hygiene Factors

3.7.1 Path-Goal Theory

This theory states that an employee will behave in a way that will lead to the attainment of valued, desired goals which he believes, is attainable. Need creates a tension which an employee tries to reduce by a goal oriented behaviour. An employee in this circumstance assumes three major things, namely:

(1)   goal availability- the employee believes that his goal can be attained through the instrumentality of the organisation.

(2)   goal values- the reward offered by the enterprise is one the employee desires or values.

(3)   perceived effort- reward probability.

It is believed that equity will prevail in the organisation. It is hoped that the organisation will consistently reward the behaviour it values. As pointed out, it is left for management to activate or create needs – real or imaginary to induce the tension. A manager that identifies valued needs and rewards effort will motivate employees.

3.8   Management by Objectives (MBO)

Employees are also motivated when management integrates their goals into the organisational goal through *MBO*. Management by objectives is one of the latest methods advocated by Peter Drucker (et al.) for achieving organisational objectives. The basic concept is that top executives and managers should all be involved in determining company objectives and define major areas of responsibility, and integrate into them the goal of the employees.

Odiorne defines *MBO* as:

> A process whereby superior and subordinate managers of an Organisation, jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him and use these measures as a guide for operating the unit and assessing the contribution of each of its members.

Carroll sees *MBO* as a process by which managers and their subordinates participate jointly in setting goals, activities, and target dates as well as the evaluation of performance as it relates to established objectives.

Management by objective is one of the most effective ways of integrating activities and balancing organisational objectives. Peter Drucker asserts that company objectives should be set in all the major areas listed below.

1.   Productivity
2.   Market share
3.   Innovation
4.   Physical and financial resources
5.   Profitability
6.   Performance and development
7.   Public relations or responsibility, and
8.   Worker's performance and attitude.

MBO converts company objectives into individual goals, and as a result, it contributes to higher levels of job satisfaction. By integrating employee goals to company goals, there is goal congruency which will help to elicit employee commitment, with resultant increase in productivity. *MBO* is often called "management by results". By this method, both the manager and employees are evaluated by results achieved.

4.0   CONCLUSION

In this unit, it has been made clear to you that motivation is a management tool for getting jobs done for the attainment of organisational objective.

5.0   SUMMARY

In this unit, you have learnt the following:

•   motivation (from the perspectives of Abraham Maslow, McClelland, Herzberg and McGregor)
•   the various theories propounded by the above-mentioned scholars
•   *MBO* as a motivating factor.

6.0   TUTOR-MARKED ASSIGNMENT

1.   What is motivation?
2.   Distinguish between Maslow's, McClelland's, Herzberg's and McGregor's theories of motivation.

7.0   REFERENCES/FURTHER READING

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UNIT 3   FORECASTING

CONTENTS

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3.0   Main Content
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        3.2   Essential Elements of the Forecasting Process
        3.3   Importance of Forecasting
        3.4   Forecasting Techniques
4.0   Conclusion
5.0   Summary
6.0   Tutor-Marked Assignment
7.0   References/Further Reading

1.0   INTRODUCTION

Since planning is "a systematic, economic and rational way of making decisions today that will affect tomorrow", then, forecasting becomes an integral part of the planning process- especially strategic planning which is long-range in nature. Accordingly, it is necessary to make accurate forecasts in the following areas.

(a)   **Economic developments-** the economic conditions of the country as well as those of the whole world will have significant effect on the operations of an organisation. This will include predictions relating to Gross National Product (GNP), currency strength, industrial expansion, labour market, inflation rate, interest rate, balance of payments, etc. Good economic trends assist the growth of a company. On the other hand for instance, the depression of 1929 – 1930 put many companies out of business. Knowledge of economic trends will assist management in making plans for its organisation.

(b)   **Technological forecasts-** these forecasts predict the new technological developments that may change the operations of an organisation. The advent of the transistor put the vacuum tube totally out of business. The age of the electronic calculator totally wiped out the market for slide rules. An aggressive organisation keeps up to date with new technological developments and readily adopts new methods to improve performance.

(c)   **Competition forecasts-** it is equally necessary to predict as what strategies your competitors will be employing to gain market share, perhaps at the cost of your market share. This is constantly happening in the airline business. The competitor may be working to employ a different marketing strategy for a product or bringing out a substitute for the product which can be cheaper and easily acceptable.

(d)   **Social forecasts-** these forecasts involve predicting changes in consumer tastes, demands and attitudes. Consumers have already established a trend for convenience, comforts and for products that are easy to use and easily manageable. In the 1970's, the trend was to buy small economic cars. In the 1980's, the trend moved back to luxury and comfort. Partly, it may depend upon the general economic trends and partly on the consumer tastes. Diesel cars were very popular in 1979 – 1980 and they have totally lost popularity by 1984 – 1985. Jacket, highly popular in the 1960's, is unheard of today.

(e)   **Other forecasts-** in addition to the above major aspects, there are other critical areas with impacts on the planning process, where forecasting is equally important. These areas include the following.

   i.   **New laws and regulations-** organisations are on a constant watch for any new laws passed relating to consumer protection or dumping of chemical wastes, and anti-trust laws. As an example, laws about truth in advertising have had a major impact on the operations of many organisations which had to make extensive changes in their operational style.

  ii.   **Political events-** in politically stable countries, there may not be any dramatic political changes except that a different party in power may be more socialistic in nature, as in France currently, and may interfere in private business maters. In more volatile political situations, organisations must be prepared for the worst. The cases of *Kennecot* copper and *ITT* in Chile, during the communist takeover are classical examples of being caught unaware. Additionally, most countries have become so interdependent that political events in one country affect the organisational events in others. The oil embargo by some Middle East countries in 1973 affected other countries.

 iii.   **Labour supply-** the labour force is changing in its structure. There is a demand for more and more skilled and professional personnel. Unskilled and repetitive tasks are being taken over by

computers and robotics. People are becoming more educated. More women are in the workforce. Workers want more leisure time. All these developments affect labour supply and may increase competition. Accordingly, organisations must be adequately prepared to meet these challenges if they plan for expansion or modernisation of their plants and operational activities.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

* define forecasting
* state why forecasting is necessary
* explain the various forecasting techniques.

3.0   MAIN CONTENT

3.1   Need for Forecasting

Forecasting, as defined by Webster's New Collegiate Dictionary "is a prediction and its purpose is to calculate and predict some future event or condition". Forecasting implies the act of making a detailed analysis of the future and this knowledge is an essential and important ingredient of the planning process. Planning is impossible without either predicting the future or making intelligent assumptions about it. This importance has been emphasised by Henry Fayol (1949), who observes that "plans are a synthesis of various forecasts: annual, long-term, short-term, and special".

Forecasting may also be defined as a form of intuitional and considered judgements based on feelings and opinions known as "guessing" or it could be based upon a rational study and analysis of pertinent data, known as "scientific forecasting". Forecasting depends upon an analysis of past events and current conditions with a view to drawing inferences and conclusions about future events. These viewpoints form the basis for the following characteristics of forecasting.

1.   It involves future events- the impact of these future events has to be considered in the process of planning.

2.   Scientific forecasts are inferences drawn from past and present relevant events which mean all the factors that affect organisational functions. The assumption is made that these events are likely to occur in the future, if the conditions remain

similar or the anticipated changes in the conditions are incorporated in the analysis and conclusions.

3.   The analysis of past and present events is conducted by scientific, mathematical, and statistical techniques, rather than opinions, because they are much reliable than simple judgements.

3.2   Essential Elements of the Forecasting Process

Whether forecasting is contemplated on a short-term or long-range basis, there are some common elements of the forecasting process- as described by J.W. Redfield (1953). These are as listed below.

1.   **Prepare the groundwork-** groundwork preparation requires a thorough study, investigation and analysis of the company, its products, its market share, its organisational structure and the industry. The investigation will involve the past performance of all these factors, their growth over a period of time and the extent of their interrelationships and interdependence. The aim is to build a foundation on which future estimates can be based.

2.   **Establishing future business-** the future expectancy of the business can be reasonably computed from past data, as well as the input from the key executives of the organisation, sales personnel and other specialists. This forecast is developed with the participation of the key personnel and is officially communicated to all. Thus, all these people assume responsibility for meeting these forecasts and accountability for any deviations from this forecast.

3.   **Comparing actual with estimated results -** growth and results can be measured and compared, using forecast estimates. If there are significant variations between the two, one way or the other, the reasons for such deviations can be investigated and analysed.

4.   **Refining forecasts -** in the light of any deviations found, forecast can be refined to be more realistic. If some conditions have changed during the periodic evaluation, then, the new values of the variables can be incorporated in the estimates. Thus, these constant revisions and refinements and improvements will add to the experience and skill in forecasting, since proficiency in forecasting can only be gained through practice and experience.

SELF-ASSESSMENT EXERCISE

Why is forecasting so important?

3.3   The Importance of Forecasting

Forecasting plays a pivotal role in modern management.   It is an important and necessary aid to planning; and planning is the backbone of effective operations. Many organisations have failed because of lack of forecasting or faulty forecasting.   The more accurately future conditions can be predicted, the better are the plans and high probability of success of these plans. This importance is comprehensively stated by Louis A. Allen (1964), as follows:

> "A systematic attempt to probe the future by inference from known facts helps integrate all management planning so that unified overall plans can be developed into which divisional and departmental plans can be meshed.   It enables a company to commit its resources with greatest assurance to profit over the long term.   By helping to identify future demand patterns, it facilitates development of new products".

Forecasting is widely used today, and some of these forecasts, especially short-term ones are fairly reliable. Some forecasts, using scientific methods or instrumentation can be accurately made.   Short-range weather forecasting, forecasting the path of meteorites and comets or solar and lunar eclipses is usually accurate.   However, accuracy becomes less dependable if we extend forecasting farther into the future.

Forecasts about human behaviour or situational trends are much more difficult to assess and may result in faulty estimates. How people will respond to certain actions taken by an organisation is very difficult to predict. Perhaps, one of the classical examples of failure in correctly forecasting economic trends and people's attitude is the total failure of Ford Motor Company's "Edsel" car, which was built after a thorough investigation of all the factors that determine future events.   Bulova Watch Company suffered huge losses when it failed to accurately forecast the full impact of digital watches. *IBM's* correct forecast of the impact of its third generation computer system *360* is a major benchmark in the continuing success story of *IBM*.

The uncertainty of future events overshadows the fact that even the most skilled forecasters using the most sophisticated tools and techniques make major mistakes in making predictions. An interesting example would be the faulty predictions about the populations of America for the 1970's and the 1980's, made in the 1950's. The actual population was much less than anticipated. Some of the assumptions upon which these predictions were based did not include variables that became apparent

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later on in time. These variables were legal abortions, social attitudes towards birth control, and a decline on social pressures to have children.

It will be interesting to look at some historical forecasting errors.

1.   Daniel Webster (Senate speech, 1848), about acquiring the West, "I have never heard of anything and I cannot conceive of anything more ridiculous, more absurd and more affronting to all sober judgement than the cry that we are profiting by the acquisition of New Mexico and California. I hold that they are not worth a dollar".

2.   Henry Adams (1903) – on world collapse- "My figures coincide in fixing 1950 as the year when the world must go to smash".

3.   Admiral William D. Leahy to President Truman (1945) on the atomic bomb- "That is the biggest foolish thing we have ever done…. The bomb will never go off, and I speak as an expert on explosives".

All these aspects show how important forecasting is to the world, sometimes when it is correct and acted upon and sometimes when it is incorrect and not acted upon.

3.4   Forecasting Techniques

The future can never be known with certainty but there are some techniques that have proved effective in reducing the degree of uncertainty. There are basically two broad categories of forecasting techniques. These are:

1.   qualitative techniques
2.   quantitative techniques

1.   **Qualitative techniques-** these techniques are primarily based upon judgement and intuition and especially when sufficient information and data is not available. Secondly, quantitative methods are based on the analysis of past data and its trends which may or may not remain the same. Thirdly, they follow a certain pattern and do not provide for accommodating any unexpected occurrences. On the other hand, qualitative forecasting techniques emphasise human judgement which may identify unexpected future threats or opportunities. Some of the widely used qualitative methods are listed below (Chambers et al., 1971).

(a)   Jury of executive opinion- this is the method by which relevant opinions of experts are taken, combined and averaged. For example, managers of various divisions can be asked about the profitability of introducing a new product and a judgement made on the basis of their opinions. These opinions can be taken on an individual basis or there could be a *brainstorming* group session in which all members participate in generating new ideas that can later be evaluated for their feasibility and profitability. This method is fast, less expensive and does not depend upon any elaborate statistics and brings in specialised viewpoints. Its main disadvantage is that it is based on subjective opinions which may be overly optimistic if the business conditions are good and may be overly pessimistic if economic conditions are not favourable.

(b)   Opinions of salespersons- this approach involves the opinions of the sales force and these opinions are primarily taken into consideration for forecasting future sales. Sales people, being closer to consumers, can estimate future sales in their own territories more accurately. Based on these and the opinions of sales managers, a reasonable trend of future sales can be calculated. These forecasts are good for short range planning since sales people are not sufficiently sophisticated to predict long term trends. This method, known as the "grass roots" approach lends itself to easy breakdowns of product, territory, customer, etc. which makes forecasting more elaborate and comprehensive.

(c)   Consumer expectations- this method involves a survey of the customers as to their future needs. This method is especially useful where the industry serves a limited market. Based on the future needs of the customers, a general overall forecast for the demand can be made. These surveys are less costly even though future needs do not necessarily mean future commitments to buy, since the needs may change depending upon circumstances. This is also known as the "survey method" or "marketing research method". Here, information is obtained concerning consumer buying preferences, advertising effectiveness and is especially useful where the target market is small such as buyers of industrial products, and where the customers are cooperative.

(d)   The Delphi method- the Delphi method, originally developed by Rand Corporation in 1969 to forecast military events, has become a useful tool in other areas also. It is basically a more formal version of the Jury of opinion method. A panel of experts is given a situation and asked to make initial predictions about it. On the basis of a prescribed questionnaire these experts develop written opinions. These responses are analysed and summarised and submitted back to the panel for further considerations and evaluations. All these responses are anonymous, so that no member is influenced by other's opinions. This process is repeated until a consensus is obtained. This method is very useful where either the past patterns are not available or where the past data is not indicative of future events. This technique is highly useful in problems like future energy needs, possible after-effects of a nuclear war or probable expected social changes, etc.

2.   Quantitative techniques- these techniques use statistical analysis and other mathematical models to predict future events, primarily based upon past activities. Some of the typical techniques employed are as follows.

(a)   Time series analysis- this analysis is based on the assumption that past activities are good indication of future activities. Here, past trends are extended into the future, barring any unforeseen circumstances. This method is quite accurate where the future is expected to be similar to the past. These techniques are fairly sophisticated and require experts to use these methods.

 (b)   Seasonal variation (S)- these are changes–up or down movements in respect to secular trend, occurring within a period of 12 months – and recurring annually, brought about by certain events. For example, sales of consumer items increase prior to Christmas due to gift-giving tradition. The sales of automobiles in America are much higher during the last 3 – 4 months of the year due to the introduction of new models. This data may be measured monthly or quarterly.

Since these variations repeat during a period of 12 months, they can be predicted fairly accurately. Some factors that cause seasonal variations are listed below.

(i)   Season and climate- changes in climate and weather conditions have a profound effect on sales. The sale of umbrellas increases during raining season. During winter, there is a greater demand

for woolen clothes and hot drinks; while summer indicates sales increases in fans and air conditioners.

(ii)   **Customs and festivals-** customs and traditions affect the pattern of seasonal spending. Mother's day, Valentine day in America see increase in gift sales preceding these days. In India, festivals like *Baisakhi* and *Deewali* mean a big demand for sweets. It is customary all over the world to give presents to children when they graduate.

An accurate assessment of seasonal behaviour is an aid in business planning and scheduling as in the area of production, inventory, personnel, advertising, etc.

(c)   **Cyclical variations (C) -** these are the changes that have taken place as a result of economic booms or depressions. These may be up or down and are recurrent in nature over duration of several years. The cyclical movements vary in length – usually lasting from 2 to 10 years – and also differ in intensity or amplitude and each phase of movement changes gradually into the phase which follows it. Some economists believe that the business cycle completes four phases every 12 or 15 years. These four phases are: prosperity, recession, depression, and recovery. However, there is no agreement on the nature or causes of these cycles.

Even though, measurement and prediction of cyclical variations is very important for strategic planning, the reliability of such measurements is highly questionable for the following reasons.

(i)   These cycles do not occur in regular intervals. In the past 25 years in America, it is estimated that the peaks in the cyclical activity of the overall economy occurred in August in 1957, April in 1960, December in 1969, November in 1973, and January in 1980 (Berenson and Levine, 1983). This shows that they differ widely in timing, intensity and pattern, making reliable evaluations of trends very difficult.

(ii)   The cyclic variations are affected by many erratic, irregular and random forces which cannot be isolated and identified separately; and their impact cannot be measured accurately too.

(d)   **Irregular movements (I) -** these variations are accidental, random, and due to chance, thus, wholly unpredictable. These variations are those that can be ascribed to general trend, seasonal variations or cyclical changes. The irregular variations may be caused by such isolated incidents as floods, famines, strikes, or

wars. Sudden changes in demand or a breakthrough in technological development may be included in this category. Accordingly, it is almost impossible to isolate and measure the value and impact of these erratic movements on forecasting model or technique.

It is traditionally acknowledged that the value of the Time series variable (Y) is a function of the impact of variables trend (T), seasonal variation (S), cyclical variation (C), and irregular variation (I). These relationships may vary depending upon assumptions and purposes. The effects of these four components might be additive, multiplicative or a combination thereof in a number of ways. However, the traditional time series analysis model is characterised by multiplicative relationship, so that:

$$Y = T \times S \times C \times I$$

This model is appropriate for those situations where percentage changes best represent the movement in the series and the components are not viewed as absolute values but as relative influences. Another approach to define the relationship may be additive, such as:

$$Y = T + S + C + I$$

This is useful when the variations in the time series can be separated and traced to each of these four parts, and measuring each part independently.

(b) **Causal models-** these models are more complex in nature and involve interrelationships of many variables tied together in a quantitative model. The sales, for example, are not only a function of time but also depend upon many other variables like changes in personal disposable income, credit availability, etc. All these variables, in addition to past sales, would have some causal effects on sales. Some of the more sophisticated causal models are the econometric models which are based upon complex relationships of many variables that would affect the outcome in the future. These models are primarily used to predict economic trends and are based on a multitude of factors, probabilities and assumptions. Various related variables are taken to develop various simultaneous equations which are solved for different values of variables. This technique is, particularly, used in projecting Gross National Product (GNP), and other complicated economic trends.

Duncan (1975) has indicated that econometric models are used in predicting the student enrolment at universities. The variables that affect the size of student enrolment are determined; these variables may include state and city population, average family size, average family income, population movement trends and the current enrolment size. Econometric models will use past data to show the degree of relationship among these variables. The values of these variables and their relationships will be projected into the future to determine the student enrolment for the new few years.

According to *Chakravarti* (1968), the quantitative techniques of forecasting have the following limitations.

(a)   The conclusions derived from quantitative models are only as good as the assumptions and judgements made about the variables that are put into the model. Faulty assumptions will yield inaccurate results.

(b)   It is very unlikely that the set of causes that existed in the past will continue to persist in the future. The current and continuing dynamic and volatile social and technological environment makes the assumption of consistency even more invalid. Additionally, the causes may simply be an association of facts rather than provable reasons.

No matter what model or method is used, forecasting basically rests on human judgement. So, forecasts should not be considered as scientific instruments for being accurate and reliable. Forecasts should serve as guidelines and not as indicators of certainty. Henry Albers (1969) has summarised his assessment of forecasting thus:

"A successful forecast is something of a miracle and often occurs for the wrong reasons. However, it should not lead to the assumption that nothing has been accomplished. There are some good "rule of thumb" forecasts. A part of the problem is that too much is expected from forecasting. People want more precise answers than are possible in an environment characteri-sed by uncertainty".

While forecasting is as much an art as science, some steps can be taken to improve the quality of forecasts. The assumptions, upon which the model is based, must be objective and realistic. Over-optimism and over-pessimism could distort the validity of assumptions. The collection of relevant information and facts is equally important. Lack of adequate information is as undesirable as redundant information. Forecasting

requires high degree of skill and hence the process must be undertaken by specialists. However, there should be total and complete communication between the preparer of the forecast and the user of the forecast. All assumptions and elements should be completely understood by both. Finally, the forecasting technique must fit the task. The technique should not be complicated if the situation demands a simpler assessment.

4.0 CONCLUSION

In this unit, you have been exposed to forecasting and its importance to management functions. You have also been taken through the essential elements of the forecasting process and forecasting techniques. It is believed that you will do well to research into more literatures on this topic for better understanding and comprehension.

5.0 SUMMARY

In this unit, you have learnt about forecasting and the essential elements of the forecasting process. The importance of forecasting has been highlighted to you; while the techniques used in forecasting have also been discussed in detail.

6.0 TUTOR-MARKED ASSIGNMENT

Explain in detail the time series analysis- as applied to forecasting. What are the specific situations in which the time series analysis can be effectively applied?

7.0 REFERENCES/FURTHER READING

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UNIT 4 DELEGATION AND DECENTRALISATION OF AUTHORITY

CONTENTS

1.0 INTRODUCTION

In this unit, you will be introduced to delegation of responsibilities and decentralisation of authority. You will learn about the key principles of delegation, why executives find it difficult to delegate; and overcoming barriers to delegation. You will also learn about task specialisation, span of control, factors that affect span of management as well as Graicunas theory.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define delegation and decentralisation
- discuss the key principles of delegation
- explain the reasons why people fail to delegate and how to combat the barriers to delegation
- highlight the factors that affect span of management
- describe Graicunas empirical research findings on decentralisation.

3.0   MAIN CONTENT

3.1   Delegation

Delegation is the organisational process that permits the transfer of authority from a superior to a subordinate. Delegation of authority empowers a subordinate to make commitments, use resources and take action in relation to duties assigned to him. No organisation can function effectively without delegation. The division of an organisation into units (departmentalisation) involves delegation. Delegation originates from the fact that one person alone cannot successfully discharge all the responsibilities in an organisation. In essence, delegation of authority means that "a subordinate has the power to make decisions and to act within explicit limits without checking with superiors".

Delegated authority enables the superior to share responsibility with his subordinate. When one delegates, three major factors are implicit:

(a)   there is assignment of responsibility.
(b)   there is a delegation of authority.
(c)   there is a creation of accountability.

Delegation involves accountability. Accountability means answering for the use of your formal authority by someone else. Delegation of formal authority to another person does not relieve one of the necessities of accounting for it. A subordinate must account for the use of delegated authority because an obligation is created. A subordinate is held responsible for assigned tasks and he is accountable for the satisfactory completion of the duty.

3.1.1 Key Principles of Delegation

a.   Parity of authority and responsibility

One of the problems often associated with delegated authority is that 'people like to delegate responsibility but not authority. One of the major principles of delegation states that for effective delegation, authority granted to a subordinate must be equal to the responsibility assigned to him.

It is to be expected that when responsibility is given to a subordinate, he is to have commensurate authority to discharge it. Failure to equate responsibility with authority leads to inefficiency. In Nigeria, subordinates often complain of having no appropriate authority to discharge assigned duties. Lack of authority denies the subordinate position-based influence to gain the necessary co-operation from others.

In some instances, the subordinate does not understand the limit of his authority. A production manager cannot force an obsolete equipment to be as effective as a new machine, and a sales manager cannot force customers to buy. These are limitations imposed by circumstances. Parity of authority and responsibility is not, however, a panacea for the achievement of assigned duties.

b.   Absoluteness of accountability

This principle states that "although responsibility may be assigned and authority may be delegated to subordinates accountability to one's superior can neither be assigned nor delegated." When one delegates one's assigned responsibility to someone else, one is still fully accountable to one's superior for its execution. When the managing director delegates to the production manager, for instance, the production manager delegates to his plant supervisor; if the production quota is not met, the managing director's accountability to his superior cannot be delegated or assigned. It is as a result of this that if the organisation is not being productive, the managing director is replaced while the lower executives keep their position. This principle prevents the executive from "passing the buck." In order to delegate properly, one has to retain a reservoir of authority to ensure that the task is properly carried out. Accountability to one's superior is absolute and not transferable.

c.   Principles of unity of command

This principle states that "a subordinate should be accountable to one superior at a time". It is important for the subordinate to report to only one superior in order to maintain the chain of command. The essence of unity of command is to avoid conflicting instructions. It is essential in all organisations for an employee to receive delegated authority from one boss and is accountable to the same boss for the assigned task.

The principle of unity of command is sometimes violated where functional authority exists. The subordinate receives instruction from his line superior and also from his staff executive. This could happen without any major consequence if the authority of the staff executive is clearly defined. The principle could is also be violated each time one bye-passes a level of intermediate supervision. A managing director who for instance, usually ignores the sales manager and speaks directly to the salesmen is violating the unity of command principle.

3.1.2 Failure to Delegate

Despite the fact that delegation is a very important organisational process, some executives find it difficult to delegate. Some of the major reasons are summarised below.

(1)   Some executives get trapped in the "I can do it better myself fallacy".
(2)   Lack of ability to direct or encourage co-operation among subordinates.
(3)   Fear that delegation diminishes managerial authority.
(4)   Absence of selective controls to warn of impending difficulties.
(5)   Lack of confidence in subordinates.
(6)   A temperamental aversion to taking a chance.

A supervisor who refuses to delegate frustrates his subordinates as he denies them the intrinsic and extrinsic satisfaction derived from accomplishing a task. Delegation helps in training employees to assume responsibility and learn to be accountable for assigned tasks. Failure to delegate makes the executive indispensable in an organisation and should he resign, die or is dismissed, a vacuum is created. Delegation does not relieve managers of their original responsibility. They could withdraw delegated authority at any time.

3.1.3 Effective Delegation

Effective delegation helps managers to spend less time on specific technical activities or routine decision-making and concentrate their efforts on other strategic management problems. This is summarised in Figure 4.1 below.
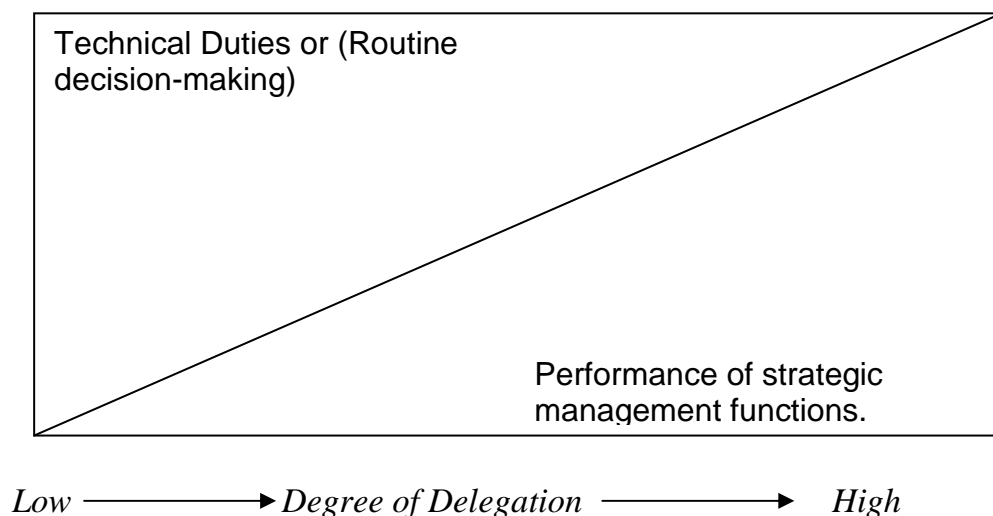

Low ──────▶ *Degree of Delegation* ──────▶ *High*

Figure 4.1:   *Delegating Characteristics*

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To accomplish effective delegation, it is important that the subordinate should understand the purpose of delegated function and the objectives to be achieved. The determination of objectives helps the subordinate to relate the assigned task to the accomplishment of the overall company objectives and his own personal interest. This is also in keeping with the principle of objectives which states that "before initiating any course of action, the objectives in view must be clearly determined, understood, and stated".

Furthermore, the duties assigned must be commensurate with authority delegated. An employee who is assigned plenty of tasks but little authority gets easily frustrated especially as he seeks and fails to obtain the willing co-operation of his peers or even subordinates. It is important that management assigns the whole task not the routine or portions of it since this can create conflict. The ideal manager is one who does not only delegate authority and assign responsibility but also wishes to add to them always. Many managers, especially in small organisations and sole proprietorships in Nigeria, assign only routine or details of a job and retain the main decision-making aspect of it. This is one of the major reasons why indigenous entrepreneurs find it difficult to recruit university graduates.

The employees to whom responsibility is to be assigned and authority delegated must be judiciously selected. Not every employee is expected to have the mental preparedness and competence to be assigned a task and held accountable. Employees who lack skill, knowledge, experience or are poorly motivated should not be selected until they are ready. As a guide, employees' who exhibit the following traits should not be chosen until they are ready:

(1)   employees who cannot accept criticiFMS for their mistakes.

(2)   employees who lack self confidence.

(3)   employees who lack initiative or take undue pleasure in being told than finding solutions to their problems.

(4)   employees who cannot easily be motivated by the usual company incentives.

(5)   employees who like to follow rather than lead.

Also, the supervisor must have built-in checks to ensure that delegated tasks are being carried out. As pointed out, delegated responsibility is shared. A manager does not abdicate his responsibility and accountability by delegation. The best manager is one who knows how

much responsibility to delegate and how to be in control at all times. Constant feedback is necessary in order to avert costly mistakes of subordinates. It has to be re-emphasised here that delegation of authority does not relieve managers of their original responsibilities, nor does it reduce their overall authority in the organisation. The essence of all delegated function is to share the task in order to achieve greater overall efficiency.

3.1.4 Combating Barriers to Delegation

To overcome the barriers to delegation, the following guidelines are suggested.

1.   Realise that subordinates have much to contribute to decision-making in their areas of specialisation.

2.   Learn to plan ahead so that delegation can take place before, rather than, after the act.

3.   Build confidence in employees through training, recognition, and counseling.

4.   Develop control systems that will point out impending problems.

5.   Be willing to take a chance on subordinates.

6.   Force subordinates to make decisions while giving them help when needed.

7.   Do not be overly critical when subordinates make mistakes.

8.   Let subordinates know what is to be done and the results that are expected.

9.   Supply subordinates with adequate resources to fulfill their responsibilities.

10.   Provide adequate incentives so that employees are willing to accept increased delegation.

11.   Develop an organisation structure that provides for personal growth and challenge, thereby helping subordinates become more self reliant.

3.2   Decentralisation

An organisation is said to be decentralised if authority to make decisions is delegated to managers at the lower ladders of the organisational hierarchy. What really constitutes decentralisation is relative. In contrast to a centralised organisation; top management is either fully centralised or fully decentralised. Certain decisions are often centralised and others are decentralised. As a general rule, factors such as the size of the organisation, the degree of interaction between members, management philosophy and the personality of the members determine the degree of decentralisation.

Decentralisation is encouraged in all modern organisations because it promotes initiative and flexibility and helps in the development of subordinates by helping them to participate in decision-making. Centralisation, on the other hand, promotes directional control, coordination, specialisation, standardisation, economies of scale and the use of various cost saving devices.

It is impossible to look at an organisation chart and determine whether an organisation is centralised or decentralised; It is the practice that determines that. One of the major critici FMS often brought against the Nigerian civil service is that it is over centralised thus denying middle management of initiative and independent thought. It is not unusual for letters originating even from key personnel in the organisation to start with "I am directed"; the civil service develops "administrators" instead of managers. Large business enterprises have a greater tendency to be decentralised than small enterprises. Companies with different product lines and services decentralise their operations to encourage profit centers – a practice which is often referred to as profit decentralisation. A company like the *UAC*- with very many divisions and subsidiaries is an example of a company with decentralised product division – with each manager responsible for profits in his own division.

Decentralisation of operations to small units facilitates decision-making and brings the decision-making authority very close to the point of operation. In a sales operation, credits of it very reasonable sum of money could be approved on the spot without referring to the headquarters. It gives the divisional managers the opportunity to tailor their decisions to suit the local environment in which they serve.

As a general rule, decisions that affect only one department such as sales can be decentralised as it involves the customer, the salesman and the area manager. Decisions that will affect more than one department located in different geographical areas are best centralised for easier coordination. A decision involving promising delivery dates to key

customers on contractual obligation would involve production, sales, supplies and finance departments and is best handled at the top level to avoid costly mistakes that may involve millions of naira and loss of goodwill.

There is no single criterion to use in deciding whether to be fully centralised or completely decentralised. Each situation is to be evaluated on its own merit. As a guide, research findings show that the following factors must be considered before decentralisation is undertaken.

(1)   Where there is a need for speed and flexibility in decision-making, decentralisation is necessary.

(2)   When divisional or area managers require initiative or creativity in order to achieve profit quotas, decentralisation is necessary.

(3)   In companies with differentiated product lines, that are independent of one another and are capable of becoming profit centers, decentralisation could be instituted.

(4)   Where there is ample supply of capable managers with knowledge, experience and dedication, decentralisation is recommended to motivate them. Middle managers are the most frustrated in centralised organisations as achievement is not easily recognised and there is the paucity of opportunity for advancement or even of intrinsic or extrinsic reward.

(5)   Research shows that the size of business organisation, products, location of customers and the size of the market have a definite relationship to the degree of decentralisation.

(6)   Where there is a desire to improve the communication channel in an organisation there is a reason for greater decentralisation.

A study of top and middle management executives reveals that of the 205 executives who responded, 65% believe that Nigerian organisations are too centralised. The situation is worse in the civil service where 85% of the respondents believe that the organisation is too centralised. What appears very disturbing is the pessimism expressed by all to the effect that this situation is bound to continue. In the more advanced, countries, the advent of computerisation which has made possible more refined management information systems, is leading to greater centralisation and making many middle management positions increasingly obsolete.

For the less advanced countries where centralisation is being justified on the grounds that there is a paucity of qualified management to make

decisions, there is need for decentralisation. This appears to be one of the most expeditious ways of enhancing the decision-making skills of managers – thus giving them the opportunity to learn from their mistakes. Experience has shown that the cost of poor decisions in a decentralised organisation is less 'than the cost of frustration arising from referring all decisions to the company headquarters (in a centralised situation).

3.2.1 Specialisation of Task

One of the major factors that promote decentralisation is task specialization. Each department deals with a defined group of organisational activity. It is believed that the specialisation of activities will lead to increased production. This, in turn, will give rise to the design of specialised equipment, labour and facilities. It has even been carried further to include specialisation in other levels of an industrial economy such as geographical specialisation, specialisation by process and work specialisation.

It has many salutary effects in our economic life which include the following.

(a)   It makes training of employees easy as it takes less time to train an employee on a specific task.

(b)   It is easier to replace an employee who must leave the organisation or be transferred since the-employee executes a small task requiring a small skill.

(c)   Since the task discharged by an employee is small, his total compensation is relatively small too.

(d)   Due to the skill, and the limited time for training, no, single employee is considered indispensable in the organisation.

(e)   Specialisation promotes delegation and supervision with predictable results.

(f)   Specialisation permits the use of special equipment and machines which help to reduce duplication to a minimum.

3.2.2 Span of Control

Span of control deals with the number of subordinates that an executive can manage effectively. There is a positive relationship between span of control and delegation. A broad span of control forces manager's to

allow their subordinates to enjoy the full benefits of the delegated responsibility. There is also a close relationship between the number of employees answerable to an executive and the number of management levels. It is as a result of this that Graicunas believes that all organisational structures improve management supervisory efficiency because they entail a narrow span. Narrow span of management has been advocated by most of the classical management writers. Fayol, in support of narrow span of management states that:

> whatever his rank, a man has only to command a very small number of direct subordinates, usually-less than 6, except that a foreman, who is dealing with quite a simple operation, is in direct command of 20 or 30 men.

In support of this statement, L. Urwick states that:

> no superior can supervise directly the work of more than five, or at the most, six subordinates whose work interlocks.

Despite all these, it appears that the number of people a person can effectively manage cannot be determined by an arithmetical precision. It requires common sense approach that takes many variables into consideration.

3.2.3 Factors that Affect Span of Management

There are many factors that determine the span of management. These factors are discussed below.

(1)   **Ability of the supervisor**- individuals differ in their ability to execute tasks successfully. Some supervisors are capable of controlling more subordinates than others even if their work "interlocks". Generally, in designing the organisation, it is the ability of the average supervisor that will be used to determine the span of control.

(2)   **Ability of the employees**- employees with adequate skill, experience and training require little or no supervision in the discharge of their regular functions. A supervisor in charge of these professionals can supervise a large number of employees.

(3)   **Type of work**- the type of work employees are doing will influence the span of control. For employees working in an assembly line, there will be limited supervision compared to \when they are working individually in a service oriented task.

(4)   Geographical location- it is easier to supervise people working together than people scattered all over a large geographical region. A sales executive can supervise more salesmen all in Lagos than if the same number of Salesmen is located in the nineteen states of Nigeria.

(5)   Congruency of goaIs- employees who believe in the organisation and see it as the ladder through which they will attain their goals, are self motivated to work without supervision. It is different from a group of dissatisfied employees who will work hard only in the presence of the supervisor.

(6)   Importance of the work- certain job requires closer supervision than others. A man supervising people working in the field of agriculture picking tomatoes, onions or cotton will not need to give them as close supervision as a man supervising employees producing high precision equipment. In the latter case, quality control is important; while in the former, it is only general supervision that is required.

3.3   Graicunas' Theory

Graicunas used a mathematical equation to arrive at the conclusion that only a narrow span of management will make for efficient management. He postulates that as a supervisor deals with subordinates, not only will the number of direct relationships increase, but also the number of group relationships and cross relationships will rise.

Table 4.1 below shows Graicunas' direct cross and group relationships. Many research findings have shown that Graicunas was wrong.

Table 4.1   Graicunas' Direct, Cross and Group Relationships

No. of Subordinates	No. of Direct Simple Relationships	No. of Cross Relationship	No. of Direct Group Relationship	No. of Total Relationship
1	1	0	0	1
2	2	2	2	6
3	3	6	9	18
4	4	12	28	44
5	5	20	75	100
6	6	30	186	222`
7	7	42	441	490
8	8	56	1016	1080

3.4   Empirical Research Findings

Empirical research findings show that, to limit the span of management to five or six, is rather too restrictive. Instead research findings have revealed the following.

(1)   Span of control of executive and supervisors varied with the nature of the production process.

(2)   Mass-production companies have a higher span of management than process firms.

(3)   Successful firms have spans at or near the medium, while less successful firms had spans which were either too low or too high for their production system.

(4)   Spans of 10 to 11 are indicative of low structure; spans of 3 are indicative of high structure.

(5)   Spans tend to increase with increasing task certainty.

(6)   There is a positive correlation between span or control and geographical separation of subordinates.

(7)   There is a positive correlation between span and the use of personal assistants by supervisors.

(8)   Similarity of functions supervised influences subordinates experience on the job.

In summary, because of the preponderance of evidence from empirical research on this subject, it is now believed that span of control depends on the complexity of the task; ability of the supervisor, proximity of the tasks, variety of the jobs, quality of personnel and the use of personal assistants. All repetitive jobs require large spans of management; whereas the reverse is the case for highly technical work.

4.0   CONCLUSION

You have learned about delegation and decentralisation in this unit; these are necessary for efficiency in management.

5.0   SUMMARY

In this unit, you have learnt about the following:

- delegation and decentralisation- as tools for managerial control and increased productivity
- reasons why executives do not delegate and how to overcome the barrier to effective delegation
- factors that affect span of management and span of control
- Graicunas theory and his empirical research findings on decentralisation.

6.0   TUTOR-MARKED ASSIGNMENT

1. What is delegation? Why is delegation not effective in many Nigerian organisations?
2. Discuss the three key principles of delegation. Are these applicable in Nigerian organisations? Why?

7.0   REFERENCES/FURTHER READING

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UNIT 5   SOCIAL RESPONSIBILITY

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3.0   Main Content
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1.0   INTRODUCTION

The pervasive influence of large business organisations in the society makes the issue of social responsibility very important to management. No social institution will endure that fails to contribute to the needs of the society. The privilege given to organisations to operate in the society stems from the fact that society believes that there is mutual inter-dependence existing between the two. In this unit, you will be introduced to social responsibility as it affects business operation in Nigeria.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

•   define social responsibility
•   discuss the areas of social responsibility
•   give reasons why social responsibility is being neglected
•   explain the role of Nigerian entrepreneurs in social responsibility.

3.0   MAIN CONTENT

3.1   Definition of Social Responsibility

Social responsibility is seen as:

> *the intelligent and objective concern for the welfare of*
> *society which restrains individual and corporate behavior*
> *from ultimately destructive activities, no matter how*

> *immediately profitable and which leads in the direction of*
> *positive contributions to human betterment.*

At present, many Nigerian businessmen's attitude to social responsibility is (like that of the 17th century America and Europe) characterised by rugged individualism – "I'm my own boss, and I'll manage my business as I please". They believe in the doctrine of laissez-faire- "that government is best which governs the least".

An organisation is made up of people; and a typical executive is a member of the society. In his dual role as the owner of an enterprise and a member of the larger society which he is a part of, whatever type of society he helps to create, he will participate in. In the United States, the attack on all facets of "the establishment", in the early seventies-inevitably, included business and gave added impetus for executives to think through the social role of the enterprise they direct.

Today, American business leaders believe that "business must learn to look upon its social responsibilities as inseparable from its economic function. If it fails to do so, it leaves a void that will quickly be filled by others -usually by the government. If business fails to recognise this social responsibility, the government must step in to regulate them. What affects the society as a whole affects businessmen. Like everyone else in the society, they will breathe foul air, drink polluted water, be part of the crowded city, use unsafe products, be misled by false advertising and could be denied of some of the social benefits of their political party, ethnic group or religious beliefs.

Those organisations that believe that government, not business, is the institution best suited for solving social problems are living in the past. It is true that businesses must be concerned with their primary objectives – profit maximisation; but the same society expects organisations to make a positive social impact on the society on which its economic well-being depends.

3.2   Areas of Social Responsibility

Business social responsibility exists in all the enterprises with their customers, owners, employees, suppliers, creditors, management, government and the society as a whole. Thus, any person who shares the environment with the enterprise has a relationship with it.

In the following areas, business owes most of its social responsibility to the society:

1.   pollution problems – water, air and solid waste, land and noise.

2.   poverty and discrimination – ethnic discrimination and parochial interest.
3.   consumerism – product safety, misleading advertising, consumer complaints, smuggling.

In Nigeria, for instance, one of the major social problems is smuggling. Many businessmen are directly involved in smuggling goods into the country or buying smuggled goods. Contraband goods flow freely into Nigerian markets but become articles of ostentation or exclusiveness. The textile industry, shoe industry and distilling and pharmaceutical industries have protested to the government about the evils smuggled goods bring to their organisations. Instances of retrenchment abound- as some of the younger industries find it difficult to compete effectively with the cheap goods from Europe, Asia and America.

Nigerian businessmen have also been relatively insensitive or have overtly isolated themselves from the problems peculiar to areas in which they live and amass their wealth. Oil companies operating in the Niger-Delta area are known to have polluted farmlands and fish ponds with oil spills and made no serious effort to pay adequate compensation to the affected poor citizens.

In the U.S.A. and Britain, businessmen, scholars, people of the media have made numerous speeches, reports, conferences on the very important issue of social responsibility. Epstein reported that some large U.S.A. corporations have started to include "Social Audits", "Social Action Reports", or "Social Balance Sheets" in their annual reports. These include company performances with regard to pressing, societal social issues about racial or ethnic minorities, women, the physical environment, underdeveloped nations, consumers, employees and the general community.

Due to the sensitivity to this problem, big corporations have established departments such as Public Affairs and Environmental Relations under the leadership of a top executive who appraises the managing director of what society expects from business and ensures that they are implemented. Schools of Business Administration in the U.S., have established courses earmarked to bring about the awareness of social responsibility to future managers. Courses such as "business and society", "social-responsibility of modern organisations" are required courses.

As Epstein, succinctly, points out, business enterprises give adequate attention to the issue of social responsibility because they want to achieve social harmony between themselves and their environment; and the companies see the expenses associated with social responsibility as

tax or license fee they pay to society so that the latter can allow them to carry out their everyday economic functions. This is the way Nigerian businessmen should see their social functions.

3.3   Neglect of Social Responsibility

Many factors account for the apparent neglect of social responsibilities by Nigerian organisations. Some of the major reasons include the following.

(1)   The relative small size of Nigerian business enterprises- many Nigerian enterprises are very small in size and their financial strength precludes the consideration of social responsibility as a task that must be seriously considered.

(2)   Many of the large enterprises are owned by foreign firms whose main pre-occupation is profit maximisation. Some of these firms see social responsibility as a patriotic gesture best undertaken by indigenous businessmen to help their country.

(3)   Some of the foreign entrepreneurs come from countries where the consciousness for social responsibility is at best in its basic infancy. This is the case in Britain, a country that Nigeria has had a good relationship with-over the years.

(4)   Nigeria has, over the years, placed much reliance on publicly owned enterprises. The major organisations in this country are either owned by the government or foreign companies. The government owns major transportation network -rail, air, and port facilities, broadcasting, (radio and television), health and postal services, production and distribution of coal and electricity, even the construction of iron and steel industry, oil drilling, refining and distribution. Since these large enterprises belong to the society, it is assumed that they are socially responsible since profit is not their pre-occupation; instead they engage in social welfare redistribution.

(5)   Lack of professionalism in management style- many Nigerian managers do not perceive social responsibility as one of the key functions of management. Their training and experience have not exposed them to be conscious of this issue. To many, it is novel, or at best, an informal and intuitive managerial function.

(6)   The society expects little in the way of social responsibility from businessmen. The laws on environmental protection are not seriously enforced. At best, the only effective tool that the government uses to obtain compliance is persuasion. There are

scarcely any groups of individual bodies that are scrutinising corporate social responsibility. There is no well established department of public affairs, or of social welfare in any Nigerian business organisation.

In the U.S.A. for example, many oil corporations have been taken to court by either the government or concerned citizens for the violation of Environmental Protection Act. Chevron Oil Company was sued by a group of Louisiana shrimp and oyster fishermen for damaging their means of livelihood. This was because the company's rig in the Gulf of Mexico caught fire and caused oil to spill into the water, causing a disturbance to the fishermen.

Nigeria has no powerful agency like the U.S. Environmental Protection Agency (E.P.A.), which is an independent regulatory agency charged with the responsibility of striking a balance between the protection of the natural environment and securing for the citizens the benefits of economic and technological progress.

For our society to survive, not lip service- but practical importance must be attached to business social responsibility. Unless the same importance that is attached to profit by organisations is attached to social responsibility, the society will decay. Emphasising on the importance of social responsibility, Uzoaga has observed that:

> The needs of society, if unattended turn into social diseases. And no institution whether business or university, or government agency is likely to thrive in a deceased society. Business executives can no longer ignore with impunity the sufferings of human society with the slogan that the business of business is profit and nothing else.

Entrepreneurs and shareholders in corporations must show special concern for social responsibility by supporting social needs with company revenue. Only then will the social policies of organisations move from mere platitudes and achieve credibility. We expect Nigerian enterprises to have charitable and cultural programmes, be involved in youth projects, make liberal donations to educational institutions and be keenly interested in the present needs of the individuals who participate directly or indirectly in their organisations.

Businesses can show greater concern for employees by eliminating their dissatisfaction resulting from co-workers, supervisors, the work itself and the unique environmental factors of the organisation.

3.4   Social Responsibility and the Nigerian Entrepreneur

In the study conducted which involved 205 Nigerian business organisations, employing more than 50 employees each, it was found that 57.4% of the respondents were fully aware of the need for social responsibility of businesses.   The frequently mentioned social responsibility included:

(1)   avoiding smuggling
(2)   fair advertising
(3)   price control
(4)   environmental sanitation, and
(5)   product safety.

A majority of Nigerian business organisations (85.6%) believe that business enterprises have not shown sufficient interest in social responsibility. It is interesting to note that 42.5% believe that social responsibility should be undertaken by large and successful organisations. Many believe that the lack of active involvement in social welfare has been due to:

(1)   the dishonesty of businessmen
(2)   ignorance of the role they should play in the area of social responsibility
(3)   the limited educational background of many entrepreneurs, and
(4)   lack of initiative on the part of government.

Nigerian managers believe that the government should get businesses involved in its social programmes and put in place stiff penalties for non-compliance. It is believed that the only way to reduce smuggling, air and water pollution, and a total disregard for consumers is by creating an independent, effective regulatory agency.

The areas in which business organisations should play a prominent role in Nigeria are limitless. In Nigeria, where resources are very much limited, organisations should be involved in the setting and attainment of national priorities. It is a waste for government and businesses to pull in opposite directions. Government should, with the cooperation of organisations, set priorities. Businesses, then, should use their resources to ensure that the objectives are realised. In the Green Revolution programme, professional farmers should work very closely with the government in helping to identify the major problems inhibiting large scale production and distribution of farm products.

Banking institutions ought to assist the government by identifying and making credit facilities available to qualified farmers and offering them

expert advice. Organisations that import or manufacture farm equipment should make them available to cooperative farmers at reasonable prices or lease them to farmers at reasonable conditions. The situation is different where the government advocates Green Revolution and the businessman who supplies farm equipment engages in exploitation of farmers or short-run opportunities characteristic of Nigerian avaricious business tycoons.

It is part of corporate social responsibility for the organisation to help employees achieve their personal needs. Employment opportunity is created by organisations. Enterprises that start to lay off employees at a time the government is fighting to reduce unemployment are working against national interests. Nigerian managers should help in formulating and articulating ethical norms as part of their social responsibility.

4.0   CONCLUSION

This unit has examined the role of Nigerian businesses or entrepreneurs in social responsibility. You would have noticed that social responsibility should be an integral part of the operations of any organisation.

5.0   SUMMARY

In this unit, you have learnt the definition of social responsibility, the areas of social responsibility, reasons why social responsibility is neglected by businesses and finally, the role of Nigerian entrepreneurs in implementing social responsibility.

6.0   TUTOR-MARKED ASSIGNMENT

In your own understanding, how would you define and explain the concept of social responsibility?

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