Definition of Management

It is a process which comprises of managerial activities within an organization to achieve organizational objectives by planning, organizing, decision making, controlling, co-ordination of group effort and general leadership.

The Management Structure

These are categorized into three separate studies;

1. Management Function
2. Types of Management Level
3. Management Skills

The Management Function

- **Planning**. These include topics like Objectives and Decision Making.
- **Organizing**. These include topics like Authority, Power, Span of Control and Delegation.
- **Leading**. These include topics like Leadership, Motivation, Teamwork & Group
- **Controlling**. These include Control's application & techniques and Management Information Systems (MIS)

Types of Management Level

Management level structure is divided into a number of vertical levels from the General Manager to the Supervisor. Thus, it can be classified into three types of level;

Top Management level

- Developing long-term goals & plans
- Evaluating various departmental performances
- Evaluating the performance of leading personnel
- Problem solving

Middle Management level

- Developing intermediate term plans & long-term plans for review by top management
- Evaluating managerial performance
- Establishing department policies
- Counseling subordinate managers
- Reviewing of sales and production reports

First-line Management level (Supervisor level)

- Developing short-term plans
- Supervision
- Reviewing the performances of frontline supervisors
- Assigning tasks to the workers
- Maintaining close relations with the employees

Management Skills
Robert L Katz identified three basic types of skills that make up effective management – technical skill, human skill and conceptual skill.

- **Technical Skill** refers to the manager’s ability to use the expertise, tools and procedures in his area of specialty. An executive is usually appointed for his technical skill. For example, a purchasing officer is selected to join the management team because the organization believes that his skill can improve their buying.

- **Human Skill** is the ability to communicate with and motivate the people around him, be they his supervisor, his subordinates or his colleagues.

- **Conceptual Skill** is the ability that the manager must possess to think out plans and to see how all the nitty gritty of dilay work adds up to the achievement of the organization’s goals.

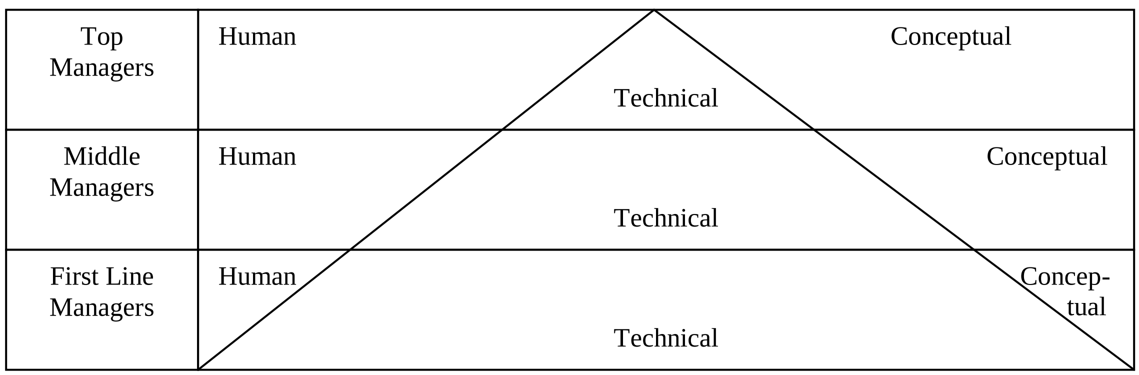


Figure 1 – A comparison of the skills needed at different levels of management

The Manager’s Job
These can be categorized into three separate studies;

1. The key roles played by managers
2. Types of managers
3. Management Functions

The Key Roles Played by Managers (Managerial Roles)
Mintzberg studied managers at work and classified their work roles as;

- Interpersonal (human skill)
    1. Figure Head – that performs certain important functions like signing important documents. Examples are CEOs, Prime Ministers, Kings, Chancellors, Company Presidents, Company Chairman, etc.
    2. Leadership – that acts as a leader in motivating and encouraging his subordinates. Examples are Government Ministers, Managing Directors, General Managers, etc.
    3. Liaison – that acts as ago between the external environment of the organization facilitating the exchange of information between its external environment and their organizations.

- Informational (technical skill)
    1. Nerve Centre – All non-routine information are channeled through the manager.
    2. Disseminator – The manager acts as a transmitter of all messages from the top management to his subordinates.
    3. Spokesman – The manager transmits organizational functions and relevant organizational information to the outsiders.

- Decisional (conceptual skill)
    1. Entrepreneurs – that acts as a planner of action.
    2. Disturbance Handler – that acts in problem solving and coordination.
    3. Resource Allocation – that allocates, organizes and co-ordinates all monetary and non-monetary resources of the organization.
    4. Negotiator – that acts by negotiating or communicating with outsiders in matters affecting the organization.

Types of Managers

Managers may be classified either by their level in the organization, example, as first line, middle and top management and/or by the range of organizational activities for which they are responsible, example, general manager and functional/specialist managers. The types of manager are;

- **Top Managers** are responsible for the overall running of the organization. They answer to the Board of Directors who lay down broad outlines for the directions that the company must take. The Board of Directors are in turn responsible to the shareholders in a public company

- A **General Manager** is responsible for a sub-unit of the organization, example, a company, a subsidiary or a division and he/she is responsible for all the activities of that sub-unit such as marketing, production, accounting and personnel.

- A **Functional Manager** is responsible for only one organizational activity or specializes in a certain function, example, sales, accounting or production.

- **Middle Managers** direct the activities of both the operating employees and the first-line managers. They are responsible and accountable for activities that put into effect the policies of the organization, and include the plant manager in a manufacturing industry and the marketing manager of a service industry.

- **First Line Managers** are those who direct the activities of the operating employees. Examples include the production supervisor or line leader in a manufacturing plant, the technical supervisor in a repair shop and the floor sales supervisor in a department store. Much of their work involves personally checking the work of subordinates and helping them solve problems.

The Management Function – the functions performed by managers
As managers, they perform the four important functions of planning, organizing, directing/motivating and controlling with the aim of achieving the organizations' objectives;

- Planning
  1. It is the development of objectives at each level of the organization and also involves the determination of objectives to achieve these plans.
  2. The scope of plans and the impact of plans increase as one moves up the management structure.

Managers need to plan so that workers are consistent with the organization's goals and the correct type and amount of resources can be acquired. Planning requires information (example about competition and methods of production), judgment and decision making. Through planning, the manager takes into account the variables in his environment and so is able to foresee and reduce the risks he faces. These risks include the economic, social, political, legal and technological factors that can prevent the manager from achieving the aims of his organization.

For example, the success of a boycott organized by a pressure group against disposable aluminum cans for soft drinks May cause a drastic decline in sales. This situation can be avoided if the manager plans for the use of another type of container acceptable to the ecological pressure group.

- Organizing
  1. It is the delegation of work amongst the various department and various individuals of the department within the organization.
  2. With delegation of work comes responsibility. The departments & individuals are also given the assigned authority.
  3. Organizing is an ongoing process for the manager. (a never ending story)

Organizing also means creating an organizational structure that is suitable for the achievement of the agreed objectives. Work has to be allocated, lines of authority and responsibility defined, and a system of rules and procedures which guide the conduct of employees laid down. The structure should not be regarded as permanent but as constantly changing to suit the organization's needs.

To return to the example of the soft drink container, a manager might have to bring together scientists, marketing experts and packaging specialists to come up with a solution to the problem. The manager's role in this situation is to co-ordinate the efforts of the experts and to create the conditions necessary to find the solution.

- Directing/Motivating
  1. The manager acts by motivating and encouraging the subordinates through both monetary and non-monetary means.

2. Each manager will have different styles of leadership qualities in motivating their subordinates.

   It is the management function to create the right level of communication and cooperation where everyone is committed to the common objectives. Productivity, waste reduction and cost savings would all be possible then.

   In the example of the soft drink container, the manager must convince others in the company (directors and shareholders) of the need to develop an acceptable container and the long-term benefits of doing so. He/she must communicate with and motivate marketing staff so that they appreciate the need to present an appropriate marketing message to consumers. Consumers must be able to see the new container as proof of the firm's desire to be a responsible corporate citizen.

- Controlling
  1. It is the task of checking individual performance with standards to see if they are in line with the organization's objectives and to take corrective actions when necessary.

  The controlling function involves three elements;
    - Steps must be taken to set work standards and to communicate them to the staff
    - A system of measures must be devised to assess staff performance according to these work standards
    - Where there is a variance between actual performance and the acceptable work standards, the causes must be identified and corrective action taken.

Only through these four functions can managers decide whether an action can be taken or vice-versa. The effects of all management functions combined will be the creation of decision-making by the managers. The relative emphasis on each of these functions depends on the manager's rank in the organization, his responsibility and accountability, and his personal skill and style.

And very importantly to realize that the four basic elements, i.e. planning, organizing, directing and controlling, are of equal importance and interrelated. For example, one cannot plan without regard to the feedback from the controlling function.

The Need for Qualified People in Management

The success of a firm is critically influenced by quality of its personnel. The need for developing managerial personnel becomes particularly pressing in view of complex internal & external environment and the expansion of the organization. Individual and company efforts are required to maintain managerial competence in the face of growing complexity in the role of management.

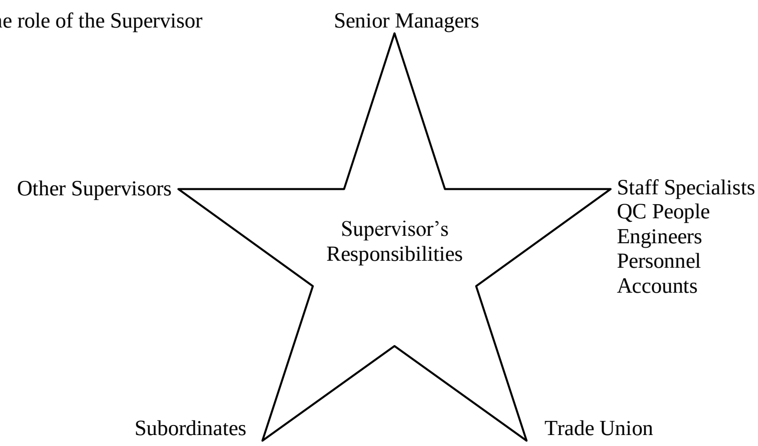
A famous lecturer of management once said "***All managers are in a foot-race between retirement and obsolescence; the best they can hope for is a photo finish***". The work of managers in performing the functions of planning, organizing, directing and controlling as his role and responsibilities in relation to others in the work place.

<u>The role of Supervisor (first-line manager)</u>

The supervisor, also known as first-line manager, is special in that in the hierarchy of the organization he is the most junior manager yet he is at the same time the highest ranking worker.

The role played by supervisor is symbolized as a star since of its responsibilities as being the first line of management (See figure 1).

Figure 1 – The role of the Supervisor



The responsibilities of the supervisor are summarized below;

1. Upward Responsibilities to Higher Management

- Ascertain and carry out what senior managers want done
- Keep his immediate supervisor aware of what his section/unit is doing, and discuss difficulties before they develop into problems.
- Accept full responsibility for the work of his section/unit without 'passing the buck'
- Refer matters requiring the superior's attention immediately, but at the the same time avoid bothering the superior unnecessarily
- Interpret the employee's needs in conceptual terms to management, take the message of management to the workers and explain how it is to be incorporated in practical day to day activities
- The supervisor must learn to develop a certain amount of dignity and diplomacy so that the relationship with management is not servile.

2. Parallel responsibilities to other managers/ supervisors of equal rank and also to staff specialists

- Co-operate with his associates in the same manner that he expects his employees to co-operate with each other
- Help co-ordinate the work of his unit/section with that of others for the achievement of the objectives of the firm
- Encourage the free movement and promotion of good work within the organization
- Accept full responsibility for the performance of his unit/section without putting the blame on others and creating ill-feeling by accusing others of not co-operating.
- Try to understand the particular problems facing individual units/sections and their supervisors, example, a particular section may be staffed wholly by newly recruited workers and as a result performance may be very poor.

3. Downward Responsibilities to Subordinates

- Help in the selection of new employees by short listing the applications sent, testing the candidates and interviewing those short listed.
- Help to orientate new workers by telling them about the aims and objectives of the company, how the work they do provides customer satisfaction and the benefits workers will receive for the work they put in. Help them meet and work with their work group.
- Always be on hand to assist each employee to know what to do and how to do it. Check the employee's work and when it is not up to the mark, show the employee what can be done to improve it. If the work is good praise the employee.
- Evaluate the employee periodically so that the employee can be trained to assume greater responsibility.
- Recommend juniors for transfers, salary adjustments, promotions or if all avenues for improvement have been exhausted, for dismissal.
- Commend, encourage and give credit for work well done.
- Delegate responsibility and develop understanding so that when he eventually gets promoted, there are people ready to do his job.
- Develop harmony, cooperation and teamwork in the work environment.
- Help to build and maintain employee morale by handling grievances promptly and fairly.
- As the first executive most in contact with the workers, help to maintain discipline and respect for rules and regulations by personal example and by controlling absenteeism. Promote the development of punctuality and a healthy respect for the work of the organization.
- Take a personal interest in each one of his workers. Encourage them to improve themselves in after work hours and understand the problems they face in their out of work environment.
- Treat all staff as decent human beings by being courteous, tactful and considerate. Provide the right type of leadership.

Development of Managerial Personnel

The process of education or development is not passive and requires involvement and commitment of the participant. Hence, no organization can force development of its managers. The organization can create the proper atmosphere, provide opportunities for development and encourage and recognize interest in activities of development.

Management Development Methods

1. **On the Job Training**. This approach is based on the concept that the manager learns to manage by managing. It gives experience as an educator.
2. **Management Responsibility for own development**. This concept states that planned development is not necessary. It is believed that the team of management will come on top by itself. It serves recruitment of managers with potential for development.
3. **Job Rotation**. This approach involves rotation of managers from one job to another to broaden their experience of management.
4. **Promotion & Transfer**. This involves managerial introduction to new work situation thereby broadening and enriching their experience.
5. **Supervisory Coaching**. This approach is primarily applicable to lower leve managers whose supervisor skills are sought to be improved through coaching by an experienced supervisor.
6. **Training Conferences (workshop, seminars, etc)**. Such conferences are organized to impart knowledge and improve skills of the participants. They are quite useful when the participants have similar training needs.
7. **Outside Development Activities**. In-house development activities may be supplemented with participation in outdoor development activities. Various courses either short-term or part-time that are conducted by specialists from well-established education institutions can provide exposure to managers of the current developments in respective areas.

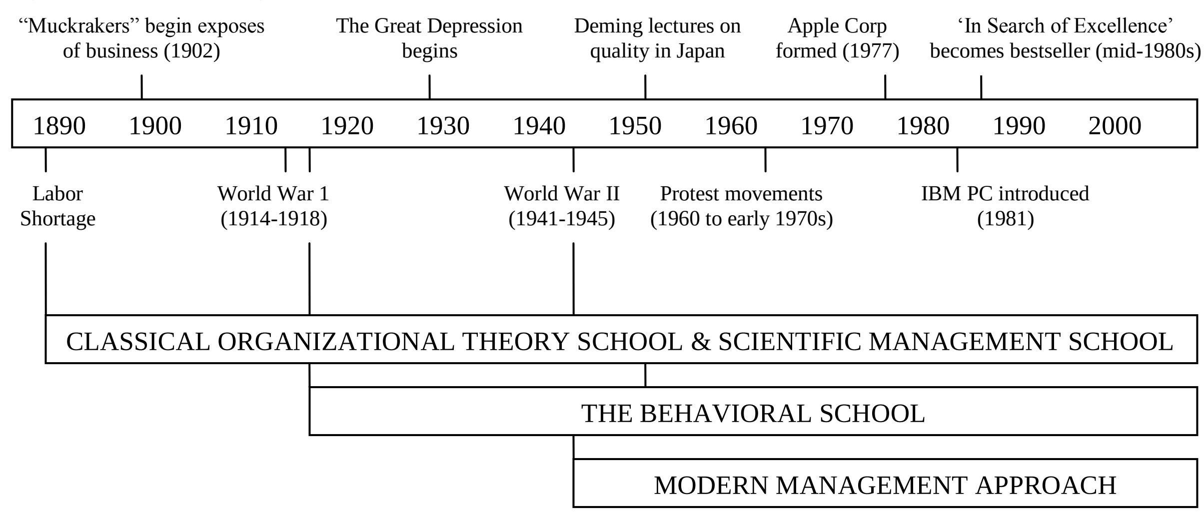
Principles of Management

It can be defined as a statement of general truth about organizations or management. They are regarded as the laws or fundamental rules of organization and management. Through the principles of management, the managers can used it as guide for managerial actions and experience.

Through the past recorded management history had greatly assist modern managers in developing much of their management skills in order to accommodate for better understanding and exercising which types of management is the best for all individuals. The manager has to exercise his judgment and discretion in choosing appropriate principle for varied circumstances.

Principles of Management is then classified differently through the space of time, where it starts somewhere in 1800s which was known as **classical theory**; and later in 1900s, it was evolved into the **scientific theory**; then, in 1950s, it was again emerged as **human related theory**, until year 2000s, where management had been developing and evolving fast, thanks to many modern intellectual management thinkers.

Figure 1: Key Management Theories: An Overview



1. Classical Principles of Management

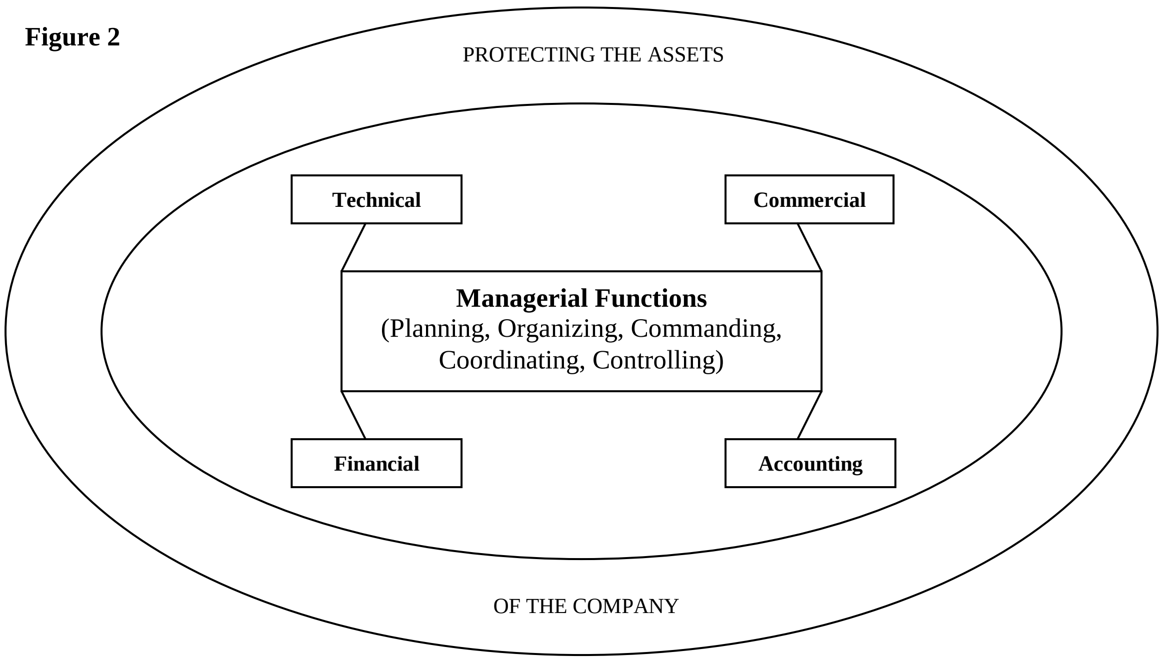
One of the great early thinkers for management was Henry Fayol, who was the early pioneer in management studies on how to become a good, efficient manager. He defined management as:

"To manage is to forecast and plan, to organize, to command, to coordinate and to control"

Henri Fayol (1841-1925) is one of the pioneers of management through and is acknowledged as the founder of the Classical Organization Theory. He divided the **business activities** into six areas: (see figure 2)

1. **Technical** – producing and manufacturing products
2. **Commercial** – buying raw materials and selling manufactured goods
3. **Financial** – getting the capital necessary for the business
4. **Accounting** – recording and taking stock of costs and profits
5. **Managerial functions** – planning, organizing, commanding, coordinating and controlling
6. **Protecting the assets of the company**

Figure 2



Fayol, Henri. General and Industrial Management, Pitman, London, 1949

According to him, management is major key activity of any industrial undertaking. Fayol, through his time, had put forward 14 principles of management where it is used until today. These 14 principles are summarized as;

1. **Division of Work**. Also known as Specialization of work, it promotes efficiency through repeated exposure on limited activity. It thus promotes efficiency of work with greater knowledge and skill as tasks are more familiar with the repeated exposure.

2. **Authority & Responsibility**. Through the assigned authority given, then comes responsibility. It has to be balance between the right to give orders and the retaking responsibility for the action taken.

3. **Discipline**. It is in terms of obedience, application, energy and respect between the management and the employees towards the formation of good relationship between the two. Penalties for poor performance and rewards for good

performance will be the major factors in determining their performance through competent and fair supervision.

4. **Unity of Command**. It states that every employer reports to only one superior. Lack of unity will undermines authority.

5. **Unity of Direction**. Each organization and objective should have only one mission statement and plan.

6. **Subordination of individual interest to the general interest**. Individual objectives in organization should be in line with the general objectives of the organization where organization's interest should be given priority over individual interest.

7. **Remuneration**. The pay should be fair to both the employee and the firm where both parties will benefited from it.

8. **Centralization**. The concentration of decision making must be centralized so chaos and confusion can be avoided among the same level of managers.

9. **Order**. The organization should have an order and plan with the right person for the right job.

10. **Scalar Chain**. It is an unbroken chain or scale which describes the flow of authority, but in many cases, quick action is required and this can be achieved by direct communication at lower level between the same levels of managers. Each can reach a decision by direct communication without going up and down the chain of command.

11. **Equity**. Employees' attitude of kindliness and justice can create loyalty and devotion from the employees.

12. **Stability to tenure**. Every employee needs time to be settled in his/her job. A well settled and stable work force promotes efficiency in the organization.

13. **Initiative**. Plans should be formulated well before hand and every individual within his limited scope of authority and responsibility should be encouraged to participate in the organization's plans to ensure their successful realization.

14. **Esprit de Corps**. Unity is strength in that the organization should function as a team and every team member should work to the best of his ability to achieve organization's objectives. Teamwork is essential for the achievement of organization's goals.

Contributions made by the classical school

1. The classical school has made planners aware that there are certain management principles that make for effective management not only in business but in other fields as well
2. This school isolated some areas of practical concern to managers that are still relevant today, example, the division of labor and the use of managerial authority.

Limitations created by the classical school

1. The main criticism has come from those who believe that the business environment is too dynamic for the theory. For example, the manager's formal authority cannot be assumed with today's workforce which is better educated and less likely to respond to authoritarian leadership styles.
2. The classical theory had been looked upon as being too general. For example, employees may report to more than one manager and the theory does not explain which manager's wishes have precedence.

Many past management thinkers after Fayol era such as Urwick and Brech have adopted the Fayol classical principles of management and upgraded it in accordance to our ever-changing and accelerating world. At this time, there has been a change in the trends in management thinking with increasing application of scientific knowledge towards management studies.

2. The principles of Scientific Management

Pioneering work in the field of scientific management was carried out by Fredrick W. Taylor. Taylor who questioned and criticized the validity of tradition-bound management practice and, therefore, developed a more systematic and analytical approach in the application of scientific knowledge for understanding the whole complex process of coordinating technical, human and economic factors in management.

His ideas took in the form of fundamental principles, which he termed the duties of management;

1. Replacement of opinion and rule-of-thumb with a scientific operation.
2. Scientifically determine the accurate time and method for each job.
3. Setting up a suitable organization to take all responsibility from the workers except that of actual job performance.
4. Selection and training of workers.
5. Cooperation with workers.

According to Taylor, scientific management was the systematic and scientific investigation of all facts and elements connected with the work being managed. The aim of his work was to scientifically measure the worker's jobs and setting their pay rates accordingly. He carries out his studies using the principles of scientific management with the Bethleham steel company. With the application of his principles, Taylor demonstrated the benefits of increased productivity and earning which he obtained at the Bethlehem experiment.

Besides Taylor, the three other followers of scientific management were Frank & Lilian Gilbreth and Henry Gant, all of whom contributed significantly to the work of scientific management.

However, all of the followers of the scientific approach were critized and accused of speeding up and exploiting workers since the approach viewed the workers as a machine with the goal of maximization of the efficiency of the human machine.

Contributions obtained from the application of Scientific Management

1. It was used as guideline towards making consistent production's targets through accurately measured viewed tasks and processes.
2. Increase in productivity due to improvement of working conditions and increased wages for the job done where these have benefits both the employees and the employers.
3. It stimulated the managers to adopt a more positive role as a leader.
4. It laid the foundations and act as a starting ground for other research work on which to improve the management system and other quantitative techniques.

Limitations created from the application of scientific management

1. The work of an employee was transformed into the duty of methods and procedures. Therefore, the worker was looked upon as a human machine in order to maximized output.
2. The work was fragmented (division of labor) due to the emphasis on the analysis of doing individual tasks or operations in order to maximized output.
3. It generated a limited approach to the motivation of employees by enabling pay to be used as an incentive to increase output.
4. The management was fully responsible for the planning and control of work place activities
5. Every job performed was measured, timed and rated scientifically in order to determine the amount of pay to be received by workers, thus, ruled out bargaining about wage rates.

3. Human Relations Theory

This theory relates with the human factor where the concept of a worker is valued as a person with emotions and worth. This theory focused on issues such as individual motivation, group behavior and leadership.

One of the management thinkers in this field is Elton Mayo. His contribution to the human relations theory came from the experiments at the Hawthorne plant of Western electric Company in Chicago and these experiments are widely known as the Hawthorne Studies.

The Hawthorne Studies focused on the workers' social relationships in work and it had demonstrated that the working conditions had no significant effect on productivity. It was the social process within the group that can affect the standards of their work performance.

Mayo believes that the Human Relations Approach to management will create organization's harmony, higher employee satisfaction and greater operation's efficiency.

The findings of the Hawthorne Studies revealed the importance of social relations at work and therefore, it concludes that;

1. The need for belonging to a group and have status within a group is more important than monetary incentives and better working conditions.
2. The social demand within a group at work affected the standards of work performances
3. No individual worker can be treated in isolation. He must be seen as a member of a group.

Contributions obtained from the application of the Behavioral School

1. By creating the genuine concern for the individual worker leads to increased productivity. Mayo had balanced the classical approach which treated productivity as an engineering problem exclusively and the scientific approach which looked upon the worker as a rational being.
2. Mayo's teachings put emphasis on the manager's style and drastically changed the training of managers. As a result, the teaching of people skills has become an important aspect of management training.

Limitations created from the application of the Behavioral School

While the concept of a 'social man' did much to act as a counterweight to the overemphasis on organization and rationality, the experience on the factory floor did not show the drastic improvements in productivity which had been expected. In latter years, the 'self-actualizing' man was developed and accepted as a more accurate description of human motivation.

The Human Relation Theory helps management thinkers to look at human aspects and relationship which was found to be of critical importance in the day-to-day management of an organization. Thus, it was the starting point for the emergence of many motivation theories that helps organization to understand its employees in order to maximize both productivity and output, such as the work of Maslow, McGregor, etc.

THE BUSINESS ENVIRONMENT

The business environment of an organization refers to the elements that affect the achievement of its aims. A firm is in continual interaction with its environment. As changes in the environment affect both its inputs and outputs, it must be able to respond to the opportunities and challenges posed by the environment. For example, are its business operations polluting the air or water? How the organization responds to the environment is vital to its continued survival and growth.

Elements of the Business Environment

There are two parts of the business environment – the external and internal environment;

- The **external environment** of business refers to the external forces that play a part in influencing the direction that the firm takes.
- The **internal environment** refers to those elements that have a direct influence on the daily operations of the firm.

The External Environment

The external environment of business has six basic elements: material, economic, legal, political, social and technological.

1. Material

The material or physical element of the environment is concerned with the use and supply of land and raw materials, the danger from pollutants and residues, and the availability of energy resources. Abuse of the material environment will mean that firms have to pay more for scarce resources and face health hazards from pollution.

Therefore, the organization's responsibilities to the material environment are:

- To forecast accurately its resource requirements especially when energy is becoming scarce;
- To use energy more efficiently;
- To reduce the levels of air, water and noise pollution;
- To recycle water and other materials where possible.

2. Economic

The economic element of the environment plays a very big role in determining the nature of business. When times are good and a country enjoys full employment, a firm may find that it can only expand by buying **factors of production** that are becoming more expensive. Thus, to remain competitive, some firms have moved to Third World countries where certain resources such as labor are cheaper and more readily available such as China, India, ASEAN nations, etc.

Tax policy is commonly used to achieve both the economic and non-economic ends. A government may impose a tax on a particular industry in order to collect funds for certain national objectives. Other measures in economic control are licensing of importers, the control of foreign exchange, the imposition of tariffs and quotas and the use of trade embargoes.

3. Legal

The legal element of the environment is concerned with the framework of rules laid down by the government and within which business must operate. Below are examples of legal activities;

- **Formation of Business.** The laws included are Partnership Act, the Business Registration Act and the Companies (Amendment) Act.
- **Labor.** Many laws govern the employment of labor, the Employment Act, the Workman's Compensation Act and the Industrial Relation Act. These laws protect the rights of workers by providing for contract of employment, compulsory insurance, and recognition of trade unions, compulsory provident funds and industrial arbitration.
- **Production.** The use of industrial machinery is governed by certain laws designed to protect the health and safety of workers and to keep factories safe.
- **Marketing.** The most important law that protects consumers is the Sale of Goods Act. The establishment of a Small Claims Tribunal ensures effective redress for consumer complaints. In addition, government departments include consumer protection in their duties. For instance the Health Department maintains health standards in all places where food is produced. The Ministry of Health checks on items sold or advertised as health food. The Halal-Haram Food Committee regulates and checks on imported meats, poultry and local slaughtered animals.
- **Finance and Property.** Finance and property rights are protected by a number of laws. For instance, the Patents Act protects a company's rights to use its inventions. The Copyright Bill 1986 will do much to protect authors of original literacy, dramatic, musical and artistic works and the owners of sound recordings and cable programs. In this way, publishing firms, film, music and television producers are protected against piracy.
- **Pollution.** Stricter rules against pollution have led firms to examine new ways of reducing waste and recycling of waste has actually led to the finding of new products. For instance, copper smelters are able to sell to other industries the acid once discharged into streams. Abattoirs can export animal offal to countries where there is a large market for chicken or meat offal. Soft drinks cans are collected for scrap metal.

4. Political

The political process involves competition between different interest groups, each seeking to advance its own values and goals. Government agencies (legal) can influence an organization's activities as a result of the political process or climate.

An example that be sited from the Malaysia's unique political system, all major political parties such as UMNO, MCA, MIC, etc had join to form a coalition party called the National Front (BN) while those parties that do not join BN such as DAP, PAS, etc had form their own coalition party called the Alternative Front (BA) and will competes for power between themselves.

One example in political factor that had affected many business organizations is in 1981 when Malaysian government announces ‘Buy British Last’ policy in retaliation against British government’s decision to raise university fees for international students. Policy officially ended in 1988.

5. Social

Since business operates within the society, it is of utmost importance that the manager is aware of the characteristics of the social element of the environment. The size and age distribution of the population, its standard of living, the facilities for training and education, and the availability of housing and health care all affect business operations. Culture and tradition also have a strong influence on the conduct of business in some societies.

The social environment creates market opportunities. For example, fast-food restaurants have been successful in Brunei because many parents are two income earners where they don’t have time to cook lunch for their kids; therefore, they just bring their kids to eat at the fast food outlets.

6. Technological

Technological breakthroughs such as the development of computers, cars, household appliances, etc have a powerful effect on business and consumers alike. It is the combination of the right technology and marketing that leads to the commercial success of products.

The technological element of the environment also allows the manager access to more accurate data that enables him to plan better. The technological changes have helped many business organizations to lower the costs for both transportation and production costs. For example, the purchase of flowers for Valentine’s Day or other important events can be flown-in from very far-way countries such as Zimbabwe, Holland, etc. without having the flowers to wither before reaching to the consumers.

The Internal Environment
These elements have a direct influence on the daily operations of the firm. These elements are known as **stakeholders** within an organization. They are the people who can affect the well-being of an organization's survival and have the capability to produced either positive or negative response to an organization's success. Internal Environment has both external and internal stakeholders.

The internal stakeholders are;

- **Shareholders**
  Shareholders are the owner of the company through the purchase of company shares. They can directly influence the organization's activities and policies through the **Board of Director** by appointing and /or terminating them. The Board of Director will then manage the company activities on behalf of the shareholders. The Board of Director will then report their activities and profit during the Annual General Meeting Assembly (AGM) for the shareholders.

- **Employees**
  They influence the organization by the way interpret the organization's objectives. Managers and their staff can push the organization to achieving high performance in production, sales and distribution. In return for the gains in profitability and productivity, the company will rewards its employees with better than average wages, salaries and bonuses. Now, employees in most of the big corporations are getting more involves in the company's well-being and ownership.

The external stakeholders are;

- **Trade-unions**
  They use their collective bargaining power to negotiate wage rate, better working condition, and other aspects of work environment, which are neglected by employers. They exist to safeguard the workers' interest.

- **Financial institutions**
  Financial institutions are important components in the economic structure of society. Business firms depend on banks, insurance companies and export houses to finance their activities. Management can maintain a healthy relationship with these institutions by providing them with timely information about the firm's activities and achievements.

- **Customers**
  They are the external stakeholders that can indirectly influence the organization's activities and, nowadays, they have become more aware of their right to be heard, to be informed and to choose. Local laws have been passed to protect customers from unscrupulous business culprits. Organizations need to maintain a good rapport with their customers as their survival is dependent on the fruitful exchange between themselves and their customers. Without them, businesses won't be able to survive.

- **Suppliers / Vendors**

They are external stakeholders that can greatly affect organization’s business operations. Organizations are dependent on its vendors for raw materials, equipment and services needed for production. By buying at the right time, in the correct quantities and at the right places, the firm will be able to gain a competitive edge over its competitors.

One example: In 1993, an explosion on Sumitomo Chemical Company’s factory had affected many business organizations around the world since this plant had supplied 65% of the world’s supply of epoxy, the chemical used to seal most computer chips in their plastic packages. Spot prices for computer memory chips immediately rose 50%, and computer buyers around the world saw prices shoot upward.

- **Government agencies**
  Business firms have become increasingly involved with the government at various levels. It is now common to see the government as a customer of goods and services. They also act as a regulatory body through its agencies such as Halal Haram Ad-Hoc Committee under the Ministry of Religious Affair, BINA under the Ministry of Development, Job Centre under Labour Department, etc. These bodies establish and enforce the rules and procedures under which the firms must operate. Furthermore, government agencies protect individual against unscrupulous business practices.

- **Competitors**
  To remain ahead of competition, the firm must be able to offer customers goods and services of the right price and quality. Thus, it is in the interest of the firm to provide products at competitive prices. The firm must also be prepared to adapt to the changing needs of the market if it is to continue to survive.

- **Special-Interest Group** e.g. local ecological environmentalists and human rights movement such as Greenpeace, UNESCO, etc.
  Most recently, these groups are becoming more influential due to the support of the public and media coverage. They use the political process to advance their position on particular issues such as waste dumping, usage of CFCs products, the danger of tobacco smoking and other aspects that is affecting the natural environment and health issues. They organized campaign demonstrations to influence government legislators in order to safeguard the public and ecological interest.

- **Media** (TV, newspapers, internet news, etc)
  The economy and business activity have always been covered by the media, because these topics affect so many people. Everybody wants to know what happening around them such as sport news, celebrities’ information, war coverage, etc. Only through media mediums such as televisions, newspapers, internet, etc can they obtained this type of information. Nowadays, mass communications have allowed increasingly extensive and sophisticated coverage, ranging from general news reports to feature articles to in-depth investigative exposes.

The Effects of the Environment towards the Business Organization
Environment factors set limits, pose threats to business organizations, but environment factors can also provide opportunities and challenges if top executives can make use of the information. The stakeholders within the environment can affect positively or negatively towards the survival of an organization depending in how they operate their business operation. The business organization must comply with the wishes of these stakeholders or face negative response from them that will result in loss of profits and customers.

The Effects of Business Organization to the Environment
<u>The social responsibility of business and its profit motive</u>
Social/public responsibility is the responsibility of firms to the community or the public at large, example, in their pricing, product quality, employment levels and in the way they treat the environment, etc. this was reflected in the passing of laws requiring firms to provide equal employment opportunities, promotion prospects and compensation benefits to women, racial minorities and the handicapped. These requirements forced firms to re-evaluate their business objectives and take a broader view to include a wider range of objectives.

Since many business firms depend on public goodwill, to neglect social problems will be self-destructive in the long run. Many of today's problems are the result of old corporate practices and firms have to be careful not to repeat the mistakes of the past. Firms therefore must take precautions against air and water pollution, job discrimination and poor working conditions.

Before a firm can undertake socially desirable objectives, it must first generate enough profit to maintain the confidence and support of its shareholders. Funds allocated to social programs serve a firm's interests by preventing conflicts with environmentalists and government agencies, and by improving the firm's standing in the community. A compromise must be reached between the level of profits desired and the number of social programs implemented by the firm. Money spent on social projects improves external environment and therefore in turn allows the organizations to prosper.

Firms need to be constantly aware of the different elements of the external and internal business environment because they present both opportunities for growth and threats to survival. To be able to respond effectively to environment changes, management must concentrate its effort on the key aspects of the environment that are relevant to its firm. If management was to consider each and every element in detail, it would expend time and energy unproductively.

In conclusion, social responsibility is the price a business must pay for the economic success it enjoys. Sufficient economic success is necessary for a firm to be concerned with social responsibility.

The Need for Organization (Organizing)

Organizations are formed so that people who share a common set of values or interests can work together towards achieving that common objective. When resource are combined, their collective effort should be better than what they can produce individually (two heads are better than one) since this will produce a synergistic effect.

An organization is a structured process in which people meet and interact in order to achieve a certain set of objectives. Organizations are characterized by:

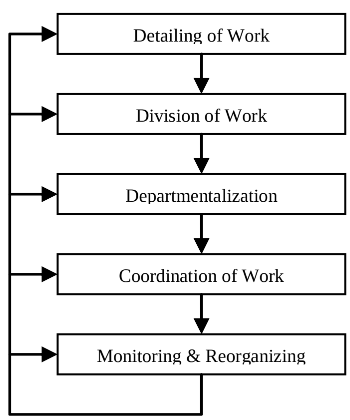
- The people or members of the organizations
- Their common objectives
- The structure they develop to help them achieve these objectives.

In other word, the **formal organization structure** is defined as the planned structure of relationships among members of the organization which defines their roles, responsibilities and tasks. It is the formal channel by which work is arranged and allocated among members of an organization so that the aims of the organization can be achieved.

The Organization Process

As per shown in Figure 1, the steps in the organization process are;

Figure 1 – The Organization Process



- **Detailing of work**. Every organization is set up to achieve a specific set of goals. Therefore, the tasks of an organization must first be determined.
- **Division of work**. Organizations were formed simply because the work they were meant to accomplish could not be performed by one person. Thus, the work has to be carefully assigned – on the basis of the qualifications of members and on a fair distribution of work.
- **Departmentalization**. Although the work has been parceled out so that each person can do his part, the tasks are related. Thus, though different people contribute different skills at different levels of expertise, set procedures of their interactions with one another enable the work to be combined into a logical whole. Departmentalization refers to this process of grouping the related tasks, activities or units of an organization.

- **Coordination of work**. As individuals and departments go on with their specialized activities, there is a tendency to lose sight of the organization's objectives. Some of the activities may even be in conflict with overall objectives. For example, a production manager may press for more workers because output has increased. A careful study may show that automation would serve the firm's interests better. Coordination unifies the members' work into a harmonious whole.
- **Monitoring and reorganizing work**. Since organizing is an on-going process, managers must make periodic assessments of what the organization is doing. As the organization grows, the structure of the organization must change so that an efficient and effective operation can be attained.

Advantages

1. There is impartial application of the rules of the organization. The peculiarities, whims and fancies of individuals do not influence the way the organization makes decisions.
2. A clear and defined system of authority is laid down.
3. A system of procedures for processing work is established.
4. The division of labor is based on specialization.

Disadvantages

1. Sometimes, there is confusion and conflict about the roles that people are called on to perform.
2. The organization and the group as a whole are considered more important than the individual so individual growth may be stifled. People with innovative ideas may have to leave their companies to be on their own simply to implement ideas that they believe in.
3. Sometimes poor communications and the informal organizations may give rise to misunderstanding and misinterpretation of organizational objectives.
4. Large organizations with many layers of decision making will become slow in adapting to changes in the environment.

Departmentalization

A road map is of little value without an automobile. Similarly, a business plan requires creation of an organization machine that is designed to accomplish the objective.

The organization function might be visualized as breaking down an overall objective into specific functions and assignment necessary for the accomplishment of that objective. These functions and assignments must be further subdivided into individual jobs. However, for co-ordination functions these individual jobs must be regrouped on some basis.

The regrouping units will form into a section and a cluster of these sections will form a department. Thus, all of these departments will make up the organization. The basis for grouping of jobs into work sections; and work sections into departments are known as **organization structure**.

Types of Organization Structures

Organization Structures refers to the way in which an organization's activities are divided, grouped, and coordinated into relationships between managers and employees, managers and managers, and employees and employees. An organization's departments can be formally structured into three major ways: by function, by division, or in matrix form.

Functional Organization Structure

A form of departmentalization in which individuals engaged in one functional activity, such as marketing or finance, is grouped into one unit. In other word, organization by function brings together in one department everyone engaged in one activity or several related activities that are called functions. For example (see figure 1), an organization divided by function might have separate manufacturing, marketing, and sales departments. A sales manager in such an organization would be responsible for the sale of all products manufactured by the firm.

The functional organization is perhaps the most logical and basic form of departmentalization where it is used widely by smaller firms that offer a limited line of products because it makes efficient use of specialized resources.

The advantages are;

1. It makes supervision easier, since each manager must be expert in only a narrow range of skills.
2. It also makes it easier to mobilize specialized skills and bring them to bear where they are most needed.

However, as an organization grows, either by expanding geographically or by broadening its product line, functional structure can created some limitations;

1. Since functional managers have to report to central headquarters, it can be difficult to get quick decisions.
2. It is often harder to determine accountability and judge performance in a functional structure. For example, if a product fails, who is to blame – research and development, production or marketing?
3. Coordinating the functions of members of the entire organization may become a problem for top managers since members of each department may feel isolated from those in other departments. For example, the manufacturing department may concentrate on meeting cost standards and delivery dates and neglect quality control. As a result, the service department may be flooded with complaints.

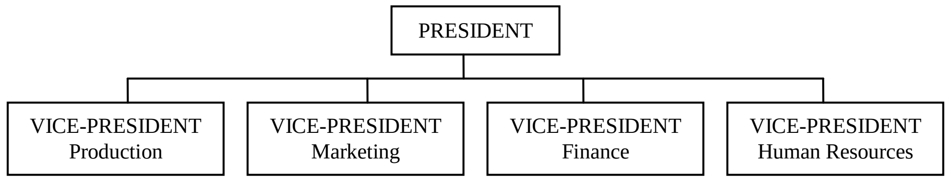


Figure 1: Functional Organization Chart for a Manufacturing Company

Divisional Organization Structure

Large organization department that resembles a separate business may be devoted to making and selling specific products or serving specific markets.

When an organization's departmentalization becomes too complex for coordinating the functional structure, top management will generally create semi-autonomous divisions. In each division, managers and employees design, produce and market their own products.

Unlike a functional department, a division resembles a separate business. The division head focuses primarily on the operations of his or her division, is accountable for profit and loss, and may even compete with other units of the same firm. But a division is unlike a separate business in one crucial aspect: it still reports to central headquarters.

Divisional organization structure can be divided into three patterns;

- **Division by product** – the organization is divided according to the different products the company produced. See figure 2

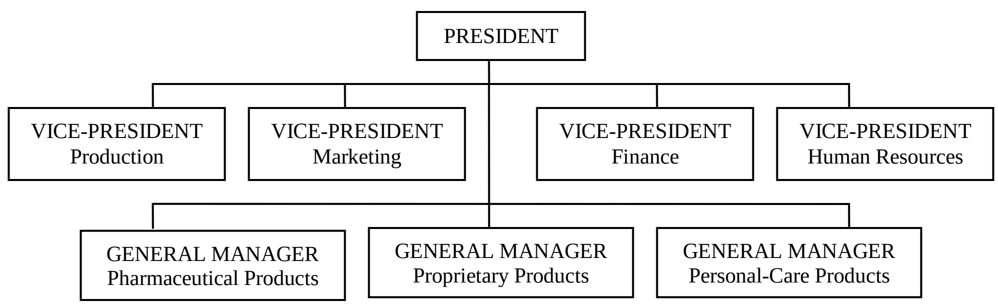


Figure 2: Division by Product Organization Chart for a Manufacturing Company

- **Division by geography** – the organization will locate its plant close to its source of raw materials, to major markets, or to specialized personnel. See figure 3

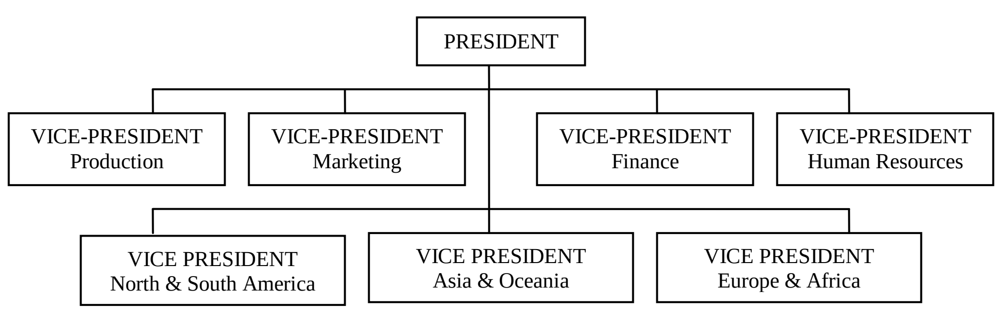


Figure 3: Division by Geography Organization Chart for a Manufacturing Company

- **Division by customer** – the organization is divided according to the different ways customers use products. See figure 4

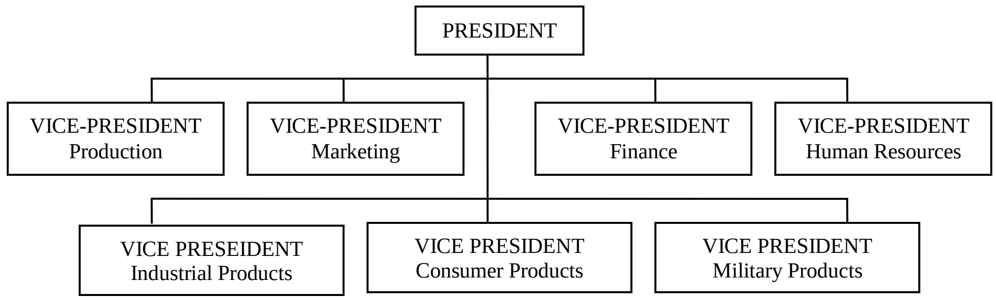


Figure 4: Division by Customer Organization Chart for a Manufacturing Company

Its advantages are:

- Because all the activities, skills, and expertise that is required to produce and market particular products are grouped in one place under a single head, a whole job can more easily be coordinated and high work performance maintained.
- Both the quality and the speed of decision making are enhanced because decisions made at the divisional level are closer to the scene of action.
- The burden on central management is eased because divisional managers have greater latitude to act.
- Accountability is clear since the performance of divisional management can be measured in terms of the division's profit or loss.

Its disadvantages are:

- The interests of the division may be placed ahead of the goals for the total organization. For example, because they are vulnerable to profit-and-loss performance reviews, division heads may take short-term gains at the expense of long-range profitability.
- Administrative expenses increase because each division has its own staff members and specialists, leading to costly duplication of skills.

Matrix Organization Structure

The matrix (multiple command system) structure is a hybrid that attempts to combine the benefits of both types of designs while avoiding their drawbacks. An organization with a matrix structure has two types of structure existing simultaneously. Employees have in effect two bosses – that is, they work in two chains of command (see figure 5);

- One chain of command is functional or divisional, the type diagrammed vertically in the preceding charts.
- The second is a horizontal overlay that combines people from various divisions or functional departments into a project or business team led by a project or group manager who is an expert in the team's assigned area of specialization.

The advantages are:

- The matrix structure is an efficient means for bringing together the diverse specialized skills required to solve a complex problem. Problems of coordination – which plague most functional designs – are minimized here because the most important personnel for a project work together as a group (teamwork).
- By working together, people come to understand the demands faced by those who have different areas of responsibility.
- Matrix structure gives the organization a great deal of cost-saving flexibility. Because each project is assigned only the number of people it needs, unnecessary duplication is avoided.

The disadvantages are:

- Not everyone will adapt well to a matrix system. They may experience conflict in the area of work priorities and resources. To be effective, team members must have good interpersonal skills and be flexible and cooperative.
- Morale can be adversely affected when personnel are rearranged once projects are completed and new ones begun.
- If hierarchies are not firmly established and effectively communicated, there is the danger that conflicting directives and ill-defined responsibilities will tie managers' hands (Disunity of Command).

To overcome these obstacles, special training in new job skills or interpersonal relationships may be necessary when a matrix overlay is first introduced or when a temporary overlay becomes permanent. To protect individuals who function well in traditional structure, many companies either makes special efforts to retrain personnel before assigning them to project teams or select only volunteers for the teams.

Centralization and Decentralization

Centralization refers to a relatively high degree of concentration of decision making authority among very few top level managers. Managers at lower levels merely execute or administer the decision taken by the top management. In such a situation, managers at lower levels become administrators whose attention is focused on activity rather than results.

Decentralization refers to the dispersal or diffusion of decision making authority accompanied by relatively indirect supervision in favor of managers who enjoy relatively high degree of autonomy in managing the divisions for whose performance they are responsible.

As business organizations grow, they become increasingly difficult to manage. When they become very huge such as employing tens of thousands of employees, the control become unstable, thus, making the management control almost impossible. To manage such huge organizations, new management practice must evolve to permit a different type of control.

Decentralized management involves sub-division of a very large organization into components of more manageable size with each component or division enjoying substantial autonomy in operational matters. Each division is headed by a divisional manager who acts as the General Manager.

Although the largest corporations differ greatly in their degree of decentralization, this concept has provided the basic conceptual foundation for administration of most giant corporations.

Decentralization or centralization is never 100 percent. It is always a question of degrees. Each organization must evaluate the advantages & disadvantages of centralization and decentralization in the light of its own unique characteristics in deciding the degree of centralization and decentralization that will accomplish the organization's best objectives.

Advantages of decentralization

1. It eases overload on top management by freeing them from many routine operational decisions and enables them to concentrate on their strategic responsibilities.
2. Divisional units can take quick actions without time-consuming references to the head office all the time.
3. Divisional managers can take quick decisions and exercise flexibility in their approach to decisions in the light of local conditions and thus, be more adaptable in situations of rapid change.
4. Most divisions are located as profit centers. Such an approach will increases cost awareness and promotes efficiency in management.
5. It promotes staff motivation by allowing expression of initiative by staff and inviting their commitment through close participation in decision making.

Disadvantages of decentralization

1. Major errors of judgment may be made in operational matters if adequate control and communication facilities are not available.
2. The coordination by the headquarters may become difficult in view of autonomy granted to divisions.
3. It may lead to inconsistencies of policies relating to customer, clients or public.
4. Divisional managers may pursue their own goals at the expense of organizational goals.
5. It requires availability of capable and well-motivated managers who can measure up to the challenges presented by decentralization.

Variables affecting decisions to decentralize

It is clear that unique nature of a particular situation makes decentralization desirable or undesirable. Therefore, below are the following factors that can affect the decision to decentralize.

1. **Size of the Organization**. Small firms can afford to be highly centralized. However, huge corporations find extreme centralization (above 80% centralized) ineffective, inefficient and uneconomical.
2. **Diversity of Product Lines**. The managerial skill required to effectively manage several divisions. Manufacturing unrelated product lines are unlikely to be found in a few personnel at the head office. Hence, such an organization may find it more cost-effective to decentralize and reap benefits of specialized management for each division.
3. **Geographical location of the Business.** If the business is spread wide across a distant area, then, for operational reasons, it is desirable to decentralize.
4. **Communication Facilities.** If frequent communication between head office and the division is not feasible, then it is better to decentralize.
5. **The Nature of Growth.** Organizations which have experience organic growth (small, medium & large) may find it difficult to decentralize as management is in the habit of taking decisions. If the growth is acquisition-based (merger, take-over, etc) then organizations find it convenient to decentralize.
6. **Philosophy of Top Management.** If the top management’s philosophy is to retain decision making authority, the organization will find it difficult to decentralize.
7. However, some functions such as production are easily decentralized, other functions such as personnel and finance remain centralized even in large corporations.

Characteristics for High Level of Centralization (above 80% centralized)

1. The Hierarchy is one of the chief means of coordination within the organization
2. If the organizations environment is relatively stable, few experts at the top can take most decisions.
3. Top Management has a strong desire and philosophy to be in control of most events.
4. Sophisticated information systems allow quick transmission of information to top level managers for all non-routine decisions.
5. Employees at lower-levels lack initiative and are content to receive orders and administer them.
6. Employees at the lower levels lack experience and training to make decisions on their own.
7. Organization experiences need for uniformity of decisions.

Characteristics for High Level of Decentralization (above 80% decentralize)

1. Rapidly changing environment requires quick decisions which can be made at lower levels.
2. The attitude and philosophy of top management favors delegation of authority to the subordinates.
3. Well-defined standards have been developed to measure the effectiveness of all employees throughout the organizations.
4. Employees demonstrate interest and the expertise to make decisions and own consequences of the decisions.
5. Co-ordination is possible even when operations are decentralized.
6. The uniformity of decisions is not critical throughout the organization.
7. Employees at lower levels have the training and expertise to solve problems.

Chain of Command

It refers to the relationship between the superior and subordinate as any organization chart will show, starting at the top as chief executive, where lines are drawn to connect him with the managers who in turn are connected to their own subordinates. The total network of relationship constitutes the organizations chain of command where each position is connected to the chain of command at some point. When you have all of the organization networks connected to each respective function and position, you will have an ***organization chart*** of your organization where each individual reports either directly or indirectly to the chief executive.

The chain of command has three distinguishing characteristics, namely;

- **Authority**. The status of a manager is akin to the order given. The chain is an official channel and the superior instructions are backed by his authority. Subordinates compliance is expected. Some communications appear as formal orders and directives whereas others may be disguised as suggestions and ideas.
- ***Responsibility***. The chain of command also depicts lines of responsibility which hold subordinates accountable to their immediate superior for their own performances. Although supervision is enforced informally, the subordinates are conscious of their managerial authority.

- ***Communication***. The daily interaction between superior and subordinate concerning their progress of work, problems that are encountered, personal matters and other information of mutual interest binds them closely. Communication from the superior to subordinate are mostly in the nature of instructions and orders and clarifications, whereas communication from subordinate is mostly of the nature of reporting on the actual progress of work, problems encountered, clarifications sought, etc.

Span of Control

It refers to the number of subordinates that report directly to an authority position. For example, if a manager has 2 employees, then, his span of control is 2. The concept concerning the span of control is based on the fact that there is a limit to the maximum number of employees that a manager can supervise effectively. Thus, there are two types regarding span of control;

- **Narrow span of control**. This will result into a tall organization structure consisting of several managerial levels.
- **Wide span of control**. This will lead to fewer managerial levels resulting in a relatively flat and wide based organization structure.

Advantages of Narrow Span of Control

1. It offers tight control and close supervision.
2. Closer relationship between the manager and employee due to frequent interaction.

Limitations of Narrow span of Control

1. Employees may feel stifled due to excessive managerial involvement.
2. The task of co-ordination becomes more difficult as the number of levels increase.

Advantages of Wide Span of Control

1. Employees have greater freedom to express their initiative
2. Employees are trained well because they must make some decisions on their own.
3. Reduced costs due to fewer managerial levels.
4. Reduced problems of co-ordination and communication due to fewer levels.

Limitations of Wide Span of Control

1. The manager is unable to exercise direct control on supervision.
2. Employees must be able to work independently with little supervision.
3. Limited interaction between the manager and employees leading to less enthusiasm and low morale.
4. Less communication between the manager and employees.
5. Employees take longer to be trained as managerial time is shared by several employees.

AUTHORITY, POWER AND DELEGATION

Through the given assigned ***authority***, there comes ***power***; whenever there is ***power***, there will be ***responsibility***. Therefore, a manager has the right:

- To make decisions within the scope of his/her own authority
- To assign tasks to subordinates
- To expect and require satisfactory performance from subordinates

This has to be ***balance*** between the right to give orders and the retaking responsibility for the action taken.

Authority is the right to use power, often used more broadly to refer to a people's ability to wield power as a result of qualities such as knowledge or titles such as being a judge. It may be defined as the capacity of the superior derived from his formal position to make decisions affecting the behavior of subordinates by virtue of his position in the organization in fulfilling specific duties. Duties are the activities an individual is required to perform because of the rank and position he occupies in the organization.

Responsibility is the obligation to use the authority delegated in order to carry out the tasks assigned and will be accountable for the performance of the delegated duties to his superior.

It is necessary for effective management that authority, responsibility and accountability go hand in hand. Power without corresponding accountability will give rise to uncontrolled behavior in an organization. Conversely, it would be unreasonable to hold a person responsible for matters which he has no authority to control.

Authority is characterized into two area; line authority and staff authority;

	Line activity	Staff activity
1	It refers to the main and key activities of the organization.	It refers to the activities that are designed to indirectly support the line activities.
2	Line authority allows a line manager to make decisions and issue instructions to subordinates and seek compliance from them	Staff authority only allows a manager to advice, guide and counsel.
3	Line managers are vested line authority over their subordinates where it allows the manager to commit organizational resources.	Staff managers do have line authority over their own subordinates, but they have staff authority to others, i.e. they can only suggest, advice, guide and counsel other staff outside their own staff.
4	For example, in manufacturing concern, production and sales are the line activities.	For example, in a manufacturing concern, administration and accounting are the staff activities.
5	In order to survive and excel, an organization must perform exceedingly well in line activities.	The quality of performance in staff activities will enhance excellence in line activity or vice versa.

POWER

The ability to exert influence; that is, the ability to change the attitudes or behavior of individuals or groups.

The sources of power

John French & Bertram Raven have identified 5 sources or based of power

1. **Reward power**: power derived from the fact that one person, known as an influencer, has the ability to reward another person (influencee), for carrying out orders, which may be expressed or implied
2. **Coercive power**: the negative side of reward power, based on the influencer's ability to punish the influencee.
3. **Legitimate power**: Powers that exist when a subordinate or influencee acknowledges that the influencer has a 'right' or is lawfully entitled to exert influence-within certain bounds; also called formal authority.
4. **Expert power**: power based on the belief or understanding that the influencer has specific knowledge or relevant expertise that the influencer does not.
5. **Referent power**: power based on the desire of the influence to be like or identify with the influencer

John P. Kotter's Key characteristics of successfully handled power;

- Are sensitive to the source of their power. They keep their actions consistent with people's expectations
- Recognize the different costs, risks, and benefits of the five bases of power. They draw on whichever power base is appropriate to a particular situation or person.
- Appreciate that each of the five power bases has merit. They try to develop their skills and credibility so they can use whichever method is best.
- Possess career goals that allow them to develop and use power. They seek jobs that will build their skills, make people feel dependent on them, and employ type of power with which they are comfortable.
- Act maturely and exercise self-control. They avoid impulsive and egotistical displays of their power, and they try not to be unnecessarily harsh on others around them.
- Understand that power is necessary to get things done. They feel comfortable using power.

Rosabeth Moss Kanter's key means to organizational power;

- **Extraordinary activities**. Making changes, being the first person to occupy a position, or being successful upon taking exceptional risks can lead to greater power.
- **Visibility**. Being noticed, gaining 'exposure' in the eyes of those in power, and even making certain activities appear to be riskier than they actually are can also increase power – a fact that has led Kanter to speculate that public appearance may be a more influential factor than genuine substance.
- **Relevance**. Solving an authentic organizational problem can be a source of power and may well lend credence to the factors of extraordinary activity and visibility.
- **Sponsors**. Having a sponsor or mentor – someone who advises you on how to succeed in the organization – can be an informal source of power, especially if the

sponsor enjoys a good deal of power. Kanter claims that sponsors are especially important for women who are inexperienced in organizational power politics.

Seven Influence Tactics in creating power

In addition to various types of power, leaders use many other influence tactics to get things done.

1. **Leading by Example** – means that the leader influences group members by serving as appositive model of desirable behavior.
2. **Assertiveness** – refers to being forthright in your demands. It involves a manager expressing what he or she wants to be done and how the manager feels about it.
3. **Rationality** – means appealing to reason and logic, and it is an important part of persuasion.
4. **Ingratiation** – refers to getting somebody else to like you, often through the use of political skill.
5. **Exchange** – is a method of influencing others by offering reciprocate if they meet your demands. Leaders with limited expert, referent and legitimate power are likely to use exchange and make bargains with subordinates.
6. **Coalition Formation** – is a way of gaining both power and influence. It is a specific arrangement of parties working together to combine their power, thus exerting influence on another individual or group.
7. **Joking and Kidding** – are widely used to influence others on the job. It is sometime effective as compared to a straightforward statement which might be interpreted as harsh criticism.

DELEGATION

Delegation of authority involves an assignment of responsibility and authority by a superior to a subordinate. Delegation is a process by which a manager transfers part of his legitimate authority to a subordinate without giving up his own responsibility to his superior.

Why delegates?

Due to human limitations, a manager cannot perform all the tasks or activities of his department or section. Therefore, he will need assistance in the form of his subordinates. The subordinates will take over certain activities from the manager and that subordinates will be given certain authority by the manager in order to perform these tasks. When manager delegate their authority, they become responsible for the results. Therefore, authority and responsibility are like two sides of a coin, i.e. they won't function without each other support.

Reasons for Delegation

1. The human limitations to which a manager is subjected to force him to assign at least some of his activities in favor of his subordinate.
2. By delegation, senior managers are relieved from less important, routine activities in order to concentrate on more pressing issues.

3. Delegation enables decision to be taken at the point where action is by eliminating the delays caused by upward consultation.
4. Delegation trains subordinates to make decisions and live with the consequences.
5. Delegation lends flexibility to the organization by enabling the decision making at the bottom management level.
6. Delegation improves the ability of an organization to adapt and cope up with changes in the environment.
7. Delegation results in increased participation by subordinates thereby fostering their identification with the organization.

Barriers to delegation

1. ***The atmosphere of the organization***. Leadership style ranging from lassie faire, democratic and autocratic have different work atmosphere where the more independent the staff have towards work, the easier for them to delegate. For example, military organization have very tight centralized control and decision making, therefore delegation will be difficult.

2. ***Practical barriers in the work environment***.
    - A manager may be unwilling to delegate all tasks that he perceived as important.
    - Delegation is limited by the training and ability of subordinates.
    - The time pressure and importance of a particular project may make it necessary for managerial attention.
    - If the manager’s own superior expects the manager to perform the task himself, he will be reluctant to delegate.
    - If the work is full of varied and fast changing action then, the manager is forced to delegate.

3. ***Psychological barriers to delegation***
    - Some managers are in the habit of closely supervising all the work and hence find it difficult to change this habit and staff delegating.
    - Particularly in small firms, manager by reason of ownership and background and a proprietary interest in the organization do not delegate.
    - Some managers are unwilling to give up the importance attached to the exercise of power.
    - Due to ego, managers want their subordinate to refer to them for consultations.
    - The insecure manager will not delegate out of fear of losing his own standing in the face of efficient subordinates.
    - The mistrust, suspicion about the ability or willingness of subordinates restricts the manager from delegating authority.
    - A manager may simply enjoy taking responsibility so much that he is unwilling to give it up.

Barrier of the delegate

1. The subordinate himself may be apprehensive about the acceptance of authority.
2. Subordinates due to habit and background may simply prefer to take up activities under managerial supervision instead of confronting decision making situations.
3. Lack of trust in the manager may prevent a subordinate from accepting decision making authority.
4. The perceived non-availability of managerial guidance may prevent a subordinate from seeking authority.

Advantages of Delegation

1. ***Freeing higher level executive of routine jobs***. No one can work effectively by doing everything by himself. Through delegation, a manager can devote his time to the major responsibility of his position and freeing himself from the less important of routine work that can be accomplished by subordinates. .
2. ***Developing Subordinates***. One does not learn to swim by reading a book. Therefore, we had to observe the motions involve in swimming and practice it in the water. In much the same way one must develop management ability by managing and learns to make decisions by making decisions. The manager will delegate certain tasks to the subordinates; guide them until they develop ability.
3. ***Improving morale***. By delegating tasks to subordinates, it indicates trust and recognition of their merit and loyalty. No one enjoy close scrutiny and detailed supervision of their manager regarding their work. Therefore, delegation generally improves morale.

Leadership: An Overview
There are many interpretation of leadership. Researchers define the leadership as follows;

- Leadership is the behavior of an individual when he or she is directing the activities of a group towards a shared goal.
- Leadership is interpersonal influence, exercised in a situation, and directed, through the communication process, toward the attainment of a specified goal or goals
- Leadership appears to be the art of getting others to want to do something that you are convinced should be done.
- Leadership is the influential increment over and above mechanical compliance with the routine directives of the organization.
- Leadership is an activity or set of activities, observable to others, that occurs in a group, organization, or institution involving a leader and followers who willingly subscribe to common purposes and work together to achieve them.

Nevertheless, leadership is broadly defined as influence processes affecting the interpretation of events for followers, the choice of objectives for the group or organization, the organization of work activities to accomplish the objectives, the motivation of followers to achieve the objectives, the maintenance of cooperative relationships and teamwork, and the enlistment of support and cooperation from people outside the group or organization.

A leadership function can be performed into two functions; **task-related** (problem-solving and **group maintenance** (social) function. **Group maintenance** functions include such actions as mediating disputes and ensuring that individuals feel valued by the group. A good and effective leader or manager will be able to perform both functions.

What is the difference between leadership and management?
'Leaders manage and managers lead'; however, not all managers and employees exercise leadership. Why? This is because although management and leadership overlap, each entails a unique set of activities or functions.

Managers carry out responsibilities, exercise authority, and worry about how things get done (**task-related function**), whereas leaders are concerned with understanding people's beliefs and gaining their commitment (**group maintenance / social function**). Therefore, managers and leaders differ in what they attend to and in how they think, work, and interact.

Leaders have achieved separateness, which enables them to dream up ideas and to stimulate others to work hard to bring these dreams into reality. In contrast, managers are process oriented and believe that good systems and processes produce good results.

In other words, leadership is about coping with change, whereas management is about coping with complexity. *'The manager does things right; the leader does the right thing'*.

Management (task-related function)

- Carrying out traditional management functions: Planning, budgeting, organizing, staffing, problem solving, and control
- Assuming roles as per required:
  - Interpersonal roles of symbolic figurehead, liaison with key people, supervisor of employees
  - Informational roles of information monitor, information disseminator, and spokesperson
  - Decision-making roles of innovator within the unit, disturbance handler, resource allocator, and negotiator.

Leadership (group maintenance/social communication)

- Challenging the status quo
- Developing vision and setting direction
- Developing strategies for producing changes toward the new vision
- Communicating the new direction and getting people involved
- Motivating and inspiring others

Many people choose not to lead, but to "boss" people around as they view their group members as inferior, undisciplined, dependent, and requiring "management".

<u>The Behavioral Theory in Leadership</u>

Types of Leader

1. **Charismatic leader** – whose influence springs mainly from personality for example Dr Mahahir, George Bush, etc
2. **Traditional leader** – whose position is assured by birth, for example, king, queen, chieftain, etc
3. **Situational leader** – whose influence can only be effective by being in the right place at the right time
4. **Appointed leader** – whose influence arises directly from his position, for example, bureaucratic leader in the government department
5. **Functional leader** – who secures his leadership position by what he does rather than what he is, for example, doctor, engineer, lawyer

Leadership Style

A leader's typical way of behaving towards group members during the process of directing and influencing workers can be termed as 'leadership style'. Although a whole range of leadership styles are possible, they are classified into;

- Autocratic
- Democratic
- Laissez-faire

These three styles are distinguished in the authority of its leaders and the freedom for its subordinates as shown in Figure 1 and table below;

	Autocratic	Democratic	Laissez-faire
1	Leader designs policy	Members participate in discussions leading to formation of policies. Leader asserts and encourage subordinates' participation	Members have total freedom with minimum participation from leader in designing policies
2	Objectives & goals are developed by the authority but not necessarily involved in communicating in its achievement	Objectives & goals are set by leader in consultation with members who participate in their achievement	Members themselves set objectives and goals with participation from the leader only when required.
3	The leader, usually dictates work to each member	The members work subject to policies, procedures & rules. They exercise self-direction.	Members are free to work when they choose and there is little or no supervision by the leader
4	The leader is quite 'personal' in praise and criticism of the work of each member	The leader is 'objective' and 'matter of fact' in praise and criticism.	Infrequent & spontaneous comments on members activities
5	Leader remains aloof from group participation	Leader participates regularly in group discussions and activities.	Leader makes no attempt to appraise or regulate group members
6	Communication is mostly downwards	Communication is a two-way process	Informal communication is practice
7	**Advantage**: Instant & very fast decision-making process	**Advantage**: It is better accepted in decision making by members.	**Advantage**: There's opportunity for individual development
8	**Disadvantage**: Low morale and resistance to authority.	**Disadvantage**: Delayed or slow in decision making process and making compromises.	**Disadvantage**: Lack of group cohesiveness and unity.

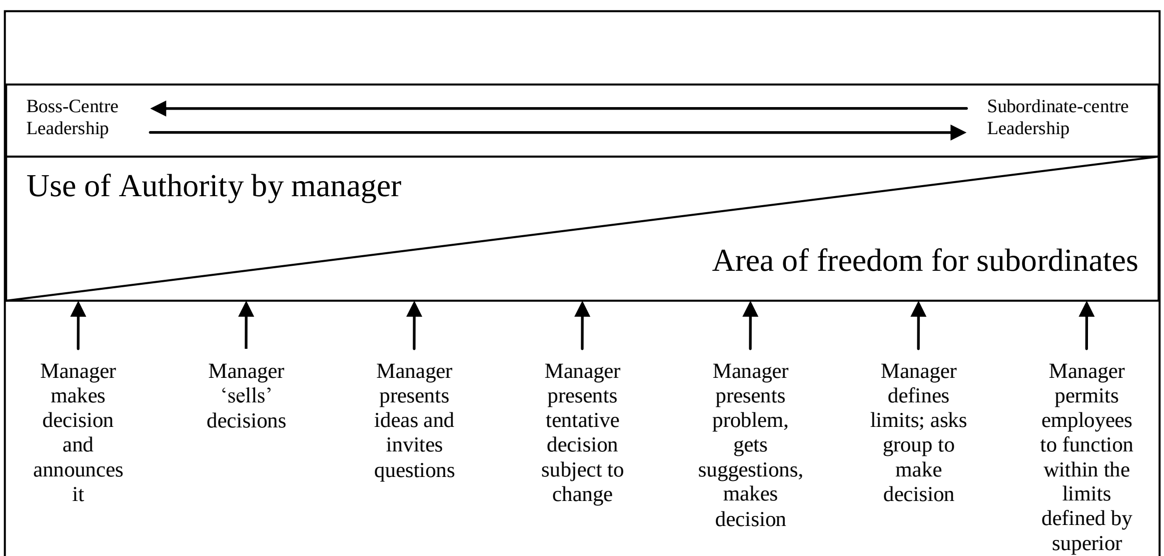


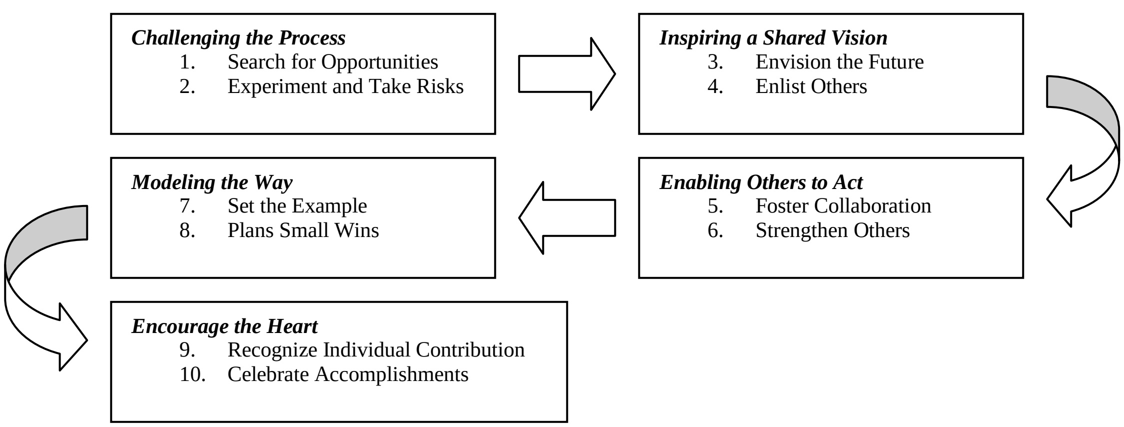
Figure 1: Continuum of Leadership Behavior

Management Qualities / Leadership Traits

The list of desirable characteristics/traits of leadership is a long one if the suggestions of all the important authorities are taken into accounts (see figure 2 below), but among the management qualities are;

- ***Self-confidence***; the belief in one's own power to succeed in solving problems and one's own ability to deal effectively with difficult situations
- ***Drive***; the urge and enthusiasm to stimulate action, both personal and in other people.
- Initiative; the ability to lead action without waiting to be prompted and to bring fresh thought to old problems.
- ***Decisiveness***; the ability to think positively and without vacillation and to act in the same way.
- ***Willingness to accept responsibility***; this includes the acceptance of accountability for one's decisions and the consequent acts of oneself and one staff.
- ***Ability to delegate***.
- ***Integrity***; this includes trustworthiness and loyalty to one's organization and one staff.
- ***Judgment***; the ability to analyze a situation and formulate appropriate action. This includes choosing between different possible courses of action where choices present themselves.
- ***Adaptability***; the ability to change one's outlook as circumstances change and to alter one's actions in the light of what is necessary in changed circumstances. This is a most valuable characteristics in the modern world which is subject to such rapid change
- ***Organizing ability***
- ***Stamina***; the ability to work long and hard without strain or stress
- Emotional maturity; includes self-discipline and self-control and the ability to analyze a situation without prejudice
- ***Human understanding***; the ability to work with other people with understanding and sympathy; the willingness to listen to staff problems.
- ***Adequate educational standard***; this is not just holding a qualification certificate is important, however, the development of the mind that enables one to think positively and without prejudging a situation, and also to communicating effectively.

Figure 2: Fundamental Practices and Behaviors of Exceptional Leaders



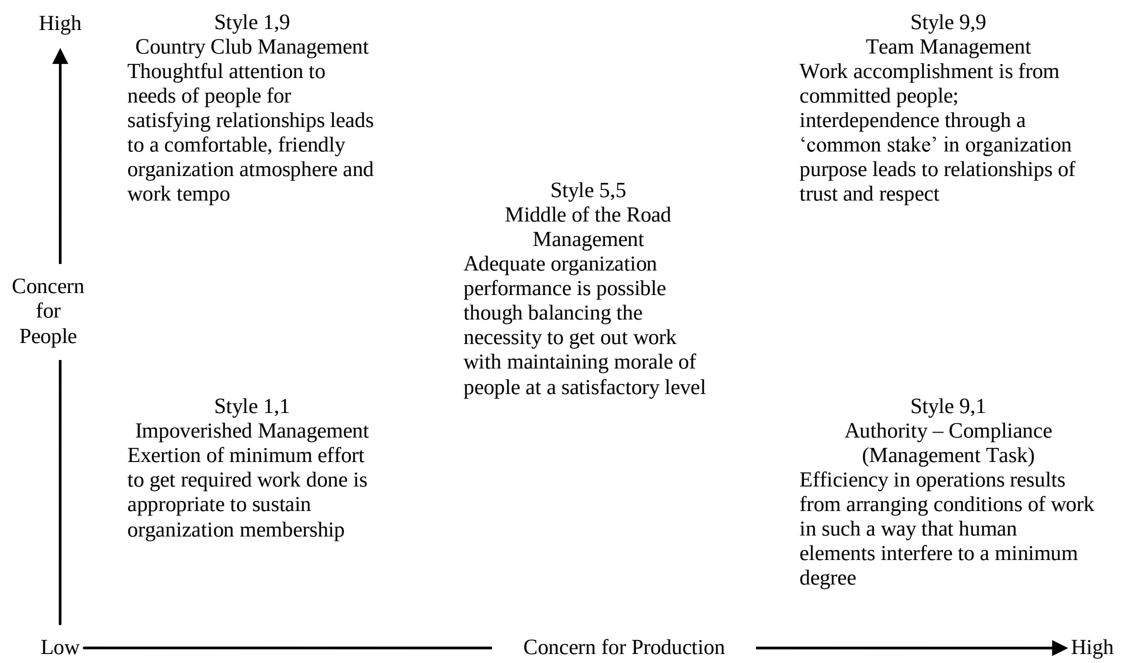
The Managerial Grid

The grid is developed by Robert Blake and Jane Mouton. The grid is a matrix of possible management styles based on two criteria.

1. Concern for people
2. Concern for production

The grid was developed primarily to aid management development by allowing managers to recognize their current style and encourage them to work toward a better style by identifying a range of management behaviors based on the various ways that task-oriented and employee-oriented styles can interact with each other.

Figure 3 – The Managerial Grid



Contingency Approach to Leadership / Situational Theories of Leadership

Although the possibility that leadership behavior depends on the situation; we have not identified the factors in the situation that might influence the leader. The situational approach emphasizes that leaders may not have the required authority and discretion to make decisions, may not possess technical expertise in the unit managed, may be new to the subordinates in the work group, and may face other factors that make it easy or tough to manage.

Do leaders behave differently in very unfavorable circumstances than they do in 'normal' assignments? Situational theories attempt to discover aspects of the situation that influence behavior and explain how different leaders respond.

Fiedler’s Contingency Model

Fiedler’s theory provides some insight into certain aspects of directive and non-directive styles of leadership. The focus is on designing the managerial position to match the motivational and personality characteristics of the manager. Fiedler’s work is meaningful for two reasons:

- Interesting managerial implications can be drawn from the theory, and
- It provides an opportunity to examine important research questions, such as those on the questionnaire like ‘Least Preferred Co-Worker (LPC) Scale, which can be found on the Web site

An individual’s managerial style is defined with reference to his or her score on the LPC scale, an exercise consisting of 18 pairs of bipolar adjectives. The manager is asked to choose the adjectives that most accurately describe the individual with whom he has worked least well. Those who receive a ‘high’ score on the scale are defined as relationship motivated: the score indicates that they obtain satisfaction from working with others. Individuals whose scores fall at the other extreme are said to be task motivated.

The second part of the Fiedler contingency model has three components. In descending order of importance, they are;

1) **Leader-member relations** – the support and loyalty obtained from the work group. If the manager gets along well with the rest of the group, if group members respect the manager for reasons of personality, character, or ability, then the manager might not have to rely on formal rank or authority. However, a manager who is disliked or distrusted may be less able to lead informally and could have to rely on directives to accomplish group tasks.;

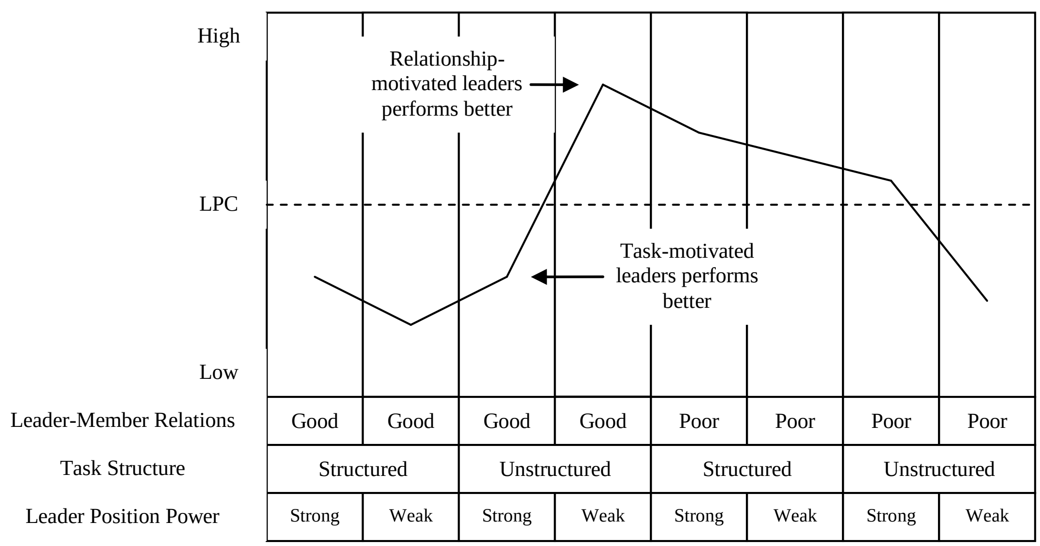
2) **Task structure** – the clarity with which critical task components (goals, methods, and standards of performance) are defined. A highly structured task is one for which step-by-step procedures or instructions are available. Group members therefore have a very clear idea of what they are expected to do. But when tasks are unstructured, as in committee meetings and many research and development tasks, group member roles are more ambiguous; and

3) **Position power** – the degree of power bestowed by the organization to reward and punish subordinates. High position power simplifies the leader’s task of influencing others, while low-position power makes the leader’s task more difficult.

Fiedler’s emphasize that task-motivated (low LPC) leaders perform best in situations in which they have either very much or very little situational control; relationship-motivated (high LPC) leaders perform best in situations allowing them moderate control and influence.

In leader-match training the individual's leadership style and situational control are identified, and the individual is offered strategies for changing critical components of the situation rather than suggestions for modifying his or her personality. The contingency model assumes that the manager's behaviors and personal characteristics are more difficult to change than is the work situation. (see figure 4)

Figure 4: How the Style of Effective Leadership Varies with the Situation

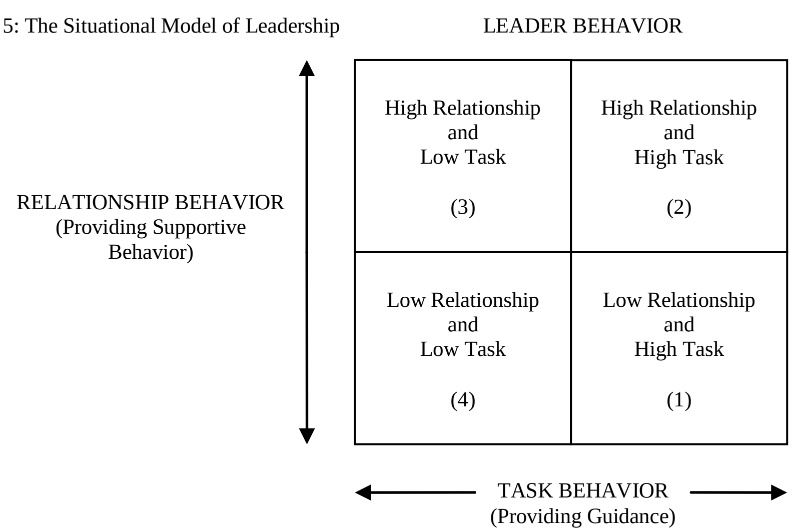


Source: Fred E. Fielder & Martin M Chemers, Leadership and Effective Management (Glenview, III.: Scott, Foresman, 1974), p.80.

<u>Hersey and Blanchard's situational leadership model</u>

An approach to leadership developed by Hersey & Blanchard that describes how leaders should adjust their leadership style in response to their subordinates' evolving desire for achievement, experience, ability, and willingness to accept responsibility. (See figure 5)

Figure 5: The Situational Model of Leadership



Source: Adapted from Paul Hersey & Kenneth H. Blanchard, Management of Organizational Behavior: Utilizing Human Resources, 5th ed., p. 173

The relationship between a manager and follower moves through 4 phases as employees develop, and managers need to vary their leadership style;

- In the first phase (high task & low relationship behavior), the readiness in high amounts of task behavior by the manager are most appropriate. Employees must be instructed in their tasks and familiarized with the organization’s rules and procedures. A nondirective manager would cause anxiety and confusion in new followers. A participatory, high relationship behavior approach also would be inappropriate at this stage because the follower requires structure.
- In the second phase (high task & high relationship behavior), as followers begin to learn their tasks, task behavior remains essential because they are not yet able to function without the structure. However, the leader’s trust in and support of employees increases as the leader becomes familiar with them and wishes to encourage further efforts on their part. Thus, this is the time the leader needs to increase relationship behavior.
- In the third phase (high relationship & low task), employees have more ability and achievement motivation begins to surface and they actively begin to seek greater responsibility. The leader will no longer need to be as directive since close direction might be resented. However, the leader will still have to be supportive and considerate in order to strengthen the followers’ resolve for greater responsibility.
- In the fourth phase (low relationship & low task), as followers gradually become more confident, self-directing, and experienced, the leader can reduce the amount of support and encouragement. In this fourth phase, followers no longer need or expect direction from their manager. They are increasingly on their own.

The situational leadership model has generated interest because it recommends a leadership type that is dynamic and flexible rather than static. The motivation, ability, and experience of followers must constantly be assessed to determine which style combination is most appropriate under flexible and changing conditions. If the style is appropriate, according to Hersey & Blanchard, it will not only motivate employees but will also help them develop professionally. Thus, a leader who wants to develop followers, increase their confidence, and help them learn their work will have to shift style constantly.

<u>A Path-Goal Approach to Leadership</u>
A leadership theory emphasizing the leader’s role in clarifying for subordinates how they can achieve high performance and its associated rewards. This model was formulated by Martin G. Evans and Robert J. House.

The model is based on the expectancy model of motivation, which states that an individual’s motivation depends on his or her expectation of reward and the valence or attractiveness of the reward.

Although managers have a numerous ways to influence employees, but the most important is the manager’s ability to provide rewards and to specify what employees must do to earn them. Thus, managers determine the availability of goals (rewards) and the paths that will earn them.

A manager’s leadership style influences the rewards available to employees, as well as employees’ perceptions of the path to those rewards.

An employee-centered manager will offer not only pay and promotion, but also support, encouragement, security, and respect. That type of manager will also be sensitive to differences between employees and will tailor rewards to the individual.

A task-oriented manager will offer a narrower, less individualized set of rewards, but will usually be much better at linking employee performance to rewards than an employee-centered manager.

Employees of task-oriented manager will know exactly what is productivity or performance level they must attain to get bonuses, salary increases, or promotions. The leadership styles most effective in motivating employees depends on the types of rewards the employees most desire.

Motivation

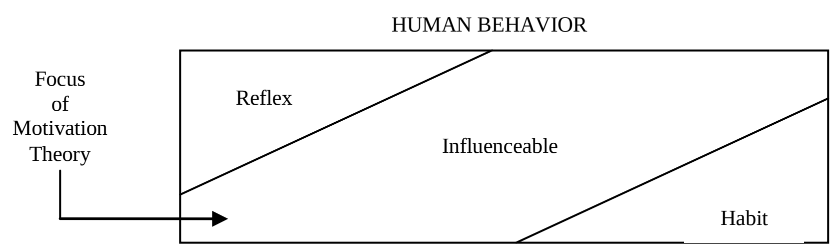
The primary objectives for any manager will be to have an organization that functions effectively. However, to achieve this scenario, subordinates must work efficiently and willingly in producing results that are beneficial to the organization. Every action of a manager stimulates a reaction in employees. Thus, there is no choice of whatever or not the manager motivates them, but only of how to motivate them. The rewards to be spread from effective motivation are plentiful and worth the efforts; to understand motivation at play in the organization.

Motivation is a human emotional characteristic that contributes to a person's degree of commitment. It includes the factors that cause, channel, and sustain human behavior in a particular committed direction. ***Motivating*** is the management process of influencing people's behavior based on this knowledge of 'what makes people tick'.

Positive motivation factors include pay, praise, confirmation of service, performance incentive, etc. Negative motivation factors include reprimand, demotion, inconvenient transfer and even retrenchment.

Motivation and motivating both deals with range of conscious human behavior somewhere between two extreme: reflex actions such as a sneeze or flutter of the eyelids; and learned habits such as brushing one's teeth or handwriting style.

Figure 1 – Motivation in a Range of Human Behavior



Source: This figure draws on ideas presented in F. Landy & W. Becker, " Motivational Theory Reconsidered in L. Cummings & B. Staw (eds.), Research in Organizational Behavior, Volume 9 (Greenwich, CT: JAI Press, 1987): 1-38

Theories of Motivation

Several theories have been forwarded to address 'motivation' in the context of organization. However, for national diploma level, we will only concentrate on three theories;

- Maslow's 'Hierarchy of Needs' Theory
- McGregor's Theory X & Theory Y
- Herberg's Two Factor Theory

Maslow's 'Hierarchy of Needs' Theory

The Needs Theory is a motivation theory that address what people need or require to live in fulfilling lives, particularly with regard to work. According to need theory, a person is motivated when he or she has not yet attained certain levels of satisfaction with his or her life.

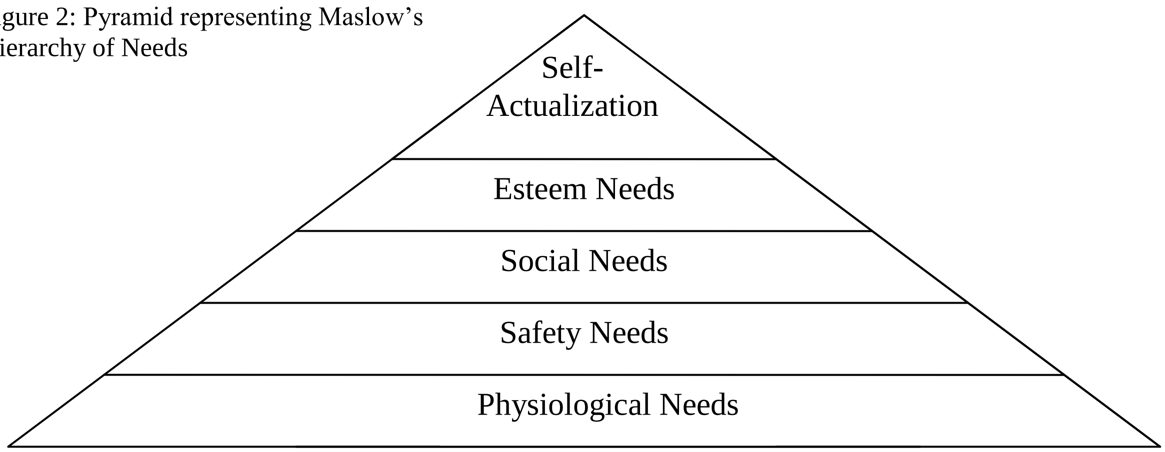
Thus, Maslow's needs theory is based on the following propositions about human behavior.

1. Human beings constantly experience wants. However, what depends on what they already have. As soon as one need is satisfied another appears in its place. Hence, a particular need may be satisfied but needs in general cannot be.
2. A satisfied need is not a motivation of behavior; only unsatisfied need motivate behavior. For example, the need for all does not affect behavior as long as the need is satisfied.
3. Human needs are arranged in a series of levels creating a hierarchy of importance. As soon as needs on a lower level are by and large fulfilled those on the next higher level emerge and demand satisfaction. Needs at all levels are recurring in nature.

Maslow's hierarnchy of needs is a motivation theory that people are motivated to meet five types of needs, which can be ranked in a hierarchy (see figure 2);

1. **Physiological Needs**. It refers to the needs that are related to survival. For example food, water and shelter are the basic needs to maintain life.
2. **Safety & Security Needs**. It that can be expressed in such desires such as protection from physical danger (fire, accident or criminal assault). Economic security, pension for old age, health insurance are those needs that satisfy safety needs.
3. **Social Needs**. It is refers to individual needs to belong, to associate, to gain acceptance, to provide and receive friendship & affection.
4. **Esteem Needs**. It includes self-confidence, achievement, competence, knowledge self-respect, independence and freedom. They also include the need for reputation, status, recognition, importance, appreciation and receiving respect from others.
5. **Self-Realization Need**. At the top of hierarchy is the need for self-actualization. These include individuals need for realizing ones own potential for self-fulfillment, for continued self-development, for being creative in the broadest sense of that term.

Figure 2: Pyramid representing Maslow's Hierarchy of Needs



Limitations or Criticisms of Needs Hierarchy Theory

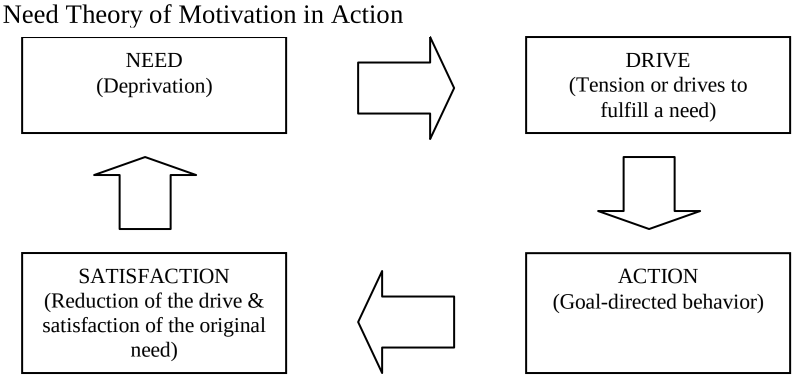
1. The levels in hierarchy are not rigidly fixed where the boundaries between them are hazy and overlapping
2. It is quite general in nature, therefore, may not be applicable at individual level.
3. The chain of causation may not always run from stimulus to individual needs to behavior.
4. Behavior is seldom motivated by a single need.
5. The same need may not trigger identical behavior in different individuals.
6. Individuals may introduce substitute needs if original need cannot be satisfied.

Implication of Need Hierarchy Theory to Managers

Management can benefit from the use of Need Theory in motivating employees at work. Managers must study subordinates carefully and determine the levels of needs are most dominant in the behavior of subordinates. Having studied it, the manager may then devise a package of incentives and benefits which will allow the subordinate to satisfy his/her dominant needs.

However, to achieve the incentives given, the subordinate must achieve the performance that is set by the manager. Thus, the subordinate must perform efficiently to produce results which will lead to the receipt of incentives with the help of which he can satisfy his dominant needs. Thus, a synthesis is achieved between requirements of the organization and personal objectives of an employee. (see figure 3)

Figure 3: A Need Theory of Motivation in Action



McGregor's Theory X and Theory Y

Douglas McGregor presented two opposite sets of assumptions that he thought were implicit in most approaches to supervision. These two sets of assumptions which he called Theory X and Theory Y can be regarded as the extremes or boundaries within which any number of possible combinations may exist.

Theory X

The assumptions are as follows:-

1. The average human being has an inherent dislike of work and will avoid work if he can.

2. Because of these human characteristics of dislike of work, most people must be forced, controlled, directed or threatened with punishment to get them to put forth adequate effort towards the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition and wants security above all. This type of people can be classified as followers.

<u>Theory Y</u>

The assumptions are as follows:-

1. The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.
2. External control and the threat of punishment are not the only means of bringing about efforts towards organizational objectives. Man will exercise self-direction and self-control in the services of objectives to which he is committed.
3. Commitment to objectives is a result of rewards associated with their achievement.
4. The average human being learns under proper conditions not only to accept but also to seek responsibility. Avoidance of responsibility, lack of ambition and emphasis on security are generally consequences of experience and not inherent human characteristics.
5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

<u>The effect of Theory X and Theory Y on managers</u>

Each manager has a set of assumptions about each of his subordinates. These assumptions will influence the manager and subordinate relationship at work place. If the assumptions are closer to Theory X, the manager will tend to closely direct his subordinates and adopt a somewhat automatic style of management. The subordinates will have little or no freedom to express initiative and must learn to work in a tightly structured work place.

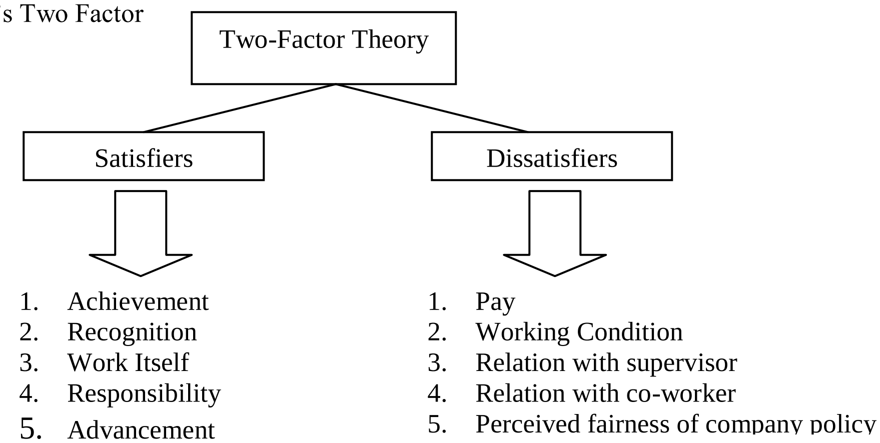
If the assumptions are closer to Theory Y, the manager will tend to give more freedom to his subordinates and will adopt a participative style of management. The subordinates will be subjected to less direct supervision and have opportunities to develop their own potential.

Herberg's Two Factor Theory

Fredrick Herberg divided the motivation factors into two categories (see figure 3);

- Hygiene Factors or Dissatisfiers
- Satisfiers or Motivators

Figure 4: Herberg's Two Factor Theory



<u>Hygiene Factors or Dissatisfiers</u>

Herberg identified the factors that most often contributed to employee dissatisfaction. These can include;

1. Pay
2. Perceived Fairness of company policy
3. Working Conditions
4. Relations with one's supervisor
5. Relations with co-workers

Whenever one or more of these valuables was thought to be unsatisfactory, employee, felt that all these factors were adequate, that employee will not be necessarily satisfied. Instead, there was simply an absence of dissatisfaction or a 'neutral' attitude towards the organization and the job.

They are label as Dissatisfiers or Hygiene Factors because they were necessary but not sufficient conditions for employee satisfaction.

<u>Satisfiers or Motivators</u>

Herberg maintained that to satisfy and motivate employees, satisfiers such as achievement, recognition, the work itself, responsibility and advancement were needed. Herberg further stated that these 'higher level needs' can be met by increasing a person's freedom on the job and by giving him additional authority and greater opportunity to use talents and more self-control over the job itself. The term job-enrichment includes all of the above.

<u>Implications of Herberg's Theory for managers</u>

The management must ensure that the employees are kept from being dissatisfied by supplying Dissatisfiers' factors. When the Dissatisfiers' factors are well-accommodated, then the management can introduced the Satisfiers' factor in order to motivate the employees.

<u>GROUP & TEAMWORK</u>

Definition of a Group

A group is about two or more people who interact with and influence each other toward a common purpose. A group is more than just a random collection of individuals. It is a collection of individuals sharing some common purpose under a common leader and seeing themselves as having a common identity.

Management creates work groups by specifying inter-related job assignments and by locating employees in proximity to each other. Nevertheless, the life and activities of such groups typically extends far beyond the minimum relationship stipulated by the formal organization. Formal work associations are supplemented by friendships that develop among members of work group. Thus, there are two types of groups;

1. Formal groups, and
2. Informal groups

1. Formal Groups

It is created deliberately by managers and charged with carrying out specific tasks to help the organization achieve its goals. There are many types of groups operating under the formal group. There are;

- **Command Team**. A group that comprised of a manager and the employees that report to that manager. It is the most common type of group used in many organizations.

- **Committee**. A formal organizational team, usually relatively long-lived, created to carry out specific organizational tasks. This type of team generally lasts a long time and deals with recurrent problems and decisions. For example, a university or college probably has a committee for student affairs to deal with recurring issues that involve students' lives. While members of this committee may come and go, the committee remains in place over time.

- **Task force or project team**. A temporary team formed to address a specific problem. These teams are created to deal with a specific problem and are usually disband when the task is completed or the problem is solved.

2. Informal Groups

It emerged whenever people come together and interact regularly. Such groups develop within the formal organizational structure. Members of informal teams tend to subordinate some of their individual needs to those of the team as a whole. In return, the team supports and give comfort them.

The activities of informal teams may further the interests of the organization and these will strengthen the members' ties to each other.

Company games activities are just one way in which informal teams get together, strengthening their ties to the organization. A soccer game at the company picnic is a good opportunity for employees to interact or a social gathering by members at one house can be a positive interact between members in an organization.

The functions of informal groups are;

1. They maintain and strength their culture (expected behaviour) and values their members hold in common.
2. They give members feelings of social satisfaction, status, and security. In large corporations, where many people feel that their employers hardly know them, informal groups enable employees to share jokes and complaints, eat together, and socialize after work. Informal groups satisfy the human needs for friendship, support, and security.
3. They help their members to communicate. Members of informal groups learn about matters that affect them by developing their own informal channels of communication to supplement more formal channels. In fact, managers often use informal networks to convey information 'unofficially'.
4. They help solve problems. They might aid a sick or tired employee or devise activities to deal with boredom. Quite often, such group problem-solving helps the organization. For example, when co-workers tell non-productive employees to 'shape up'. But these groups can also reduce an organization's effectiveness by pressuring new employees to reduce their efforts so the group's normal standards will not be called into question.

These informal groups also may act as reference groups – A group with whom individuals identify and compare themselves (thus, they have referent power). For example, the ketua kampong (village head) might be in one informal group that shares ideas and activities. Because people tend to model themselves after their reference groups, these groups have an important influence on organizational life.

<u>Characteristics of Group/Teams</u>

The first step in learning to manage teams effectively is to become aware of their characteristics – that is the way they develop leadership roles, norms and cohesiveness.

1. Leadership Roles & Objectives of Group Members

The formal leader of a team is usually appointed or elected. Informal leaders, on the other hand, tend to emerge gradually as group members interact. The person who speaks up more than the others, who offers more and better suggestions than anyone else, or who gives direction to the groups' activities usually becomes the informal leader. This occurs to both formal and informal groups.

The objectives of members joining within a group are;

- The need for acceptance
- To prevent loneliness
- To ensure support in time of trouble
- To derive purpose and meaning to life by observing values, norms of behavior and group alliance.
- Prestige, status and recognition
- Personnel Security

Groups play a vital part in life by providing opportunities for training, support and emotional development that coincide with the group member's personal interest, goals & values.

2. Team Norms (Group Culture)

Over time, group members form norm – expectations about how they and the other members will behave. Some of these norms are carried over from society in general, such as dressing 'properly' for work or showing up on time. Others are particular to the group and its special goals, such as questioning 'traditional ideas' in a task group charged with launching a new product.

Rackham & Morgan have listed the following categories of possible behavior in groups.

- Proposing concepts, suggestions & actions
- Building (developing alternative proposals)
- Supporting (proposal of other members)
- Disagreeing
- Defending/Attacking
- Blocking (denying without proposing alternatives)
- Open Behavior (risking ridicule and loss of status)
- Shuttling out behavior (interrupting, talking over, etc)
- Seeking information
- Giving information
- Boring in behavior
- Testing understanding
- Summarizing

3. Team Cohesiveness and Conflict
It is the degree of negative and positive feelings held by individuals towards their group where they can either bind the group together or tear the group apart.

The cohesiveness of a team is an important indicator of how much influence the group has over its individual members. The more cohesive the group – the more strongly members feel about belonging to it – the greater its influence. ***High cohesive teams*** often have less tension and hostility and fewer misunderstanding than less cohesive groups do. Additionally, studies have found that cohesive groups tend to produce more uniform output than less cohesive groups, which often have problems with communication and cooperation.

Factors influence group cohesiveness are;

- **Similarity of work**. It promotes common identity and serves as common ground of interest.
- **Physical proximity**. Close proximity at work place promotes group cohesiveness by intensifying interactions.
- **Work Flow System**. Labor intensive work places are characterized by group cohesiveness as against capital intensive work places.
- **Structure of Task**. Well-structured task with clear definition of employees' responsibilities for performance minimize friction amongst employees and promotes cohesiveness.
- **Group size**. Small groups tend to be more cohesive than large groups.
- **Threat from Outside**. A group which is subjected to common threat from outside tends to be more cohesive.
- **The prospect of rewards**. Assurance of rewards for conforming to group norms makes a group more cohesive.
- **Leadership style of the manager**. Widespread acceptance and support to leadership style of the manager makes a group more cohesive.
- **Common social factor**. Such as age, race, hobbies, religion, educational background affect group cohesiveness.

The four ways to improve team cohesiveness to employees are;

- **Introduce competition**. Conflict with outside individuals or other teams increases group cohesiveness.
- **Increase interpersonal attraction**. People tend to join teams whose members they identify with or admire. Thus, an organization may want to begin by trying to attract employees who share certain key values.
- **Promote high interaction**. Although it is not often possible for people to like everyone they work with, increased interaction can improve communication and cooperation among group members.
- **Create common goals and common fates**. Encourage and reward groups on the basis of their contribution to the organization as a whole rather than individual group results achieved at the expense of the organization's goals.

<u>Stages of Group Development</u>

B.W. Tuckman suggested that small groups move through five stages as they develop: Forming, Storming, Norming, Performing, Adjourning.

- **Forming**. During the initial stage, the group forms and learns what sort of behavior is acceptable to the group. By exploring what does and does not work, the group sets implicit and explicit ground rules that cover the completion of specific tasks as well as general group dynamics. By and large, this stage is a period of both orientation and acclimation.
- **Storming**. As group members become more comfortable with one another, they may oppose the formation of a group structure as they begin to assert their individual personalities. Members often become hostile and even fight ground rules set during the forming stage.
- **Norming**. At this time, the conflicts that arose in the previous stage are addressed and hopefully resolved. Group unity emerges as members establish common goals, norms, and ground rules. The group as a whole participates, not merely a few vocal members. Members begin to voice personal opinions and develop close relationships.
- **Performing**. Now that structural issues have been resolved, the group begins to operate as a unit. The structure of the group now supports and eases group dynamics and performance. The structure becomes a tool for the group's use instead of an issue to be fought over. Members can now re-direct their efforts from the development of the group to using the group's structure to complete the tasks at hand
- **Adjourning**. Finally, for temporary groups such as task forces, this is the time when the group wraps up activities. With disbandment in mind, the group's focus shifts from high task performance to closure. The attitude of members varies from excitement to depression.

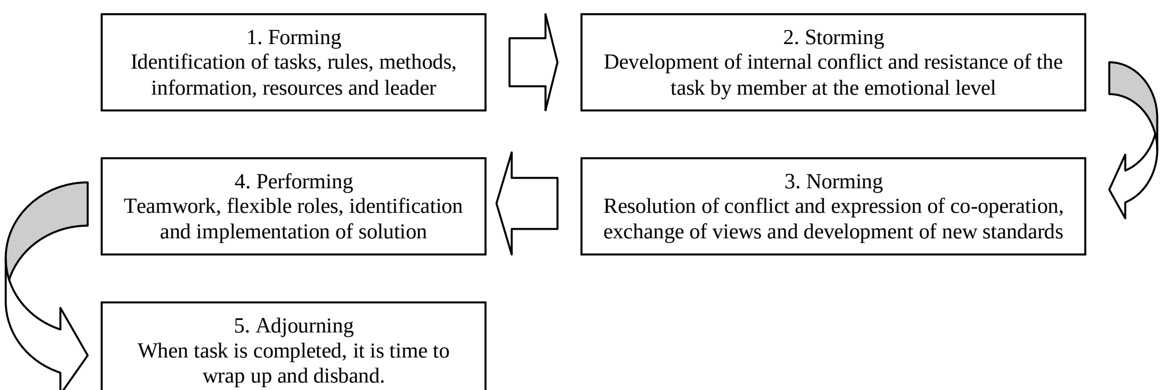


Figure 1 – Formation of Group

The Making of Group Effectiveness

In reality, a formal group is often the best way to pool the expertise of different members of the organization towards the development of effective problem solving and decision making. In addition, these formal groups let members learn how their work affects others, increasing all members' willingness and ability to coordinate their work for the organization's good. Also, they can serve as 'incubators' for young executives, teaching them to think beyond the needs and concerns of their own work unit.

However, ineffective groups are notorious time-wasters. An effective chairperson should keep the members focused on a clear agenda, avoid bogging down in irrelevancies, encourage participation from all members, and see that results are recorded. Therefore, group effectiveness must be measured in terms of;

- **Task accomplishment**. The formal group in an organization is more concerned with output, efficiency and other benefits rather than satisfaction of personal needs of its employees.
- **Satisfaction of its members**. The member's view of effectiveness is more concerned with his personal satisfaction rather than increased group efficiency.

A good manager always strives to reconcile personal satisfaction of the members with the achievement of organization's objectives.

Douglas McGregor has research about the features of effective and ineffective groups in his book 'The Human Side of Enterprise'. It is listed on the table as below;

Features	**Effective Group**	**Ineffective Group**
Atmosphere	Informal & Relaxed	Bored & Tensed
Members Participation in Decision Making	Extensive participation by majority	Monopolized participation
Objectives	Clearly defined, understood & endorsed	Unclear objectives
Listening amongst Members	Present	Minimal
Resolution of Conflict	Open & Constructive	Avoidance
Decisions	General Consensus	Delayed
Formal Voting	Minimum	Very regular
View of Minority	Accommodated	Oppressed
Expression of Idea	Free & Open	Hesitant & Unspoken
Leadership	Shared with the chairperson	Monopolized
Reflection of own progress & behavior	Frequent	Rarely

Focusing teams on performance

Katzenbach and Smith developed a common sense understanding of what makes teams work. (See Figure 18.4 & Table 18.1) Their idea depicts the basic building blocks of teams: the skills of the team members, accountability of the team, and commitment of the team members.

These are the few rules that can greatly enhance team performance, especially when applied to teams at the top of an organization;

1. Team work assignments need to address specific, concrete issues rather than broad generalizations.
2. Work has to be broken down and assigned to subgroups and individuals. Teams are not the same as 'meetings'.
3. Team membership must be based on what each member can achieve and the skills that each has, rather than on the formal authority or organizational position of the person.
4. Each team members has to do roughly the same amount of work, or inevitably there will be differing commitments to the outcomes.
5. Teams will work only if the traditional hierarchical pattern of communication and interaction is broken down. It is not the position you hold that is important but what you can contribute to the team.
6. Finally, top management teams have to work together like all other teams, focusing on their task and fostering an environment of openness, commitment and trust.

The Purpose and Importance of Planning

"No Plan is not a substitute for a Plan" – Planning is an important managerial activity which involves making decisions about organization's sums and objectives as the end means in conducting policies and results.

The **purpose of planning** in management is;

1. To set organization's goals or objectives and coordinate the organization's activities towards the achievement of these objectives.
2. A well planned organization presents a high degree of rationality and order.
3. Planning permits a manager to act with initiative and to create situations to the organization's advantage.
4. Planning helps managers to shifts their attention from the day-to-day working basis to long-term goals of survival and growth.
5. Planning offset the uncertainties of the future to some extent by requiring the managers to think ahead.

Planning helps improve the potential organizational performance. Figure 1 shows the difference in the potential effectiveness before and after planning;

1. Potential of organization before planning
2. Potential of organization after planning
3. Improvement due to planning

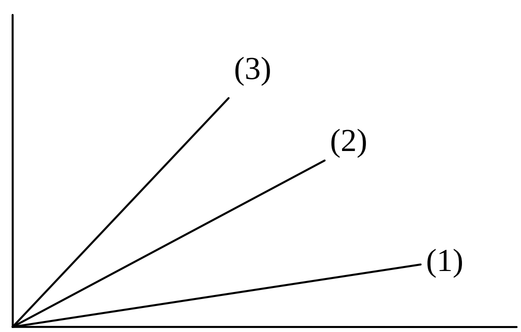


Figure 1: Improvement in the organization performance due to planning

To achieve the effectiveness of planning, the management will need to focus on two criteria;

1. **The Commitment Principle**. The implementation of a plan commits an organization to many specific courses of action. Therefore, plans cover a time period long enough to force through a series of actions, the fulfillment of commitments made within the plan.
2. **Flexibility of Plans**. Because the future cannot be predicted with 100% accuracy, plans must be allow for modification in the light of new information. The plan must therefore anticipate medications and allow them to be incorporated into revised plans without completely breaking down.

The Importance of Planning at Different Management Levels

There are important general relationship between planning and the corresponding managerial levels;

Top Level Management

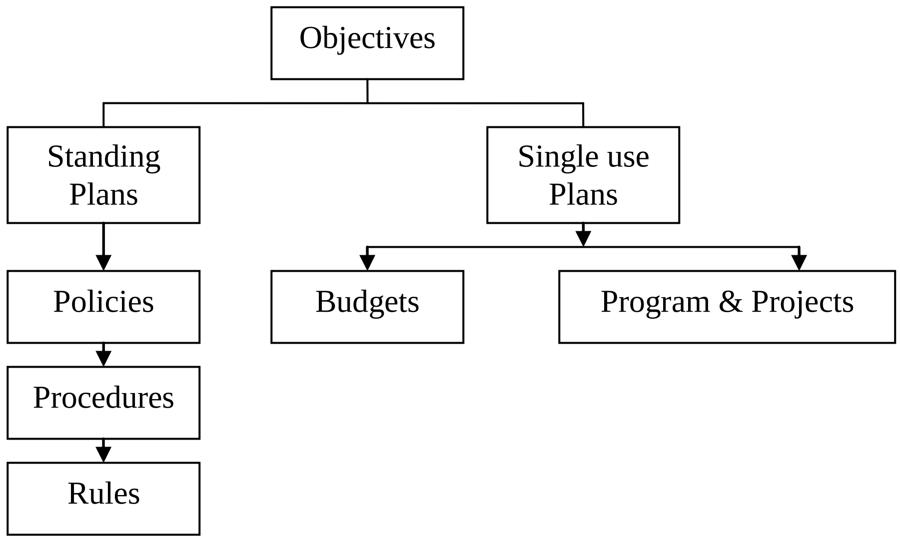
- Higher level plans are called **strategic planning.** The planning process is based on long-term planning**.**
- **Strategic Planning** is the process of charting out long-term, future course of action for the organization as a whole where it involves organization's resources commitment.
- Managers at higher levels in the organization spend more time and effort in strategic planning because it affects the survival and growth of the organization.
- Strategic plans must be set priority since all lower levels plans come after the creation of strategic plans.
- Top level managers must formulate their strategic planning in relation to the external environment where they must identify the factors from the external environment and judge the quantum of bearing they have on their plans. The external environment usually is very volatile, fast-changing and beyond managerial control.
- Errors or mistakes in the making of strategic planning may be fatal to an organization because organization resources are committed in the execution of plans. Therefore, the strategic plans can be a complex and critical process. It can only be undertaken by those who exercise the highest degree of skill, knowledge and experience.

Middle & Bottom Level Management

- Lower level plans are also called **administrative/tactical planning**. The planning process is based on medium and/or short term planning.
- Administrative/tactical planning is concerned with the optimum utilization of organization's resources where it provides growth and efficiency within the organization.
- Managers at lower levels in the organization spend more time in executing high-levels plans and rebuilding the plans towards the lower level plans for business operation usage. ***"Strategic plans focus on what the organization will do, administrative/tactical plans focus on how to accomplish those objectives."***
- Since lower level plans are derived from higher level plans, its priority is lower than the high-level plans.
- Bottom level managers must reflect their plans in relation to the strategic plans and based their planning to a more basic and structured working surroundings. These surroundings exist mostly in the internal environment and are quite within managerial control.
- Errors in lower level plans will only result in wasteful expenditure but are seldom fatal as only some organization's resources are committed. Therefore, their planning process is less complex compare to strategic planning and can be undertaken by middle/lower management level.

Types of Plans within the objective context of an organization (see figure 2)

Figure 2: Plans based on the frequency of usage



- **Standing Plans**. It refers to those plans which are used again and again (repeatedly). These plans include policies, procedures and rules.
    1. **Policies**. They are guidelines to the creation of decision-making. Policies defend the boundaries within which decisions towards the accomplishment of objectives.
    2. **Procedures**. The need for procedure arises when the organization wishes to achieve a high degree of regularity and uniformity in attending a recurring event. A procedure provides a narrower and more specific guide to activity.
    3. **Rules**. They are specific statements of what may or may not be done. They clearly outline the boundaries of acceptable behaviour.
- **Single-use Plans**. It also known as single purpose plans. It is designed to accomplish specific objectives in a non-recurring situation. Single-use plans normally relate to a short period of time and fall into disuse as soon as the situation for which they were designed changes. These plans include budgets, programmes and projects.
    1. **Budgets**. It is a financial and/or quantitative plan of action for a specific future period. As soon as the year is over, the usefulness of the budget as a plan is expired. Therefore, it needs to be replaces with a new budget plan.
    2. **Program & Projects**. They are the type of plans that are developed under the umbrella of organization’s goals.

Steps in the Planning Process

A formal planning system in management has 8 steps;

1. Evolving the master strategy for entire organization.
2. Delivering organization wide objectives from above strategy

3. Formulating policy, procedures and programmes for long term and short term planning.
4. Creating databank for various variables which had affected plans.
5. Generating alternatives to realize organization's objectives.
6. Selecting the best alternatives to formulate an effective plan.
7. Communicating the plan at all levels in the organization.
8. Periodic review of the planning process and give rooms for plan modification and improvement.

Characteristics of an Effective Planning is;

- Plans must be derived from organization's objectives
- Plans must be consistent with the organization's strategy
- Plans must have a time frame
- Plans must be drawn in quantitative or in financial figures.
- Plans must be understandable to those responsible for implementation.
- Plans must be based on realistic targets.
- Setting up of plans must involve participations from all members in the organization.
- Plans must be flexible and capable of being changed in the light of different situation.
- Plans are an on-going process in achieving means to an end. The end being effective utilization of organization's resources in the pursuit of achieving organization's objectives.

Advantages of Planning

- Planning enables a purposeful and orderly set of activities instead of random action (rules of thumb)
- It provides a blue-print for coordinating effort and to reduce rsik and uncertainties in the future.
- Planning process forces manager to think ahead instead of doing daily routine work.
- The planning process force managers to quantify its objectives.
- Planning ensures a proper utilization of resources, thus, minimizing the wastage of resources.
- Plans act as a bench-mark, or reference points or standards against the actual progress to which is used for comparing.
- Planning is the starting point of other managerial functions (organizing, coordinating & controlling)

Limitations of Planning

- Plans deal with the future where no one can really predict accurately. Thus, plans must be viewed in this light of limitation.
- The planning process may delay action even when immediate action is desired.
- The planning cost may be high-priced and unnecessary.

Objectives of Business Organizations
Organizations are created and maintained by their members as a means of satisfying their personal objectives. However, organizations by themselves also have objectives, which are distinct from the objectives of individual members. But since no organization can exist apart from its member it is not possible to establish these organization's objectives without individual involvement. Thus, organization's objectives are derived from the objectives of individual members.

Without clear objectives, managing is haphazard. Organizations are created and maintained by their members as a means of satisfying their personal objectives. Thus, individuals and groups like to be measured in **quantitative terms** in such the objectives must be:

- **S**pecific
- **M**easurable
- **A**chievable
- **R**elevant
- **T**imed

However, not all goals can be quantified and have then to set in **qualitative terms**. **Qualitative objectives** can be made verifiable when written of characteristics that are measurable, with a date for accomplishment or completion.

Importance of Objectives in an Organization

1. Objectives are necessary for coordinated efforts. Well defined objectives will encourage all members to work towards the achievement of organizational objectives. Lack of effective objectives will result the members to produce different individual objectives towards the achievement of diverse ideas for their organization and this will create haphazard in managing and therefore an ineffective management.
2. Objectives serve as reference points for the efforts of the organization. Objectives are yardstick against which one can measure, compare and evaluate on organization's performance. They serve as reference bases for the settlement of disputes.
3. Objectives serve as motivators as it enables the individual members to evaluate their performance and achievement of personal goals in terms of the work towards the organization.
4. Objectives define the destination of the organization since they moved forward as rapidly as they are approached or attained.
5. Organizational objectives are the goals towards the achievement of which all organizational efforts are directed.
6. Organizational objectives are a prerequisite to determining effective policies, procedures, methods, strategies and rules.

Thus, well defined & effective organizational objectives are important for the achievement of organizational goals. Any organization that wishes to grow and compete should constantly renew its objectives.

The Characteristics of Objectives

Organization's Objectives exhibit four main characteristics.

1. Hierarchy of Objectives

Objective of a business organization is to provide goods and services that are needed by the community. To achieve this objective, the managers in the organization use resources at their disposal. Since each part of the organization will be concerned with the use of one particular resource in the achievement of the overall objective of the organization, it is possible to subdivide objectives so that they tend to form a ***hierarchy of objectives*** in terms of importance. (see figure 1)

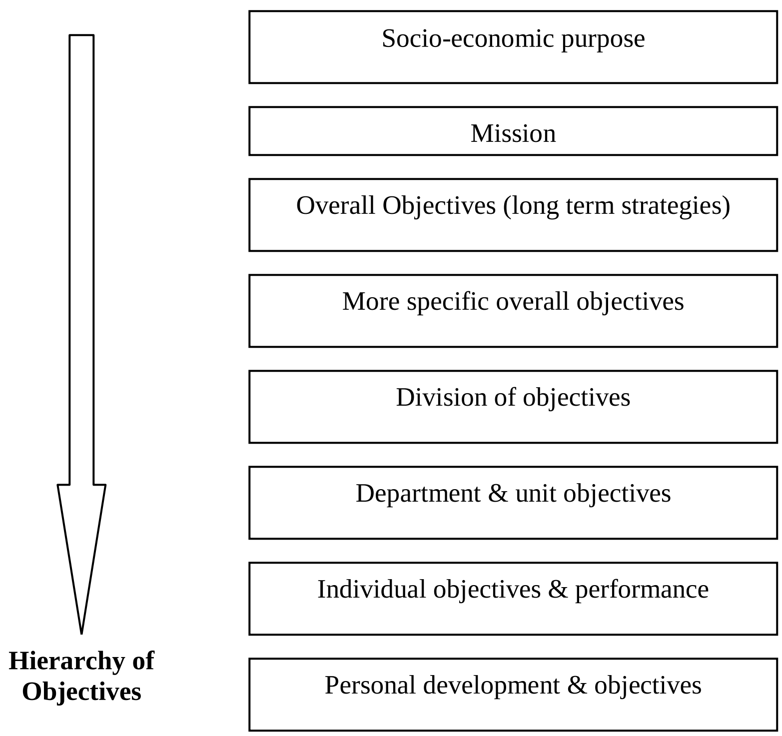


Figure 1: Hierarchy of objective in term of importance
Taken from; H. Weth Rich & J. Mendleson; Management: An Approach (Wn c, Brown cc., Iowa, 1978)

2. Mutual Reinforcement of Objectives

It is a process where in there is the simultaneous accomplishment of individual and organization's objectives. Such an accomplishment of both individual and organization will benefit both sides. On the other hand, when there's lack of mutual reinforcement, both individual and organization will suffer.

3. Compatibility of Objectives

For an organization to function effectively, the objectives of each individual and the organization must be complementary although the objectives are not identical.

4. Super-ordinate objectives

It refers to the organization's objectives that appeals to individuals or departments and which can be best accomplished through cooperation between them. This can be done through delegating authority to subordinates and by holding them responsible &

accountable for accomplishing their respective objectives. Therefore, super-ordinate objective really means by including all subordinate objectives into the mainstream of the organization's objective.

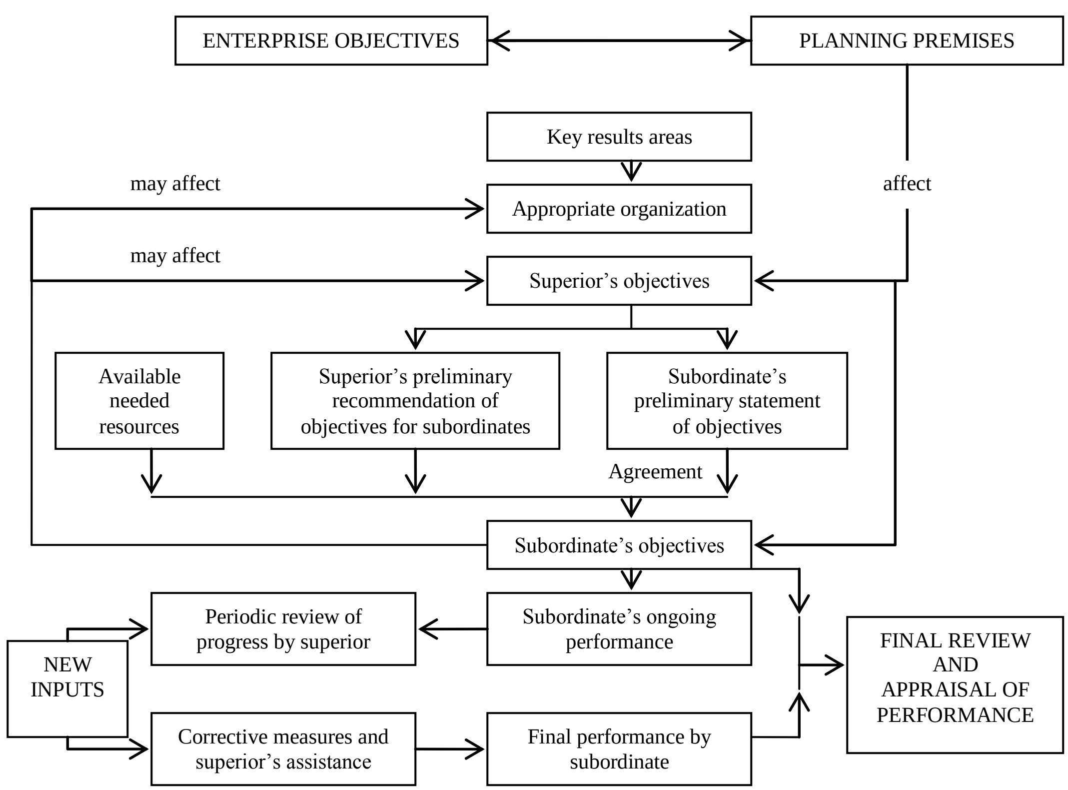
Management by Objectives (MBO)

It is defined as a method of implementing complementary objectives at all organizational levels where it involves the setting up of specific organizational objectives for a future time period.

Koontz, O'Donnell and Weihrich; Management; McGraw-Hill; defines MBO as "a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organizational and individual objectives."

The fundamental of MBO is the setting up of objectives for each position. These objectives are mutually set between the position holder and his supervisor. The objectives sets serve as standards for evaluating the employee's performance. The main distinguishing characteristics is the emphasis upon measurable objectives, the setting of a time period for the completion of these objectives and both employee and supervisor participation in evaluating the objectives and their accomplishment. Figure 2 shows how successfully MBO works in practice.

Figure 2: The System of Managing and Appraising By Objectives



Guidelines for a successful MBO

A successful MBO does not just rely on the well-structured MBO process as shown in Figure 2. There are several guidelines that can greatly assist to achieve an efficient and effective MBO process;

1. Active participation in the MBO process by the top management
2. Clear communication about the purpose of the MBO process through out all managerial levels.
3. Orienting, training and motivating managers covered by the MBO process.
4. Intensive subordinate participation in setting up and running of the MBO process.
5. Clarification and communication of the varying organization's objectives and their priorities to all managers.
6. Constructive and regular feedback to subordinates as to improve attitude, efficiency, commitment and results.
7. At the time of evaluation of results achieved the supervisor must adopt a problem solving approach rather than a fault finding approach.
8. Organization wide support for the MBO program.

Advantages of MBO

- **Better management**. It offers the potential advantage of setting cleaner and better coordinated goals and objectives in the form of better understanding of the organization, its environment and its limitation & strength.
- **Greater Employee Participation & Commitment**. Participation by sub-ordinates in the goal setting improves attitudes and performance and brings forth greater commitment.
- **Setting of Realistic Objectives**. The objectives suggested by an employee are grounded into his experience of the job. Naturally, they are more realistic than those of his supervisor.
- **Increased Self Control**. There is more scope for exercise of self control by the employee because he is one of the members in a group in setting the objective against which he performs.
- **Improved performance appraised**. In the MBO system, greater emphasis is placed on measurable objectives and participation by both the employee and superior in the evaluation of the goals accomplished. This results in improved performance appraisal. There is the appraisal of traits that all jobs relates and is measurable.

The Limitations of MBO

- **End Justified Means**. The MBO process focuses on the end result but sometimes on the cost of the means since there is emphasis on results.
- **Emphasis on short-term objectives.** The MBO program often places over-emphasis on short-term objectives at the expense of long-term ability and growth of the organization.
- **Time consuming nature of MBO.** Arriving at deliberated and thought out common objectives at all levels of the organization is indeed a time-consuming process.

DECISION MAKING

Decision making pervades all functions of management, because each function entails choices among alternative courses of action. Managerial decision making involves a conscious choice and selection of a particular course of action from two or more competing alternatives. Some choices of course need not be conscious, such as habit or rule of thumb. However, we shall understand decision making as are result of conscious choice.

Types of Decisions

There are three types of decisions;

1. Routine and Non-Routine decisions
2. Programmable and Non-programmable decisions
3. Strategic, Operating & Administrative decisions

1. Routine and Non-Routine Decisions

	Routine	Non-Routine
1	Routine decisions include those which are recurring, involve standard decision procedures and entail a minimum of uncertainty.	Non-Routine decisions include those which are difficult because they are non-recurring, unstructured and novel. Their complexity is compounded by incomplete knowledge and the absence of accepted methods of resolution.
2	The decision maker can usually rely on policies, rules, procedures, computational techniques, past precedents and other standard methods of processing.	Non-routine decisions are non-repetitive and novel by their very nature. A much higher degree of subjective judgment and intuition are involved.
3	The decision making process is objective or independent of the decision maker.	The decision making is subjective.
4	90% of all management decisions are routine type.	Non-routine decisions are relatively frequent in their occurrence.
5	Routine decisions are delegated to middle & lower managerial levels.	Non-routine decisions are taken by top management.
6	Examples of routine decisions are: • Sanction of leave requested by an employee • Reimbursement of medical leave or expenses of an employee • Calculating amount of discount for a customer when discount is known	Examples of non-routine decisions are: • Diversification of products or markets • Merger, take-over of collaboration agreement • Extensive plant modernization programme

2. Programmable and Non Programmable Decisions

	Programmable	Non-programmable
1	Refer to those decisions which are amendable to computerization, such decision can be worked out by a computer.	Refer to those decisions which are not amendable to computerization.
2	The variables which serve as input are finite in number, quantifiable and known to the decision maker	The variables are qualitative in nature and are not easily known.
3	The decision making process is strictly based on logic and is independent of the decision maker.	The decision making process is highly subjective in nature and is directly dependent on the skill of the decision maker.
4	The output of such decisions is finite, and known to the decision maker.	The output of such decisions is unknown and not necessary limited in number.
5	Examples: • Calculation of the amount of discount to be given to a customer when the discount is known. • Calculation of leave left not yet taken by an employee	Examples: • The location of new plant • The nature of the production process

3. Strategic, Operating and Administrative Decisions

Strategic Decisions

These are the basic, long-term decisions which define the organization's relationship with its external environment, especially in terms of product, service, markets, production process. They serve as the principle goals and objectives of the organization. They may be normally embodied in major policy statements of the organization (mission or vision of the organization). Such decisions tend to be non-routine and non-repetitive in nature. They are usually complex and involve variables which are unstructured, qualitative in nature and not readily identifiable. Strategic decisions necessarily involve substantial commitment of organizational resources and therefore must be taken by the top management.

For example: location of the plant: nature of production process; diversification of products and markets; mergers and tie-ups

Operating Decisions
These are relatively short-term decisions derived from or falling out from strategic decisions. They are aimed at optimum utilization of organizational resources. The variables which form input into the decisions making process are most quantifiable and known to the decision maker. The decision making process is relatively well-structure and guided by organization's well defined policies. They involve commitment of organizational resources for a short-span. They are normally taken by middle-level managers.

For examples: Production and sales target; inventory level; credit policy

Administrative Decisions
Administrative decisions are taken in the day to day working basis. They are well-structured in that the inputs are quantifiable, finite and known to the decision maker. The decision making process itself is objective and independent of the decision maker and the output is finite and known. They are taken by lower level management assisted by well-defined policies, procedures, rules and consultation with middle level management

For examples: Sanction of leave requested by an employee; Reimbursement of medical expenses incurred by employee.

Steps in Decision Making
Decision making process involves a series of steps to reach the solution of a problem. These are;
Step 1 – Identification and definition of a problem. Find out the problem faced by the organization.
Step 2 – Collection of relevant data. Using the management techniques in obtaining information that have a possible bearing on the problems faced.
Step 3 – Development of alternative solutions. By this time, you have already developed some solutions in trying to solve the problems.
Step 4 – Evaluation of alternatives in the light of organization's requirements. Out of these solutions, you will need to choose the best solution for your problems.
Step 5 – Selecting optimum solutions. Check whether the solution that you have chosen really work towards the solving of your problem.
Step 6 – Implementation of solutions. If the problem is solved, the solution is then implemented in the form of commitment of organization's resources.

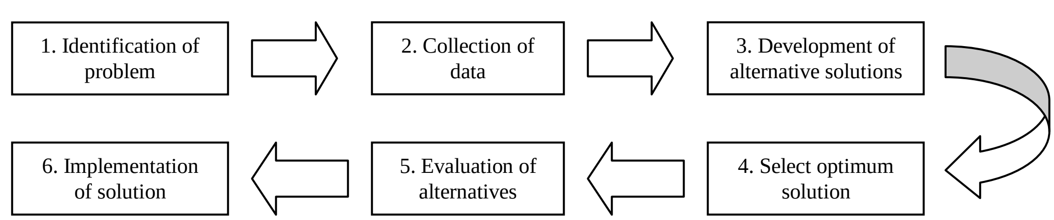


Figure 1 – The Decision Making Model

Limitations of the decision-making process

1. Implementation of decisions
   All managers must make decisions and also assume responsibility for their implementation. The task of overseeing the implementation requires managerial ability to secure willing co-operation of employees. The success or failure of a decision is critically influenced at the time of implementation. Even the best decisions which are poorly implemented will be counter-productive and wasteful endeavors.

2. Limited rationality in decision making
   In most discussions of decision making the value and practice of rationality is assumed. However, rationality is limited by the following factor:-
   - Pursuit of department objectives at the expense of organization's objectives.
   - The personality and values of the decision maker.
   - Lack of complete knowledge
   - Intuition, hunch and rules-of-thumb

Control Function in Management

To control means to restrict, to curb, to correct, to check and to monitor.

The need for Control

An organization tries to achieve its goals through group members whose effort must be co-ordinate and direct towards the common objectives. The human association, by their very nature is non-self regulation, that is, as a group they are incapable of taking measures to prevent and curb deviations from plans. Without control, the group will disintegrate and chaos may result. Therefore, a mechanism is required to keep the efforts of the group members directed towards the achievement of common goals. The control mechanism will be activated when the group is deviating from its planned route.

An example, let's say there are two fanatic football fans, each representing different club, have an argument regarding on a penalty awarded by the referee and the scenario becoming very tense when more fans start joining in the argument. Lastly, they started throwing things down the football field and there was fighting within the stadium. What happens next?

Planning and Control

Planning and control support, give meaning and validity to each other. Without control, planning will be just doing work on piece of paper. On the other hand, control without planning will be ineffective and random haphazard.

The Control Process

1. ***Setting of Standards***. Management must devise and communicate well-defined and clear plans. These plans must be backed by commitment within organization's resources. For example, the management expects production of 100 units in an 8 hour shift.
2. ***Measurement of Actual Performance***. The management through MIS expects to receive continuous reports on the work in progress. The report must be timely, accurate and user friendly. For example, the management at the end of every shift will receives a production report of the shift. To continue with the earlier example, the production supervisor prepares a production report stating that, 70 units were produced.
3. ***Comparison of actual performance with plans***. Upon receive on report on actual performance; the management will at once compare it with planned performance to see whether a significant deviation (difference) exists between the two.

4. ***Corrective action***. In the light of above causes, the management may immediately initiate corrective mechanism to prevent/remedy the situation. For example, it may take action on;
   - Immediate order of fresh stock
   - Initiate disciplinary action against defaulting workers.
   - Order regular preventive maintenance of machinery.
   - Consider on cost benefit grounds the purchase of generators.

The enlightened manager understands that actual performance may never be 100% same as planned every time. However, he will always strive to minimize the gap between planned and actual performance and initiate corrective action to remedy the controllable cause for the best.

5. ***Modify Plans***. Sometimes, in the light of actual performance and changing conditions, the management may need to modify original plans and devise more realistic plans. For example, a daily non-availability of power for 1 hour may force to slash production plan by 10%. Plans are normally modified when such modification will make the plans more realistic.

Types of Control

Based on the time at which mechanism is activated, controls are devised into three categories.

1. **Pre-Control**. Also known as preventive control. It refers to control which are introduced to prevent deviation of actual activity from plan-performance. The purpose of pre-control is to prevent and minimize possibility of occurrence of deviation.

   Example: Preventive maintenance of machinery to minimize machinery break-down.
2. **Online Control**. Also known as real-time control. On-line control is introduced to monitor an on-going activity with a view to correct deviations as they occur so that final and actual results are measure up to plan performance.

   Example: Controls maintaining certain temperature in the furnace room so the time elapsed between occurrence of deviation and the corrective action is so minimal that one can control the performance as it occurs.
3. **Post Control**. Also known as feed-back control or after event control. These controls are activated after the actual performance is over and it is compared with plan versus actual performance.

   Example: Budget control.

Terms Involved in Control

1. **Control by Exception**. The concept of control by exception is derived from the fact that managerial time is costly and must be valued by the organization. The manager must not spend time in merely listening/learning that activities are progressing as per plan. Their input must only be called for remedying the situation. Hence, subordinates may have the instruction not to spend time in preparing and sending report to the manager if activities are progressing as planned. However, if situation is becoming difficult or complex for the subordinate, then he must invite managerial consultation. Hence in control by exception, the manager understands, "***No news is good news***".

   Limitation: To practice control by exception requires good manager-subordinate relationship, otherwise, the subordinate may tend to 'keep the mistakes in the drawer'.
2. **Critical Control Point (CCP)**. This concept states that in order to monitor any activity, it is not necessary to control all the task/personnel involved in that

activity. It is possible to identify key areas of activities in which the result of progress of the activity is reflected. These are the ***critical control points***.

Example: The popular practice of Hazard Analysis Critical Control Point (HACCP) by management: In order to monitor production department, one need not to stand on the factory floor and watch the workers over their shoulders. The efficiency of production department is clearly reflected in the HACCP program, i.e. by focusing on the quality and quantity of output in which the efforts of the department are culminated and reflected.

How to make Controls Effective

1. Control should focus on key areas of any activity rather than being spread thinly over the entire activity (By establishing the critical control point).
2. The emphasis in control system should be on efficiency and productivity rather than requiring employees to rigidly confirm to work practices.
3. The emphasis should be problem-solving rather than punishing/fault-finding.
4. Control standard should be clear, well-defined and communicated to relevant employees.
5. The control system must stress on preventive (pre-control) and real time control (online-control).
6. Control must be flexible and updated if required by circumstances.
7. Controls are not to be confused with ends, that is, controls are not merely for the sake of control but rather a design to make efficient use of organization's resources.
8. Wherever suitable, control by exception should be practiced (delegation).
9. Control system should be forward-looking, that is, it must stress on prevention rather then endless analysis of the past deviations.
10. Control systems must be cost-effective because investment in control-system must be viewed as any other investment (cost benefit analysis)
11. Controls must be acceptable to the employees subject to control.
12. Control must allow for realistic performance rather than ideal performance.

Techniques of Control

For the Introduction to Management course, we shall study the following control techniques.

1. Break-even Analysis
2. Quality Control
3. Financial Ratios
4. Budgeting

1. Break-even Analysis

It is better understood with the introduction of the term break-even sales. B/E sales refers all costs are covered but no profit is made. It is a no profit, no loss situation. At break-even point, revenues are equal to total costs.

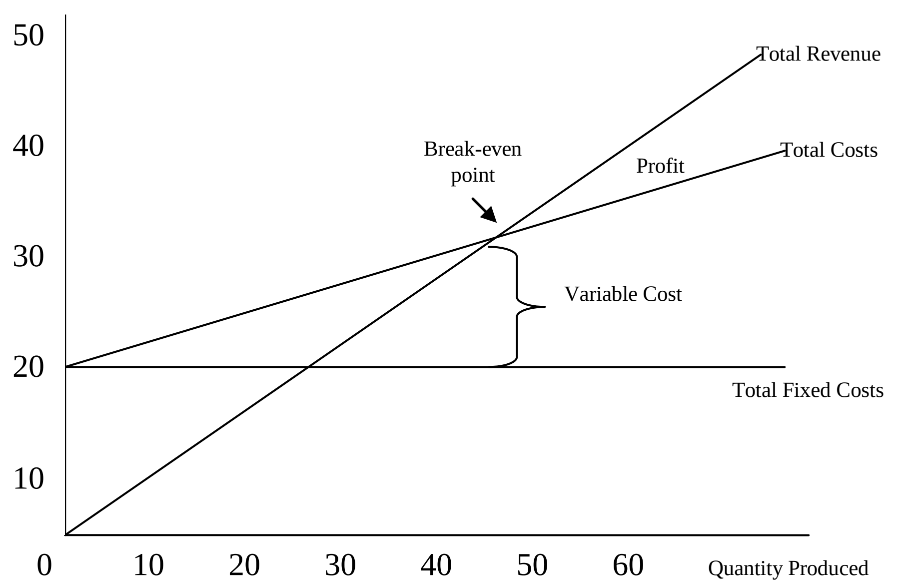
Total costs = Fixed Costs + Variable Costs

Fixed Costs are costs that remain fixed irrespective to changes in the output such as rent, administrative cost, etc.

Variable Costs are costs that vary directly with the output such as raw material cost, wages, etc.

Based on the two fold cost classification, the management can easily calculate profit at different levels of output. This has tremendous implication in managerial decision making. See figure below.

Figure 1: Break-even chart



2. Quality Control

The role of quality control is to ensure that appropriate standards of quality are set and that vacancies beyond the tolerances are rejected. The control of quality rests on the assumption that in mass scale production, no two units are exactly identical. However, it is possible to produce units almost identical through the usage quality control techniques, i.e. setting quality standards, measuring performance against those standards and take appropriate action to deal with variations that are outside permitted range of deviations.

Cost of quality control must be related to benefits derived from it and also legal requirements. The benefits of quality control are as follows:

1. Reduction in rejection of finished goods by customers (zero-defects)
2. Reduction in cost of scrap or reworking.
3. Better utilization of production facilities.
4. Improved corporate image and goodwill.
5. Quality consciousness amongst employees.

3. Financial Ratios

Ratios mean mathematical relationship between two figures. Ratios are useful because absolute figures all by themselves nay convey little or even misleading information. The significance of some figures is fully appreciated only when they are read in context of other figures.

Example: Net Profit is better understood as

1. Sales (Profit Margin)
2. Capital Employed (Return on Investment)

4. Budgeting

Budgeting is a formal expression of the plans, objectives and goals prescribed by top-management in advance for the enterprise as a whole as well as for each sub-division of the enterprise. A budget is a guide or a blue-print for a particular period.

As the period progress, actual results are compared with the budgets with a view to detect deviations from planned results so that corrective action may be initiated without further loss.

Objectives of Budgeting

1. It forces people to think ahead and view external & internal environment carefully.
2. Budget serves as an instrument for co-ordination of various departments and various sections within each department.
3. It focuses immediate managerial attention on finance for prompt corrective action.
4. Budget links responsibility of a manager with the performance expected of him in a clear and unambiguous manner.
5. Budgeting pre-supposes sound organization structure.
6. The budgeting process forces management to quantify their plans.
7. It entails well-thought out and comprehensive utilization of organization's resources.
8. It pinpoints wastages and inefficiencies, and provides for timely managerial action.
9. It forces management to evaluate and records of their achievements regularly.

Types of Budgets

Budgets can be classified into three parts;

1. ***On the basis of functions***. These are sales budget, production budget, inventory budget, etc.
2. ***On the basis of accounting information***. These are Trading Account, Profit & Loss Account and Balance Sheet.
3. ***On the basis of time period***. These are long-term budget and short-term budget.
   Example of long-term budget is the Brunei Darussalam's Five-Year Economic Development Plan (2001-2005)
   Example of short-term budget is His Majesty's 57th one-month celebration period.

Table 1: Types of Budgets (on the basis of functions)

	Name of Budget	What it shows
1	Sales Budget	Expected total sales (in quantity and dollar amount)
2	Production Budget	Expected units to be produced
3	Inventory Budget	Expected movement in stocks
4	Purchase Budget	Expected requirement of raw materials
5	Labour Budget	Expected requirement of labour hours
6	Administration Budget	Expected Administrative Expenses
7	Sales & Distribution Budget	Expected Sales & Distribution Expenses
8	Financial Budget	Expected Financial forecast
9	Manufacturing Budget	Expected Manufacturing Expenses

Table 2: Types of Budgets (on the basis of accounting information)

	Name of Budget	What it shows
1	Trading, Profit and Loss Account	Expected revenue & cost, with the resultant in profit or loss
2	Balance Sheet	Expected assets & liabilities of the organizations
3	Cash-flow Budget	Expected cash inflow and outflow with opening and closing balances
4	Capital Expenditure Budget	Expected acquisitions of assets

Table 3: Types of Budgets (on the basis of time periods)

	Name of Budget	What it shows
1	Long-term Budget	Organizational plan for a long period of time
2	Short-term Budget	Organizational plan over a short period of time

Budgetary Control System

This refers to the constant evaluation and checking of actual results as compared with the budgeted goals to indicate the corrective action generated by the controlling function of the management process.

In order to have an effective budgetary control system, it is agreed that:

1. Budget should be sufficiently detailed to set clear targets for the managers responsible for their execution.
2. Budget should be flexible when required by the changed conditions.
3. Budget must clearly link individual (s) with responsibility for performance
4. The setting of budgets must involve participation from all members whose performance is covered by the budget.
5. Budget should be simple that it can be used for control on organization's activities.

Role of management in Control Function

Management can take steps to make control more effective and attractive.

1. In design & implementation of control, the management must recognize individual differences and uniqueness
2. Management must stress self-control wherever possible.
3. The design & implementation of control must involve participation by the members for whom it is meant.
4. The control system must emphasize problem-solving attitude rather than a fault-finding attitude.
5. It must emphasize positive reinforcement rather than punishment for deviations.

The impact of controls upon individuals made by Tannenbaum findings are summarized as follows:

1. Control has both rational and symbolic implications on what an individual must or must not do. It also implies something about the individual, importance and freedom in the organization.
2. Most people prefer to exercise control over themselves and their surroundings because it entails satisfaction.
3. When one can exercise some control, one is more likely to identify with and support the organizations objectives.
4. People who are unable to exercise control tend to be less satisfied with their work and to be apathetic & alienated because they lack personal involvement.
5. Due to greater involvement and loyalty, those who exercise control may be more willing accept controls upon themselves.

Management Information Systems (MIS)

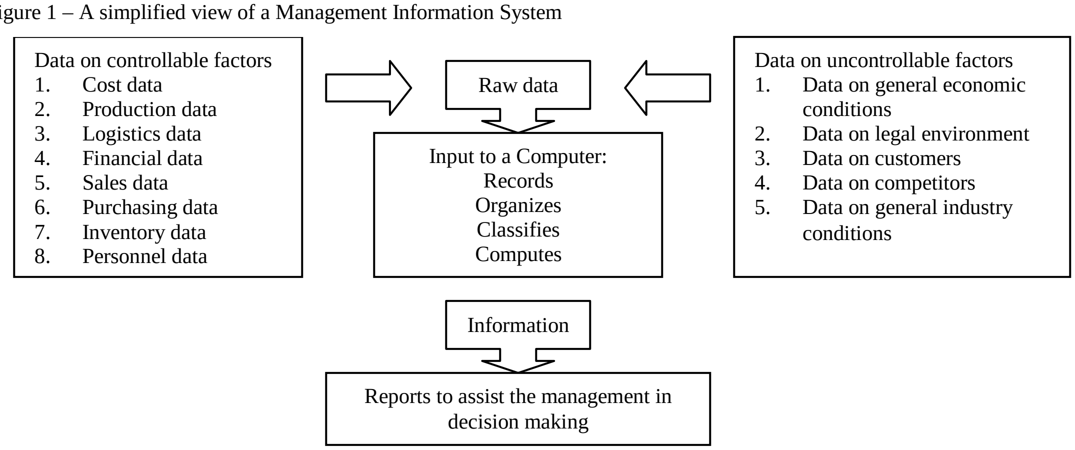
All the managerial functions – **planning, organizing, leading and controlling** – rely on a steady of information about what is happening at, and beyond, an organization. Only with accurate and timely information can managers monitor progress towards their goals and turn plan into reality. This is where ***information systems*** come in.

The need for Management Information System (MIS)

An organization has no memory and it cannot depend on the memory of employees who come and go. Hence, organizations must have extensive network of reporting to retain essential information over long periods of time. Thus, MIS is created to aid managerial decision making and serve as organization's memory. Effective planning and control of an organization requires good information systems. Logical decision making requires an understanding of the circumstances surrounding an issue and knowledge of the alternatives available. The more relevant the information, the better will be the decision results.

Information systems enable managers to control how they do business from stock handling to sales information and mostly all information systems are done using ***computers***.. If you were to look at a new Toyota in a showroom, you would find the car has a computer-generated sticker attached to the window to display the pricing and Economic Planning Unit (EPU) approval on its pricing. The Toyota salesperson probably has a computerized inventory system to tell you if the car is available with the option you want – you can choose your color. Should you need financing, the bank computer can help the salesperson check your credit quickly and close the sale. Thus, **Management Information Systems (MIS)** are rapidly becoming indispensable for planning, decision making, and control.

Figure 1 – A simplified view of a Management Information System



Purpose of MIS

The primary objective of MIS is to aid the manager in making timely and informed decisions. It is useful to remember that availability of information is critical to the success of an organization. The higher the management level, the greater is the need on the external source of information.

Level	Activity	Information Needs
Top	Long range plan & policies	External data are most important. For example current & expected state of economy, labour force changes, finance policies, government policies, competition, changes in customer preference, etc.
Middle	Tactical decisions implementing strategy & controlling supervisory management	More emphasis on information generated within the organization. For example, financial statements, budgets, paying scales, inventory level, cash flow, etc.
Lower	Administrative controlling day-to-day operations	Primary emphasis on internal information. For example, delivery dates, production schedules, employees attendance & overtime, etc

Basic Components of MIS

The design of MIS is tailor made to suit the requirements of each organization. In designing the MIS, it is imperative that each manager to clearly outline the critical information obtained either from internal or external sources of information in order to make good and informed decision. The requirement of information needs to be evaluated on:

- ***Information Quality***. The more accurate the information, the higher its quality and the more securely managers can rely on it when making decisions.
- ***Information Timeliness***. For effective control, corrective action must be applied before the problems getting out of control. Thus, the information provided by an information system must be available to the right person at the right time for the appropriate action to be taken.
- ***Information Quantity***. Managers can hardly make accurate and timely decisions without sufficient information.
- ***Information Relevance***. The information that managers receive must have relevance to their responsibilities and tasks. For example, the personnel manager does not need to know on inventory levels and the manager of reordering inventory does not need to know about the status of staff members in other departments.

MIS is then built around these requirements so that managers make informed decisions on the basis of timely and accurate data on areas such as finance, personnel, production, inventory, marketing, administration, etc.

Limitations of MIS

Limitations of MIS are vested not so much in the system itself but its users. These are;

1. MIS does not make decisions. The managers must make decisions on the basis of information provided by MIS.
2. Unclear identification of information requirements by the managers leads to excessive information generated by MIS. This often hinders rather than helps the managers.
3. Some requirements from MIS are not justified on cost benefit grounds.

MARKETING MANAGEMENT

Marketing is the business function that directs the flow of goods and services from the producer to the consumer or user.

Therefore, marketing involves the integrating the various activities of the business in order to produce the 'best' result, that is;

1. recognizing the goods and services that customers want at present and in the future;
2. ensuring that these products and services are available to the final customers in acceptable quantities and prices.
3. selling to achieve the profit target .

Figure 1 summarizes the marketing process, which has to be integrated with the rest of the business's activities. The organization must consider external constraints such as changes in the economy or consumer tastes. It will also be necessary to examine the organization's production costs and ability to sell its products.

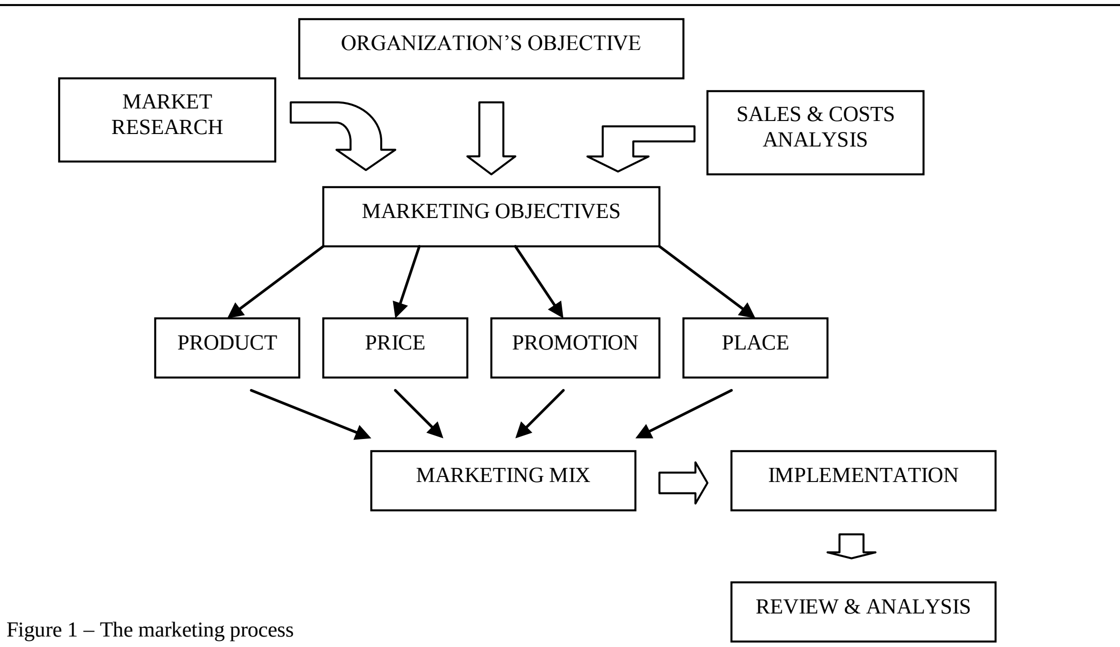


Figure 1 – The marketing process

The importance of good marketing is stressed by A.R. Morden in *Elements of Marketing*, 1987, D.P. Publications;

"If the business does not provide the would-be customer with:

- the right information about the product, and
- the right product, accessible and available to the customer
- at the right price
- at the right time, and
- with the right guarantees, after-sales service etc.

then, in a competitive market, the customer will NOT buy the product. He or she, nor surprisingly, will take their custom elsewhere."

Marketing Process

The marketing process undertakes three key roles within an organization:

- it supports the exchange process through techniques aimed at the consumer
- it collects and analyses data on both the consumer and the market
- it acts as a coordinating function for the organization

Marketing is the one process in an organization that looks outwards: it integrates and coordinates by collecting, then disseminating, information on the consumer and the market throughout the organization. The market-led firm examines its activities through the eyes of its customers. It will set clear marketing objectives, and review its other objectives in the light of these: for example, a marketing objective to increase market share will affect other objectives, such as those based on production and cash flow.

The basis of the marketing concept is that the customer is seen as the start of the business cycle, rather than its end (see figure 2)

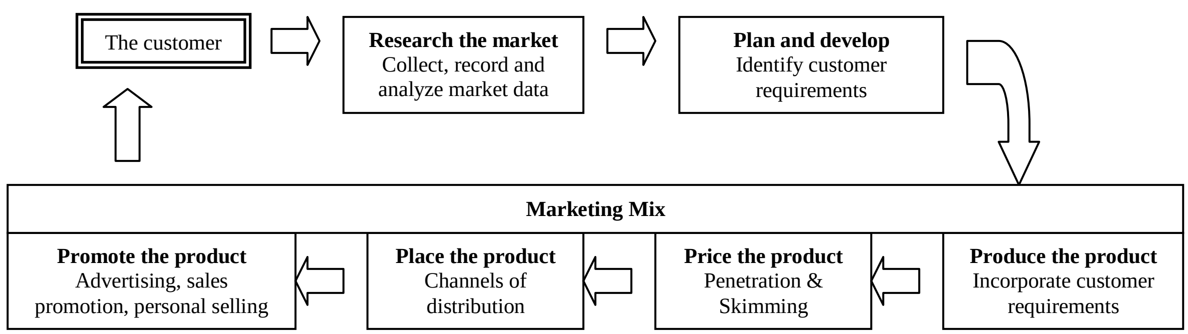


Figure 2 – Marketing process within the business cycle

The Marketing mix

The basic assumption is that the customer wants something. The company uses market research to discover the details of customer wants and what customers aspire for. Having formulated its marketing objectives, a business has to decide on the appropriate marketing mix. The marketing mix is often referred to as the '4 Ps':

1. **Product** – the type of good or service produced, such as size, quality, design and packaging.
2. **Price** – this includes discounts, credit terms and special offers.
3. **Promotion** – products have to be advertised and brought to customers' attention.
4. **Place** – how and where products are sold, such as through shops or direct to customers; this is often referred to as distribution.

These four components of the mix cannot be totally separated, as they are interdependent. For example, if a higher-than-average price is to be charged for a product, it will be necessary to ensure that other elements such as the quality, type of packaging and channel of distribution are sufficiently ‘up market’. As a simple example, it is difficult to sell high-priced fashion clothes through a market stall.

Product Mix

Products come in many different forms. A business producing goods or services must consider product factors (see figure 3).

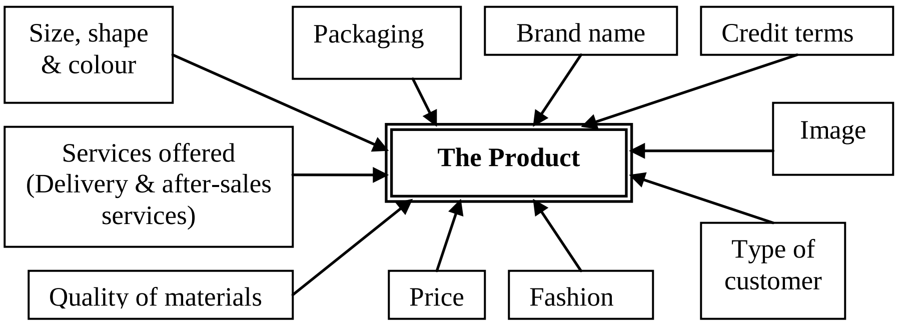


Figure 3 - Factors that can affect the value of a product

Products are sometimes defined in terms of ‘customer benefits’ rather than what they actually are. These are known as consumer goods, bought for their own satisfaction. These goods are categorized as;

- Single-use consumer goods: they have short lives and are income-inelastic: often called FMCGs (‘fast-moving consumer goods), they satisfy physical (food), psychological (cosmetics), or impulse needs (sweets).
- Consumer durables (DVD players, televisions). They have an income-elastic demand: they are long-lasting, expensive, bought infrequently and handle with care.
- Consumer services (hairdressers, house-cleaners). They are used more often as income grows, and tend to satisfy basic physical and safety needs.

Price and its strategy

Price represents a profit objective to the seller and a measure of value to the buyer. Many small retailers simply add a fixed percentage mark-up to the cost they have paid for goods bought for resale. Since costs influence price, a firm must calculate their production and other costs before setting their price markup. This is known as cost-based pricing, i.e.:

- The product’s direct costs are calculated
- Its share of indirect costs (overheads) are added
- A percentage (mark-up) is added for profit, to give selling price.

A firm will normally used cost-based pricing to ensure that all its costs are met by its selling price – if it ignores competitors' prices in the market – it may lead to an uncompetitive price being set.

Pricing Strategy

In order to compete with other competitors in the market, a firm must also consider its pricing strategy. Types of pricing strategy can be:

- Psychology pricing. By setting a price below a key figure: example, $9.99 rather than $10.00
- Premium pricing. Setting a price to reflect the product's image since high price reinforcing the quality image. Consumers expect to pay more for premium brand names such as Dior, Mercedes, etc
- Skimming pricing. By setting a high price for new, innovative product to maximize profits in the short-term. Once competitors arrive onto the market, the firm will normally cut the price and focus on the mass market.
- Penetration pricing. A useful strategy if brand loyalty can be established, but can result in price war. It is a form pricing where a low price, often below the cost of production, is set in order to drive competitors out of the market. Competitors may respond by cutting their prices, resulting in a price war.

Place & The Channel of Distribution

Physical distribution involves delivering the correct quantity of goods whilst maintaining the product's quality and security. All distribution channels offer a level of effectiveness which must be offset against their cost. Choice of channel also depends on the degree of outlet control required: mass-market items such as newspapers are not affected by the outlet's image, whereas technically complex or 'exclusive label' products are distributed with the manufacturer exerting much greater control over the number and quality of the outlets. (see figure 4)

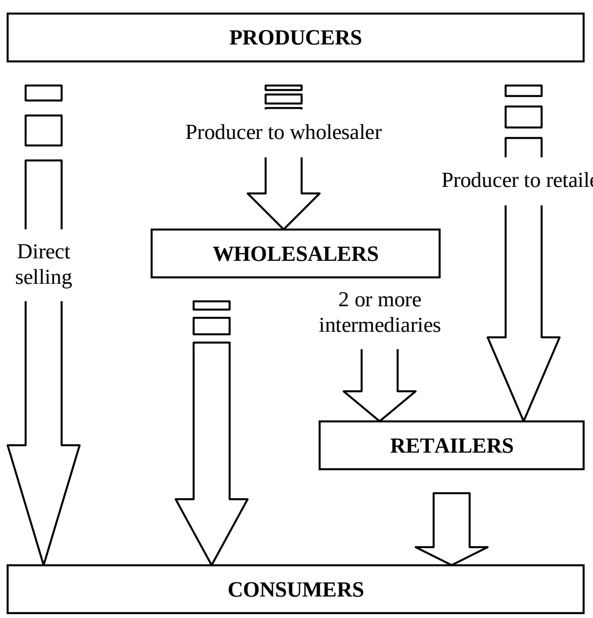


Figure 4 – Channels of Distribution

Promotion Mix

Firms promote their products to sell them in the existing (or a different) market or segment, to introduce new products onto the market, and to compete with others to maintain or increase market share. A firm may also advertise to improve its corporate image, which can positively boost its whole product range, or counter negative publicity or image problems. Promotion can be analyzed using techniques such as AIDA: it must

- Create **Awareness** of the product/brand in the market place.
- Arouse the **Interest** of the consumer
- Stimulate **Desire** for the product/brand in the consumer
- Provoke **Action** by the consumer

Promotion mix is the mix chosen of promotions used for promoting a product/brand depending on relative cost and effectiveness. Effective promotion relies on effective communication to tell consumers about products: the communication often consists of both informative and persuasive elements. The promotion mix is consists of:

- Advertising
- Personal Selling
- Sales Promotion
- Direct Marketing

Advertising

A media-delivered message paid for by a sponsor where it provides factual information about the product. However, it is impersonal since it is being directed at a mass audience. Nevertheless, it is known as 'above-the-line' cost due to the willingness of firms to spend big on advertising budgets. The main target of advertising is to;

- Retain 'loyal' customer
- Retrieve 'lost' customer
- Recruit 'new' customer, and
- Reassure 'old' & 'new' customer that they have made the right decision by buying.

Personal Selling

By employing sales-force staff and appointing agents to sell and promote brand/product. A benefit from personal selling is that the firm can target its message to suit the recipient. Examples are car salespeople, cosmetics salespeople, etc.

Sales Promotion

It is a short-term incentive to encourage new consumers to try their products, and/or to reinforce existing customers' brand loyalty. It is also used to gain additional market share or by responding to a competitors promotion as defensive strategy. It comprise a wide variety of tactical promotion tools designed to stimulate earlier and stronger target market response such as:

- Free samples to encourage the customers to try the product, and help establish brand loyalty.
- Price reductions and premium offers, example, the use of free gifts, discount or money-off coupons, to encourage customers to repeat the purchase.

- Loyalty cards to encourage consumers to build up company loyalty in boosting own brand and overall sales.
- Competitions which act as an inducement to buy the product.
- After sales service to persuade customers to buy a particular brand.

Direct Marketing

It is one of major promotion strategy to create brand loyalty to customers. Many firms are adapting to this type of strategy to gain market share. These techniques include:

- Mail order
- Electronic mailing
- Telephone marketing
- Direct response advertising

PRODUCTION MANAGEMENT

Production means creating goods and services which satisfy people's need. It is the process by which includes activities, which start with the receipt of raw materials and eventually give rise to an end product.

Production management involves conversion of raw materials into finished goods through the employment of labour and machine and within the limitation of time and cost. It concentrates primarily upon the planning and control of all the various stages of production so that the most efficient use is made of the company's productive capacity.

The production and marketing departments have conflicting objectives, which can lead to friction. These different objectives include:

Marketing Wants	Production Wants
• A wide variety of goods • High quality / acceptable price • Ability to adjust rapidly to changed market conditions • Products on demand	• To standardize and simplify production • Reduction of all costs • Ability to predict & plan production schedules in advance • Reduced stock levels

The Production Function & Its Importance

There are 3 categories to be undertaken within the production function:
- The manufacturing process. Plant location, production methods, plant layout
- Ancillary activities. Production planning & control, maintenance, purchasing, stock control, distributing
- Advisory activities. Work research & development, quality control.

The importance of production
- It is able to reach the quantity of the product demanded.
- Increased quality
- Make profit when the product sold at the market
- Continue release of existing product or per demanded and upgrade product attitude.

Basis Types of Production Systems

The usage of the production systems will depends on factors such as:
- The nature of the product
- The level of market demand
- The size of the business
- The technology & skills available

The **production systems** fall broadly on four groups:
1. Job production
2. Batch production
3. Flow production

1. Job Production

It is often a contract to produce one item to a customer's requirement. Often a large technical sales force, general purpose machines, skilled workers, sophisticated production planning and control procedures.

Examples: ship, bridges, houses, repair of vehicles or machinery.

Advantages of the job production:

- Firms can produce unique or 'one-off' orders according to customer needs. It is also possible to change the specifications of a job at the last minute even if the works have actually begun. Example, a wedding dress may be designed and produced for the individual taste of a client.
- Workers are more likely to be motivated. The tasks employees carry out often required a variety of skills, knowledge and expertise. Their work will be more demanding and interesting. They will also see the end result of their efforts and be able to take pride in their work. Jobs may be carried out by a team of workers aiming to achieve the same objectives. This should help raise the level of job satisfaction.
- The organization of job production is fairly simple. Because only on be job is done at a time, co-ordination, communication, supervision and inspection can be regularly carried out. Also, it is easier to identify and deal with problems, such as a defective damp roof structure in a house or poorly cooked meal in a restaurant.

Disadvantages of the job production:

- Labour costs will be high because production tends to be labour intensive. The workforce is likely to skilled and more versatile. Such employees will be more expensive. The amount of time each employee spends on a particular job will also be long.
- Lead times can be lengthy. When building a house, the business has to incur costs which cannot be recovered until the house is sold.
- Selling costs may also be high. This is likely if the product is highly complex and technical. The sales team will need to be well qualified, able to cope with questions and deal with problems concerning sales and installation. Some firms employ agencies to help reduce their selling costs.

2. Batch Production

The production of small @ large quantities of an article will produce different articles at the same time. It relies upon general-purpose machines, skilled craftsmen and sophisticated production planning and control procedures.

Examples: books, steel, clothes and furniture.

Advantages of batch production:

- Even though larger quantities are produced than in job production, there is still flexibility. Each batch can be changed to meet customer's wishes. It is particularly suitable for a wide range of similar products. The settings on machines can be change according to specification, such as different clothes sizes.

- Employees can concentrates on one operation rather than the whole task. This reduces the need for costly, skilled employees.
- Less variety of machinery would be needed than in job production because the product is standardized.
- It often results in stocks of partly finished goods which have to be stored. This means firms can respond more quickly to an urgent order by processing a batch quickly through the final stages of production.

Disadvantages of batch production

- Careful planning and coordination are needed, or machines and workers may be idle, waiting for a whole batch to finish its previous operation. There is often a need to clean and adjust machinery before the next batch can be produced. This can mean delays.
- Some machinery may have to be more complex to compensate for the lower skill levels required from the labour force. This may lead to higher costs.
- Workforce may be less motivated, since they have to repeat operations on every single unit in the batch. In addition, they are unlikely to be involved with production from start to finish.
- If batches are small then unit costs will remain relatively high.
- Money will be tied up work-in-progress since an order cannot be dispatched until the whole batch has been finished.

3. Flow production

It is also known as mass production where production is organized so that different operations can be carried out, one after the other, in continuous sequence. Products like vehicles move from one operation to the next, often on a conveyer belt. It is also used in the manufacture of newspapers, cement and food product with very high demand.

Advantages of flow production:

- Unit costs are reducing as firm gain from economies of scale
- In many industries, the process is highly automated. Production is controlled by computers. Many of the operations are performed by robots and machinery. Once the production line is set up and running, products can flow off the end non stop for lengthy periods of time. This can reducing the need for labour, as only machine supervisors are needed.
- The need to stockpile finished goods is reduced. The production line can respond to short term changes in demand. For example, if demand falls the line can be shut down for a period of time. If it rises, then the line can be opened.

Disadvantages of flow production

- The set up costs are very high. Firms must therefore be confident that demand for the product is sufficient over a period of time to make the investment pay.
- The product will be standardized. It is not possible to offer a wide product range and meet different customer’s needs.

- The work will be repetitive and boring. Each worker will only be involved in a very small part of the job cycle. As a result, worker's morale may be low and labour turnover and absenteeism will be high.
- Breakdowns can prove costly. The whole production system is interdependent. If one part of the supply or production line fails the whole system may break down.

Production Operation Systems

For producing a particular goods or services, we need someone to do the job. One of operation system used for producing good and services is division of work.

Division of work means that workers need only to concentrate upon doing one particular job.

Advantages of Division of Work

1. Higher output. People can do what they are best at by doing the same job continuously and they can get better at it.
2. Cheaper goods and services. By increasing workers' productivity, division of work reduces the unit costs of production.
3. Higher standard of living. If the economy produces more goods and services at lower cost, its citizens should be better off.
4. More choice of work. Division of work should allow people to choose work that they enjoy and have a talent for.

Disadvantages of Division of Work

1. Boring jobs. Division of work involves jobs which are simple and repetitive. Boring jobs can cause problems such as poor quality work, absenteeism, stress and illness, strikes and high labour turnover.
2. Loss of skills. If workers are only trained in one job or part of a process, they may have difficulty in adapting to new techniques of production. If their industry is declining, they may find it difficult to find work elsewhere.
3. Risk of regional unemployment. Many industries are concentrated in particular areas. If a town depends heavily upon an industry which declining, the result may be high unemployment.
4. Greater interdependent. Division of work lends workers and organizations to be very dependent upon each other. Disruptions to production or poor quality in one part of a business or its suppliers may lead to loss of production or quality in another.

Personnel Management

It deals with people within the organization. Managers are responsible in doing through subordinates including the functions of planning, organizing, directing and controlling. Therefore, the efficiency and effectiveness of people can be influenced through effective management.

The function of personnel department is to aid other managers and supervisors in their dealing with people, ensuring that most effective use is made of these valuable resources.

The importance of personnel management
The personnel managers have to:

- Provide specialist advice to other managers in order improve their effectiveness and operating results.
- Informed of changes in legislation and in the environment as well as their relationship to the workforce.
- Recruiting workers that are required by various departments in the organization.
- Make arrangements for the promotions and transfer of workers.
- Provide training to the workers so that they would be able to do their jobs more effectively.

Personnel Policy

The concept of personnel management is based on the belief that the purpose of the organization is advancement of the interests of the workforce of the organization.

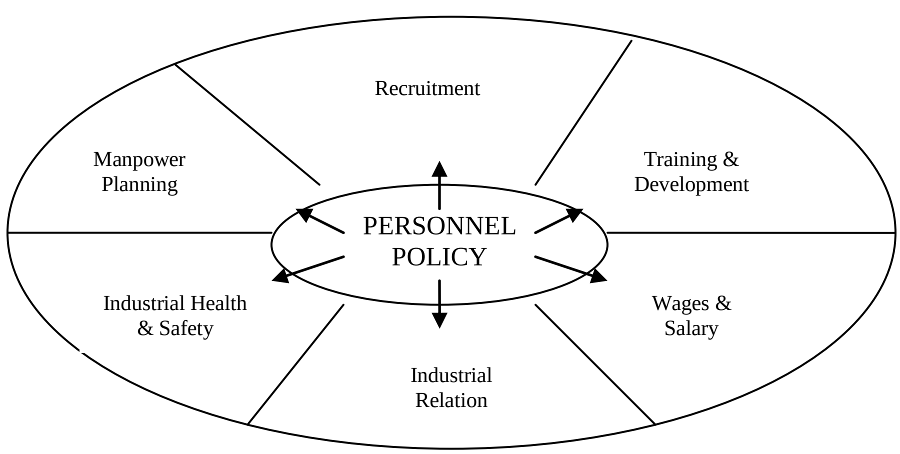


Figure 1 - The work of typical personnel department

1. Manpower Planning

Manpower planning requires that the organizations must always have enough trained and experiences people to meet its objectives. The function of manpower planning is to ensure that the organization is not prevented from achieving its objectives.

The stages in manpower planning are:

- Analyze the existing situations to improved it
- Planning to determine the future manpower needs of the company
- Identifying manpower needs
- Organizing the achievement of the needs
- Counseling people to mapped out individuals career paths.

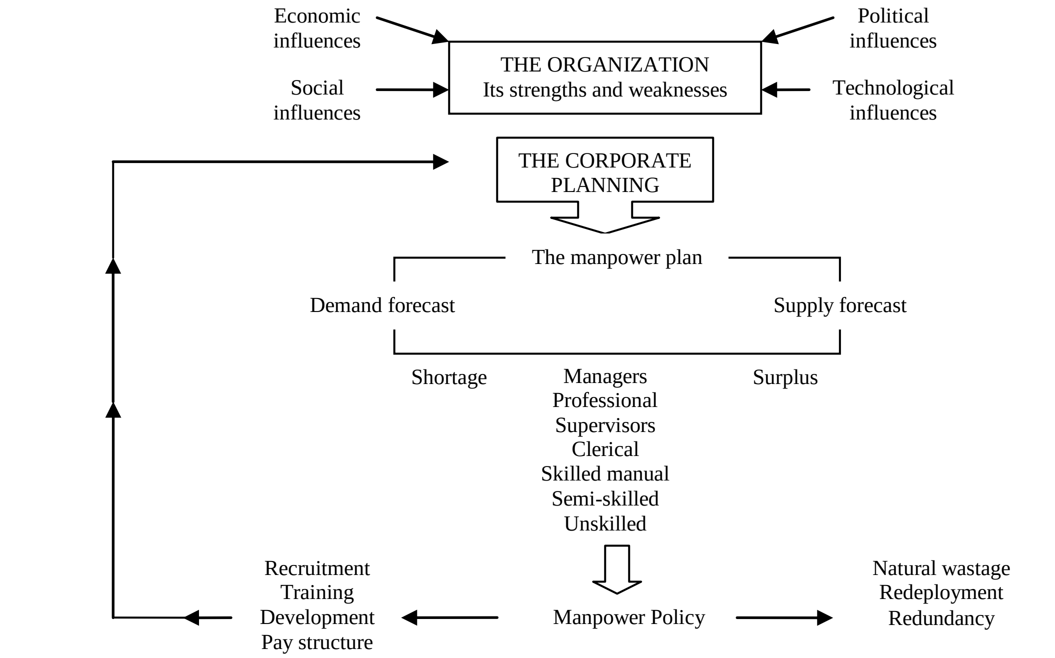


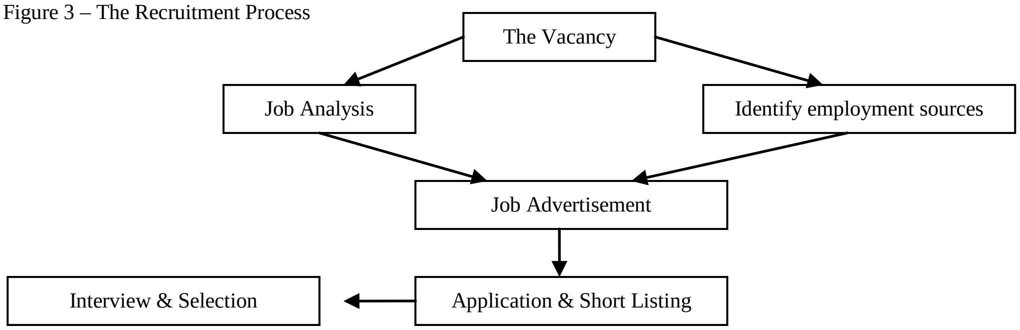
Figure 2 – Determining manpower policy

2. Recruitment

It refers to the process by which the organization to achieve its objectives. The purpose of recruitment is to enable the company to get the type of workers that it requires.

Recruitment is the work of the Personnel Department. When there is a vacancy, their immediate task is to undertake what is termed job analysis in order to draw up two other documents, namely job description and job specification. See figure 3

Figure 3 – The Recruitment Process



Job Analysis

It is the method by which all facts relating to the job are identified and recorded. It involves gathering information relevant to the job and identifying the job by means of job descriptions. The reasons for doing job analysis are:

It is the first stage of the job evaluation process. The information can be used to justify higher pay or better benefits. It can be used to improve work force utilization by helping:

- To group tasks into economic units,
- To assign time-consuming tasks to lower paid workers, and
- To use manpower more efficiently.

Job Description

Job description outlines work to be performed and specify requirements for the job. It contains the information for recruitment / appointment of staff. It must present the true picture of the applicants required for the job. It is a factual statement describing the work performed, responsibility involved, the skills and training required, condition under which the job is done, relationship with other jobs, and human resource requirements of the job.

The job description contains the following:

- Job title
- Location on the organization chart
- Location where the work/job performed
- Responsibilities
- Condition of employment
- Job specification including mental skills

Job Specification

It is also known as candidate or personnel specification. It is a summary of knowledge, skills and personal characteristics required of the job holder to carry out the job to an acceptable standard of performance.

Drafting an Advertisement

Effective job advertisement must be present in attractive, catchy and user friendly format and it should include:

- Name of organization
- Brief introduction of the organization
- Job specification
- Remuneration package
- Clear indication of the person and the address to which the applications may be directed
- Brief description of content required in an application
- Last date for receipt of application

Receipt and screening of applicants
Applications of the applicants are divided into 3 groups:

1. Very suitable – called for an interview
2. Suitable – call for interview if sufficient number in the above category
3. Not suitable – sent polite letter of rejections

Suitable candidates may then for one or more interviews leading to selection.

Selection
The function of selection is to screen apparently suitable candidates with a view to short listing 2 or 3 most suitable candidates for the job and to persuade the most suitable candidate to accept the job.

The aids to selection process are:

1. Standard application forms make it easier for a candidate to reply. It simplifies the evaluation.
   The advantages of these forms are:
   - Information that the organization needs is obtained and screening of employees become easier because the criteria of selection are explicit.
   - The emphasis is on facts, not on a persuasive letter of application.

   The disadvantage of the forms is:
   - Some candidates find the information that they have to provide pries into their private lives.

2. Interview provides an opportunity for face to face interaction between the organization and the candidate as well as to learn more about each other with a view to making decision.

   The interview is defined as "Conversation with a purpose". The candidates are short listed for an interview and a time-table giving such candidates sufficient time is drawn up.

   The main purposes of the interview are as follow:
   - To assess the personality of candidates
   - To get further details on certain matters
   - To agree on terms of employment, and
   - To provide candidates with more information about the job.

3. Psychological testing creates the situation in which the applicants react. Such test are:
   - Intelligence Test is used to measure an individual's ability to think.
   - Aptitude test is used to measure abilities and skills which are innate.
   - Attainment test is used to measure the level of skills to acquire by the tester.
   - Personality test is used to measure personal tracts and characteristics of an individual.

3. Training & Development

Large firms have the facilities and expertise to train their employees. While the sole contribution of many small and medium-sized organizations were to encourage the new worker to learn the job by matching the more experienced worker.

The advantages of training are:

- Improve production and quality by reducing mistakes
- Reduce customer complaints
- Reduce labour turnover.
- Increase the flexibility of workforce, and
- Improve the firm's reputation among potential employees

An effective system of training will cover the whole organization from top to bottom.

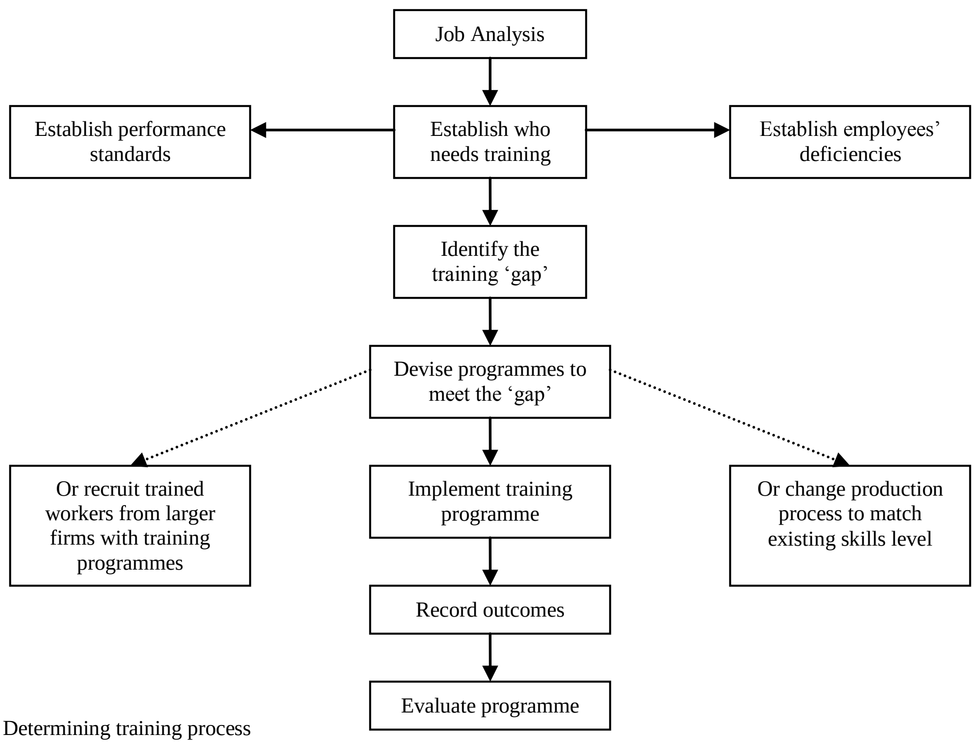


Figure 4 – Determining training process

The following can be applied to any level of the organization:

Types of Training

1. Induction.

   The purpose of induction training is to introduce the new employee to the firm and the job. The contents of an induction programme include the following:

   - Brief history about the organization
   - Rules & regulation of the organization
   - Personnel policy of the company regarding discipline, education & training company welfare, etc.

- Introduction to the new employee's own department and an overview of the work done and its importance to the company's operations.

2. Apprentice.
   Every company is responsible for assessing its own training needs and determining the number of trainees. A programme can be prepared using the analyzed information of skills, attitudes and knowledge for the following:
   - Induction training
   - Basic training in skills required
   - Planned experience to enable skills to be applied on the job, and
   - Further education to provide technical knowledge of a general nature.
3. Operative
   The planning of an operative training programme involves the following:
   - Selection of the task to be studied
   - An analysis of what is does and how it is does
   - Recording and an analysis of common faults, determination of the elements of the task to be taught together & those to be taught separately, the revision of exercises to reinforce learning.
   - The setting of target standards for trainees to enable them to reach those of experienced workers
   - The writing of the training syllabus
   - Selection of training staff
   - The preparation of the training programme, time-table, the training areas and the use of machines, and
   - The recording of the training feedback and the checking of it regularly
4. Supervisory
   The nature of the work is analyzed and then be appraised in order to identify their training needs.
   Training takes 2 forms:
   - Courses in skills and knowledge of a general or specific kind
   - On-the-job development under an immediate supervisor
5. Management
   The main objective is to improve current performance by increasing current knowledge and skills and modifying behaviour and attitudes.
   The following methods can be adopted to train managers:
   - Job Rotation. A young manager is rotated within a department or the company. The objective is to improve a manager's understanding of jobs other than his own and to provide a specific experience that will equip him for promotion.
   - Projects and Assignments. A study into the problems of a department can reveal a person's capabilities. Supervisors should examine findings and appraise the young manager in charge of a project.
   - Personal Assistant. An assistant to a manager is a staff role. They are in a line position with defined responsibilities for which he is accountable for.
   - Formal Courses. Courses serve to give managers background knowledge which must be combined with work experience.

Training evaluation

Evaluation is a part of the control process of training. The feedback about result or output of training are compared with pre-determined standards of training with a view to improving effectiveness of progress and future training.

Successful evaluation of training requires setting up of well-defined training standards and effective feed-back system with a view to improve the on-going or future training.

4. Wages & Salaries

Wages and salary are an important element in the total cost of many organizations. It is therefore has as its aims:

1. The attraction and retention of the right quality staff at a cost that can be afforded by the organization
2. to attract and retain sufficient workers of the required caliber
3. to provide incentives
4. to avoid the dissatisfactions that would develop over inequities between similar jobs

Methods of Payment

As wages and salary is the reward or income going to the labour. There are 2 methods of payment:

1. Time Rates

- It is used when the quality of work done is more important than the quantity of product produced.
- Wages are paid per unit of time worked.
- All workers doing the same job receive the same pay.
- This method usually operates when the work output cannot be measured.
- For examples: teacher, nurse, salesperson, etc.

2. Pieces Rates

- It is used when wages are linked to the number of units produced.
- The more they produced the higher the pay.
- This method may lead to more quantity produced but less quality.
- For example: factory worker

Wages Differentials

The differentials between the wages rates paid to different people doing different jobs may arise as follows:

Qualifications	• Every worker has different qualification, training and ability as well as experience. • The higher the qualification of a worker, the higher the wages they are likely to receive.

Dangerous jobs & Unsociable hours	• Some jobs are dangerous. Therefore, workers doing dangerous jobs will get more pay. For example, life guard, etc. • People who work with unsociable hours are paid more in order to compensate for it.
Satisfaction	• Some people volunteer to work in order to help other people even they get less pay. For example, Red Cross
Lack of information about the jobs and wages	• People who seek for jobs sometimes have lack of information about the jobs and salary offered. Therefore, these workers may not get the right payment if compared to their qualification.
Immobility	• Certain people who are given the opportunity for better jobs and wages elsewhere are not willing to move and leave their friends and families.
Fringe benefits	• Some jobs offer lower pay but they provide more benefits. For example, company lending transportation, free life insurance, cheap travel expense.

Job evaluation
It is a systematic method of appraising the worth of each job in relation to other jobs in the organization. It is used to determine the relative compensation of salaried positions as well as of hourly paid jobs.

Method of Job Evaluation
It is divided into 2:
1. Analytical. Its methods compares job in terms of skills, responsibility and efficiency.
2. Non-Analytical. Its method compares whole job ranking and job classification.

The main strength of job evaluation lies in its ability to provide a rational basis for establishing job differentials. However, it is very costly and time consuming.

5. Industrial Relations

There are many potential sources of conflict between worker and employers. This conflict arises because of the two groups different objectives;
- Employees objectives
- Management objectives

Employees Objectives	Management Objectives
• Employment security • Maximize earning • Good working condition • Participation in decision making • Union representation	• Cost control / reduction • Profit maximization • The right to manage • Satisfy other shareholder • Growth

Other sources of conflict include the relationships between different groups of workers and arguments over which groups should be allowed to undertake certain duties.

Trade Union

It is an organization of workers whose principal purpose is the regulation of relations between workers and employers or employers associations.

The aims of trade unions are:

- Improvement in remuneration, working conditions and status
- Protection against unfair and arbitrary management decisions
- Security of employment and income
- Involvement in decision-making process at organizational and national levels
- The ability to take joint action

The main functions of industrial relations are:

- Prevention & Settlement of labor disputes
- Helping to form & maintain the machinery of conciliation
- Keep in close touch with the state of employer-employee relations
- Advising the firm or the government on industrial relations problems

6. Industrial Health & Safety

The maintenance of safe working conditions and the prevention of accidents are a management responsibility. Sometimes, management fails to take appropriate actions on information they receive concerning potentially serious accidents. A major managerial responsibility is to take all reasonable precautions to ensure that the work situation is safe because:

- Equipment and techniques operates as they are supposed to do, and
- Employees are selected & trained not only to perform normal duties but also meet foreseeable emergencies.

Safety Officer Duties & Responsibilities

Therefore, an organization has to appoint safety officer in order to ensure the safety of the organization employees and employers. The duties of the safety officer include the following:

- Making regular thorough inspections of plant & building with the departmental manager concerned.
- Seeing that all safeguards are in operation and no unauthorized modifications are made to equipment.
- Ensuring all staff members use the protective equipment supplied properly.
- Providing safety training for all employees including recruits.
- Keeping accident records and advising management on the effective action to be taken.
- Maintaining a high priority for “good housekeeping” in the form of clear fire escape, litter free floors, floors free of oil and grease.