Haramaya University
College of Business & Economics
Department of Management

Lecture on
Introduction to Management

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Chapter One

Fundamentals of Management

1. Definition

❖ **Several definitions:**

- Management is the art of getting things done through and with people in a formally organized group.
- Management is the art of knowing what you want to do in the best and cheapest way.
- Management is the process of planning, organizing, staffing, directing, and controlling the use of a firm's resources to effectively and economically attain its objectives.

Cont'd

- Management may be defined as the art of securing maximum results with a minimum of efforts so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service.

❖ **Why many definitions:**

- Management has various aspects, that all of which cannot be represented by a single definition

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- Management has various aspects, that all of which cannot be represented by a single definition
- Management as a discipline is young and there is a lack of clarity of concepts and principles.
- ❖ Despite all the above reasons for different definitions, they are not contradictory or mutually exclusive.
- ❖ Management is the synthesis of all the definitions given by different theorists.

2. Significance of Management

- Because Managers guide and direct the organizations that provide goods and services up on which society depends. In doing so managers serve a critical function.
- Because many individuals who are not trained as managers often find themselves in managerial positions. Studying Management better equips individuals to handle managerial responsibilities.
- Because approaches and skills in management are needed to manage productivity which is key to a country's future success.

Discussion Session

- Is Management Art , Science or Professional?

3. IS Mgmt Art or Science?

- Both Science and art.
- Since management has a structured body of knowledge with its own distinct concepts and principles that are developed with reference to the general truths underlying the management practice, management is a science.
- Like all other practices, management is an art. It is know-how, it is the application of knowledge, and it is doing things in the light of the realities of the situation.

4. Levels of Management & Types of Managers

- **Three levels:**
- Top level management
- Middle level management
- First level (operating level) management

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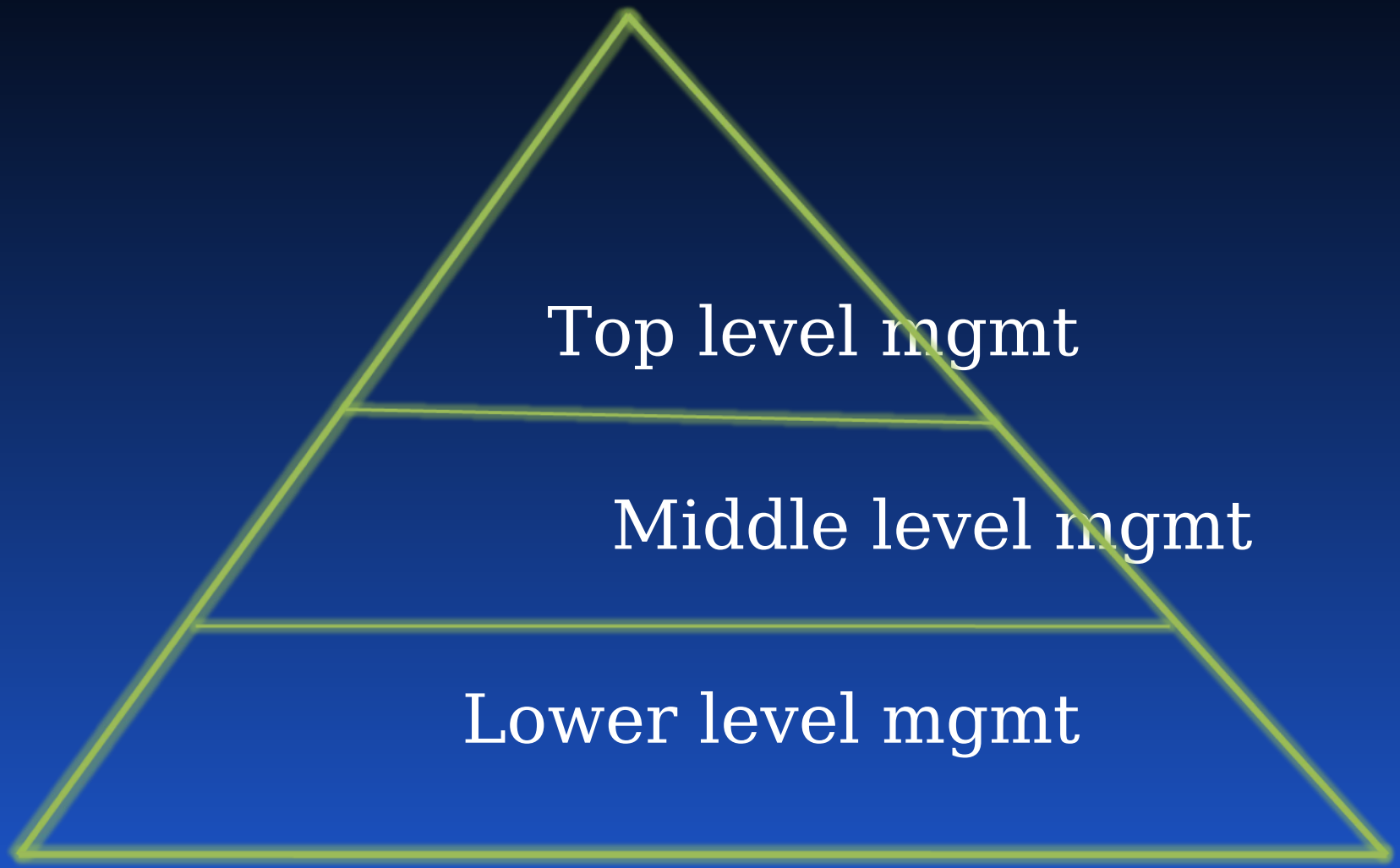


Figure 1.1: Levels of management

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- **Functions of Top level manager:**
- Establishing broad objectives,
- Designing major strategies,
- Outlining principal policies,
- Providing effective organizational structure that insures integration,
- Providing overall leadership and direction,
- Making overall control of the organization,
- Dealing with external parties such as the government, community, business, etc by representing the organization, and
- Analyzing the changes in the external environment and responding to it.

Cont'd

- **Functions of middle level manager:**
- Acting as intermediary between top and operating level management,
- Translating long-term plans of top management in to medium range plans,
- Developing specific schedules to guide actions and facilitate control, and
- Coordinating inputs, productivity, and outputs of operating level management.

Cont'd

- **Functions of Operating (first) level manager:**
- Planning daily and weekly activities and accomplishments based on the monthly, quarterly, and yearly plans
- Assigning operating employees to specific tasks
- Issuing instructions at the work place, following-up, motivating and evaluating workers and reporting to their superiors.

5. Types of Managers Based on Scope of Responsibility

- **Two types:**

1. Functional Managers

- Functional managers supervise with specialized skills in a single area of operation, such as accounting, personnel, finance, marketing and production.

2. General Managers

- General Managers are responsible for the overall operations of a more complex unit, such as a company, or a division.
- In their jobs, general managers have to deal with major uncertainties, great diversity, and a large volume of information.

6. Basic Management Functions

1. Planning

- Planning is the process of choosing an organization's mission (or purpose) and objectives, and then determining the policies, projects, programs, procedures, methods, systems, budgets, standards and strategies needed to achieve them.
- It identifies the goals and alternatives.
- It maps out courses of action that will commit individuals, departments, and the entire organization for days, months, and years to come.

Cont'd

- Planning achieves these ends after setting in motion the following processes:

(1) determination of what resources will be needed,

(2) identification of the number and types of personnel the organization will need,

(3) development of the foundation for the organizational environment in which work is to be accomplished, and

(4) determination of standard against which the progress toward the objectives can be measured so that corrections can be made if necessary.

Cont'd

2. Organizing

- It is the management function of determining how a task is to be accomplished. Management must consider the resources necessary to achieve the organization's objectives and then assign responsibility and authority to the appropriate people.
- Organizing as a management function is concerned with (1) assembling the resources necessary to achieve the organization's objectives and (2) establishing the activity- authority relationships of the organization.
- Planning has established the goals of the company and how they are to be achieved; now, organizing develops the structure to reach these goals.

Cont'd

3. Staffing

- Staffing is concerned with locating prospective employees to fill the jobs created by the organizing process. Staffing initially involves the process of recruiting potential candidates' abilities.
- After the employment decision has been made - the position is offered and accepted - staffing involves orienting the new employee to the company environment, training the new person for his/her particular job, and keeping each employee qualified.

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4. Leading/Directing

- The management functions of influencing employees to accomplish objectives, which involves the leader's qualities, styles, and power as well as the leadership activities of communication, motivation, and discipline.
- Directing is aimed at getting the members of the organization to move in the direction that will achieve its objectives.
- Directing builds a climate, provides leadership, and arranges the opportunity for motivation.

Cont'd

5. Controlling

- It is the process of devising ways and means of ensuring that planned performance is actually achieved.
- Controlling deals with establishing standards for performance, measuring performances against established standards, and dealing with deviations from established standards.
- It attempts to prevent problems, to determine when problems do exist, and to solve the problems that occur as quickly and effectively as possible.
- In essence, control involves five basic steps:

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1. Setting performance standards
2. Determining methods for measuring performance
3. Measuring actual performance
4. Comparing performance with established standards
5. Taking corrective action when necessary to bring actual performance in to conformity with the standard

7. Universality of Management

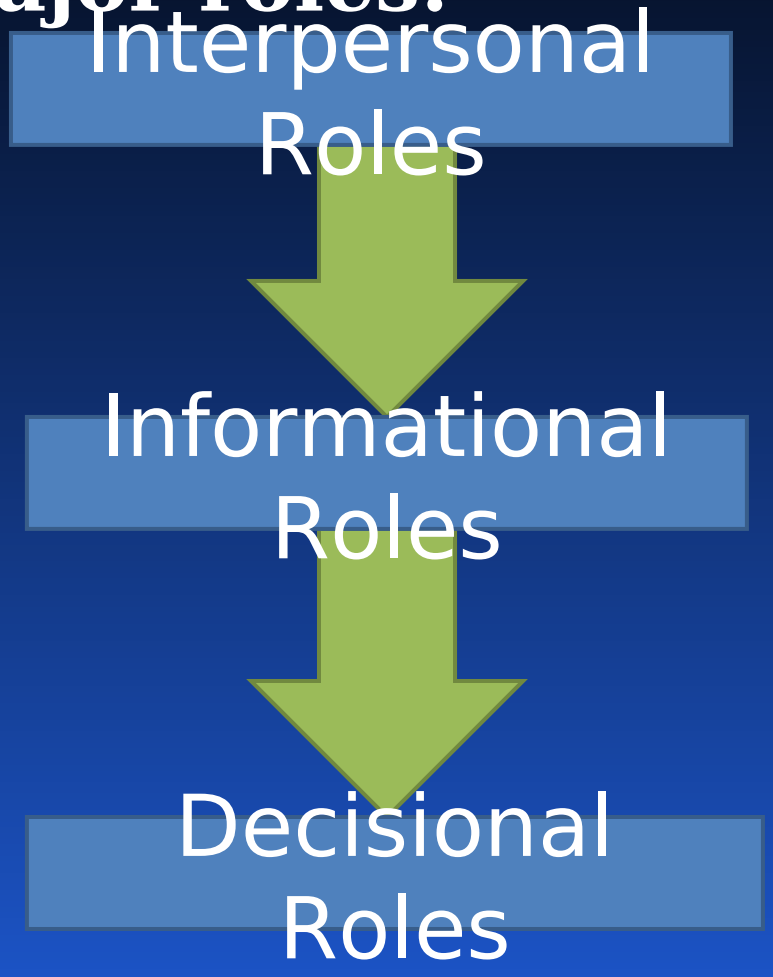
- Management is universal in that it has a systematic body of knowledge comprising principles, guidelines and other components of management theory.
- This body of knowledge tends to be broadly applicable to all situations in a variety of organizations – business, government, education, social, and religious, among others.
- It is generally applicable to all levels of management in an organization, from the lowest to the highest.

Cont'd

- **Specifically:**
- In all kinds of organization the basic managerial functions are used to make individuals contribute to group objectives. Management thus applies to any type of organization:
  - From small to large and complex
  - In profit making and non-profit making
  - In manufacturing and service giving
  - In all political systems socialist, capitalist, etc
- Managers in all levels of organizational hierarchy perform the same basic managerial functions.
- The principles of management are universal.

8. Managerial Roles

- **Three major roles:**



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1. **Interpersonal Roles**

- Their roles focus on interpersonal relationships.
- The three roles of figurehead, leader, and liaison result from formal authority.
- By assuming them, the manager is able to move in to the informational roles that in turn lead directly to the decisional roles.

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- **Figurehead role:** In this role, the manager represents the organizations at ceremonial and symbolical roles.
- The president who greets a touring dignitary, the mayor who presents a key to the city to a local hero, the supervisor who attends the wedding of machine operator, a college dean hands out diplomas at graduation – all are performing ceremonial duties important to the organization's image and success.
- These duties (roles) are expected of managers, because they symbolize management's concern for employees, customers, and the community.

Cont'd

- **Leadership role:** This role involves directing and coordinating the activities of subordinates in order to accomplish original objectives.
- Some aspects of the leadership role have to do with staffing: hiring, training, promoting, dismissing.
- Still other aspects involve motivating subordinates to create a vision that company employees can identify with.
- It also involves controlling – making sure that things are going according to plan.

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- **Liaison role:** The liaison role gets managers involved in interpersonal relationships outside of their area of command.
- This may involve contacts both within and outside the organization.
- People outside the organization include clients, government officials, customers and suppliers while people inside organizations include managers in other departments, staff specialists and other departments' employees.

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2. Informational roles

- This set of roles establishes the manager as the central focus for receiving and sending non routine information.
- Through the three interpersonal roles discussed earlier, the manager builds a network of contacts.
- The interpersonal contacts aid the manager in gathering and receiving information in the monitor role and transmitting that information in the disseminator role and spokesperson role.

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- **The monitor role:** The monitor role involves seeking out, receiving, and screening information.
- Just as a radar unit scans environment, managers scan their environments for information that may affect their organization.
- Since much of the information received is oral (from gossip and hearsay, as well as formal meetings managers must evaluate and decide whether to use this information.

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- **Disseminator Role**: This involves providing important or privileged information to subordinates that they might not ordinarily known about or be able to obtain.
- In a lunch conversation, the president of a firm hears that a large customer of the firm is on the verge of bankruptcy.
- On returning to the office, the president contacts the vice president of marketing, who in turn instructs the sales force not to sell anything on credit to the troubled company.

Cont'd

- **Spokesperson Role:** In this role the manager represents the department to other people.
- Managers transmit information to others, especially those outside the organization, as the official position of decision making.
- The manager is person who speaks for his or her work or organization to people outside the work unit or organization.

Cont'd

3. Decisional roles

- Although developing interpersonal relationships and gathering information are important, these two activities are not ends in themselves.
- They serve as the basic inputs to the process of decision making.
- In fact, some people believe that the decisional roles- entrepreneur, disturbance handler, resource allocator and negotiator are a manager's most important duties.

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- **Entrepreneurial Role**: This role involves designing and initiating planned change in order to improve the organization's position.
- Managers play this role when they initiate new projects, launch a survey, test a new market, or enter a new business.

Cont'd

- **Disturbance handler role**: Managers make decisions or take corrective actions in response to pressure that is beyond their control.
- Because when there are disturbances, the decisions usually must be made quickly, which means that this role takes priority over other roles.
- The immediate goal is to bring about stability.
- When an emergency room supervisor responds quickly to a local disaster, a plant supervisor reacts to a strike, a first line manager responds to a break down in a key piece of equipment- each is dealing with disturbances in the environment.
- These responses must be quick and must result in a return to stability

Cont'd

- **Resource allocator role**: This role places a manager in the position of deciding who gets which resources including money, people, time, and equipment.
- There are never enough resources toward numerous possible ends.
- A first line manager must decide whether an overtime schedule should be established or whether par time workers should be hired; a college dean must decide, based on available faculty, which courses to offer next semester.

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- **The Negotiator role:** In this role, managers must bargain with other departments and individuals to obtain advantages for their own units.
- The negotiations may be over work, performance, objectives, resource or anything influencing the department.
- A sales manager may negotiate with the production department over a special order for a large customer; first line supervisor may negotiate for new typewriters; a top manager may negotiate with a labor union representative.

Discussion Session

- Which managerial role happens where through management levels? Justify your answer

Management Level & Management Roles

- A manager's level in the organization influences which managerial role are emphasized.
- Obviously, top managers spend much more time in the figurehead role than first line supervisors do.
- The liaison roles of top and middle managers involve individuals and groups outside the organization, while the role at first-line level is outside the unit but inside the organization.
- Top managers monitor the environment for changes likely to influelence the particular function that they manage (for example marketing).
- And the first line supervisor is concerned about what influences his or her department.
- However, while both the amount of time in the various roles and the activities performed in each role may differ; all managers perform interpersonal, informational, and decisional roles.

9. Managerial Skills

- Skill is ability to do something expertly and well.
- It is meant ability related to performance that is not necessarily in born but which can be developed or acquired.
- For the purpose of discussion, managerial skills are classified into four distinct categories: **technical, interpersonal, conceptual and communication skills.**
- However, in practice these skills are closely related and it may be difficult to tell where one begins and the other ends.

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- **Technical Skills**

- Technical skills involve the ability to apply specific methods, procedures, and techniques in a specialized field.
- It is easy to visualize the technical skills of design engineers, market researchers, accountants, musicians, and in on-the-job training programs.

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- **Interpersonal Skills**

- Interpersonal skills include the ability to lead, motivate, manage conflicts, and work with others.
- Whereas technical skills emphasize **working with things** (techniques or physical objects), interpersonal skills focus on working with people.
- In long run organizations have only one resource: people.
- Thus, interpersonal skills are a vital part of every manager's job regardless of level or function.

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- **Conceptual Skills**
- Conceptual skill involves the ability to view the organization as a whole and recognize its relationships to the environment (business world).
- In other words, conceptual skills involve visualizing the different parts of an organization as one big whole and understand the whole's interaction with its relevant environment. More specifically:

✓ How the organization's various parts and functions depend on each other and thus, how changes in one area can affect other areas?

✓ How each part contributes to the achievement of the overall organizational goal?

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- **Communication Skills**

- Communication Skills reflect a managerial ability to send and receive information, thoughts, feelings, and attitudes.
- Middle and operating level managers spend a large portion of their time communicating.
- The basic communication skills are classified into writing, oral and non-verbal (facial expressions, body posture, etc.).
- Communication skills are very crucial to all managers.

Relative Importance of Managerial Skills

- While the above skills are all important, the relative importance of each will vary according to the level of the manager in the organization.

- Communication skills are equally important at all levels; interpersonal skills are more important to top and middle level managers than first level managers; conceptual skills, like interpersonal skills, are more important at upper levels of management.
- Technical skills are very important at the operating level since the person at this level is responsible for the technical issues.

CHAPTER TWO
PLANNING FUNCTION

BY: NEJAT A.

Definition of Planning

Planning involves:

- Determination of objectives,
- Formulation of programs and courses of action for their attainment,
- Development of schedules and timing of action and
- Assignment of responsibilities for their implementation.

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Planning encompasses defining:

- the organization’s objectives or goals,
- establishing an overall strategy, and
- developing a comprehensive hierarchy of plans to integrate and coordinate.
- It is concerned with ends (What is to be done) and with means (how it is to be done).

Nature and Importance of Planning

The essential nature of planning:

A. The Contribution of Planning to Purpose and Objectives:-

- Every plan and its supporting plans in an organization **contribute to the achievement** of organizational purpose and objectives.
- Planning is justified when It **enables to achieve** the objectives and purpose.

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B. Primacy of Planning

- Planning **precedes all other managerial functions**.
- Other managerial functions are performed to **facilitate** the achievement of goals set in the **planning process,**

C. The pervasiveness of planning: -

- Planning is the **function of all managers**/regardless of the levels/
- **Performed by every manager**
  - the **scope and its importance** varies from level to level.

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D. Efficiency of plans

The efficiency of a plan is measured by:

- The **amount it contributes** to the achievement of purpose and objectives
- **Costs and unsought consequences** of formulating and implementing the plan.

Plans are efficient if:

- They achieve **their purpose at a reasonable cost**
  - **time or money or production**
- Can be also measured in terms of **individual and group satisfaction**.

Importance of planning

A. Minimizes risk and uncertainty

- providing a more rational, fact –based procedure for **making decisions,**

B. Leads to success

- Planning does not guarantee success,

C. Focuses attention on the organization's goal

- Help to focus → on **organization's goals and activities**.
- **Coordinate the resources** of the organization **more efficiently**.
- The **whole organization** → embrace **identical goals**

Cont'd

D. Facilitate control

In planning the manager:

- gets goals and
- develops plans to accomplish these goals.

- These goals and plans then become:
  - standards or benchmarks against which performance can be measured.
- The function of control is to ensure the **activities conform to the plans.**

Types of plan

Plans can be classified on:

- Repetitiveness
- Time dimension, and
- Scope/breadth dimension

- **Classification of plan based on repetitiveness**

Cont'd

- 1. The standing plans- are established set of decisions used by managers to deal with recurring or organizational activities. Whenever organizational activities occur repeatedly a single decision or set of decisions can effectively guide those activities. One established, standing plans allow managers to conserve time used for planning and decision making because similar situations are handled in a predetermined, consistent manner. For example , bank managers can more easily approve or reject a loan requests if criteria are established in advance to evaluate credit ratings, collateral assets, and related application information include the following:

Mission, Objectives, strategies, Policies, Procedures, methods & rules

Cont'd

2. Single- use Plans

- Detailed courses of action that probably will **not be repeated** in the same form in the future.
- They are plans which are **prepared for a particular situation**.
- Example:
  - Plan to Expand firms,
  - **Grand Millennium Dam on Nile river**
    - construction costs,
    - labour availability, location
  - The major type of single use plans include: Programs, Projects & Budgets

Cont'd

- **programs** :-They are complex of:
  - goals, policies, procedures, rules,
  - task assignments, resources to be employed and
  - other elements to carry out a given course of action.
- **Projects**: - Projects are smaller, separate portions of programs limited in scope and distinct directives concerning assignments and time.
- **Budgets: -** A budget is a single use plan that states projected income and expenditures for specific period of time.

Cont'd

- **Based on Time**

They are classified as:

a. **Long range**
   - Time frames extending beyond three years

b. **Intermediate range**
   - B/n long range and short range

c. **Short range**
   - Time frames of one year or less

Cont'd

- **Based on Scope/Breadth**

1. Strategic planning: -

- It is the **process** of **analyzing and deciding** on:
  - the **organizations mission, objectives**,
  - **major course of actions** or **strategies** and
  - major **resource allocations**.
- It deals with:
  - **Broad issues** and performed by **top level managers.**
  - It is **general plan.**
- It is a **long-range planning** that focuses on the **organization as a whole**.

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2. Tactical planning

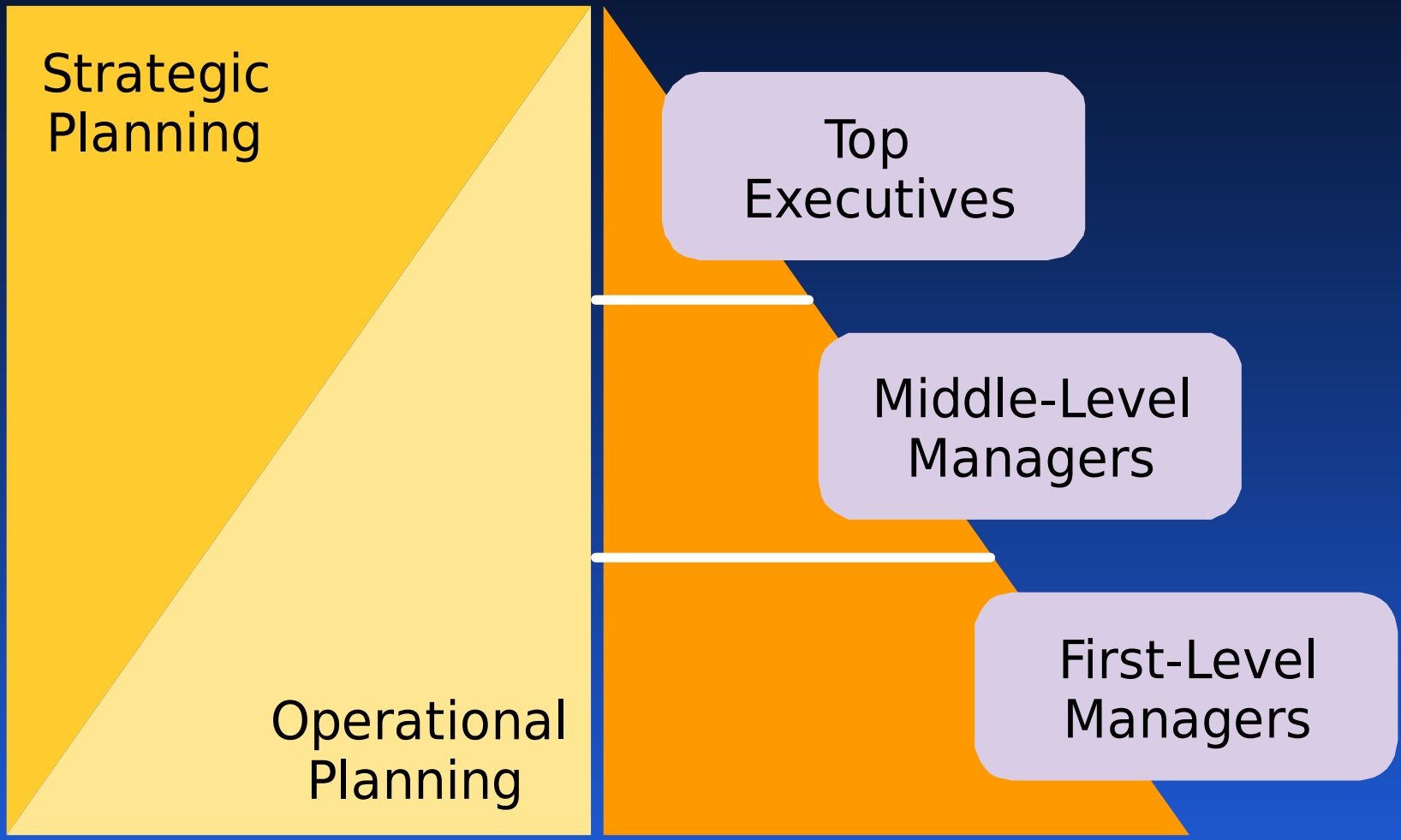
- Process of developing action plans
- Converting the strategic plans into action.
- Developing annual budget for each department, division and project,
- Choosing specific measures of implementing strategic plans.

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3. Operational planning

- Most **specific and detailed action** plan.
- Made at the **operating level** and
- Concerned with **the day to day**, **week to week execution** of the **organizational activities.**
- **What should be done** in the **short range**.

Planning in the Hierarchy of Organizations



The planning process (Steps in planning)



Cont'd

1. **Understanding of the existing situation**

- **External environment**
  - its **opportunities and threats**

2. **Forecasting:** Planning is deciding what is to be done in the future.

- Future is full of uncertainties, but we must make certain assumptions
- The **assumptions** → based on **forecasts of the future.**

Cont'd

3. Establishing objectives

- Establish objectives for the entire enterprise and each subordinate work unit.

4. Determine alternative courses of action

- Search for alternative course of action,
- Examine alternative course of action,
- Often an alternative that is not obvious proves to be the **best.**

Cont'd

5. Evaluating alternative course of action

Examining alternatives:

- their **strong and weak points**,
- evaluate the alternatives by **weighing** them in light of premises and goals
  - **Profitable, Cash, payback, risk**
  - **Long-Range objectives Vs. Short-Range Objectives**

6. Selecting Course of Action

Cont'd

7. Formulating Derivative Plans

- Derivative plans are almost invariably required to support the basic plan.

8. Numberizing plans by Budgeting

- To number them by converting them into budgets.

Cont'd

9. Implementing the plan

The manager must decide these issues:

- both **human and material**, will the tasks be initiated and completed
- What resources, both human and material.
- How will the plan he **evaluated**?
- What **reporting procedures** are to be used?
- What **type and degree of authority will be granted** to achieve these ends?

Cont'd

10. Controlling and evaluating the results.

- **monitor** the **progress** that is being made,
- **evaluate** the **reported results**, and
- make **any modifications** necessary.

- The **environment** that a plan is constructed in is **constantly changing**, so **plans** may need **modification**.
- Modification maybe required because a plan was not quite "perfect" when it was implemented.

Chapter 3

Managerial Decision Making

What is Decision Making?

- Decision making is defined as a rational choice among alternative.
- There have to be options to choose from; if there are not, there is no choice possible and no decision.

Cont’d

- Decision making is process, not a lightning-bolt occurrence.
- In making the decision, a manager is making a judgment-reaching a conclusion-from a list of known alternatives.

Decision Making is Universal

- Decision making is a part of all managers' jobs.

- A manager makes decisions constantly while performing the function of planning, organizing, staffing, directing, and controlling.

Cont’d

- Managers at all levels of the organization
  are engaged in decision making.
- The decision made by top, middle and first level management.
- How decisions differ as it goes through management levels?

Decision Making Conditions

- Three major conditions:

1. Decision making under Certainty
2. Decision making under Risk
3. Decision making under Uncertainty

Cont'd

- **Decision-making under Certainty**

- When managers know with certainty what their alternatives are and what conditions are associated with each alternative, a state of certainty exists.
- Decisions under certainty are those in which the external conditions are identified and very predictable; i.e. we are reasonably sure what will happen when we make a decision.

Cont'd

Decision-making under Risk

- Decisions under risk are those in which probabilities can be assigned to the expected outcomes of each alternative.
- A more common decision making situation is under risk.
- In a risk situation, managers may have factual information, but it may be incomplete. For Example: metrology, tossing a coin

Cont'd

- **Decision-making under Uncertainty**

- Under this condition the decision maker does not know what all the alternatives are, what the probability of each will occur is or what consequences each is likely to have.
- This uncertainty comes from the dynamism of contemporary organizations and their environment.
- Big multi-national corporations assume these kinds of decisions. Ex. Innovation of new machine

Types of Decisions

- Two major types:

1. Programmed decisions
2. Non-programmed decisions

Cont'd

1. Programmed Decisions

- Programmed decisions are the decisions managers make in response to repetitive and routine problems.

- If a particular situation occurs often, managers will develop a routine procedure for handling it.
- Ex. Decide if students meet graduation requirements

Cont’d

2. Non-programmed decisions

- When a problem has not arisen in exactly the

same manner before, or is complex or extremely important, it may require a non programmed decision.

- Decisions are termed non programmed when they are novel and unstructured problems.
- ex. to acquire another firm.

Cont’d

- In most organizations, programmed decisions are handled through policies.
- Non programmed decisions, however, are usually handled by general problem-solving processes, judgment, intuition, and creativity.

Types of Decisions and level of Management

- Which type of decision made where through management levels?

Why Do Managers Make Poor Decisions?

- Lack of adequate time
- Failure to define goals
- Using unreliable sources of information
- Fear of consequences
- Focusing on symptoms rather than causes
- Reliance on Hunch and Intuition

The Decision Making process

- The decision-making process has seven steps:
  - Define the problem
  - Identify the limiting or critical factors.
  - Develop potential alternatives.
  - Analyze the alternatives.
  - Select the best alternative or combination of best alternatives.
  - Implement the solution.
  - Establish a control and evaluation system.

Chapter 4
Organizing Function

Definition of Organizing

- **Organizing** is the process of:
  - Identifying and grouping tasks to be performed,
  - Assigning responsibility and delegating authority and
  - Establishing relationships for the purpose of enabling to work together in the accomplishment of objectives.

Cont'd

- Four distinct Activities:
  - It determines **what work activities** have to be done to accomplish **organizational objectives**.
  - It **classifies the type of work** needed and **groups the work** in to manageable units.
  - It **assigns the work** to individuals and delegates the appropriate **authority.**
  - It designs a **hierarchy of decision-Making Relationships**.

FORMAL AND INFORMAL ORGANIZATION

Formal organization is an organization that is **deliberately and rationally** designed and approved by management to achieve the goal of a firm. (IT ESTABLISHED OFFICIALLY).

Informal organization refers to people in group associations, but these associations **are not specified in the structure** of the formal organization. Managers should recognize that the informal organization exists in the formal organization; nothing can destroy it.

Managers should recognize that the informal organization exists in the formal organization; nothing can destroy it. Therefore, they should try to use the informal organization for the benefit of the formal organization.

Informal organizations are:

Natural groupings of people in the work situation based on their **behavioral patterns, interests, beliefs, objectives, etc.**

They appear in **response to the social needs.**

The need of **people to associate**

Characteristics of Informal Organization

1. Group Norms:

- **These are unwritten laws governing the behavior of members**

2. Group Cohesiveness:

- The members of an informal organization **stick together.**

Cont’d

3. Group Leadership:

- Informal organization has a leader
- The informal leader.
- This person is the most active one from among the members.

4. Communication Network:

- This organization has a communication network called **grapevine.**

Types of Groups in the Informal Organization

Horizontal Groups

- Include persons whose **positions** are on the **same level of the organization** i.e. they are groups that are formed **by peers.**
- The groups can consist of all the members in the **same work areas** or Membership developed **across departmental lines**.
- Members may be **all management** or **non-management** personnel.

CONTI

- It is easy of accessibility and also mutually beneficial to individuals “ you help me and I will help you” because people in the same work areas often share the same problems, interest , and concern.

Cont'd

Vertical Groups:

- Include people on **different levels** of the **formal organization's hierarchy**.
- These people always come together within the **same department (work areas).**
- A vertical group can consist of a supervisor and one or more of his/her employees.

Cont'd

- It may also be formed through **skip - level relationships.**

a top-level manager

↓

associate with

↓

a first level manager

- Their relationships can be the **result of outside interests** or **various employment relationships.**

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Mixed Group

- It is a combination of two or more persons whose positions are on **different levels** of the formal organization and in **different work areas**.

E.g. **a Vice-President may have close relationship with the director of computer services in order to get preferential treatment.**

- Mixed groups often form because of **common bonds outside work.**

- EX 2- A production manager may cultivate an informal, social relationship with the director of maintenance for the same reason.

WHY PEOPLE FORM AN INFORMAL GROUP??? AND WHAT IS ITS positive and negative IMPACT on the formal organization?

Why people form informal groups?

a. Need for Satisfaction:

- **Needs not met by Formal Organization**
- **security, affiliation, esteem, and sometimes self-actualization**
- **They provide the opportunity to satisfy needs**

b. Proximity and Interaction: work near one other

- **E.g. Horizontal** informal groups are prime examples of this.

c. Similarity:

- **People** may join informal groups because they are **attracted to other people** who are similar to themselves having **similar attitudes or beliefs**

Cont’d

- Other factors of similarity can be :
  - **Personality,**
  - **Race,**
  - **Sex,**
  - **Economic position,**
  - **Age,**
  - **Educational background, etc**

The Impact of Informal Organization on the Formal Organization

- **The Negative Impacts:**
  - **Resistance to change**
  - **Conflict**
  - **Rumor**
  - **Pressure to conform**

Cont'd

- Positive Impacts:

- Makes the total **system effective:** .

  The ability of the informal group to provide flexibility and instantaneous reactions will polish the plans and procedures developed through the formal organization.

- Provides **support to management:** The informal organization can provide support to the individual manager. It can fill in gaps in the manger's knowledge through advice or through performing the work,

Provides a **useful communication channel:** The informal organization provides employees with the opportunity for social information, for discussing their work, and for understanding what is happening in the work environment.

Encourages **better management:** Planned changes should be made with an awareness of the ability of the informal group to make the plan successful or unsuccessful.

Provides **stability in the work** environment (reducing turnover): The informal organization can provide acceptance

The Organizing process

1. **Identify the Work/Consider plans and goals**
   - Organization is to **Achieve goal**
   - **Total work necessary to achieve objectives**
   - The work must be classified in systematic way so that each person in the organization gets a separate and distinct task.
2. **Grouping the work**
   - For **smooth flow** of work all **closely related and similar activities grouped together.**

Cont'd

3. Establishing Relationships

- To secure compliance to organizational directives, reporting Relationships must be specified.
- Once **formal relationships** are established, it will help individuals know:
  - **what** must be done,
  - **how** it must be done,
  - to **whom the matters** must be referred and
  - how particular **jobs relate** to one another

Cont'd

4. Delegating Authority

- Authority is the **right to issue orders and exact obedience** from others.
- Clear specification of **authority and responsibility limits**
- While assigning duties, the manager should clearly specify authority and responsibility limits, so that the subordinate knows well in advance as to what type of work is expected of him by the superior

Cont'd

5. Providing for Coordination and Control

- Interrelationships between various positions must be specified clearly.
- Performance must be **measured, evaluated and controlled at frequent interval.**
- Appropriate **remedial steps should be taken immediately in case if there is any deviation exist.**

Major Elements in Organizing Function

1. DIVISION OF LABOR

- The degree to which the grand task of the organization is broken down and divided into smaller component parts is referred to as **division of labor**.
- It begins by determining (sub tasks) called **jobs** that are necessary to accomplish the identified objectives.

Cont'd

- The sub-task assigned to the sub task performer is called **job**.
- Labor division also includes the determination of job description and job specification.

Advantages & Disadvantages of Labor Division

Advantages of Labor Division

- High proficiency in work
- Less wastage in learning process
- Ease of supervision
- Less training cost

Disadvantages of Labor Division

- Boredom and fatigue in performing routine task
- Specialization (limited knowledge)
- Creates communication barriers

Cont'd

2. Departmentalization

- Departmentation is the process of combining jobs into groups.
- A manager must have a basis, or rationale, for combining jobs.

Bases of Departmentalization

1. **Functional:**

-Jobs can be grouped to the functions of the organization.

- A business firm includes such functions as

production marketing, finance, accounting, and

personnel.

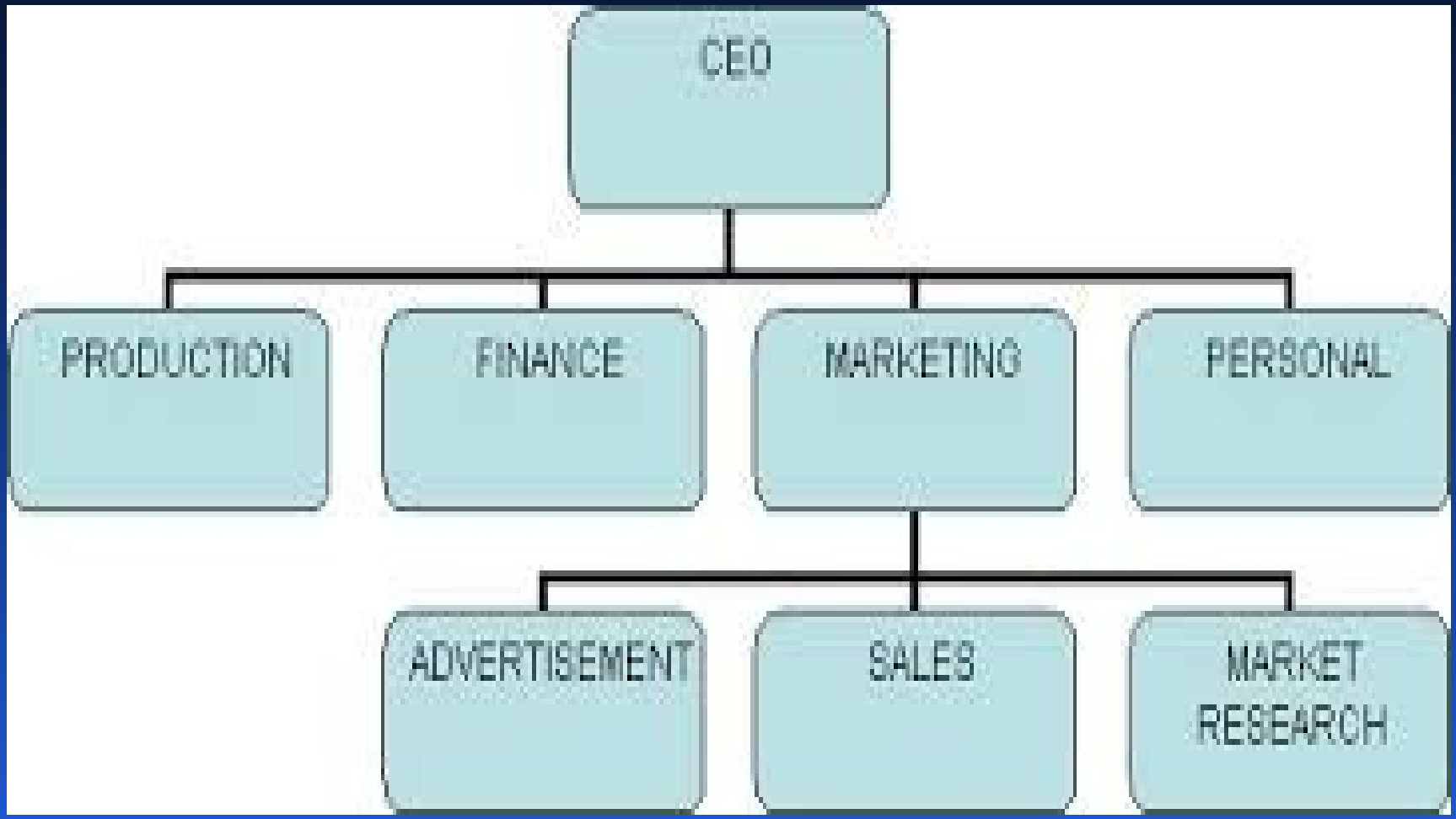
-**2. Territorial (Geographic)**:

-All activities in a geographic area are assigned
to a particular manager.

-This individual is in charge of all operations in that geographic area.

Cont’d

Example: Functional Dept



Cont'd

Example: Territorial Dept

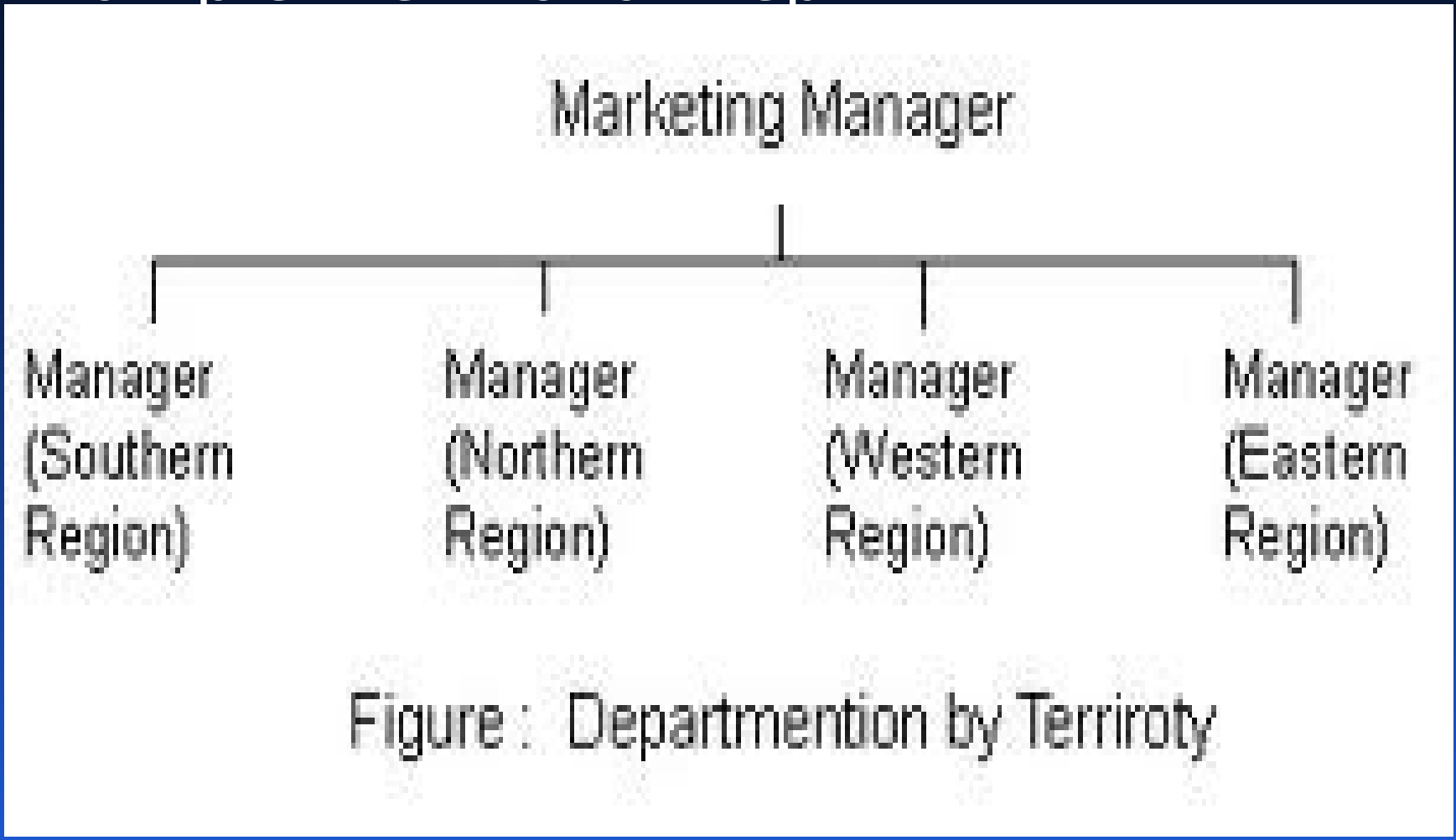


Figure : Departmention by Terriroty

Cont'd

- A business firm that is dispersed geographically often will use territory as departmentalization basis.

3. Product departmentization:

- Activities and personnel are grouped on the basis of product.

Cont’d

- As a firm grows, coordinating its various functional departments become more difficult, and product departmentation can ease coordination problems
- The need for coordinating production, engineering, sales, and service cannot be overestimated.

Cont'd

- Example: Product Dept

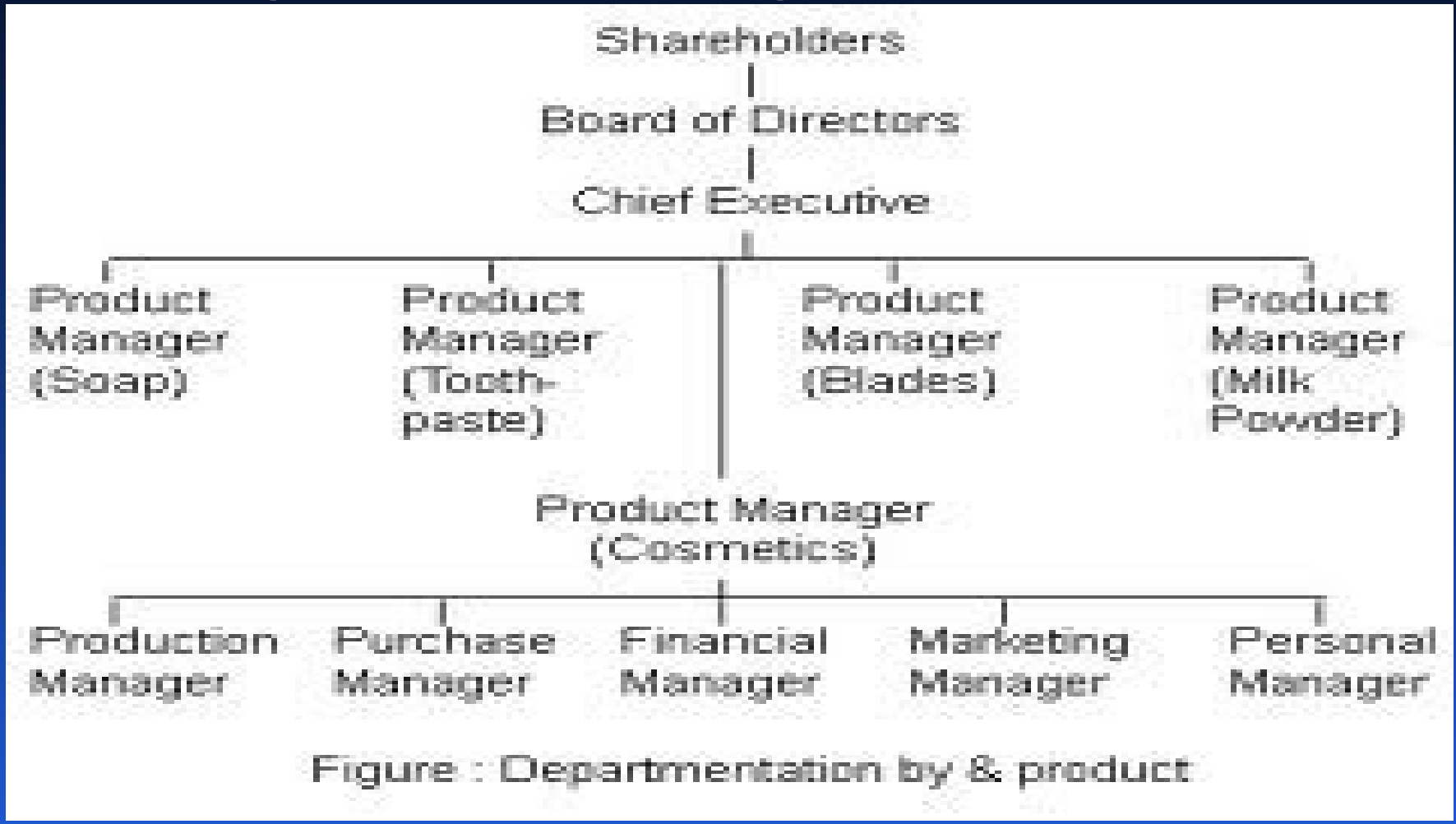


Figure : Departmentation by & product

Cont’d

4. Customer departmentization:

-Grouping activities so that reflect a primary interest in customers is common in a variety of enterprises.

-Customers are the key to the way activities are grouped when each of the different things an enterprise does for them is managed by one department head.

Cont'd

- Example: Customer Dept



Figure : Departmetation by customer

Cont’d

5. Departmentalization on Combined Base

- It is a base in which multiple bases are used at different organizational levels of a particular organization.
- Most of the time multi organizations use combined structure.

Cont'd

3. Delegation of Authority

- ***Authority*** - is the right to commit resources (that is, to make decisions that commit an organization's resources), or the legal (legitimate) right to give orders (to tell someone to do or not to do something).
- It is the right to make decisions, carry out actions, and direct others in matters related to the duties and goals of a position.

Cont’d

- Higher-level managers have greater authority, with ultimate power resting at the top.
- Authority decreases all the way to the bottom of the chart, where positions have little or none.
- Authority is vested in a manager because of the position he/she occupies in the organization, that is why we say, ***“authority comes with the territory.”***

Cont'd

- **Delegation of Authority** is the downward pushing of authority from superiors to subordinates to make decision within their area of responsibilities.
- It is the process of allocating tasks to subordinates, giving them adequate authority to carry out those assignments, and making them obligated to complete the tasks satisfactorily.
- Delegation is a concept describing the passing of formal authority to another person.

Cont’d

- In delegating authority a manager doesn’t surrender his power because he does not permanently dispose of it; delegated authority can always be regained. This is called ***recovery of delegated authority***.

Cont'd

- **Four Major tasks of authority:**

1. Assignment of tasks:: Specific tasks or duties that are to be undertaken are identified by the manager for assignment to the subordinate

2.Delegation of authority: In order for the subordinate to complete the duties or tasks, the authority necessary to do them should be delegated by the manager to the subordinate.

3.Acceptance of responsibility: Responsibility to carry out one's assigned duties to the best of one's ability. The employee is the receiver of the assigned duties and the delegated authority; these confer responsibility as well.

4. Creation of accountability:
   Accountability is having answer to someone for your actions. It means taking the consequences- either credit or blame .When the subordinate accepts the assignment and the authority, he or she will be held accountable or answerable for actions taken. A manager is accountable for the use of her or his authority and performance. The manager is also accountable for performance and actions of subordinates.

Cont'd

- **Importance of Delegation**

- It relieves the manager from his/her heavy workload
- It leads to better decisions
- It help subordinates to train and build moral
- It encourages the development of professional managers
- It helps to create the organizational structure

Cont'd

- **Problems in Delegation**
- **Managers' reluctance to delegate:**
  - Fear of loss of power
  - "I can do it better myself" fallacy
  - Lack of confidence in subordinates
  - Fear of being exposed
  - Difficulty in briefing

Cont'd

- **Subordinates' Reluctance to accept delegation**

- Fear of failure and criticism
- Subordinate may believe that the delegation increases the risk of making mistakes but doesn't provide adequate rewards for assuming greater responsibility
- Lack of adequate information and resources
- If subordinates are already overworked

Cont’d

- Lack of self-confidence
- Believing / Thinking that decision-making is the boss’s job

Cont'd

- **Overcoming the barriers in delegation**

- The most basic prerequisite to effective delegation is the willingness of managers to give their subordinates real freedom to accomplish delegated tasks
- Subordinates must be allowed to develop their own solutions to problems and learn from their mistakes.

Cont'd

- The solution to subordinates mistake is not for the manager to delegate less, but to train or otherwise support subordinate more.
- Improved communication between managers and subordinates.
- Managers who know the abilities of their subordinates can more realistically decide which tasks can be delegated to whom.

Cont’d

- Subordinates who are encouraged to use their abilities and who feel their managers will “back them up” will in turn be more accepting of responsibility.

Cont'd

4. Centralization and Decentralization

- **Centralization** is the extent to which power and authority are systematically retained by top managers.
- If an organization is centralized decision making power remains at the top
- The participation of lower level managers in decision-making is very low

Cont'd

- ***Decentralization*** is the extent to which power and authority are systematically dispersed/ delegated throughout the organization to middle and lower level managers.
- It is the tendency to disperse decision making authority in an organized structure.

Cont'd

- **When decentralization is greater:**
  - The greater is the number of decisions made at lower level of the organization; the more functions are affected by decisions made at lower levels; the less a subordinate has to refer to his/her manager prior to a decision and the less checking required as decisions are made at the lower level.

Cont'd

5. Span of Management

- The term span of management is also referred to as a span of control, span of supervision, span of authority or span of responsibility.
- ***Span of management*** refers to the number of subordinates who report directly to a manager, or the number of subordinates who will be directly supervised by a manager.

Cont’d

- **Types of span of management**

1. **Narrow Span of Management**
2. **Wide Span of Management**

Cont'd

1. **Narrow Span of Management:**

- This means superior controls few numbers of subordinates or few subordinates report to a superior.
- When there is narrow span of management in an organization, we get:

Cont'd

A. Tall organization structure with many levels of supervision between top management and the lowest organizational level.
B. More communication between superiors and subordinates.
C. Managers are underutilized and their subordinates are over controlled.
D. More trained managerial personnel and centralized authority.

Cont'd

2. Wide Span of Management

- This means many subordinates report to a superior or a superior supervises many subordinates.

- If the span of management is wide, we get:

Cont’d

I. A flat organization structure with fewer management levels between top and lower level
II. Many number of subordinates and decentralized authority
III. Managers are overstrained and their subordinates receive too little guidance and control
IV. Fewer hierarchal level

Cont'd

- **Factors Determining an Effectiveness of Span of Management**
  - Ability of the manager
  - Manager's personality
  - The abilities of subordinates
  - Motivation and commitment
  - Need for autonomy
  - Type of work
  - Geographic dispersion of subordinates

Cont’d

- The availability of information & control systems
- Levels of management
- Economic Factor

Cont’d

- **The concept of an "optimal" span of management is the one that is neither too broad nor too narrow.**

Authority Relations in Organization (Line, Staff, Functional)

- **Line Authority**

- Line authority defines the relationship between superior and subordinate.
- It is a direct supervisory relationship.
- It exists in all organizations as an uninterrupted score or series of steps.

Cont'd

- **Staff Authority**

- Is advisory in nature.
- The function of people in a pure staff capacity is to give advice, expertise, technical assistance, and support to help line managers to work more effectively in accomplishing objectives
- Staff authority is advisory and normally flows upward.

Cont'd

Line and Staff Departments

- ***Line departments***, headed by line managers, are the departments established to meet the major objectives of the organization.
- Staff departments provide assistance to the line departments and to each other.
- They can be viewed as making money indirectly for the company through advice, service and assistance.

Cont’d

- Staff departments are created on the basis of the special needs of the organization.
- As an organization develops, its need for expert, timely, ongoing advice becomes critical. Examples could be legal, personnel, computer service, etc.

Cont’d

- **Functional Authority:**

It is the right which is delegated to an individual or a department to control specified process, practices, or provinces or other matters relating to activities undertaken by persons in other departments.

Cont’d

- Functional authority is not restricted to managers of a particular type of department.
- It may be exercised by line, derive or staff department heads, more often the latter two, because they are usually composed of specialists whose knowledge becomes the basis for functional controls.

Cont’d

Example:

- The Finance Manager can give direct command to the marketing manager of the same level about financial affairs.

Organizational Structure

- Organization structure is the structural framework for carrying out the functions of planning, decision-making, controlling, communication, motivation, etc.
- Organization structure is the formal pattern of interactions and coordination designed by a manager to link the tasks of individuals and groups in achieving organizational goals.

Cont'd

- The word "formal" in this content refers to the fact that organization structures typically are created by management for specific purposes related to achieving organizational goals, and, hence, are official, or formal outcomes of the organizing function.
- Organization structure is the arrangement and interrelationship of the component parts, and positions of an organization.

Cont'd

- The process of developing an organization structure is sometimes referred to as **organization design.**
- The formal structure of an organization is of two-dimensional: **The horizontal dimension and vertical dimension.**
- The *horizontal dimension* identifies departments, units, and divisions on the same level of a management.

Cont'd

- Whereas the *vertical dimension* refers to the authority relationships between superiors and subordinates and it also identifies who is responsible and accountable for whom.
- One aid to visualizing organization structure is the **organization charts.**

Organizational Chart

- It is the means through which we depict the organization structure.
- Organization chart is a line diagram that depicts the broad outlines of an organization's structure.

Cont’d

- It shows the flow of authority, responsibility, and communication among the various departments which are located at different levels of the hierarchy.
- An organization chart is a visual representation of the way in which an entire organization and each of its components fit together.

Cont'd

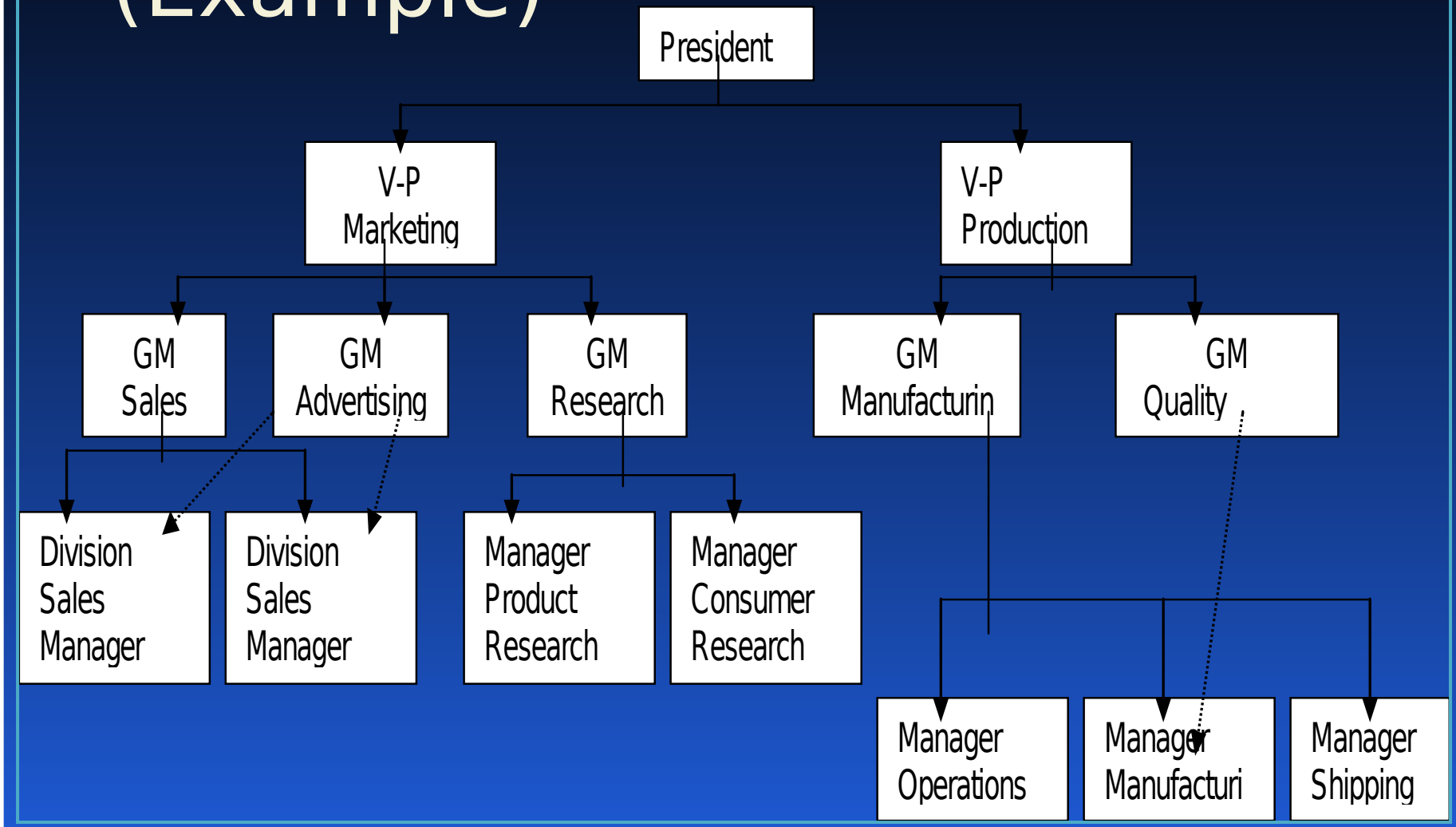
- **The organization chart can tell us:**

- Who reports to whom (chain of command)
- The number of managerial levels
- How many subordinates work for each manager (the span of control)
- Channel of official communication through the solid lines that connect each job (box)

Cont'd

- How the organization is structured-by function, territory, customer, etc.
- The work being done in each job- the labels on the boxes
- The hierarchy of decision making- where a decision maker for a problem is located
- How current the present organization is (if a date is on the chart)
- Type of authority relationships- line authority, staff authority, and functional authority.

Organizational Chart (Example)



Chapter 5
Staffing Function

Staffing: Definition

- Staffing is a process of **securing and developing people** to **perform** the jobs created by the organizing function.
- The goal of staffing is to **obtain the best available** people, **develop the skills and abilities** of those people & **attract, maintain and utilize** efficient and effective workforce.

Cont’d



Staffing functions

Major functions of staffing are:

- Procurement
- Training/development
- Maintenance and utilization
- Separation

1.The procurement function

- It concerned with determining and obtaining the proper kind of personal both In quality and quantity.

Human Resource Planning:

- It is getting the right number of qualified people into the right job at the right time.

Cont’d

- **Reasons for human resource planning:**
  - Scarcity of personnel in some specialized areas
  - High expenses involved in hiring

Cont’d

- **Demand forecasting** is an essential part of human resource planning process.
- It is an attempt to **predict an** organization future demand for employees.

Cont’d

The process of personnel Planning

1.Analyzing organizational objectives and plans

2.Determining overall human resources

Cont'd

Human resource supply/source:

Internal supply

- Present Employees
- Promotion or Transfer

External Supply

- Labour Market Analysis

Cont'd

3. Taking inventory of existing personnel
   - To determine: Promotion, transfers, retirements, death, quits and resignation
4. Determining net new personnel requirements
   - D/c between Overall Personnel requirement and personal Inventory
5. Developing action plans

Cont’d

Action for human resource surplus:

- Hiring freeze
- Reassignment of existing employees for openings
- Voluntary departures
- Lay offs
- Early retirement

Cont’d

Action for Human Resource Shortage:

- In the short run, external source will be used
- In the long run staff development efforts will serve to fill the vacancies

Cont'd

Recruitment:

- Seeking and attracting a supply of people from which qualified candidates for the vacancies can be selected.

Internal recruitment:

- Transfer, promotion, and recall from lay-offs

Cont’d

Advantages of Internal Recruitment:

- **Getting familiar Employees**
- **Less costly**

Cont'd

Disadvantages of Internal Recruitment:

- It narrows down selection options,
- Results in organizational in breeding (preventing new blood and new outlooks from coming in)

Cont'd

External recruitment:

- Unsolicited applicants
- Labor market through vacancy announcements
- Educational institutions
- Employment agencies labor unions

Cont'd

Selection:

The selection process may include:

- Preliminary Screening (application blank, resume)
- Employment test
- Employment interview
- Reference letters
- Physical examination

2. Training & Development

- Training is the act/process of increasing the knowledge and skills of an employee for doing a particular job.
- It boosts Aptitude, skills and abilities to do Specific jobs

Cont'd

Development involves:

- learning opportunities aimed at the individual growth but not restricted to a specific job.
- Training → operational or technical employees
- Development → managers and professional.

Cont'd

Objectives of Training

- To provide knowledge/skills, attitudes
- To reduce waste and increase efficiency
- To minimize inputs use and maximize output
- To relieve supervisors from close supervision and get time for other duties.

Cont'd

Training Methods

- Job/Position rotation
- Coaching
- Case study
- conferences, seminars and work shop
- Internship

3. Maintenance and Utilization

- **Procured and trained/developed** employees should be **maintained and utilized utmost**.

This requires:

- Adequate **remuneration of personnel**,
- The creation of **opportunities for progress** and
- A mechanism of **evaluating their contribution**.

Cont'd

Compensation:

- Adequate and equitable remuneration of personnel
- **Contribution to the achievement of objectives.**

Cont'd

Pay for a particular position is set relative to three groups:

- Employees → similar jobs in other enterprise/External equity/
- Employees → different jobs within the same enterprise/Internal equity/
- Employees → the same job within the same enterprise/Employees equity/

Cont'd

Factor Affecting Compensation Decisions

External Factors:

- The government through wage controls
- Union's influence
- Economic conditions of the industry.

Cont’d

Internal Factors:

- The **size and age** of the organization
- The **labor budget/resource allocation strategy/**

Cont'd

Methods of Payment

Employees' salaries can be computed based on:

- The time they worked
- The output they produce/piece rate system
- A **combination** of both

Cont’d

Performance Appraisal

- Human resource activity that is used to determine the extent to which an employee is performing the job effectively.

Cont'd

Objective of performance appraisal include:

- Information on Strengths and Weaknesses
- Information for managers for future assignment, promotion, compensation
- To maintain equitable and competitive pay structure
- General information on training needs

Cont'd

Employee Relation

- It is concerned with the relationships existing between Employers and Employees.

The three basic Elements of Employee Relation are:

- Collective Bargaining
- Grievance/Complaint Handling
- Disciplinary Action

4. Separation

- Is the final human resource management function

Separation can be caused by:

A. Employers

- Mandatory retirement, dismissal, layoff

Cont'd

B. Employees

- **resignation, voluntary retirement, quits**

C. Agreement

- **Contract Ends,**

D. External factors

- **Accidents, death**

Chapter Six
Directing/Leading

What is Leadership?

- Leadership is the process of **influencing others toward objectives**.
  - It is an **ongoing activity**,
  - It is oriented toward having an **impact on the behaviors of others**,
  - Focused on realizing the **specific aims** of the organization.

Cont'd

- Leadership is the art of influencing people
- Leadership is the ability to secure desirable actions from a group of followers voluntarily without the use of coercion or force.

Elements/Ingredients of Leadership

The Three Important Elements:

1. **The leader:** qualities of personality and character
2. **The situation/Environment:** partly **constant**, partly varying
3. **The group/the followers/led**: their **needs** and **values**

Cont’d



Leadership Vs Management

- Management is a broad subject that encompasses:
  - Planning,
  - Organizing,
  - Staffing,
  - Directing &
  - Controlling

Cont'd

- Leadership focuses **on the 'people' aspects of getting a job done.**
  - **Inspiring,**
  - **Motivating, Directing, and**
  - **Gaining Commitment**

How Leaders Influence Others?

- Why do people accept the influence of a leader? B/c leaders have the vested power.

Power is:

- The capacity to affect the behavior of others,
- The ability of individuals or groups to induce or influence the beliefs of others.

Types of Power

A. Legitimate Power/position power

- Result of occupying a particular **position or role**
- A **"right" or is lawfully** entitled to influence
- Is related to the **position**, rather than to the **person personality**

B. Rewarding power

- **Give or withhold rewards** for followers like salary rise, promotion, recognition etc

Cont'd

C. Coercion Power

- Based **on fear**

- . Coercive power is the ability to ***coerce or punish the influences/followers when they do not engage in desired behaviors.*** Forms of coercion or punishment include criticisms, terminations, reprimands, warning letters that go into an individual's personnel file, negative performance appraisals, demotions .

Cont'd

D. Expert Power; refers to power that a leader possesses as ***a result of his or her knowledge ,skill, information and expertise regarding the tasks to be performed by subordinates. Ex. Lawyer, phisicians etc***

E. Referent Power/**Charismatic power** /; is power that results from being ***admired,*** personally identified with or liked by others. When we admire people, want to be like them, or feel friendship toward them, we more willingly follow their directions and exhibit loyalty toward them. Ex. Movie star, football player

Subordinates can react to a leader's direction with

Commitment:

- , employees respond Work enthusiastically and
- Exert a high level of effort toward organizational goals.

Compliance: employees exert at least minimal efforts to complete directives but are likely to deliver average, rather than stellar, performance

- **resistance**, employees may appear to comply but actually do the absolute minimum, possibly even attempting to sabotage the attainment of organizational goals.

Leadership Theories
A. Trait Theory

- Theories that consider personality, social, physical, or intellectual traits to differentiate leaders from non-leaders.
- **Physical**: like height, weight, appearance, health, etc
- **Personal**: like self-confidence, dominance, adaptable, extroversion/sociability, originality etc
- **Mental**: like intelligence, creativity, knowledge, technical competence etc

Cont'd

- Leadership Traits:
  - Ambition and energy
  - The desire to lead
  - Honest and integrity
  - Self-confidence
  - Intelligence
  - High self-monitoring
  - Job-relevant knowledge

Cont'd

B. Behavioral Theory of Leadership

- Researchers tried to determine:
  - **What effective leaders did,**
  - **How they delegated tasks,**
  - **How they communicated with**
  - **How they motivate their subordinates,**
  - **How they carried out their tasks, and so on.**

Cont'd

- **University of Michigan study**
  i. **Job Centered Leader:**
     - Close supervision
     - The leader relies on coercion, reward, and legitimate power influence the behavior and performance of followers.
  ii. **Employee Centered leader:**
     - **D**elegating authority and supporting followers AND their Personal advancement, growth and achievement

Cont'd

The university of OHIO study

- Indentified two leadership factors: ***initiating structure*** and ***consideration***
- **Initiating structure** involves behavior in which the leader organizes and defines the relationship in the group, tends to establish well-defined patterns and channels of communication, and spells out ways of getting the job done.

Cont’d

- **Consideration** involves behavior indicating sensitiveness to subordinates, respect their ideas and feelings, and establishes mutual trust and friendship between the leader and the followers.

Cont'd

C. The Contingency /Situational Leadership Theory

- ✓ Effectiveness of a particular style of leader behavior depends **on the situation.**
- ✓ leader traits or behaviors are contingent or dependent on **relevant situational characteristics**

Cont'd

leadership is the result of the interaction of:

- Leaders: behavior and competence
- Followers: behavior and competence
- Situations: job characteristics,
  - organizational policies,
  - leaders member
  - position power

Cont'd

- Hersey and Blanchard's Situational Leadership Theory



Cont'd

D. Theory X and Theory Y

- **Theory X –** pessimistic and negative: A manager basing an operating philosophy of Theory X would:
- Impose a directive leadership style on the individual or work group s/he is supervising.
- Coercion, negative motivation, and refusal to allow employee participate in decision-making would probably be the actions of the manager.

Cont'd

- **Theory Y**- adopts a developmental approach/ modern + positive set of assumptions

A manager with Theory Y assumption will:

- Prepare him/herself to work with people as individuals,
- Involve people in the process of decision-making, to
- Openly encourage people to seek responsibility and to
- Work with people to achieve their goals.

Cont'd

Criticisms on both Assumptions

- Theory X describes "organizations without people".
- Theory Y describes "People without organization."
- Both suffer from too much generalization in that sweeping statements are made concerning work and human behavior.

LEADERSHIP STYLES

Leadership style (behavior patterns of leaders):

- Leaders' action and
- The reaction of subordinates emotionally and behaviorally.

Leadership style is composed of three parts:

- How the manager chooses to motivate subordinates
- His/her decision-making style
- His/her areas of emphasis (orientation) in the work environment:

Cont’d

Three Major Styles:

1. Autocratic; leads by the ability to withhold or give rewards and punishment, i.e. motivation is through incentives and fear. In this style, decision-making is solely by the manager, in other words, the leader retains all authority and responsibility

2. Democratic participative

, the manager involves subordinates in making organizational decisions, shares problems with them and shares authority to reach a decision. Subordinates take part in the decision-making process through consultation. There is active two-way communication (upward and

C.Laissez-Faire/Free

leaders generally give the group complete freedom, provide the necessary materials, participate only to answer questions, and avoid decision-making whenever possible In this style, leaders depend largely on subordinates to set their own goals and the means of achieving them.

Motivation

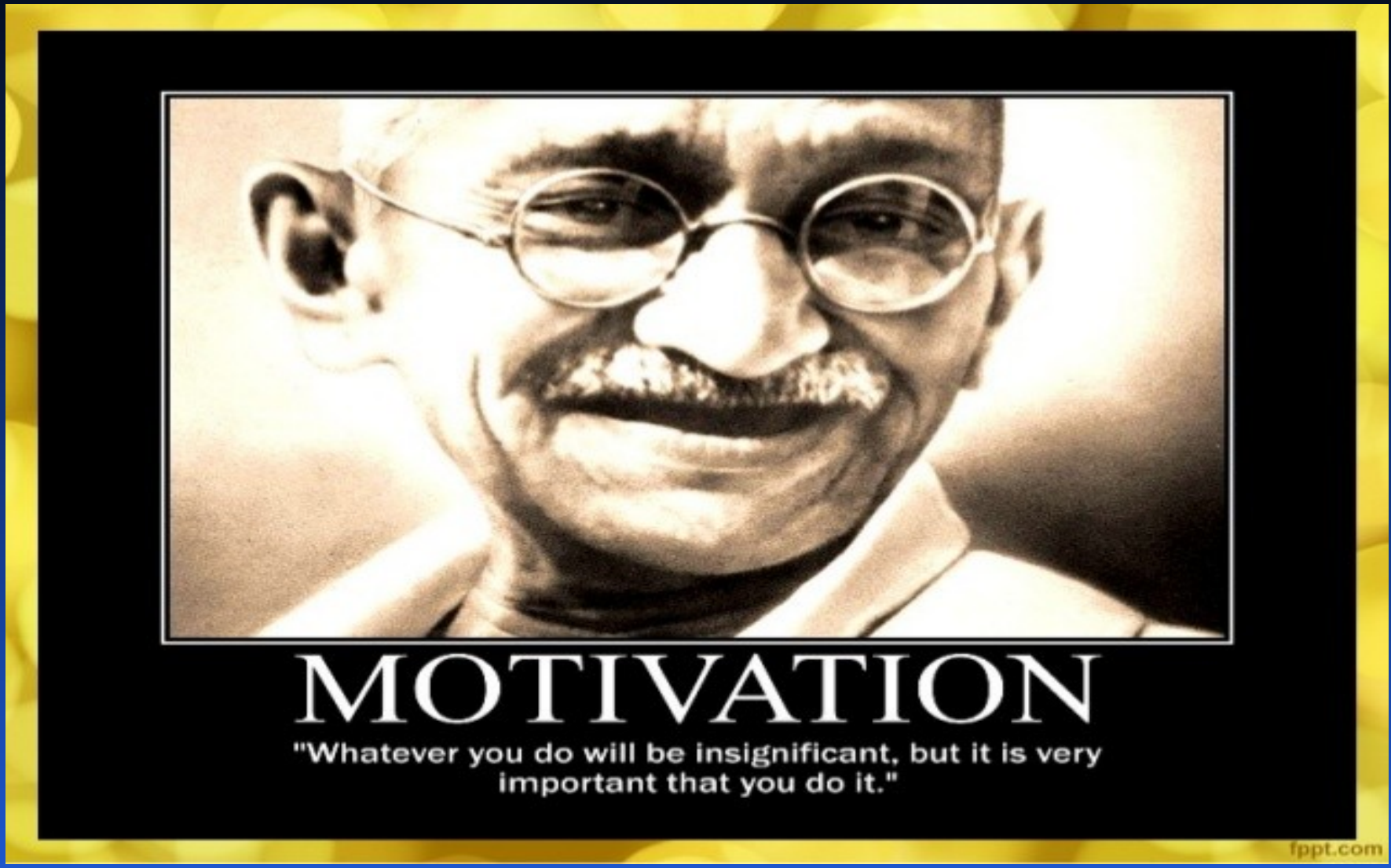
The term motivation derived from the Latin word ***movere*** meaning “to move.”

- Psychological processes that cause arousal, direction, and persistence of voluntary actions that are goal oriented
- Internal force that energizes behavior, gives direction to behavior, and underlies the tendency to persist.

Cont’d



Cont’d


MOTIVATION
"Whatever you do will be insignificant, but it is very important that you do it."
fppt.com

Cont'd

- We can **measure motivation but see it on peoples behavior.** Because motivation is an internal force, we can measure the motivation of others directly

Performance = Ability x Motivation x Environmental conditions

Motivation Process/cycle



Motivation Vs Sctiatisfa***on***

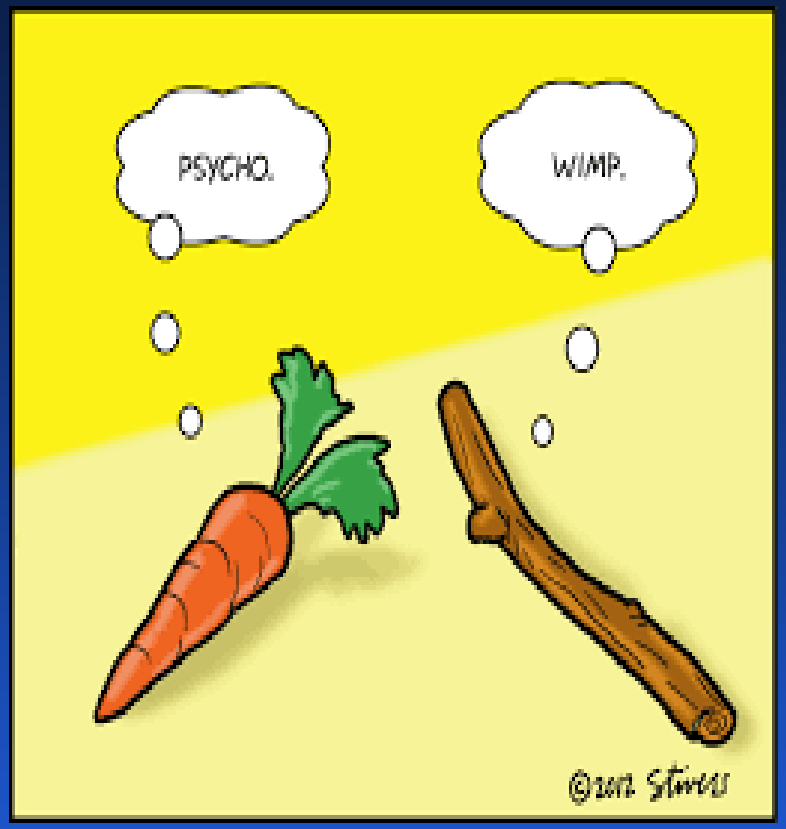
Motivation refers to the drive and effort to satisfy a want or a goal. Satisfaction refers to the contentment experienced when a want is satisfied. In other words, motivation implies a drive toward an outcome, and satisfaction is the outcome already experienced.

Motivation ---- results------ satisfaction

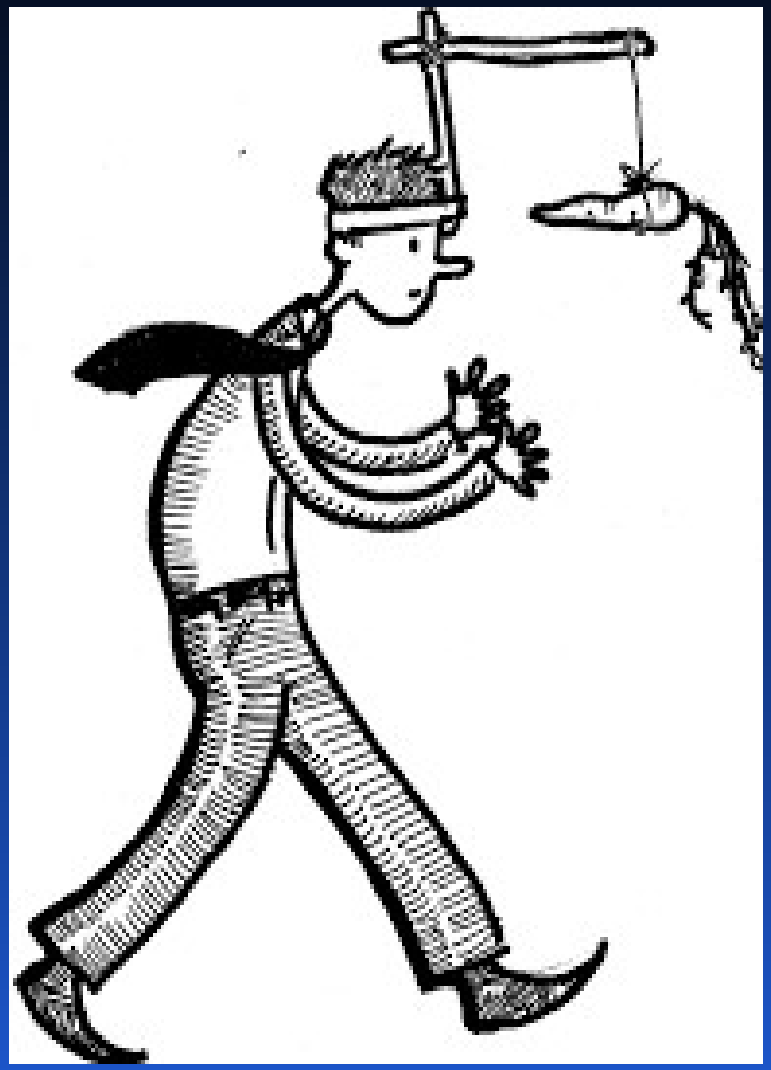
Motivation Theory

1. Carrot and Stick Approach





Cont’d

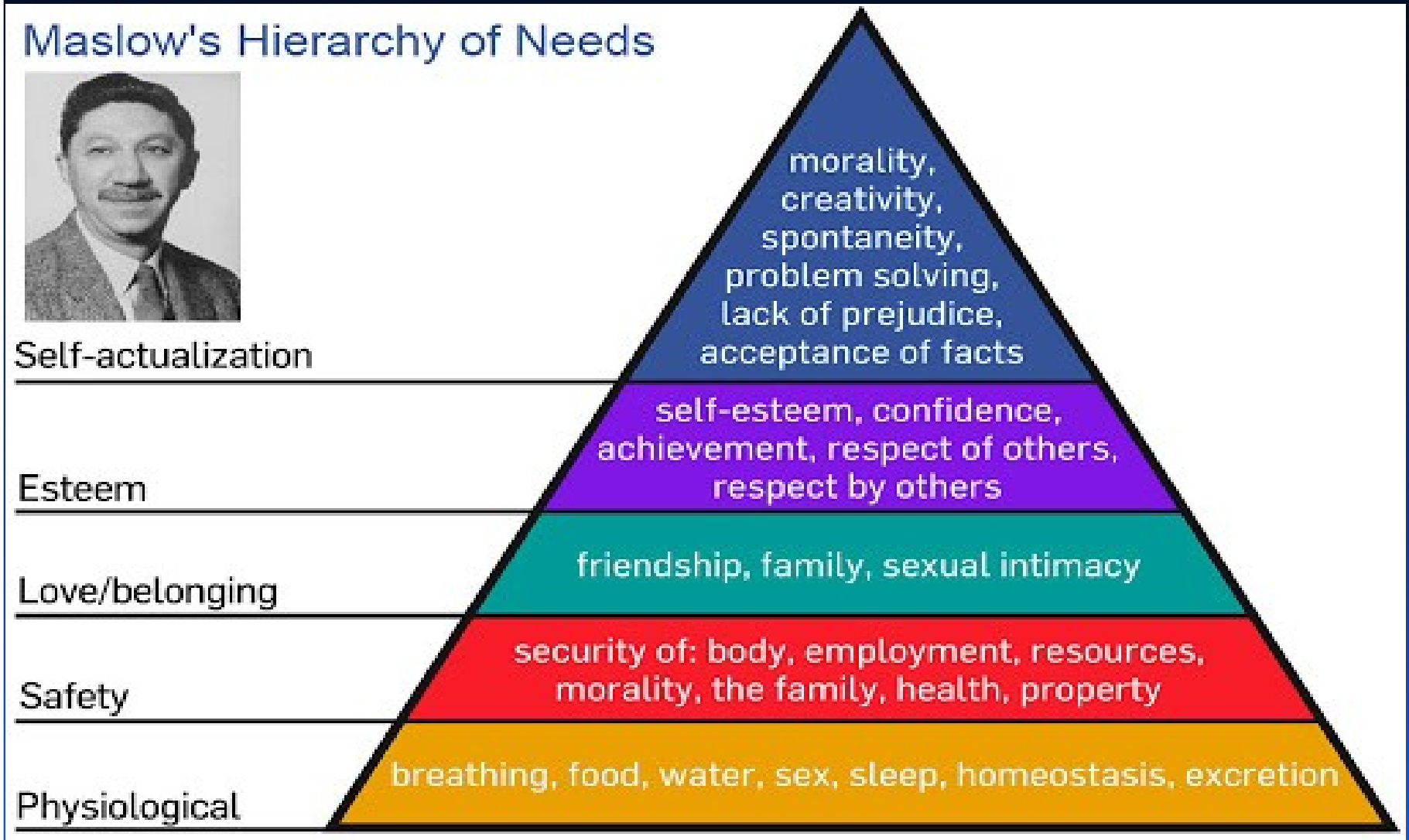



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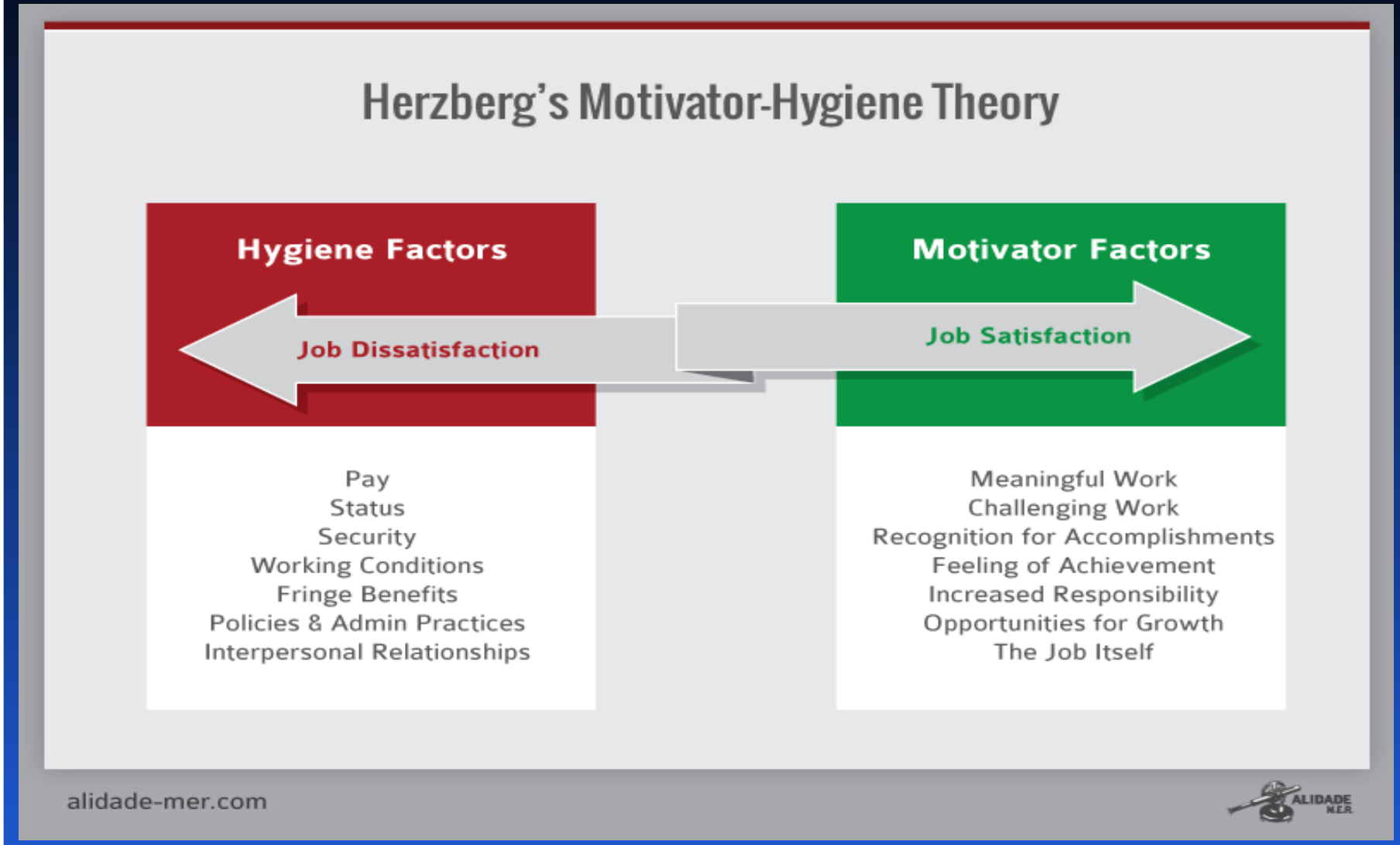
- Carrot - money in the form of pay or bonuses.
- Stick – fear such as fear of loss of job, loss of income, reduction of bonuses demotion or some other penalty.
- **2. Money as a Motivator**
- Even if under the carrot and stick approach money as a sole motivator has been criticized, it is used as a motivator (motivating factor) but not the only one.

- Money can be used as a motivator under the following conditions.
- For people who have low-level standards of living and who badly need it for their life.
- When the amount is so significant that the organization uses it for competitive purposes.
- When the payment is so differentiated that even at equal position discriminatory payment is made for people with different levels of performance

3. Maslow's Hierarchy of



4. Herzberg's Two-Factor



Communication in Organizations

- Communication is the process of transmitting information among two or more individuals. The success of every manager and every organization depends on communication because in any undertaking involving two or more persons, it is essential for the coordination of individual activities. We have two type of communication;
- **Formal and Informal Communications**

1.Formal communication

- This is a communication, which is intentionally designed by the organization. Information flows through the formally established channel and is concerned with work related matters. Formal communication includes; vertical communication Downward communications, Upward communication, Horizontal communication, and Diagonal communication

1. Vertical communication can involve a manager and a subordinate or can involve several layers of the hierarchy.

2. Downward communication occurs when information is transmitted from higher to lower levels in an organization.

3. Upward communication – in such situations, the communicator is at a lower level in the organization than the receiver.

4. Horizontal communication is lateral message exchange either within work unit boundaries, involving peers who report to the same supervisor, or across work unit boundaries, involving individuals who report to different supervisors.

5. Diagonal communication involves the flow of information among departments or individuals on different levels of the hierarchy. This occurs often in the case of line and staff departments, in which the staff has functional authority.

2.Informal Communication

- It is a communication, which is not deliberately designed by the organization. It is rather created by informal groups in order to satisfy their need to interact and share information among themselves. In the informal communication, information flows in unstructured and unpredictable ways. In other words, it is a structure less network. Informal communication channel is commonly termed as grapevine because of its structure less direction of flow or secret.

Chapter 7
Controlling Function

Controlling: Definition

- Controlling is the process through which managers assure that actual activities conform to planned activities.
- Controlling is the process of regulating organizational activities so that actual performance conforms to expected organizational standards and goals.
- It is checking current performance against predetermined standards contained in the plans.

Importance of Controlling

- **Adapting to changing conditions:** in today's dynamic and unpredictable business environment, control plays a crucial role than ever.
- **Limiting the magnification of errors:** However, a small error/mistake left uncorrected (perhaps one undetected as a result of a lack of control) may be magnified with the progress of time, eventually harming the whole organization.

-To prevent failure: To determine whether people and the various parts of an organization is on target, achieving the progress toward their objectives that they planned to achieve. Planning chooses goals and maps out the necessary strategy and tactics.

The Controlling Process

- The Controlling Process has 5 Major Steps:

1. Determine Areas to Control : identify critical control points. Critical control points include all the areas of an organization's operations that directly affect the success of its key operations, areas where failures can not be tolerated, and costs in time and money are greatest.

2. Establishing Standards : Standards are units of measurements established by management to serve as benchmarks for comparing performance levels.

- Performance standards: deal with quality, quantity, cost and time.

- Corollary standards: support a given level of performance

3. Measuring Actual Performance: For a given standard, a manager must decide both how to measure actual performance and how often[2] to do so.

4. Comparing Performance against Standards: This is a step where comparison is made between the “what is” and the “what should be.” Managers often base their comparisons on information provided in reports (oral and written) that

5. Taking Corrective Action (on time):

The corrective action to be taken depends up on the type of deviation that exists. When performance exactly meets (deviation of zero) or exceeds (positive deviation) the standards set, usually no corrective action is necessary.

- In taking corrective actions, managers must carefully avoid two types of errors: taking corrective action when no action is necessary and failing to take corrective action when it is clearly needed.

Types of Controlling

Based on the time period in which control is applied in relation to the operation being performed, or the stage of productive cycle in which controlling is carried out, there are three basic types of controls

1. Preventive/Steering/ preliminary / Input Control:Preventive control is future oriented and takes place before the operation begins.

- its aim is to prevent problems before they arise.

A good example can be Entrance exams for colleges and universities, policies, rules, procedures, proper selection and training of employees,

2. Concurrent/Screening/Yes-No/Checking Control:

- concurrent controls involve the monitoring of ongoing activities, they are the only controls that can cope with contingencies (unexpected events) that cannot be anticipated

- decision must be made whether to continue as before or follow an alternative course, or take corrective action, or stop work altogether. In this way, concurrent controls allow adjustments to be made while work is being done.

E.g. On the job training, on the spot observation, mid term exams, tests, quizzes

3. Feedback/Post-Action/ Output Control:

- As the name indicates post action control focuses on the end results of the process.

- The purpose of feedback control is to help prevent mistakes in the future and also it can be used as a base for reward; and in cases where other (preliminary & concurrent) controls are too costly.

E.g. Performance evaluation, financial statement analysis, final exams

Techniques of Control

Two Major techniques:

- Cybernetic Controls :is a self-regulating control system that, once it is put into operation, can automatically monitor the situation and take corrective action when necessary. E.g. computerized inventory system, a heating system controlled by a thermostat

. **A non-cybernetic control system:** is a control system that relies on human discretion as a basic part of its process.

- The other controlling technique are:-

Over and under controlling

- **Over-control** is the limiting of individual job autonomy to such a point that it seriously inhibits effective job performance.
- **Under-control** is the granting of autonomy to an employee to such a point that the organization loses its ability to direct the individual's efforts toward achieving organizational goals.

Characteristics of Effective Control System

- Future oriented
- Multidimensional
- Economically Realistic (Cost Effective)
- Accurate
- Acceptable to Organization Members
- Timely

Cont'd

- Reliability and Validity
- Monitorable
- Organizationally Realistic
- Flexible
- Focus on Critical Control Points
- Easy to Understand
- Emphasis on Exception

THE END!!

ANY QUESTION?