Principles And Practices Of Management

Subject No. 13

Study Pack

STRATHMORE UNIVERSITY

Distance Learning Centre

P.O. Box 59857,
00200, Nairobi,
Kenya.

Tel: +254 (02) 606155
Fax: +254 (02) 607498

Email: dlc@strathmore.edu

ACKNOWLEDGMENT

We gratefully acknowledge permission to quote from the past examination papers of the following bodies**: Kenya Accountants and Secretaries National Examination Board (KASNEB); Chartered Institute of Management Accountants (CIMA); Association of Chartered Certified Accountants (ACCA).**

We would also like to extend our sincere gratitude and deep appreciation to **Miss Irene Ngunjiri B.COM, Marketing Option (First Class)** and **CPA**. She is a senior lecturer at Strathmore University, School of Accountancy. She has generously given her time and expertise and skilfully co-ordinated the detailed effort of reviewing this study pack.

INSTRUCTIONS FOR STUDENTS

This study guide is intended to assist distance-learning students in their independent studies. In addition, it is only for the personal use of the purchaser, see copyright clause. The course has been broken down into eight lessons each of which should be considered as approximately one week of study for a full time student. Solve the reinforcement problems verifying your answer with the suggested solution contained at the back of the distance learning pack. When the lesson is completed, repeat the same procedure for each of the following lessons.

At the end of lessons 2, 4, 6 and 8 there is a comprehensive assignment that you should complete and submit for marking to the distance learning administrator.

Submission Procedure

1. After you have completed a comprehensive assignment clearly identify each question and number your pages.

2. If you do not understand a portion of the course content or an assignment question indicate this in your answer so that your marker can respond to your problem areas. Be as specific as possible.

3. Arrange the order of your pages by question number and fix them securely to the data sheet provided. Adequate postage must be affixed to the envelope.

4. While waiting for your assignment to be marked and returned to you, continue to work through the next two lessons and the corresponding reinforcement problems and comprehensive assignment.

On the completion of the last comprehensive assignment a two-week period of revision should be carried out of the whole course using the material in the revision section of the study pack. At the completion of this period the final Mock Examination paper should be completed under examination conditions. This should be sent to the distance-learning administrator to arrive in Nairobi at least five weeks before the date of your sitting the KASNEB Examinations. This paper will be marked and posted back to you within two weeks of receipt by the Distance Learning Administrator.

PRINCIPLES AND PRACTICES OF MANAGEMENT COURSE DESCRIPTION

The course is intended to introduce and expose the students to the principles and concepts governing the practice of management.

Management being a social science is a complex and pervasive field and its practice is greatly affected by the situational factors that each manager faces.

Students should try as much as possible to understand the principals and concepts of management in the light of where they are practised. It is therefore imperative that students of management should approach the course with open minds and flexibility.

While concepts of management may remain the same across boundaries the practice differs from country to country, from organization to organization and from individual to individual. The key to success in this course IS TO UNDERSTAND AND NOT TO MEMORISE.

Students should supplement the notes in the study text with readings from the recommended textbooks.

After each lesson the student should ALWAYS attempt to relate what has been learnt in the text to the management of the private and public sectors in Kenya. This calls for the student to have a thorough knowledge of the economic, political, legal, social, technological and cultural conditions prevailing in Kenya.

RECOMMENDED TEXT BOOK:

Management Theory and Practise By G.A. Cole
Essentials of Management by Koontz, H & O Donnee 7th Edition

PRINCIPLES AND PRACTICES OF MANAGEMENT

INDEX

KASNEB SYLLABUS

FINAL ASSIGNMENT

Mock Examination Paper.

KASNEB SYLLABUS

OBJECTIVE

To ensure that the candidate has sufficient knowledge to manage organizations and to analyse the impact on markets by the technological, legal, social and political environment.

SPECIFIC OBJECTIVE

A candidate who passes this subject should be able to:
Indicate clear understanding of the key management functions of planning, organising, staffing, directing and controlling.
Demonstrate thorough understanding of management, principles and techniques
Manage change processes in modern organizations
Participate effectively in management meetings
Prepare strategic and marketing plans of organizations
Re-engineer organizations
Analyse case studies in management

CONTENT

Manager and the Management Environment:

Managers and the study of management; the evolution of management as a field of study, the classical approach, the behavioural approach and the management science approach; the work of management
Managers and their environment; the organization, the internal environment, the management levels; the external environment- clients, competitors, suppliers, technological, economic, political, legal, and regulatory, cultural and social, and international
Managing productivity; the productivity concept, factors affecting productivity, the productivity and management, productivity measurement, applying the functions of management to productivity
Time management

Managing Work and Organisation

Foundations of managing work and organisations; the principles of work management, the management of organisations
The planning function; the forms of planning, the elements of planning, the importance of planning, setting objectives and priorities, implementation of plans
The organizing function; departalizing jobs, delegating authority, dimensions of organizations structure
Designing the organization; management focused organizational design – classical organizational design, contingency organizational design – neoclassical
The controlling function; types of control, concurrent control, feedback control
Human resource management; human resource management function, recruitment, training and development, performance appraisal, employee compensation, separation

Managing People

- Foundation of managing people; human relations approach, behavioural science approach
- Motivation; motivation process, understanding motivation – the use of theories (Maslow, Herzberg, Vroom, Porter-Lawler), management strategies for increasing motivation
- Managing work groups; classification of groups, formation of work groups, specific types of groups in an organisation, use of group concepts to improve productivity, development of work groups, characteristics of work groups, conflict resolution
- Leadership; selected leadership theories, trait theories personal – behavioural theories, situational theories of leadership, selected factors influencing leadership effectiveness, successful and unsuccessful managers
- Communication; the importance of communication, understanding the process of communication, communicating in organisations, interpersonal communications, causes of communication breakdown, improving communication in organizations

Managing Production and Operations

- Foundations of managing production and operations; development and contribution of management science, the role of mathematical models in management, the limitations of management science approach
- Production and operations management; the nature of production and operations management, managing the transformation process, total quality management
- Management decision making; type of managerial decisions, the process of decision making, decision making under conditions of certainty and uncertainty
- Decision support systems; the need for decision support systems, the importance of information in decision making , management information systems and decision support systems, providing the right information for the right decision, designing a decision support system, and organizing a decision support system.
- The role of computers in management
- Production planning, inventory control as it relates to the management function.

Strategic Management

- Overview of strategic management; the nature and value of strategic management, t he strategic management process
- Strategy formulation; define the mission, assessing the external environment, industry analysis, evaluating the multinational environment, environmental forecasting, internal analysis of the organisation, formulation of objectives and strategies, strategic analysis and choice
- Strategy implementation; operationalizing the strategy – annual objectives, functional strategies and business policies, structure, leadership and culture, strategic control- guiding and evaluation strategy

Marketing Management

- Understanding marketing and the marketing process; marketing management, the marketing process, the marketing environment
- Analysing marketing opportunities; marketing research and information systems, consumer markets and consumer behaviour, business markets and business buyer behaviour
- Selecting target markets; measuring and forecasting demand, market segmentation, targeting and positioning for competitive management
-
- Developing the marketing mix; products, brands, packaging and services, new product development, pricing, considerations, pricing strategies, distribution channels, retailing and wholesaling , marketing communication strategy, sales promotion and public relations.
- Managing the marketing effort; building customer relationship through satisfaction, value and quality, competitive marketing strategies
- Extending marketing; the global market place, marketing services, social responsibility and marketing ethics

Managing Creativity, Change and Innovation

- Management of change; forces for change, the manager as a change agent, organization inertia and resistance to change, techniques for reducing resistance, techniques for managing change, changing organizational cultures
- Stimulating innovation; creativity versus innovation, fostering innovation, re-engineering

Emerging Issues in Management

- Social and ethical responsibilities of management; corporate social responsibility, managerial ethics, ethical standards
- Managing in a multicultural and multinational environment; the environment of the multicultural and multinational manager, Managing people in multinational organizations
- Corporate governance
- Ethics and the organisation
- Management and the future
- Total Quality Management (TQM)

CASE STUDIES

CONTENTS:

CASE 1

TIME MANAGEMENT CASE

In the year 1985, an embassy arranged to display a very important machine at the Nairobi International Show. The machine was supposed to be in Nairobi at least four days before the show started. The machine was sent from Germany by sea transport and it reached the entry port two weeks before the show started. Time for delivery was an essential and critical factor because the components of the machine had to be re-assembled by the officials of the embassy assisted by the technicians from the suppliers from abroad. The technicians arrived in Nairobi in good time, to assist in re-assembling the machine and they stayed in an expensive hotel while waiting for the machine. The clearing work at the port of entry was given to a reputable clearing and forwarding agent. Let us just refer to it as Clearing and Forwarding X or CFX. The clearing agent (CFX) submitted the clearing documents to the customs officials at the port. The machine was in a container, the FCL (full container load) type, consigned to the owner on a door-to-door basis.

The container was delayed in the port because the clearing documents were not processed within 14 days from the date of arrival of the machine. Goods from the port are usually required to be examined by the port officials, police and customs officials and certified as correct goods before authority for collection is granted to the owner or his agent. Time was moving, yet CFX the customs, port officials and the police at the port did not manage to complete their respective roles to process the complex document in order to remove the goods from the port in good time for the Nairobi Show.

The Nairobi Show opened while the goods were still at the port. By the time that they arrived in Nairobi, the two technicians had returned to their homes because they were disappointed by the delay. The remaining technician and the embassy officials managed to fix the components but the real business impact of the machine had been lost. A complaint was lodged by the suppliers through the embassy. The CFX blamed the customs officials and the customs officers blamed the port office which blamed the port police for the delay. The embassy decided to carry out a thorough investigation into the documentation process which took place from the time CFX received the clearing order up to the time the goods were released for collection. The results were that
CFX caused 20% of the delay;
Customs officers caused 40%;
Port office had 20% and
The police had 20%.
The suppliers asked CFX to refund some of the destination clearing and handling charges. CFX accepted the refund request because the clearing agent wanted to maintain the business for future Nairobi International Show exhibitions. CFX lost revenue because of ineffective time management which led to inordinate delays and loss of business impact for the suppliers who lost the chance to exhibit the powerful machine at the beginning of the show.

Questions
If you were the import manager for CFX, what precautionary measures to avoid delays would you take before the machine arrived at Mombasa port?
As the manager of a busy clearing office, how do you effectively manage your time on a daily basis?
Design and develop effective time management techniques programme that you can use for training your subordinates.

CASE 2

STRATEGIC MANAGEMENT

CHRYSLER: COMPETING IN THE 1990s

In the 1980s, Lee Iacocca became a legend by rescuing Chrysler Corporation from bankruptcy. Today Chrysler faces another challenge: surviving the heated competition and predicted overcapacity of the world car industry. To respond to this crisis and compete successfully, Chrysler must overcome major problems.

First, the production overcapacity of the world car industry means that all car manufacturers will be fighting to maintain or increase their market shares. Not only have U.S. companies invested to improve their efficiency; Japanese automakers continue to build factories in America, thereby contributing to the problem. In addition, European and Korean producers want to increase their penetration of U.S. markets. To respond to these threats, Chrysler, plans to do whatever is necessary to buy additional market share. Iacocca recognized that price cuts on some models were required, and he instituted generous rebates and other incentives to lure customers to Chrysler showrooms.However, Iacocca and Chrysler realized that price is only one way to gain more buyers. In fact, it is not the best way, particularly over the long term. Instead, Chrysler must solve its second problem: improving the cars it produces, in terms of both quality and performance.Iacocca acknowledges he made a mistake by focusing primarily on marketing and finance while delegating product development to others. Also, Chrysler must emphasize high standards for the service provided to customers after a sale.

Industry analysts agree that excellent customer service is essential in a glutted market.

A third major problem for Iacocca was merging American Motors Corporation (AMC) with Chrysler's operations. The merger meant Chrysler had to lay off many other employees, both blue and white collar. The remaining employees; responses to these layoffs ranged form outrage to fear. This placed great pressure on Chrysler management to work closely with labor to avoid unrest and ensure quality and productivity.To survive, Chrysler recognized that managers and employees from all parts of the firm (design, marketing, engineering, and production) must work together as a team to develop and manufacture quality products that match the wants of buyers. Chrysler's future is also based on its ability to improve efficiency. Today Chrysler is focusing on cutting costs, improving the quality and speed of product development with a teamwork approach, and developing better relations with suppliers and customers. Among other things, Iacocca asked suppliers to provide suggestions for cutting costs- and he received thousands. Iacocca stated that the key to cost cutting is "to get all 100,000 employees talking about it."

Iacocca is not retired as chair. Some analysts foresee hard times for Chrysler. Stated one former manager, " The feeling is that time has really passed {Chrysler} by. {Iacocca} was as much liability as an asset." One current executive counters that Chrysler has one big advantage: It has been in a crisis before, and it survived and turned around. Thus, it can learn from its past. *(Adapted from: 'Management Function and Strategy' by Bateman and Zeithaml; Pg. 53)*

Questions:

How can the contemporary approaches to management be used to solve the problems Chrysler faces?

- How can the contingency approach be used to address the problems Chrysler faces?
- Using an open-system perspective, describe the system that exists at Chrysler and between Chrysler and its environment.

CASE 3

LEADERSHIP AND MOTIVATION IN ACTION

John Walshburg is the Director of Poligon University of North Africa. The African Campus of Poligon University (ACPU) is the African branch of the Poligon University of Zurich (PUZ) in Switzerland. PUZ is an international
university with branches in other parts of the world. In Africa, ACPU is the main branch with facilitation offices in a few African countries.

A few years ago, a local facilitation office (LFO) in a country in the South of Sahara, was opened. For the first three years, the facilitation office was successfully managed. The students came to join in good numbers and the office was a clear sign of success in executive education, specifically in business education. ACPU registered students to study for MBA (Masters in Business Administration) and BBA(Bachelor of Business Administration). The type of education was the distance learning method. It was well managed and more students joined ACPU because of its flexibility in course and affordable fees structure.

The agent in charge of the local facilitation office, is a well educated individual, with a master's degree. He has employed a capable young graduate who handles applications and all other inquiries between North Africa and the local facilitation office (LFO).

Recently it was noticed that LFO is closed at the time when the students and potential students want to see the office administrator. They go to the office but find it locked. No information is left at the door to guide the anxious students. The agent does not come to LFO any more, and the office manager does not know what to do about (i) the new applications and (ii) what to tell the anxious students about important matters which used to be handled by the local agent himself. Mr. Walshburg does not communicate with the local agent as much as he used to do in the past because the telephone in LFO is not working any more. The agent has left the office administrator without guidance and the complaining students literally shout at the helpless administrator without settling the actual problems. For example, it is common to hear new applicants complaining: "How long will it take you to process my application?" The usual answer from the administrator has been: "As soon as the agent comes to check them." People from outside do not know what is the problem.
However, outsiders believe that there is a major interpersonal communication breakdown between Mr. Walshburg and his agent, and also between the agent and the administrator.

Questions

- Basing your argument on the facts given above, what would you consider as the main cause of problems? Identify the major problems
- If you are a management consultant employed to advise ACPU, what action would you recommend for:-
- Mr John Walshsbury?
- The Local agent?
- The Office administrator?
- Design and develop your action programme for improving effective leadership and motivation in ACPU. Refer to Maslow's and Herzberg's motivation theories and demonstrate your management strategies.

CASE 4

A MISMANAGED QUALITY SERVICE

Safeway International Airways, prides itself as the lion of Africa because it boasts of good passenger and cargo services. It operates flights between Nairobi, and other airports in Europe, Asia and Southern Africa. It owns airbus and hired Boeing types of aeroplanes. From Nairobi, the European bound flights call at Entebbe and Cairo before passing across the Mediterranean Sea.

One night, Safeway, flight number SZ 2001 left Nairobi to pick up embarking passengers from Entebbe Airport for onward travel via Cairo, but the weather conditions were so bad that the captain of the flight decided to divert the plane to Bengazi Airport in Libya. The first announcement came from the cockpit. It stated as follows: "Ladies and Gentlemen, we are sorry to announce that due to poor weather conditions at Cairo Airport, we are diverting the flight to Bengazi Airport. Any inconvenience is regretted. Thank you."

Safeway flight No. SZ 2001 approached Bengazi Airport and among the air crew a lady's voice came to announce the arrival at Bengazi Airport. The second announcement appeared to be contradicting the captain's previous announcement. It went as follows: "Ladies and Gentlemen, we are now approaching Cairo International Airport, please fasten your seat belts but remain seated until the plane lands. Thank you."
The bewildered passengers expected to hear a correction but nothing came from the lady or from the captain. The passengers remained seated and a third announcement followed. It went as follows: "Ladies and Gentlemen, we are now at Cairo International Airport, you can unfasten your belts and smoke if you wish. We shall be on the ground at Cairo for 20 minutes to pick up the joining passengers." The passengers were even more bewildered and many of them removed their seat belts, some started smoking but nobody left the aircraft. Some of them started sleeping
while the Bengazi passengers were being taken into the aircraft.

The flight called at Madrid Airport in Spain but flew over Rome due to a strike at Fiumicino Airport in Rome. The flying over , over Rome was not announced and the passengers read about it on arrival at London Heathrow Airport in the morning. Many passengers were tense but a few of them managed to say good-bye to the flight crew.

Questions

- What would you identify as the cause of failure to maintain good quality service on flight SZ 2001?
- If you were the captain of the aircraft operating flight SZ 2001, what would you have done:
- immediately after hearing the second and the third announcements and
- when the aircraft was approaching Rome?
- Recommend a communication strategy and programme which Safeway would use for maintaining good quality service in future.

CASE 5

GOAL SETTING AND ACHIEVING OBJECTIVES

Mr Richard Musau is the Managing Director of a beverage manufacturing company called Masaku Beverages Ltd. in the east of Machakos in Kenya. It is the Kenyan division of the holding company known as Comesa Manufacturers of Africa (CMA) Ltd. located in Central Harare, Zimbabwe. The Chief Executive Officer (CEO) of CMA is Mr. David Songambele. Richard had a meeting last year with David. This was a board meeting which went on in the following way:

Mr Musau: " Mr Songabele, we are a little below budget now, and I think we can hold that for the rest of the year. It won't get any worse."
Mr Songambele: (looking at Richard and smiling)
"Be on budget by the six-month mark; be on by the year."
Mr Musau: " But David, there isn't enough time to get on it by the half of the year. I inherited this situation after all."
Mr Songambele: (still smiling and looking at Richard)
"Do I pay you a lot of money? Do I argue with you over what you want to spend?
Do I bother you? Then don't tell me what the GOALS SHOULD BE. Be on budget by the half of the year; I repeat that be on it by the end of the year."
Mr Musau: "What if I can't David?
Mr Songambele: "Then clean out your desk and go home."
Mr Musau: The following are the reasons why I couldn't meet the goals……" (before he finishes).
Mr Songambele: "Not interested. My board and my stockholders want me to meet my target. The way I meet my target is for you guys to meet your targets. Meet your target Richard."

Questions:

- What are the major assumptions which support Mr. Songambele's approach to setting goals and objectives?
- What are the strengths, and weaknesses of an administrative system like that of Mr Songambele?
- Under what circumstances might Mr Songambele's approach be (a) better and (b) worse than the participative management approach to setting goals and objectives?
- Design and develop a strategic management programme for Mr. Richard Musau to overcome his current deficit budget and earn profits in future.

CASE 6

ADVERTISING VALUES

The educated Kenyan consumers with televisions watch television for over 30 hours a week, listen to about 1,200 hours of radio, spend 180 hours reading daily newspapers and magazines, etc. All of these media include advertising which viewer, listener, or reader sees or hears. The advertising messages are also presented through billboards, mail, buses, taxis, and nearly everywhere you look. It is estimated that the educated consumer sees or hears more than 7 million advertisements in their lifetime.

The advertising ultimate goal for profit-earning organisations is to sell products. The goal is attained when the customers are informed, persuaded and reminded to buy the organisation's products or services. There are many people who critize the role of advertising.

Criticism against advertising. Most of the criticisms are of economic nature. For example:
In terms of competition the critics feel that the large amounts of advertising done by large firms merely increase competition.
Large firms prevent small firms from entering into the new markets by way of advertising
The counter argument is that the consumers are careful enough not to accept heavily advertised brands that will not meet their needs. Advertising attracts people to try a product but if they are not satisfied they will just leave it.
It is arguable that advertising increases costs of advertised products. The advertised products cost more than the unadvertised ones. However, the counter argument is that the informative role of advertising saves the consumer in:

- finding out when and where is available
- its price
- its features and benefits, etc

It has been argued that much of advertising is not about information, but persuasion. Advertising shifts demand backward and forward among the brands that are essentially the same. The counter argument is that advertising can sometimes result in lower prices, especially if it can expand the market. In this case a firm can produce larger quantities and achieve economies of scale that results in lower unit costs. These cost savings can then be passed to consumers in the form of lower prices. Advertising has its advantages and disadvantages.

Social role of advertising. Although advertising contributes to the economic benefits, some critics feel that it has socially undesirable effects, e.g.
It emphases materialism because its ultimate objectives is to create a sale. It moulds values in addition to achieving its sales objectives, especially when the consumers accept the advertised goods as the norm or standard of correct behaviour.

- Advertising is intrusive because it gets your attention before it has any effects. Hence it intrudes on whatever else you may be doing. Some critics argue that there is too much of it.
- Advertising exploits people's emotions. The emotional response is provoked to produce effects in people. This can be positive e.g. generosity appeals, affection, patriotism, security or sociability. But it can also be negative e.g. creating anxieties and fears, emphasising the darker side of a person's personality or organisational integrity.

- Advertising creates unrealistic images, e.g. portraying the ideal man or woman. This is based on physical appearance and social status. Simplistic stereotypes are created though not the real truth of human nature. Hence consumers just develop superficial criteria they use to evaluate themselves and others.

- Advertising uses bad tastes and creates a lower standard of decency. Privacy is not respected e.g. the use of sexual themes and innuendoes, provocative poses, inadequately clad models, etc.
- Advertising exploits the innocent minds of children
- Advertising promotes distrust and cynicism.

The counter arguments are that:

- Advertising intention is to sell products
- Not to shape the values of society, and
- Society can reject the contrary values created by advertising

Questions:

- Basing your discussion on the facts given in this case study, what would you consider as the role of advertising in a free-enterprise economy?
- How true would you say are the concerns of the critics of advertising? What do you think should be done about these concerns?
- Develop an advertising programme for a given product/service in your own country.

CASE 7

TECHNIQUES FOR MANAGING CHANGE

Citiworld Freight Forwarders of Kenya (CFFK) wanted to make big changes in company's operations. The company wanted to go international by early 1990s. by the mid-seventies, CFFK, was a small freight forwarding firm with small offices at the Jomo Kenyatta Airport, the industrial Area of Nairobi, and subsidiary in Mombasa for sea freight forwarding.

- The Nairobi offices were doing badly and losing revenue on the side of airfreight handling. The Mombasa offices were average, not doing very well but not losing revenue.
- The Managing Director called his senior managers from Nairobi and Mombasa for an urgent meeting. His address went as follows:

"Ladies and Gentlemen, you are aware that we want to go international by January 1990. I have received encouraging response from our potential agents in Japan, USA, Canada and Europe. CFFK, will be the Kenyan representative of the prestigious World Aircargo Organisation (WAO) by January 1990. Please get ready for a big change."

"You have been discussing reasons for resistance to change. Factors such as inertia, timing, surprise, and peer pressure have been discussed and problems solved. I have here good suggestions and recommendations from Mr Peter Njuguna Onyango, your colleague and air freight manager. He suggests that we should also check on specific factors such as self-interest, misunderstanding and different assessments. He stresses that this change can be managed effectively in the following ways:-

- the organisation must move into a new state which will exist after the change
- the transition period should be accomplished without excessive costs to organisational members
- the transition period should be accomplished without excessive costs to the organisation
- and the future functions of the organisation should meet expectations. The change should work as planned."

"Mr Clement Wafula , has also given us some insights to manage resistance to change. Wafula has highlighted:

- education and communications
- participation and involvement
- facilitation and support
- negotiation and rewards
- manipulation and co-option and
- coercion

As experienced managers you will use your skills and abilities to manage the change effectively.

Specifically, Clement Wafula, has other good suggestions e.g.

- management should acquire the support of key power groups
- management ought to use leadership skills to generate enthusiasm for the change
- management must build on stability. To manage turmoil and uncertainty some things will be kept constant and visible, e.g. key personnel, company's mission, office assignments and clear communication about which organisation's components will change and which ones will not change."

"Ladies and Gentlemen, with those few words, once again I thank you for your devotion to this worthy
course of change. Our next meeting will be tomorrow again at the same place and time."
Meeting closed with all participants in good mood.

Questions

- What are the common reasons for resistance to change?
- How would you manage resistance to change?
- You are the manager of CFFK and you have been assigned the role of managing effectively the change from a local company to an international company. Design and develop your programme of action.

CASE 8

ETHICS AND ORGANISATION

Polymath Auditing Partners (PAP) was formed in 1996 by three graduates who studied accounting and auditing before they qualified as auditors. In their first year, they did good professional jobs for some companies and their name became known for efficiency, especially accuracy and speed.

After two years, the business expanded and there was a need for an additional person to enable the firm cope with increased volume of work. The firm employed a young graduate with a Bachelor of Commerce (Accounting Option) degree and the partners felt that they would cope up well with the increased volume of work.PAP adopted some good ethical conduct among the partners, but did not emphasise means of reducing unethical behaviour. This was not emphasised because the partners felt that they knew one another very well, hence it was unnecessary to have rules of reducing unethical behaviour. The follow are included among the measures for reducing unethical behaviour:

- Consistent leadership is required. For example when an organisational leadership changes, the established ethical values should not be changed
- Traditional standards and integrity should be maintained all the time. New standards can be added so long as the firm's integrity is maintained.
- Ethical codes should be established and maintained in a written form. Statements of belief and policy should give specific guidelines for the employees to follow.
- Periodic training is necessary to clarify the intent of organisation's policies. This reinforces the seriousness of the ethical values that the organisation should adhere to.
- Rewards arising from performance evaluation and compensation should consider the employees' behaviour concerning ethical codes.
- Open climate is another essential factor. In decision-making discussions, differences of opinion should be considered together with ethical standards.
- Control system must be fortified by and audit. This will supplement trust with surveillance among the employees.
- Punishment should be implemented for violators of the law or organisation's codes of ethics. The punishment should be implemented strictly.

The new partner found that his colleagues owned new cars, and he also wanted a new car. Each partner had bought his own car from his personal income. PAP did not plan to buy cars for its auditors. The XYZ company had a need for audited accounts. The company wanted a good job to be done and speed was a critical factor. The young graduate was offered a new personal car by XYZ company, which is a multinational organisation with subsidiaries in many countries. He accepted to take the offer. Then he did his work so well that his colleagues were happy because XYZ company paid PAP very well and promptly. The young graduate did not disclose the story of the car to his colleagues but they became suspicious of the and wondered how he had bought the car.

Questions:

- Do you think that the young graduate was wrong? Defend your answer with ethical reasons in this case.
- What do you think that the other colleagues should do after learning about the car story? Give reasons
- Discuss the action you would take if you were the CEO of PAP and the matter was reported to you by an employee of XYZ company.

LESSON ONE

THE MANAGER AND HIS ENVIRONMENT

OBJECTIVES

After studying this lesson the student should be able to:

- Define and describe the major characteristics of management.
- Identify kinds of managers both by levels and by functional areas.
- Describe the management functions, roles and skills
- Discuss how managers can become successful through education and experience.
- Discuss whether management is an art or a science.
- Discuss Managers' environment.
- Describe Time Management techniques.
- Identify the schools of management thought.

INSTRUCTIONS

1. Read Chapter 1 of Cole and the study text below.
2. Attempt the reinforcing questions at the end of the Lesson.
3. Check your answers with those given in Lesson 12 of the Study Pack
4. If your answers differ greatly from those given, read the study text again, slowly and carefully.

CONTENTS

- Introduction to Management
- Meaning and definition of Management
- Overview of management
- Functions of Management
- Evolution of Management thought
- Classical approach
- Behavioural approach
- Management science approach.
- Management environment
- External environment
- Internal environment
- Time Management

1.1 INTRODUCTION

At any time of our lives we are members of one organization or another e.g. Church, School, College, Workplace etc. The organizations we belong to are diverse in many aspects for example size, structure, membership and ownership.
However these organizations all have certain things in common.
These include:

- A goal or purpose
- Program or method for achieving the goals.
- Plans to ensure effectiveness of the goals.
- Leaders/Managers who are responsible for helping the organization achieve its goals.

So the study of management involves the study of the work and performance of managers i.e. how organizations are managed so that they can achieve their goals.

1.2 DEFINING MANAGEMENT

Several definitions of management have been advanced but because of the complex nature of management no one definition has been universally accepted.
The simplest definition of management was given by Mary Parker Follet.
She defined management as "the art of getting things done through people". From this definition we see that managers achieve organizational goals by arranging for others the necessary tasks to be performed to achieve the goals of the organization, hence they do not do the work themselves.
Management has also been defined as the process of planning, organizing, leading and controlling the efforts of organizational members and using all other resources to achieve stated organizational goals.
A process is a systematic way of doing things so management is systematic.
Planning means that the actions of managers are based on some method, or logic organizing means that manager's co- ordinate the human and non human resources in order to achieve goals.
Leading describes how managers direct and influence subordinates by establishing the proper atmosphere for doing tasks. Controlling means that managers select the right objectives i.e. select the right things to be done.
This definition says that management involves attainment of stated goals. This means the manager's work is aimed at specific goals or ends.

A third definition defines management as a process of grouping together organizational material
and human resource activities and directing them to use the scarce resources efficiently and effectively in order to achieve the organizational and individual goals and objectives.
Therefore management work involves activity - managers do not sit around all day and think. They talk, listen, read, write, meet, observe etc. However most of their activities are either of planning, organizing, staffing, directing or controlling.
From the definitions it comes out very clearly that management has the following characteristics.

i. It is complex

Managers are engaged in many different activities. Sometimes they must do all these activities concurrently or change them frequently.

ii. It is persuasive

It touches many areas and aspects of human activity. For example it is applicable in many situations be they social, political or economic and it has enormous effects on society. Management is also practised in all institutions that involve group work.
For management to be successful it must achieve both (efficiency and effectiveness). But while efficiency is important, effectiveness is critical and no amount of efficiency can compensate for lack of effectiveness.
If managers select the wrong objectives, then even if they minimise costs the organizations will still fail. The key to successful management is therefore ability to identify the right things to be done and to concentrate resources on them.

1.3 TYPES OF MANAGERS

There are many different types of managers with diverse tasks, responsibilities and authority.
Managers can be grouped into two categories:

- By their level in the organization
- By their functional areas.

1.3.1 MANAGEMENT LEVELS

Using levels managers can be classified into top, middle and first line managers.

a) First Line Managers

Also called first-level or supervisory management. This is the lowest management level in an organization. First line managers only direct operating employees. Examples are Foremen, Office Managers, Supervisors and Department Managers. These managers are the ones in the day-to-day contact with operating employees.

b) Middle Managers

These make up the largest group of managers in most companies. Their positions extend from top management all the way down to those immediately above first line management. Titles here include Plant Manager, Division Manager and Operations Manager. They are the managers who implement the strategies and policies set by top management and also co-ordinate the work of first-line managers.

c) Top Managers

Top managers are those at the upper levels of the organization. They comprise of comparatively small groups of executives who are responsible for the overall management of the organization. They set the overall organizational goals and determine strategy and operating policies. They also represent the organization to other external environments e.g. governments. Titles here may include President, Chief Executive Officer, Managing Director, General Manager, Chief Secretary etc.

1.3.2 MANAGEMENT BY FUNCTIONAL AREAS

Managers when differentiated by their areas of operation fall mainly under: Marketing, Finance Operations and Human Resources.

a) Marketing

These are responsible for advising on pricing, promoting and distributing the firms products and services. They conduct marketing research, plan advertising campaigns, play a role in setting prices and oversee distribution systems.

b) Operations

These are responsible for actually creating the goods and services of the organization. Other responsibilities for these managers include production control, inventory control and plant layout.

c) Finance Managers

Are responsible for managing the Financial Assets of the organization. They oversee the firms accounting systems, manage investments, control disbursement, and maintain and provide relevant information to the CEO about the Financial Health of the company.

d) Human Resource Managers (HRM)

These are responsible for determining future human resource needs, recruiting, hiring, compensation, performance appraisal and ensuring that the various legal guidelines governing employment are followed.

1.4 MANAGEMENT FUNCTIONS

The management functions are the separate parts (activities) that make up the whole process of management. They can be described as the activities that are inherent in most management jobs. Many of these activities can be grouped into one of the following general functions.

a) Planning

Planning involves determining the organizations goals and the best ways of reaching them. Plans permit:

i. The organization to obtain and commit the resources required to reach its objectives.
ii. Members of the organizations to carry on activities in line with the chosen objectives.
iii. Monitoring of progress towards the objectives with view of taking corrective action.

b) Organizing

This is the second basic managerial function and it is the process of grouping activities and resources in a logical and appropriate fashion. Basically it is creating the organizational chart for a firm. (Determining the structure of the organization - the jobs to be done, who is to do them, how the jobs are to be grouped, how much authority each manager is to have and how many employees each is to supervise).

c) Leading

Is the set of processes associated with guiding and directing employees towards goal attainment. Attempt to assure that the organization is moving towards its goals. It includes motivation, leadership and communication.

d) Controlling

This is the final basic management function and it is the process of monitoring and adjusting organizational activities towards goal attainment.

1.4.1 SUCCESSFUL MANAGEMENT

Successful management involves the achievement of both efficiency and effectiveness. Efficiency means that resources are used in such a way that they are not wasted.
Having employees sitting idle waiting to be allocated work is an example of inefficiency. Another example is allowing large surpluses of funds to sit idle in bank accounts earning little interest.
Effectiveness means doing the right things in the right way at the right time. For example entering a new market just before it starts to expand or exiting from a market just as it starts to decline is a sign of effectiveness.
Effectiveness is solution oriented. Successful management means a successful organization.
Organizations function within the larger society and the performance of organizations in totality is a key factor to the performance of a society or Nation.
Another efficient manager is one who achieves outputs that measure to inputs i.e. he is able to minimise the cost of resources.

1.5 MANAGEMENT ROLES AND SKILLS

Managers at all levels need to plan, organize, lead and control. However depending on the nature, the organization, the size of the organization and the levels of management, differences among managers in the amount of time they devote to each of these activities. For example the manager of a big retail store like Uchumi will spend his time quite differently from the manager of a smaller retail outlet like a shop or kiosk.
Scholars over the years have tried to explain how managers spend their time by developing certain roles that managers play at different levels.

1.5.1 MANAGEMENT ROLES

Henry Mintzberg analyzed how managers spend their time and came to the conclusion that there are three basic roles that managers play:- interpersonal roles, informational roles and decisional roles.

a) Interpersonal Roles

There are three interpersonal roles in the manager's job. The first is that of Figurehead. As head of a unit the manager puts in an appearance as the representative of the organization by performing certain duties or ceremonies e.g. attending an employees wedding, welcoming guests etc.
The second role is that of leader. As a leader the manager hires employees, trains, motivates and encourages them to perform better.
Third the manager plays the interpersonal role of liaison, which involves dealing with people outside the organization on a regular basis e.g. bankers, suppliers or clients.

b) Information Roles

According to Mintzberg receiving and communicating information are perhaps the most important aspects of a managers job. First he must act as a monitor i.e. he actively watches the environment for information that might be relevant to the organization.
Secondly the manager must act as a disseminator by relaying the information that he has gathered through monitoring to the appropriate people in the organization.
Third he must act as the spokesman of the organization by presenting information of meaningful content and/or answering questions on the firms behalf. You probably have seen leaders answering questions from the press about issues relating to their organizations or defending their organizations against criticism or allegations levelled against them.

c) Decisional Roles

These are the roles that managers take when they make decisions about certain issues. Under the decisional roles the manager acts as the entrepreneur by looking for

opportunities that the organization can pursue to improve itself e.g. a profitable investment.
Second the manager acts as the disturbance handler by resolving conflicts between employees and responding to situations beyond him/her control e.g. strikes, bankrupt customers, breach of contract etc.
Third the manager must act as a resource allocator by being responsible for deciding how and to whom the resources of the organization and the managers own time will be allocated.
Fourthly the manager plays the decisional role of a negotiator. In this role the manager attempts to work out agreements and contracts that operate in the best interest of the organization.

Note:
The functional definition of management as a process of planning, organizing, leading and controlling is somewhat oversimplified according to Mintzberg. Managers do much more than the four basic functions contained in the definition.
Mintzberg's work calls attention to the uncertain, turbulent environments in which the manager operates.

1.5.2 MANAGEMENT SKILLS

Skills is what separates good managers from others. Like a player in any game, the more skilful a manager is, the greater are his chances of success. Most scholars and writers agree that for effective management the primary skills are technical, interpersonal, conceptual and diagnostic.

a) Technical Skills

They are the skills needed to perform specialized tasks. They enable one to use the tools, procedures or techniques of a specialized field. These skills are gained through formal training. These skills are specially important for Firstline managers as they are the ones in the real operations of the firm.

b) Interpersonal (Human Skills)

These are the skills needed to enable one to work with, understand and motivate others, either as individuals or as groups. They include the ability to understand someone else's position, to present ones own position in a reasonable, amicable manner. The better a manager's human skills are, the more effective he/she is likely to be, since management is basically getting work done through people.

c) Conceptual Skills

These relate to the managers mental ability to coordinate and integrate all the organization's interests and activities i.e. to be able to think in the abstract, to see relationships between forces that others cannot see and to take a global perspective of the organization and its environment. For example if a manager recognises an opportunity that others have not and then successfully exploits that opportunity he is drawing on conceptual skills. Conceptual skills are most important for top managers who must look for opportunities to be exploited by the organization.

d) Diagnostic Skills

The skills used to define and understand situations and events. They are mainly directed at problem solving. For example, if a manager notices there is too much waste in production, the first step is to define the problem, next determine what is causing the problem and third identify way(s) of solving the problem.

Note:

Although all the skills are essential for effective management, their relative importance depends on the level of each manager.
Technical skills are more important at the lower levels of management and they get less important as you climb up the managerial ladder.
While human skills are needed at all levels of management, they are probably most important at the supervisory level where manager—subordinate interactions are more frequent.
Conceptual skills are most important at the top management level where the managers are involved in broad issues concerning the whole organization.

1.6 MANAGEMENT ART OR SCIENCE

The debate about whether management is an 'art 'or 'science' is far from being complete. Most scholars feel that management draws on both art and science.
Follet for example defined management as an art, but her definition is not universally accepted. What is obvious is that like most other arts management involves some degree of skill.
Another man Henry M. BoeHinger who was a corporate officer and management lecturer argues that management is an art. It requires the components of most arts like poetry or painting. i.e. vision. In the respects advanced by Follet and BoeHinger management is an art.

Management has also been studied for a long time and has been systematised into a body of theories. This systematism gives management some scientific elements.
Scientific management can be defined as the use of modified and verified knowledge in the planned management of any organized activity, management, as we know it is far from this despite the valid predicability that has been introduced to management by introduction to computers. Management is still subjective, non-statistical, emotional, common sensical and behavioural, making management largely artistic. A great deal remains to be learned about people and social structures of organizations and until our understanding of such issues is complete, managers will continue to rely on their subjective human judgements. So although some aspects of management have been more scientific, much of management still remains an art.

THE ENVIRONMENT UNDER WHICH MANAGEMENT IS PRACTISED

Definition Of Environment

Organizations do not operate in vacuums rather they operate within the setting of a larger system which constitutes the environment
Environment generally refers to the surroundings, circumstances and influences on individuals or organizations. The effects of the environment can either be positive (i.e. beneficial) or negative (i.e. cost/constraints)
Although constitutionally the power of managing organizations rests with management, which should use its ability to make decisions, in real life this is not always possible because the environment exerts pressure on management. These pressures are what are referred to as environmental constraints.
The environment has also been defined as the aggregate of socio-cultural, economic, and physical conditions that influence the life of an individual, organization or community. No enterprise of any kind can operate in the absence of environmental constraints, or restrictions imposed by the organizational surroundings. While managers exercise power their authority is always limited by the environment, of necessity then, all enterprises must adjust to the environments in which they exist. Every organization has two types of environments: Internal (task) and External (general).

The External Environment

The external environment of an organization, also sometimes called its general environment consists of those factors that are outside the control of the manager (external to it) but which nevertheless affect managerial decision-making.
The external forces generally affect all organization within that society so they are not specific to any one organization.

Social and Cultural environment

The business operates within a social framework. Four aspects of this are relevant.

- Power: - who has it how effective is it and how is it used.
- Leadership:- who are the leaders and what are their weaknesses and strength.
- Culture:- the value s and traditions within which the business must operate. One problem forcing multinational has often been failure to cope with the different cultural values of the countries within which they operate.
- Risk:- attitudes towards risks and risk taking can be risk averse or seekers.
- The organisation is influenced by changes in the nature, habits and attitudes of society: -
- Changing values and lifestyles eg. flexible working hours, internet access and other IT devices that allow people to shop on line
- Changing beliefs
- Changing patterns of work and leisure
- Demographic changes.
- Changing mix in the ethnic and religious background of the population.

The social environment also covers the study of population trends. The manager will make use of such trend to determine the size, type and location of the market place for products or services.

- Size: Expected growth or decline on the national and international population affects the markets size.
- Type: Changes in the age distribution affects the product or services to be offered.
- Location: The expected drift of population into different parts of the country affects the channels of distribution.
- Demographic changes can have negative impact on demand. Falling birth rates could indicate problems ahead for producers and sellers of baby products later.
- Emigrating population can reduce demand on a local basis.
- Culturally changes in tastes and fashion can have a damaging effect on organisations that fail to anticipate the changes eg. clothing.

Legal environment

It is concerned with how an organisation does business and covers:-

- Law of contract i.e. validity of contract.
- Sale of goods Act – selling practices
- Health and safety legislation for example in UK there is an Act that governs health and safety at the workplace. It covers the working condition and the preventive measures that an employer should put in place.
- Employment Act: How an organisation treats its employees.

- Legislation on competitive behaviour – Law of Tort.
- Law of Tort: Negligence, Auditor's and management liability.
- Environmental legislation: Pollution control such as waste management.
- Company's Act in Kenya Cap 486
- Tax Act Cap 470
  Changes in the law can affect the organisation in many ways for example a tightening of health and safety legislation may increase costs. Premises failing to meet standards may be closed down.
- A particularly damaging change is the complete ban on a company's product and this could be worse if the company had not diversified enough its product portfolio. This is what BAT (K) Ltd is facing as many international organisation press on for a total ban on marketing of tobacco products.

The economic environment

The current state of the economy can affect how a company performs. The rate of growth in the economy is a measure of the overall change in demand for goods and services, Other than economic influences include:-

- Taxation levels
- Inflation rate
- Balance of trade and exchange rates
- Level of unemployment interest rates and availability of credit
- Government subsidiesOne should also look at international economic issues:-
- The extent of protectionist measures.
- Comparative rates of growth, inflation, wages and taxation
- Freedom of capital movement
- Economic agreement in various trading blocs such as the EU, COMESA.
- Relative exchange rates.
- A downturn in the economy can lead to corporate failures across a number of sectors. The worst hit are suppliers of goods with high income elasticity demand eg. house builders like Housing Finance.

Deflationary government fiscal policy (low government spending, high taxation and a planned budget surplus) and central bank monetary policy

High interest rates, restrictions on money supply expansion and revaluation of currency can adversely affect a business. This is because they influence demand for goods both domestically and internationally, cost of capital and the level of profitability which in turn affects dividends and retained earnings level.

Political environment

The origin must react to the attitude of the government. The organisation must react to the new attitude of the government of the day. The government is the nation's largest consumer, employer and investor and any changes in the spending priorities will have a significant impact on a business.
Political influence will include legislation on trading pricing, dividends tax, employment, privatisation, development of free market influences and unemployment.
Economic forecasts are normally prepared on the basis that the existing government policies continue. Other factors are political stability in a country, which will influence the rate of investment in the country.

Technological environment

This is a rapidly changing area and organisations should be very careful with it. It can influence the following:-

- Changes in production techniques e.g. the use of robots, Computer Aided Manufacture
- Products that are made or sold e.g. software
- How services are provided. ATMS for banks
- How to identify markets creation of customer databases.

Much has been made of the application of new technologies to communications and business especially the Internet.
The impact of information as the raw material in a knowledge-based economy is huge. Within an industry failure to exploit information and new production technology can lea to an organisation failing behind its rivals and losing its competitive edge.
The distribution of services has change and there has been removal of entry barriers in certain industries such as banking and insurance. Much lower start up costs has created threats to the established players, which if they do not respond to, could lead to decline.
New technology leads to innovation of substitutes for example in the pharmaceutical industry, biotechnology and data storage devices.
Examples of changes in production processes includes use of robotics and computers. This has led to lower cost of production, better quality goods or both.

Competitors.

INTERNAL CONSTRAINTS (within the firm)

The following are constraints that originate from within the organization but which management must take care of.

i. Constraints imposed by organizational charters and guidelines

Many organizations such as government agencies, religious bodies and corporations have written documents which constitute corporate charters, by-laws, policies, rules, constitutions etc. These documents spell out what the organization can or cannot do and managers in these organizations are limited by what these documents say.

ii. Constraint imposed by organizational policies, procedures, rules and strategies

These predetermined plans place limits on what an organization can or cannot do e.g. policy specifying that all sales be to wholesalers tells managers that sales will not be made to ultimate consumers at all, or rules against members of the same family working in the same organization.

iii. Constraints imposed by limited money and personnel

No organization has unlimited capital. Because of insufficient funds, managers may be unable to hire the best qualified people, purchase the best equipment and land and so forth. Therefore the organization will be restricted in what actions it can take. Managers may also be limited by the personnel (employees) within the organization who may not have the necessary skills or knowledge to carry out planned activities. Employees may also resist changes that affect them in the organization.

iv. Constraints imposed by higher level management

Policies, procedures and rules such as noted above are developed by higher level management. In addition higher level managers develop the strategies that direct the actions of other members of the organizations. The actions of higher management can therefore limit the actions of the lower level management.

v. Constraints imposed by custom and culture.

Custom is defined as long established, continuous, reasonable and constant practices considered as unwritten law and resting for authority on long consent. Custom defines the unique ways of how things have always been done in the organization.

vi. Constraints imposed by stockholders and Boards of Directors

Shareholders have the opportunity to influence a company by exercising voting rights.

Note:

The five elements of the external environment (i.e economic socio-cultural, political, legal, international and technological) affect the organization indirectly. Managers should monitor the indirect action factors for early warning signs of change that might later affect the organization.

Managers can only adjust to the external environment through the planning process, or by changes in the formal organization structure i.e through flexibility which involves a conscious structuring of the organization so that it will best meet the demands of the environment at any given time.

The direct action factors of the environment consists of the organizations stakeholders i.e. the groups which have direct impact on the organization. These are either internal like employees, shareholders and the Board of Directors or external like customers, suppliers, competitors, labour unions, financial institutions, the media and competitors. Managers need to balance the interest of all those stakeholders for the good of the organization. This can be done through such actions as (advertising, lobbying and collective bargaining).

TIME MANAGEMENT TECHNIQUES
MANAGER AND THE MANAGER OF THE ENVIRONMENT

Introduction

The key to using time effectively is better management. Managers and leaders need to manage their time effectively. You cannot save time you simply lose more and more of it as the days, weeks, months and years progress. You find that by the end of one day, no more hours are remaining for doing any work.

You must budget your time so as to achieve good results. To budget your time, you will have to establish specific goals, design deadlines, and allocate time for each important activity which you want to perform each day. As a manager, you are actively involved in creativity, innovation, problem-solving and opportunity seeking on behalf of your organisation. These activities are hallmarks of entrepreneurial managers and leaders. Hence it is essential that you set aside your time for each of them, plus all other duties to be performed in your organisation.

Setting daily goals and time-scheduling:

You will set your daily goals, which must be specific and attainable. This is the keystone to scheduling your time. It will give you a sense of purpose and accomplishment at the end of each day. Both goal-setting and time-scheduling are important processes which differ for each individual.

Be aware of factor in your style of management and recognise that you have time limits for each goal. Your creative and productive activities should include setting goals, determining priorities and establishing convenient time limits in your organisation.

It is necessary for you as an entrepreneur to be goal-oriented. Have your short-term and long-term goals and establish your work priorities. Revise your time-plan regularly so that you achieve your goals.

It is advisable to stress the importance of time to employees so that there is no misuse of your time and organisation's time. You will spend most of your time on those objectives and problems which affect the whole organisation. It is also important to avoid spending too much time on easy problems and leaving out difficult ones. Just identify the major problems and use your priority order to tackle them all.

Time-saving methods

Maintain a simple filing system. It is useful to review the files at regular intervals. Those, which are no longer needed, should be thrown away.
Let your committee meetings and conferences be held near lunchtime or dinnertime. Majority of the participants will be keen to finish the meetings in scheduled time.
Screen telephone calls in order that you answer only the essential ones. Your secretary or assistant can take messages for the rest. You can answer them later.
Keep your desk clear by removing away the materials, which you are not currently using. By doing so you will avoid distraction and the tendency of doing too many things at the same time.
Be fully aware of your key hours of the day. Use them effectively together with the lunch-time and the short period finishing the work in the evening.

Potential ways of wasting time

- Taking too much time for working to chat with people on personal matters not connected with work.
- Long group or committee meetings which may not be productive.
- Too many interruptions during working time.
- Disorganisation arising from poor management.
- Work is not properly delegated or very little delegation is allowed.
- Leader/manager may not be decisive.
- Lateness and absence are other potential ways of losing time for performing tasks.

Successful entrepreneurs must use their time effectively because any time which has been spent is gone. It cannot be recovered. Entrepreneurs must use every minute productively. They must adopt their own methods of planning, organising leading/directing and controlling for the most productive performance.

Time management techniques

- Daily goals. First, identify your specific daily goals. Know what you want to accomplish each day. List the work goals, in order of importance. Then tackle the most important goal before you to the others in your priority list. Have time to work on your own until you finish your major goals. There should be no interruptions and distractions during this time of your total concentration. Establish your office routine to operate even if you are not there.
- Deadlines. Set specific deadlines with time targets to achieve the tasks. Let your deadlines be realistic and achievable. Do everything possible to meet your time targets.

- Taking notes. Maintain a notebook or diary all the time. Write down your established keypoints to provide a permanent record of committee meetings, telephone conversations an your discussions with others. Record your own thoughts and ideas plus future appointments, things to do, names and telephone numbers of the people you deal with.
- Use telephone. Use telephone as the main communication link between your office and others in your working world. Keep letters to a minimum except where necessary. Use also telex, fax and e-mail facilities to communicate with your working world. Telephone is particularly good because it provides a two-way conversation. Hence it is quick for solving problems as opposed to long meetings or letters.
- Self-motivation. Successful entrepreneurs are highly motivated individuals. Motivation helps them to accomplish the tasks which are to be undertaken within a planned period of time. Self –motivation is used as another technique of time management because it helps them accomplish many tasks within a given time period.
- Action oriented. Be action-oriented if you want to manage your time-well. Once you decide to do something, eg. solving a problem, do it promptly. It is advisable to take time to plan your work and then implement it.
- Work plan. Plan your work in detail for today and tomorrow as well. At the end of a day's work, it is logical to prepare another work schedule for tomorrow. Reduce the danger of procrastination. At the end of each day, you will examine ways in which time was wasted and use the experience to avoid time wasting activities in future.
- Ask managerial questions. Before you start working, you need to ask helpful and relevant questions. Examples of helpful questions are: What? When? How? and Why? These questions are actually managerial questions because their answers help you to find out more effective and efficient ways of attaining your goals and objectives.
- What activities do you need to delegate to your staff?
- What are your priorities in decision-making process?
- Do you have properly scheduled activities? Are they accomplished within the planned
- Time?
- Do you concentrate in one activity at a time or do you handle many activities without

Proper concentration?

- Avoid doing everything. It has been said: "if you want something done, have a busy person do it." You are a busy entrepreneur with purposeful actions. Concentrate your efforts on the important things that lead to significant results. Select your work activities and try as much as possible not to do everything. If some activities are not directly connected with your priority goals, it is advisable to say "no" because they are time-consuming.
- Reflective thinking. Acquire this art of learning from one's past experience, present and potential future activities. People think about what they do, hence they do not find time to be alone while resting or before sleeping. It may be when one is traveling, waiting for transport or walking alone. You can use such times for reflecting on your work,
- Review and evaluate your experience. If you review and evaluate your past experiences you, will determine which ones were interesting and productive. You will know which ones are likely to face similar experiences in future, you can choose the activities you consider useful an productive for your future activities.

- Working in blocks of time. It is advisable to perform some tasks within a given period when you feel most effective. This can give you an opportunity to work undisturbed for the period of block time. This maybe for 3 or 4 hours. Lunch – time can be included in which case you take a good breakfast and miss lunch. This can be critical to your success if you are dealing with a special problem or situation.

Your twelve master keys of time management.

Key I Find out where your time goes.
What did you do for a whole day?
Did you keep track of your activities?
Did you record all worthy or unworthy activities?
Key 2: Find out why your time goes.
Did you put your efforts on worthwhile things.
Did you deviate into other activities from your planned work?
Did your boss, peers, family or customers deviate your attention?
Key 3: Minimise your time commitments.
Do not over stretch yourself; balance your time for everything you do. Then you will be effective
and efficient in your work.
Key 4: Prioritise your work or tasks.
Separate what has to be done first from that which can be done later.
Have your priority order for one day, a week, a month and a year. Build this into your plans.
Key 5: Cut down on your time wasting activities.
Reduce trivial activities
Invest on useful activities.
Key 6: Be ruthless with interruptions, especially unnecessary ones
Discourage disruptions, especially telephone calls, people, etc
Avoid unnecessary social conversations, gossips, etc
Cut down too many instructions to people, this will reduce wastage of time
Key 7: Learn how to locate the required information .
Do no spend a lot of time searching for the information required to do the work.
The information search occupies about 20% or more of one's working time.
Key 8: Build your time control plan.
This plan should fit your personality or job
It should fit your unique personality as an entrepreneur
It must reflect realistic and effective usage of time.
It must fit your unique perception of time.
Key 9: You should use other people to your advantage
Get others (by inspiring them) to do your work, eg. by delegation of work to others capable of
carrying out the work.
Key 10: Become creative in using time
Replace old fashioned ways with new modern ways of doing things eg computer, telephone, e-mail
Fax machines, etc.
Adopt the modern ways of doing things in your working culture.
Key 11: Avoid temptations to put off difficult tasks and unpleasant work.
Plan to tackle difficult tasks and unpleasant work according to your priority order.
Avoid the persistent and unwise temptations of delaying what is planned in your "things to do list"

especially if it is difficult.

Key 12: Learn how to use your time smatter and not harder.

Avoid straining over your time, use modern technology

Adopt communication technology which helps your to accomplish your tasks at a lesser time.

Computers, telephone, e-mail and fax machines are recommended for communication technology

Remember these useful TIME GOALS: -

- Concentrate on important activities
- Avoid the deadline trap
- Plan time management
- Recognise time constraints
- Minimise disruptions
- Get information quickly
- Consider time as your major asset and invest wisely in time management.

MANAGING WORK & ORGANISATIONS
Foundations Of Managing Work

Principles of Work Management

- Frederick W. Taylor
- Gilbreths (Frank & Lillian Gilbreth)
- Henry Gantt

Taylor's Principles of Work Management

Determination of the best method of performing the task by use of time-motion studies (scientific analysis of work)

- Scientific selection of a worker each worker should be given responsibility for the task which he is best suited or qualified
- Financial incentive of piece rate system for workers.
- Division of responsibility between workers and managers.

Other contributions

By Henry L. Gantt (1861 – 1919)

Gantt is one of the leading contributors to the scientific management theory.
He believed that the piece rate system develop by Taylor was not having the desire level of impact and focused his attention on techniques that would further motivate workers.
Gantt's main contributions

- Bonus
- Gantt develop the idea of bonus-wage system. Production goals were set for the workers and if the worker achieves the goal a bonus in addition to the day wage was provided.
- Gantt Chart
  Is a technique which show an a graph the scheduling of work to be done during any given period e.g. a chart might show which machines will be used or have been used for various tasks overtime. The chart is extensively used today in many manufacturing firms for production control and scheduling.

GILBRETHS

Frank Gilbreth & Lilian Gilbreth, a husband and wife, were some of the early backers of Taylor's scientific management philosophy.
Main contributions

Three position plan promotion

- The Gilbreths developed a that intended to serve as an employee development program as well as a morale booster. According to this plan a worker would do his present job, prepare for the next highest one and train his successor all at the same time. Thus a worker will always be a doer, a l learner and a teacher.
- Job rotation
  The Gilbreths came up with the idea of developing workers through job rotation i.e. rotating workers through various tasks to improve their performance.
- Training and development of workers
  Gilbreths felt that to improve worker productivity organisations should train and develop workers.

MAJOR SCHOOLS OF MANAGEMENT THOUGHT AND THEIR EVOLUTION

Importance Of Theory

This lesson mainly traces the history behind the development of management theory. The theories and history ofmanagement are important to managers for various reasons. History helps managers understand current development and avoid mistakes of the past. History and theory together foster an understanding and appreciation of current situations and developments and facilitate the prediction of future conditions.

Theory helps managers organize information and therefore approach problems systematically. Without theories all managers would have are, intuition, hunches and hopes which may not be useful in todays very complex and dynamic organizations. However there is not yet any verified and generally accepted theory of management that managers can apply in all situations. Therefore managers must familiarise themselves with the major theories that exist.

Ancient Management

As a scientific discipline management is only a few decades old. However indications of management in use go
back thousands of years into ancient civilizations. For example one of the earliest recorded uses of management
is the Egyptians construction of the pyramids. It is also recorded that the Chinese used management in
government from as early as 1500 B.C.
The Greeks also used management in government from as early as 1000 B.C.
Babylonians have also been recorded to have used management in government from as early as 2700 B.C.
The management of the Great-Roman empire could not have succeeded without use of management. It is recorded that from about 800 B.C the Romans were practising organizing principles. A lot of bureaucracy for instance was in practice in the ancient Roman Army. The works of people like Socrates (400 B.C) and Plato (350B.C.) all indicate some elements of management. However despite this widespread practice of management there was little interest in management as a scientific discipline until a century ago. It was not until the late nineteenth century that large businesses requiring

systematic administration started to emerge. Also before the late 19th century governments and military organizations were not interested in the profits so they paid little attention to efficiency and effectiveness. Our study of the theory of management will focus on the three well established schools of management theory.

- The Classical School
- The Behavioural School
- The Management Science School

THE CLASSICAL SCHOOL

This school of thought emerged around the turn of the twentieth century. It is divided into two sub areas: Scientific management, which historically focused on the work of individuals and classical organization theory (administrative management which was concerned with how organizations should be put together).

SCIENTIFIC MANAGEMENT

The main objective of Scientific Management in the early days was to determine how jobs could be designed in order to maximise output per employee (efficiency). The main contributor to scientific management was Frederick W. Taylor until the Husband Team of Frank and Lillian Gilbreth also added more light to scientific management.

(a) Frederick W. Taylor and Scientific Management

Taylor was an Industrial Engineer who worked in the United States at a time when industries were facing shortage of skilled labour. For factories to expand productivity, ways had to be looked for to increase the efficiency of employees. Management faced questions such as, whether some elements
of work could be combined or eliminated, whether sequence of jobs could be improved or whether there was "one best way" of doing a job. In trying to answer these questions Taylor slowly developed a body of principles that constitute the essence of scientific management.
Taylor's first job was at Midvale Steel Company in Philadelphia:While here Taylor analysed and timed steel workers movements on a series of jobs. With time he was able to establish the best way to do a particular job. But he noticed the workers did not appreciate the speed factor because they feared that work would finish and they would be laid off. So Taylor encouraged employers to pay the more productive workers at a higher rate based on the profits that would result. This system is called the differential rate system. Taylor was encouraged by the results of his work and decided to become a private consultant. His most significant work was while he was consulting for two companies: Simonds Rolling Machine Factory and Bethlehem Steel Corporation.
At Simonds he studied and redesigned jobs, introduced rest breaks and adopted a piece rate pay system. In one operation he studied 120 women employed in tedious work with long working hours. The work involved inspecting bicycle ball bearings. Taylor started by studying the movements of the best workers and timed them. Then he trained the others in the methods of their more effective co-workers and either transferred or laid off the inefficient ones. He introduced rest periods and the differential rate system and the results were that accuracy of the work improved by two-thirds, wages rose by eighty to hundred percent, worker morale increased and thirty five inspectors were now able to do work previously done by 120.
At Bethlehem Steel Taylor and a co-worker studied and timed the operations involved in unloading and loading railcars. At the time each worker earned $1.15 per day unloaded an average of 12 1/2 tons. Taylor introduced rest periods in the day and realised that each man could handle about 48 tons a day. He set a standard of 47 1/2 tons and a rate of $1.85 for those who met the standard. The results were increased efficiency.

However despite his achievements trade unionists and workers started to resist the ideas of Taylor and in defending his philosophy Taylor outlined that it rested on four major principles.

- The development of a true science of management so that for example the methods for performing each task could be determined.
- The scientific selection of the worker so that each worker would be given responsibility for the task for which he/she was best suited.
- The scientific education and development of the worker, and
- Intimate, friendly cooperation between management and labour.

In conclusion Taylor said that the principles could only succeed if there was a complete mental revolution on the part of both management and labour to the effect that they must take their eyes off the profits and together concentrate on increasing production, so that the profits were so large that they did not have quarrels about sharing them. He strongly believed that the benefits from increased productivity would accrue to both management and labour.

(b) The Gilbreths

Frank (1888-1924) and Lilian (1878-1972) were a husband and wife team who also contributed to scientific management. Lilian focused her studies on ways of promoting the welfare of the individual worker. To her, scientific management has one ultimate aim: to help workers reach their full potential as human beings. Lilian also assisted Frank in the areas of time and motion studies and industrial efficiency and was an earlier contributor to personnel management. Frank who began his work as an apprentice bricklayer, developed a technique that tripled the amount of work a bricklayer could do in a day. He studied motion and fatigue and said that they were intertwined. Every motion that was eliminated also reduced fatigue. Both Gilbreths argued that motion study would raise morale because of its obvious physical benefits. They developed a three position plan of promotion that was intended to serve as an employee development program as well as a morale booster. According to this plan a worker would do his or her present job, prepare for the next one and train his or her successor all at the same time. Thus every worker would always be a doer, a learner and trainer and hence workers would look forward to new opportunities.

(c) Henry L. Gantt (1861-1919)

Henry Gantt who was an associate of Taylor developed the Gantt Chart - a device for scheduling work after a span of time. Gantt also developed the bonus system of paying workers. Both the Gantt Chart and the bonus system of paying workers are in use in todays complex organizations.

Limitations of Scientific Management

- During Tayor's time, the mental revolution he advocated rarely came about and often increased productivity and led to layoffs.
- It assumed people were rational and therefore motivated only by material gains. Taylor and his followers overlooked the social needs of workers.
- They assumed that one had only to tell workers what to do to increase their earnings and they would do it. But people have a need for other things other than money e.g. recognition

- They also overlooked the human desire for job satisfaction and workers became more willing to go out on strike over job conditions than salary.

So the scientific model of the worker as a rational being interested only in higher wages became increasingly inappropriate as time went on and employer and labourers got increasingly dissatisfied with it.
An evaluation of scientific management indicates that scientific management was developed to achieve two objectives to increase workers' productivity and to improve workers' economic welfare. The first objective was achieved because the methods of scientific management such as time and motion, piece rate incentives, Gantt Chart and production standardization were accepted by industries. The second objective was however not fully achieved. Managers used scientific management to improve workers' productivity but they often did not see the benefits. Productivity often led to layoffs or changes in piece rates, so that workers had to produce more for the same income. The enthusiasm for scientific management ended around 1930.

PRINCIPLES OF WORK MANAGEMENT FROM THE SCIENTIFIC MANAGEMENT SCHOOL OF THOUGHT.

THE CLASSICAL ORGANIZATION THEORY

This is the other branch of classical management. Classical organization theory grew out of the need to find guidelines for managing complex organizations such as factories. Henry Fayol is recognised as the father of classical organization theory because he was the first man to systematize managerial behaviour. Another contributor to classical organization theory was Max Weber.

(a) Henry Fayol (1841-1925) and the Classical Organization Theory

Fayol believed that sound managerial practice falls into certain patterns that can be identified and analyzed. Fayol who was trained as a mining engineer worked his way from a junior executive to director of the French Coal and Iron Combine Company. Fayol often confessed that he did not attribute his success to his personal abilities but rather to the methods that he practised. He strongly believed that management was not a personal talent but a skill like any other and therefore it could be taught or learned. At the time it was generally believed that managers were born! Fayol's observation on principles of general management first appeared in 1916. He found out that the activities of an industrial undertaking fall into six groups.

i. Technical (Production)
ii. Commercial (Buying, selling, exchange)
iii. Financial (Search for use of capital)
iv. Security (Protection of employees property)
v. Accounting (Record, stocks of cost, profits, liabilities etc)
vi. Managerial

Fayol's main interest was on the last activity. He defined management in terms of five functions:

- Planning which means choosing a course of action that will help the organization achieve its goals.
- Organizing meaning mobilising resources to put plans into action
- Commanding means providing direction to employees and getting them to do their work.
- Coordination means ensuring harmony in the use of resources
- Controlling means monitoring the plans to ensure that they are being followed.

Fayol's model of management remains an approach to management today. Fayol also looked into the qualities
that are required by management and concluded that they depended on the level of the person in the enterprise.
These were physical, mental, moral, educational, technical and experience.
Fayol also developed fourteen principles of management which he felt should be applied by managers at the
operational level. He listed these principles as:

i. Division of labour: Work be divided among workers
ii. Authority and responsibility: Managers need authority to carry out responsibility
iii. Discipline: Workers should respect the rules and regulations of the organization
iv. Unity of Command: An employee would receive commands from only one supervisor.
v. Unity of Direction: One manager should have one plan for each organizational objective.
vi. Individual Subordination: The interests of the organization should come before individual interests.
vii. Remuneration: Pay should be fair and good performance should be rewarded.
viii. Centralization: There would be one point in the organization that exercises overall control.
ix. Scalar Chain: Authority should flow downwards from top to bottom through the chain of command.
x. Order: People and materials should be in the right place at the right time.
xi. Equity: Managers should be fair in dealing with employees.
xii. Stability of tenure: Efficiency can be achieved by a stable labour force.
xiii. Initiative: Employees should be given freedom to act and be innovative.
xiv. Espirit de Corps: In union there is strength, teamwork should be encouraged. Management is universal among all organizations and Fayol argued that those with a general knowledge of the management functions and principles can manage any type of organization. He further advocated that these principles/functions can be learned by anybody who is interested. But qualities such as physical health, mental vigour, moral character, which is essential for management, cannot be learned - one must possess them. Any individual who possesses such qualities can acquire managerial skills by learning the principles of management through formal training.

(b) Webers Bureaucracy (1864-1920)

Weber was a German sociologist who was very sensitive to the abuses of power by people in managerial positions. In order to reduce these abuses of power Weber proposed an organizational system that would be run by rules and regulations commonly known as Bureaucracy. Under Bureaucracy an effective organization had a hierarchical structure based on the formal authority and where people were guided by rational rules and regulations rather than the arbitrary acts by those in management. Weber believed that such rested on the following basic principles:

- managers should strive for strict division of labour and each position should be staffed by an expert in that area, there should be a consistent set of rules that all employees must follow in performing their jobs (the rules must be impersonal and rigidly enforced),
- there should be a clear chain of command
    - everyone should report to one and only one direct superior
    - communication should always follow this chain and never bypass individuals,
- business should be conducted in an impersonal way (managers must maintain an appropriate social distance from their subordinates and not play favourites,
- Advancement within the organization should be based on technical expertise and performance rather than seniority or favouritism,

Legal authority and power—authority and power rest in the institution of office. The power an individual holds is legitimised in the office and does not personally belong to him.

An Evaluation of the Classical Organization Theories (also known as Classical Administrative Theories)

The classical administrative theories of Fayol and Weber have had a lot of impact on management even today. Many current textbooks in management are organized around Fayol's theoretical framework. Fayol's main contribution included the concepts of the Universality and transferability of managerial skills. Even today it is widely accepted that management skills apply to all types of group activity. The concept that certain identifiable principles underlie effective managerial behaviour and that these principles can be taught also continues to have validity today. Another contribution of these theories is that today many complex organizations are managed by the bureaucratic rules proposed by Weber. These theories however have certain limitations

- First these theories assumed that all organizations can be managed by the same set of rules and regulations. They failed to appreciate the difference between various organizations for example you cannot run a government department on the same rules used in a social organization like a club or a private company.
- Secondly, the classical approach can be effective under a stable environment, but with frequent changes (rampant today) it proves ineffective as conditions require modifications in management principles and bureaucratic rules. Following outdated rules and principles can be counterproductive.
- Third the classical theories undervalued the human element in organizations. It saw people as passive and capable of reacting only to organizational rules and economic incentives. It ignored such qualities as attitudes, emotions, creativity and initiative. It failed to accommodate the fact that people are capable of going against rules. In a bid to cover these inadequacies in the classical theories the human relations movement and the behavioural science approaches were developed.

THE BEHAVIOURAL SCHOOL OF MANAGEMENT THEORY

Although most of the early theories ignored or neglected the human element in the workplace a few individuals dwelt on the basic framework of the classical school and came up with more people oriented theories. Notable among these were Mary Parker Follet and Chester Barnard, Hugo Munsterberg and Elton Mayo.

(a) Mary Parker Follet (1868-1933)

Follet recognised the potential importance of the individual but advocated that no one could become a whole person except as a member of a group. She believed that the artificial distinction between managers as order givers and subordinates as order takers obscured the natural relationship that should have existed between them as members of one group.

She strongly felt that for management and labour to become part of one group the traditional views on workers would have to be abandoned, for instance leadership should not come from the power of formal authority (as traditionally believed) but from the persons with greater knowledge and expertise.

(b) Chester L Bernard (1886-1961)

Bernard used his extensive knowledge in sociology and philosophy to develop certain theories on organizational behaviour. He for instance said that people come together in formal organizations to achieve things they cannot achieve working alone. As they pursue the goals of the organization they must also satisfy their individual needs. He strongly believed that for an organization to function effectively, a balance must be maintained between the organizational goal and the goals of the individuals in the organization.

(c) Hugo Munsterberg (1863-1916) and the birth of Industrial Psychology

He is remembered as the father of industrial psychology and published his book "Psychology and Industrial Efficiency (1913). He suggested that productivity could be increased through the following ways:

- Finding the best possible person i.e. the worker whose mental ability is the best for the job.
- Finding the best possible work i.e. the ideal psychological conditions for maximising productivity and
- Through use of psychological influence i.e. the best possible effect to motivate employees.

Like Taylor he advocated for more science in management but being a psychologist he argued that the proven techniques of psychology for measuring individual differences be applied to industrial problems. He developed psychological tests for fitting the right person to the right job thus implementing Taylor's idea to select workers scientifically. Generally Munsterberg sought to find the best person for a job and studied and designed the job itself to match it more closely with human characteristics and abilities. He suggested that this would reduce the almost limitless waste of human resources and would return large economic benefits to both the firm and the employees. Like Taylor he was also interested in the mutuality of interests between managers and employees and argued that his approach was even more strongly aimed at workers and through it he hoped to reduce the working time, increase their wages and raise their standard of living.

(d) Elton Mayo (1880-1949) and the human relations movement

Elton Mayo is referred to as the father of human relations movement. This trend that started in 1920 up to 1950 concerned itself with the treatment of psychological satisfaction as the primary management concern. Human relations is used to describe how managers interact with subordinates when the management of people leads to better performance then there is good human relations. When morale and efficiency deteriorate human relations in the organization is 'bad'.

Managers need to know why employees behave the way they do and what psychological factors motivate them if they are to create good human relations. The main catalyst of the human relations debate was the Hawthorne studies, conducted by Fayol and his friends.

Hawthorne Experiments:

These were conducted by Elton Mayo and his associates from Harvard University. The studies were at the Hawthorne Plant of Western Electric Company (US) from 1927 to 1932.

Earlier on other researchers had conducted experiments using two groups - an experiment group which was subjected to changes in the lighting (illumination) and a control group whose lighting was kept constant. When lighting conditions were improved productivity went up, but even when lighting conditions were worsened productivity also went up. This was puzzling but what complicated the problem further was that the control groups productivity increased as lighting was altered for the experiment group.

In an attempt to solve this puzzle Mayo triggered off the human relations movement. In a new experiment Mayo used two groups of 6 women each. For the experiment group such variables as salaries were changed, rest periods were added, work hours were shortened and groups were allowed to suggest the changes they wanted made. Again output went up for both groups.

Mayo ruled out financial resources as the causes since the control groups salary remained the same. They concluded that a complex emotional chain reaction had triggered the increase in productivity. They felt that because the members of the groups had been singled out for special attention, they developed a group pride that motivated them to improve productivity. The experiment made Mayo conclude that special attention (like being selected in a study exposing one to constant contact with top management) caused people to increase their efforts - a phenomenon that has come to be referred to as the Hawthorne Effect.

Mayo further tried to establish why such special attention should cause people to increase their efforts. He found out that the special environment of employees informal work groups have great influence on productivity. Mayo concluded that workers are human beings who are affected more by social interactions. He felt that the concept of "social man" had to replace the old concept of "rational man" advocated by the classical theorists.

Contributions and Limitations of the Human Relations Approach

Mayo's human relations had major impacts (contributions) on management thinking and practices.

- It focused on human factors as an important managerial variable which resulted in more and more researches paying attention to the human element in organizations.
- It led to improvements in employee welfare in many organizations
- Labour gained more economic and political power acting through trade unions.
- Mayo also highlighted the importance of a manager's style and therefore revolutionalized management training, and managers started thinking more in terms of group processes and group rewards to supplement individual rewards.

The human relations movement also had three major limitations:

- In viewing human factors as the single most important organizational variable it committed the mistakes of earlier theories, searching for one best way of managing. The scientific management method had tried to search for the one best way of designing jobs, while the administrative theory had searched for the one best way to arrange organizational activities.
- The human relations theorist also viewed workers as 'social beings' motivated by social rewards, but this was also too simplistic a view of human beings who are complex and motivated by a variety of factors.

- They also assumed that satisfied workers would be productive and this made firms introduce fringe benefits e.g. vacations but this was not always true - benefits did not always result in increased productivity. This movement however paved the way for the development of behavioural science of the 1960s and 1970s.

The behavioural scientists like Argyris, Maslow and McGregor believed that the concept of "self actualizing man explained human behaviour more accurately (the behavioural scientist theories will be covered later under employee motivation.

THE QUANTITATIVE SCHOOL OF MANAGEMENT

This is the third school of management thought and it focuses on quantitative or measurement techniques and concepts that are relevant to management. It mainly originated with the British Military in the World War II. Britain which was faced by many problems of warfare sought to find better ways to deal with issues like troop movement, arms production etc. This school has three branches:

- Management Science
- Operations Management and,
- Management Information Systems

Management Science

Management Science mainly concerns itself with the development of mathematical and statistical tools and techniques that can be used to improve efficiency. Breakthroughs in computers and other forms of electronic information processing have enhanced the application of management science.

Operations management

Is somewhat like management science but it mainly focuses on application. Main concern is the processes and systems that an organization uses to transform inputs into outputs. Therefore it will deal with decisions like plant location, plant layout and inventory control and distribution of finished products.

Management Information System (MIS)

MIS is a system created specifically to process, store and provide information for managers in order to improve decision making.

Evaluation of the Quantitative School

The techniques of management science are extensively used to solve problems in most organizations today.

The tools and techniques can greatly enhance a manager's decision-making, planning and control and improve their organization efficiency and effectiveness. However many of the key variables in organizations e.g. people, office politics, feelings, attitudes, motivation, personalities leadership cannot be quantifiable. Yet these factors are critical in decision-making.

CONTEMPORARY MANAGEMENT THEORIES

In the recent past several new perspectives about management have emerged. These are still evolving and have not attained the status of schools of thought but they still provide useful insights into the understanding of management.

Among these we have the contingency theory, systems theory, management theory Z, management excellence and process theory.

a) Contingency Theory

This theory argues that appropriate management actions depend on the situation prevailing at the time. According to this theory there are no ready made universal answers to management rather the decision that a manager will make will depend on the situation. Every situation that a manager will confront will be somewhat different and therefore will require different reactions.

b) Systems Theory

This theory tries to look at how organizations function and operate as a system that is a subsystem of a much bigger system. It is the process by which an organization receives feedback. A system is an interrelated set of elements that function as a whole. It has four basic parts; it receives inputs, from the environment, it transforms the resources into outputs (finished goods and finally receives feedback from the environment).
The feedback from the environment serves as a source of information about the performance of the firm and hence it serves as a good basis for later decision making. (This notion of a system being only part of a greater system is very useful to management and stands out as the greatest contribution of the systems theory). The other useful concepts of the systems theory are the concepts of Synergy Entropy and Equifinality. Synergy suggests that two people or units can achieve more working together than working individually. Entropy is what happens when firms adopt a closed-system approach - they fall and die. Equifinality is the idea that two or more strategies (paths) may lead to the same achievements (place).

c) Theory Z

The theory Z of management is a very new approach to management. It has not yet withstood the test of time and it is not certain therefore to evolve into a fully developed theory of management.
Theory Z was popularized in the early 80's by Willian Ouchi. During this time a great deal of attention was being given to the success of Japanese Companies in America and in world trade and differences between American and Japanese management practices. Ouchi studied succeeding American firms in order to determine why and how they continued to be successful when other companies were losing ground. He found that most American companies followed a set of business practices which he called type A (A standing for American). The typical Japanese company followed a different set of practices called J (J standing for Japanese). But the highly successful American firms followed neither type A or type J management. Rather they used a modified approach that capitalised on the various strengths of type J model and also used type A method when cultural factors dictated.
Ouchi attributed the success of these companies to their use of the modified approach. He concluded that a flexible management position incorporating the strengths of both American and Japanese models would lead to successful competition. This approach he called the Theory Z of management.

Some Aspects of Japanese Management

- The practice of management always reflects the culture of a society. Japanese management has certain aspects which are predominantly borrowed from their culture.
- Japanese managers place much more emphasis on generating harmony at all levels of the firm.
- Japanese managers more than those from other cultures to a great extent tend to place group goals ahead of individual goals. Unlike American firms they do not overemphasize the big positions in the company.

- Japanese management is characterised more by consultation than by direct order. Even low level officers help in formulating policies. (This however, results in slow decision making).
- Japanese managers rarely reject any contributions by subordinates flatly because to do so is impolite and a threat to their culture of harmony.
- The Japanese worker usually signs for life with a company. Labour turnover is very low in Japanese firms. Companies try hard to keep their workers happy.

d) Management Excellence

This theory was advocated by Thomas Peters and Robert Waterman in the mid 80's. After studying various American films they concluded that successful managers were characterised by eight attributes:

- a bias for action
- staying close to the customer
- autonomy and entrepreneurship
- productivity through people
- hands on-value driven management
- remaining with the business: stick to the knitting.
- simple form and lean staff
- climate of dedication to the central values

Because these theories have not been tested and are still evolving, their validity cannot be ascertained but they still do have useful information for managers of today's dynamic and complex organizations.

REINFORCING QUESTIONS

1. How would you define the term management?
   and describe its key characteristics.

2. Describe management in terms of its functions.

3. Is management an art or science? Explain.

4. Describe management in terms of the management roles.

5. How do you measure successful management?

Check your answers with those given in Lesson 12 of the Study Pack

LESSON TWO

THE PLANNING FUNCTION

OBJECTIVES

After studying this lesson the students should be able to:

i. Discuss the importance of planning in organizations
ii. Discuss the steps in the planning process
iii. Describe how planning can be made more effective
iv. Outline major barriers that managers face as they try to plan
v. Discuss how these barriers can be overcome
Describe strategic planning and contrast it with operational planning.
MBO process.

INSTRUCTIONS

1. Read Chapter 6 of Cole and the study text below
2. Attempt the reinforcing questions at the end of the study text
3. Check your answers with the model answers supplied in Lesson 12.
4. If your answers differ greatly from the model answers, read the text again, slowly and carefully

CONTENTS

2.1 Definition and importance of planning
2.2 Making planning effective
2.3 Goals and objectives
2.4 The process of management by objectives
2.5 Strategic planning

2.1 DEFINITIONS AND IMPORTANCE OF PLANNING

Whatever individuals or organizations do, they need to plan. Planning is the basic process by which we select our goals and determine how to achieve them.
If order for managers to design an enabling climate for the effective performance of individuals working together as groups in the organization, they must see to it that purposes and objectives and procedures of attaining them are clearly understood. If group effort is to be effective people must know what they are expected to accomplish. This is the essence of planning.
Planning is the most basic of all managerial functions. In defining it Koontz says that planning involves selection from among alternatives future courses of action for the firm as a whole and for every department or section within it.
So when planning managers select organizational objectives and departmental goals and determine ways of achieving them. It thus provides a rational approach to pre-selected objectives.
It will therefore involve:

- selecting what objectives are to be achieved
- deciding the actions to be taken assigned these activities
- deciding who will be responsible for the action to achieve them

Deciding the organizational position to planning can be looked at, therefore, as the process of developing plans. A plan is a blue print or framework used to describe how the organization expects to achieve its goals. Planning then is simply the process of determining which path among several the organization wishes to follow. When you plan you map out a course of action in advance.
Any goal might be approached in several different ways. Planning is the process of determining which is the best way to approach a particular goal.

2.1.1 Importance of Planning

a) The purpose of every plan and of all derivative plans is to facilitate the accomplishment of enterprise purpose and objectives.
b) Planning therefore gives direction to the activities of the organization. Without plans people would not know what is to be expected of them.
c) Planning also facilitates control. The plans act as standards against which performance can be measured and evaluated. Deviations from plans help to point out weaknesses in the organizational process.
d) Since managerial operations in organizing, leading and controlling are designed to support the accomplishment of enterprise objectives, planning logically precedes the execution of all other management functions. Without planning other management functions would be impossible.

Given the importance of planning then it is essential to identify planning responsibilities. That is who in the organization does planning? By its very nature it is obvious that the responsibility for planning rests with the management. All managers are involved in the planning process.
Planning starts with top management. These top managers working in consultation with the Board of Directors establish the broad goals and strategies of the firm. Middle managers work together to assist with strategic planning and they work individually to develop and implement planning activities within their respective divisions/or units.
First line managers also plan for their units and develop operational plans to actualise the planning done at middle level.

2.1.2 Types of Plans

Given the variety of the areas that organizations plan for, it is obvious that plans fall into different categories. Plans can either be described in terms of different levels of scope or different time frames. Described by different levels of scope we have:

a) **Strategic Plans**

Which are the broad plans developed by top managers to guide the general direction of the firm. They follow from the major goals of the firm and indicate what business the firm is in or what business it intends to be. Strategic plans therefore indicate how or where the firm will position itself within its environment (They are of large scope and extended time frame).

b) **Tactical Plans**

These have a moderate scope and intermediate time frame. They are concerned with how to implement the strategic plans that are already developed. They deal with specific resources and time constraints. They mainly focus on people and action. Tactical planning is mainly associated with middle management.

c) **Operational Plans**

They have the narrowest focus and shortest time frame. They fall into many types that include:

- Standing Plans:

Plans developed to handle recurring and relatively routine situations. They include policies which are general guidelines governing relatively important actions within the organization. Standard operating procedures which are more specific guidelines for handling a series of recurring activities. Finally rules and regulations which are statements of how specific activities are to performed.

- Single Use Plans

This is the second category of operational plans. These are plans set up to handle events that happen only once. The two types are programs and projects.A program is a single use plan for a large set of activities while a project usually has a narrower scope than a programme otherwise they are similar.

2.1.3 Time frame for planning

Regardless of the kind of plan a manager is developing recognition of the importance of time is essential. Plans either fall under long range, intermediate or short range plans.

Long range planning: Covers several time periods, from five years to as long as several decades. Long range plans are mainly associated with activities such as major expansion of products or facilities, development of top managers, large issues of stocks or change of manufacturing systems. Top managers are responsible for long range planning in most organizations.
Intermediate planning: range in time from one year to five years. Because of the uncertainties associated with long range plans, intermediate plans are the primary concern of most organizations. They are usually developed by both top and middle management. They are the building blocks in the pursuit of long range plans.

Short range planning: covers time periods of one year or less. They focus on day to day activities and provide a concrete base for evaluating progress towards the achievement of intermediate and long range plans.

2.2 MAKING PLANNING EFFECTIVE

2.2.1 Introduction

The plans used/made in an organization are not random but rather they are arranged in a hierarchy that corresponds to the organizations structure. At each level plans have two purposes:

i. They provide the means for achieving the objectives set in the plans of the next higher level.
ii. They provide the objectives to be met by the plans in the next lower level.

As already discussed plans are of two major types:

i. Strategic plans which are designed to meet the broad objectives of the organization
ii. Operational plans which provide the details of how the strategic plans will be accomplished.

The operational plans are divided into two main types i.e. standing plans which are standardized approaches for dealing with recurrent and unpredictable situations and single use plans which are developed to achieve specific purposes and dissolved when these purposes have been achieved.
Standing plans include policies, standard procedures, rules and regulations. Once established standing plans allow managers to conserve time used for planning and decision making as similar situations are handled in a predetermined and consistent manner.
Single use plans include programs, projects and budgets. These are detailed courses of action that are unlikely to be repeated

Planning being a rational approach to accomplishing objectives should be a flexible process which takes into account the various changes taking place in and outside the organization.
Objectives must be set in the light of the economic, social, cultural, political, technological, legal and ethical elements of the organizations environment.
The interactions of plans with every element of the environment are many and complex and they affect the efficiency and effectiveness of plans. But since planning is a vital part of all managerial jobs managers should strive to make it more effective by:

i. Understanding and following the steps in planning
ii. Understanding the barriers to effective planning

Overcoming the barriers to effective planning

2.2.2 Steps in the planning process

Planning is not a random process but one that generally follows certain steps. However the steps vary depending on the nature of the plan i.e. whether major or minor. In an exam situation always use an example to illustrate the planning process such as plan to buy company car, plans to introduce computers etc.

Step 1: Identification of opportunities

This step includes a preliminary look at possible future opportunities and deciding what the strengths and weaknesses of the organization are. The manager must have a careful scan of competition, customers, and the external environment.

Step 2: Establishing objectives

Here the manager must answer the question of "where the organization wants to go, how and when to get there". Objectives must be established for the entire organization and then for each unit.

Step 3: Consider planning premises

Need to establish in what environment internal or external the firm's plans will operate. Questions like what kind of markets will there be? what quantity of sales? what prices? costs? wage rates? tax rates and policies. In premising the manager establishes and obtains agreement to utilize and disseminate critical planning premises, which are forecast data of factual nature applicable to the organizations plans, laws and policies.

Step 4: Determine alternative courses

The alternative courses of action should be determined. For each plan there can be several and different ways of approaching the objectives.

Step 5: Evaluate the alternatives

The alternative courses should be examined and the strengths and weaknesses determined in the light of the objectives. The risks and returns involved in each alternative should be examined.

Step 6: Select one course of action

This is the point of decision making, deciding which out of the alternative course of action should be selected for adoption.

Step 7: Formulate derivative plans

To support the basic plan, some derivative plans are required - for example most plans may go with the hiring of staff and this needs other smaller plans.

Step 8: Numberise the plans by budgeting

The plans must be given meaning by converting them into budgets, for example by showing the incomes, costs and expenses to be expected. Budgets when well formulated become important standards against which planning progress can be measured.

2.2.3 BARRIERS TO PLANNING

(a) Environmental Barriers

Most organizations operate in environments that are complex and dynamic where the environmental factors keep changing rapidly e.g. technology, politics and economic conditions. These changes make it harder to develop effective plans. Plans may become obsolete even before they are executed.

(b) Poor Goal Setting

The beginning step in planning is goal setting. If the goals set are unrealistic either they are unattainable or too low. This will hinder effective planning.

(c) Resistance to Change

By its very nature, planning involves change. Fear of the unknown, preferences for status quo and economic insecurity causes organizational members including managers to resist change and as such resist planning that might cause such change.

(d) Time and Expense

Lack of time or financial resources can limit planning. Planning takes time and the managers face many pressures and these pressures may cause them to resist planning.

(e) Other Constraints

Various situational constraints such as labour contracts, government regulations, scarce resources, natural factors and disasters may all affect planning.

2.2.4 AVOIDING THE BARRIERS

Certain guidelines if followed by managers can help them deal with the roadblocks to planning. These include:

(a) Planning should start at the top
Top managers should set the goals and strategies that lower level managers will follow. Top management committed is crucial for any plan to actualise.
(b) Planners should recognize the limits
Managers must recognize that no planning system is perfect. Planning has limits and cannot be done with absolute precision.
(c) Communication
Vertical communication within the organization hierarchy can facilitate planning. People should be let to know what is expected of them at all times.
(d) Participation
Managers who are involved in planning are more likely to know what is going on and therefore be motivated to contribute.
(e) Integration
As much as possible the long term, intermediate and short range plans must be properly integrated and the better they are integrated, the more effective the organizations overall planning system.
(f) Contingency planning
Managers should develop alternative actions that a company might follow if conditions change.

2.2.5 Why people fail in planning

Besides the barriers outlined above there are several other reasons why people fail in planning. Summarized these reasons are as follows:

i. Lack of commitment to planning
ii. Confusion of planning studies with plans
iii. Failure to develop and implement sound strategies
iv. Lack of meaningful objectives and goals
v. Underestimation of the importance of planning premises
vi. Failure to see the scope of plans
vii. Failure to see planning as a rational process
viii. Excessive reliance on experience
ix. Lack of top management support
x. Lack of adequate control measures

NB: Managers should remove obstacles to planning and try and establish a climate in which subordinates must plan. The following guidelines could help managers to establish a climate conducive to planning

i. Planning must not be left to chance
ii. Planning should start at the top
iii. Planning must be organized
iv. Planning must be clear and definite
v. Goals, strategies, policies and premises must be communicated clearly
vi. Managers must participate in planning
vii. Planning must include awareness and acceptance of change

2.2.6 Principles of Planning

i. Principle of Contribution to Objectives
The purpose of all plans is to facilitate the achievement of the goals of the organization.

ii. Principle of Primacy of Planning
Says that planning should precede all other managerial functions. All other management functions cannot be performed without plans.

iii. Principle of Efficiency of Plans
Says that the efficiency of a plan should be measured by its contributions to objectives as offset by its costs.
iv. Principle of Planning Premises
The better the understanding of planning premises, the more co-ordinated the plans.
v. Principle of Strategy and Policy Framework
The more strategies and policies are carefully developed and understood the more consistent and effective plans are likely to be.
vi. Commitment Principle
Logical planning should allow a period in the future necessary to foresee the accomplishment of plans.
vii. Principle of Flexibility
The more flexible the plans the less the loss incurred through unforeseen events.
viii. Principle of the Limiting Factor
In choosing from alternatives, only those factors that are limiting or critical to the attainment of the goals should be considered.
ix. Principle of Navigational Change
The more planning decisions commit for the future, the more important it is that managers periodically check on events and expectations and redraw plans as necessary to maintain a course towards desired goals.

2.3 GOALS AND OBJECTIVES

- Exactly what are organizational goals?
- How are they established?
- What is their importance in the organization?

Answers to these three questions will give the student a clear understanding of goals and help him to see how goals affect all other organizational processes.

2.3.1 Definition and Importance of Goals

We have already said earlier in our discussion of management that every organization has objectives or targets that it wants to achieve. A goal is a statement of where the organization wants to be at a specific time in the future. It is therefore a target that the organization wants to hit.
A goal like any other target provides a clear purpose and direction for the organization's activities. Without goals organization's activities would be haphazard. The organization would be without direction and hence it would be subject to the whims of the environment.
Without goals planning is also not possible. The statement of an organization's goal is somewhat like a constitution, it guides the behaviour of the people in the organization.
Organizational goals can therefore be looked at as the results that an organization strives to achieve. Organizational goals therefore play many roles in the organization:

- They provide employees with a sense of direction concerning where the organization wants to go or is headed. So the members are able to pool their resources and efforts together towards the stated goals.
- Goals encourage managers to use their resources more effectively and efficiently.
- Goals provide the basis for achieving organizational co-ordination
- Goals provide the basis for evaluating organizational performance as they can be used as standards against which performance is measured.

2.3.2 Steps in Goal Setting

Goal setting just like planning is not a random activity but rather it is a process that follows certain distinct steps.

i. Environmental scanning and monitoring to identify opportunities and threats.
ii. Assessment of organizational strengths and weaknesses.
iii. Establishment of overall organizational goals.
iv. Establishment of unit goals.
v. Establishment of sub-unit goals.
vi. Monitoring of progress toward goals attainment at all levels of the organization.

This process of goal setting is affected by the various environmental factors. Important aspects of the environment that may affect goal setting include:

i. Political-legal forces

These are those forces associated with governmental and legal systems.

ii. Economic forces

These are such aspects of the economy as inflation, economic growth, interest rates and unemployment. For example during inflationary periods firms must pay more for materials and other utilities.

iii. International forces

Here factors like multinational businesses, foreign investments, foreign pricing must be considered.

iv. Sociocultural factors

These include customs and value that characterize the society within which the firm operates. These influence consumer tastes, employee attitudes and society preferences.

v. Technological forces

Which affect modes of production and communication methods also affect goal setting.

There is also the company's task environment which consists of dimensions that affect the organization specifically i.e. they are unique to it and affect it in specific ways e.g. the firms customers, suppliers, competitors and trade unions.

Notes

- All organizations have multiple goals. Goals may be by level so that at the top goals are mainly the purpose and mission of the organization. Middle management set goals which must follow logically from the strategic goals of top management. Line managers also have goals which relate to specific projects or activities pertinent to the manager's job.
- Goals can also be by areas of function so that we have goals for marketing, financial, production and personnel departments.
- Goals may also be classified according to their time frame so that there are short range, medium range and long range goals.

In dealing with all these different goals, the manager must try to use his or her skills to balance the disparate goals into a congruent set of organizational aims. This balancing is known as goal optimization and involves a trade off between different goals for the sake of organizational effectiveness. Optimization allows the organization to pursue a unified vision and therefore helps managers maintain consistency in their actions.

2.3.3 Barriers to effective goal setting and how to overcome them

(a) Setting inappropriate goals

These are goals that do not fit the organizations purpose, mission or strategy - for example a church organization which is non-profit making aiming to earn a specified profit.

(b) Setting unattainable goals

i.e. Setting goals that are impossible to achieve. Goals should be challenging but if they are unattainable they will finally stop being an effective incentive.

(c) Overemphasizing quantitative goals

Quantitative goals are good because they can help the manager assess the extent of goal attainment. But if they are overemphasized they can discourage managers. Besides a lot of the managers work cannot be quantified e.g. improvements in morale.

(d) Overemphasizing qualitative goals

Here the manager pays too much attention to subjective goals at the expense of the quantitative goals. A manager may for example improve morale at the expense of costs.

(e) Rewarding ineffective goal setting

If managers who have had poor goal setting are rewarded, then others in the organization may not see the need to work diligently at goal setting.

(f) Not rewarding effective goal setting

If managers who set good goals are not rewarded for their efforts, this serves as a discouragement to goal setting.

These barriers to goal setting can be overcome by managers using certain guidelines to effective goal setting.

i. Understanding the purpose of goals

Managers must understand and appreciate that goals are only targets that are aimed at but not necessarily hit all the time. A manager who sets goals and comes close to achieving them is doing a good job.

ii. Stating goals properly

Goals must be stated clearly and as far as possible they must be concise, specific and they should indicate a time frame for their accomplishment.

iii. Ensuring goals consistency

Goals should be consistent both horizontally and vertically i.e. between functional areas and between levels of management. For example middle management goals should not contradict top management goals or goals of the marketing department should not contradict those of production.

iv. Communication

Once established goals must be communicated to the members of the organization so that the employees know what they are expected to do and hence work in a unified manner.

v. Rewarding effective goal setting

Rewarding effective goal setting can improve the process of goal setting as it serves as a morale booster.

2.4 THE PROCESS OF MANAGEMENT BY OBJECTIVES (MBO)

2.4.1 Concept of MBO

Management by objectives is a process that has been developed to facilitate goal setting. Some books refer to it as management by results or management by goals.
The concept of MBO was articulated by Peter Drucker, who saw MBO as an integrative management tool that could link the goals of the individuals to those of the firm as a whole.
It is a collaborative goal setting process where the manager and the subordinate work together in setting the subordinate goals.
The MBO system starts with goal setting at the top management level. These goals are reflected as the goal setting process progresses level by level (downward) throughout the organization.
Koontz defines MBO as "a comprehensive managerial system that integrates many key managerial activities in a systematic manner consciously directed at the effective and efficient achievement of organizational and individual objectives (students need to note that there are several views about MBO, some see it as a planning tool and others as a performance appraisal tool).
Being a collaborative goal setting between the manager and his subordinate, both willingly determine goals for the subordinate on the premises that the subordinates future rewards will depend on how well he attains the goals.

It assumes that:

- Goals should start at the top and then flow down to each successive level until the bottom of the organization.
- Through the process of collaboration employees will become more committed to achieving organizational goals. They will take part in setting their own goals and will be rewarded in relation to their success in reaching those goals.

2.4.2 How MBO works

Ideally the process starts at the top of the organization with the top management setting the overall organizational goals.The overall goals are then communicated to all the employees at all levels.
Each employee then meets with his superior to discuss the superior's goals and how the employee can help achieve them.The two together then set them and agree on the subordinate goals.
The superior advises the employee on how to tackle the goals.They also decide on what resources the employee needs to achieve the goals.
As the employee works towards the goals they hold periodic meetings to review and assess progress.At the end of the specified period, the superior and employee hold a meeting to evaluate the degree of goal attainment.
If the employee has succeeded, he is rewarded and they start the process again for the goals of the next period.
So in MBO the manager and his subordinate work together in setting goals, deciding what resources are needed to achieve the goals and evaluating the progress.

2.4.3 Strengths and weaknesses of MB

Strengths:

- **Better Managing**

MBO if well implemented can result in much improved managing. MBO forces managers to think planning for results. It also forces them to think of how the objectives will be accomplished, the resources necessary to achieve these objectives e.g. personnel needed. The goals set also act as a good incentive for control.

- **MBO Clarifies Organizations**

Managers are forced to clarify organizational roles and structure. It clearly shows areas of delegation of authority in order to achieve the results.

- **Personal Commitment**

It encourages employees to commit themselves to their goals. Goals which they themselves have set. Employees have a better understanding of their role and authority in the organization. Little time is wasted waiting for instructions. People know what they have to do and with what tools and they become enthusiastic masters of their own fate.

- **Development of Effective Controls**

The goals that are set in the process of MBO serves as clear results against which performance can be measured. Infact even the employee is able on his own to gauge his own performance.
Under MBO organizational energies are focused on organizational goals.
MBO helps elevate morale. If the employee succeeds he is rewarded. Pay is a motivator.
MBO also aids in personnel development and can be a superior tool for evaluation than traits evaluation.

Weaknesses:

- MBO is time consuming.
- Conditions in the environment change too frequently for MBO to work.
- Failure on the part of the management to teach the philosophy of MBO i.e. that it is built on self control and self direction.
- If not properly implemented it could be resented by subordinates especially because of the difficulties in setting goals (especially verifiable goals).
- Involves dangers of inflexibility, subordinates may stick to goals set even when conditions have changed.
- Failure to give guidelines to goal setters - MBO like any other kind of planning cannot work if those expected to set goals are not given needed guidelines. If corporate goals are vague, unreal or inconsistent then it is impossible for managers to guide employees to set any meaningful goals.
- Other influences outside the control of management.
- Danger of managers forgetting that there is more to management than goal setting.
- The multiple goals faced by managers which are impossible to state in end results or to communicate e.g. favourable company image.

Note:
Despite all these weaknesses if used properly MBO can enhance motivation and communication and therefore lay the foundation for a more effective organization.

2.5 STRATEGIC PLANNING

2.5.1 Introduction

The need to study planning starting from the area of strategic planning has been necessitated by three main reasons:

- Strategic planning has increasingly become a fact of organizational life. The presence of a strategic plan or the lack of one is usually the starting point in understanding and evaluating the

work of managers. When you think about an organization, the first thing that you are likely to reflect on is "what is its strategy?"

- Strategic planning provides the basic framework within which other forms of planning should take place (all activities of an organization depend on its strategy).
- An understanding of strategic planning makes it easier to understand the other forms of planning.

A vital component in the strategy of strategic planning is the organizational goals. Without a clear grasp of these, the study of strategic planning can prove very difficult.
Organizational goals provide the basic sense of direction for the activities of that organization. The term goals is used to include purpose, mission and objectives terms which most people use interchangeably.

Purpose is the primary role of an organization as defined by the society in which it operates. It is a broad aim that applies not only to a given organization but to all organizations of its type in that society. For example we could say that in Kenya the purposes of all hospitals is to provide Health Care.

2.5.2 (a) Mission

The mission of an organization is the unique aim that sets that organization apart from others of its type. It is the broad aim that a given organization chooses to pursue for itself. While the purpose of all hospitals in Kenya is to provide Health Care, the missions of the various hospitals differ. For example the mission of IDH is to provide Health Care in the field of infectious diseases only, while for Pumwani Hospital it is to provide Maternity Health Care. The mission statement specifies four factors:

- The customers which an organisation caters for
- The identified needs of the customers
- The products or services plus the values to satisfy customers, and
- The boundaries of organisational operations.

The purpose of all universities is to produce graduates but for Kenyatta University the mission is to produce graduates in Education, while Egerton University is to provide graduates in Agriculture.
Objective is the target that must be reached if the organization is to achieve its goals. Objectives are the translation of the mission into specific, concrete terms against which results can be measured.
Strategy is the broad program for achieving the organizations objectives and thus implementing its mission. Program implies an active conscious and rational role played by managers in formulating the organizations strategy.

Strategy can also be defined as the pattern of the organization's response to its environment over time. It links the human and non human resources of the organization to the challenges and risks posed by the outside world.

2.5.2 (b) What is Strategic Planning?

Strategic planning has been defined (Stoner) as the formalized, long range planning process used to define and achieve organizational goals.
It involves:

- Defining the organisational mission
- Analyzing the situation (internal and external environments)
- Selecting organisation's goals and objectives
- Determining the policies and strategic programs necessary to achieve goals and objectives
- Establishing the methods necessary to assure that the policies and strategic programs are implemented and

- Matching the selected strategies with the identified opportunities and threats in the external environment.

Strategic planning has the following characteristics:

- deals with fundamentals of basic problems by providing answers to such questions as "what is our business?", "what business ought we to be in" "who are our customers and who should they be?"
- provides a basis for more detailed planning and for day to day managerial decisions.
- involves a longer time frame than other form of planning
- it is a top level activity - top management must be actively involved as they are the ones with the information necessary for strategic decisions.
- it helps to integrate and unify the actions of the organization over time.
- it provides guidance and boundaries for operational planning

Note

Students must differentiate between strategic planning and operational planning (Operational plan is done at low levels and its main focus is current operations and efficiency).

Summarized the main differences between the two are:

- Operational planning's objective is present profits while strategic planning's objective is on future profits.
- Operational planning mainly focuses on operation problems while strategic focuses on longer term survival and development.
- Operational planning faces present resources environmental constraints while strategic is concerned with future resources environmental constraints.
- Operational planning deals with information relating to present business while strategic deals with information relating to future opportunities.
- For operational planning rewards are mainly current efficiency and stability but for strategic they are the development of future potential.
- Organization in operational planning is traditionally bureaucratic while with strategic planning, it is mainly flexible/entrepreneurial.
- Leadership for operational planning is traditionally conservative but for strategic planning leadership is sensitive to radical change.
- In operational planning problem solving is mainly reactive, relying on past experience and situation analysis while with strategic planning problem solving is flexible always trying to anticipate new approaches. In a nutshell operational planning is low risk while strategic planning is high risk.

2.5.3 Why the growing need for strategic planning

Managers find that the definition of the mission of their organization in specific terms (as advocated by strategic planning) gives their organization direction and purpose.

Strategic planning therefore results in better functioning of the organization because it helps managers develop a clear cut concept of their organization and this in turn makes it possible to formulate the plans and activities that bring the organizations closer to its goals.

Strategic planning helps managers to prepare for and respond to the increasingly complex and dynamic environment. They are able to anticipate changes in the environment and prepare for them. Certain environmental changes that continue to increase the need for strategic planning include:

a) Increasing rate of technological change
b) The growing complexity of managerial jobs
c) Growing complexity of the external environment
e.g. politics, culture, society and environmental issues etc.
d) The time lag between current decisions and their future results.

With all these changes managers cannot afford to take a short term perspective of their organizations. They need to look more into the future and integrate it with the present if their organizations are going to survive.

2.5.4 The formal strategic planning process after establishing the mission.

Step 1: Goal formulation

Setting the goals of the organization is the most essential step in strategic planning, because this step defines the mission of the organization and establishes the objectives that will help translate that mission into concrete terms.

Step 2: Identification of current objectives and strategy

After the mission has been defined and translated into objectives, managers must identify the objectives that are already in place and see how well they fit in the newly defined mission.

Step 3: Environmental analysis

Tries to identify which aspects of the environment will have the greatest impact on the organizations ability to achieve its objectives. This step tries to identify the ways in which changes in any of the environmental factors facing the organization (e.g. economics, technological, political/legal and sociocultural) can indirectly influence the organization.

Only those factors that are crucial should be paid attention to. At this stage managers should also try and anticipate the reactions of such groups as competitors, customers, suppliers and government agencies to a new strategy.

Step 4: Resource Analysis

This step helps to identify the organizations competitive advantages and disadvantages i.e. its strengths and weaknesses. Here management answer questions such as "what do we do well or poorly" "what are we able to do better/worse than others" "in which resources are we weak?" "which resources do we possess in abundance?"

In these steps, profiles of the organization's resources should be developed, key success requirements of the product/market segments should be determined and a comparison made between the resource profile and the key success requirements to determine the major strengths on which a strategy can be based. A comparison between the organizations strengths and weaknesses and those of major competitors.

Step 5: Identification of strategic opportunities and threats

Here the opportunities that are available to the organization and the threats it faces are determined.

Step 6: Determine the extent of strategic change required

The aim here is to see whether depending on the various resources and the environment, the existing strategy needs to be changed. In essence performance gaps i.e. difference between the objectives established in goal formulation and the results likely to be achieved if the existing strategy continues should be identified. If the gaps are present, then changes are required in strategy and the greater the gap the greater the change in strategy that is required.

Step 7: Strategic decision making

This step involves identifying, evaluating and selecting alternative strategic approaches.
In identifying the alternatives you look at the different ways in which the performance gap can be bridged. Evaluation of the alternatives involves a matching process, between the alternatives and the goals, resources and the anticipated outcomes of the organization. The strategy that best fits with the goals resources and conditions of the organization should be then selected.

Step 8: Strategy implementation

This involves incorporating the selected strategy into the daily operations of the organization.

Step 9: Measurement and control of progress

Here the progress of the strategy is monitored in order to ensure that the implementation is going as planned and that the strategy is achieving the intended results.

2.5.5 Advantages and Disadvantages of Strategic Planning

Students must note that not all strategic planning will be the same, rather it will vary between organizations. Different organizations will approach the process with different degrees of sophistication, thoroughness and commitment. Some organizations due to resource limitations may be unable to follow the formal process of strategy formulation. Other organizations may lack the necessary managerial commitment to implement a strategic plan. Managers who utilize the concepts of strategy development informally without implementing a formal process could still earn significant benefits from it.

Advantages:

- It provides consistent guidelines for the organizations activities.
  - The planning process helps managers anticipate problems before they arise and to deal with them before they become too severe.
  - It helps managers make decisions as the careful analysis provided by strategic planning gives managers more of the information they need to make decisions.
  - It minimises the chance of mistakes and unpleasant surprises, because goals, objectives and strategies are subjected to careful scrutiny and analysis.

Disadvantages:

- It requires considerable investment in time, money and people, for example it can take years for it to function smoothly.
- It involves many start up costs, training of planners, hiring new people, market research, survey and expensive data processing.
- Sometimes it tends to restrict the organization to the most rational and risk free option, as managers learn to develop only those strategies that can survive the detailed analysis of the formal planning process. This means attractive opportunities that are difficult to analyze may be overlooked.

REINFORCING QUESTIONS

Q1. Describe the nature of strategic planning showing clearly the process of strategy formulation and implementation.

Q2. Define goals, indicate their purposes and describe the steps in goal setting.

Q3. Discuss the meaning of multiple goals in relation to goal optimization.

Q4. Describe the nature, purpose and use of management by objectives.

Q5. Discuss the nature of planning and show its importance.

Q6. Write short notes on
(a) contingency planning
(b) managing the planning process

Q7. Distinguish between policies, procedures and rules.

Check your answers with those given in Lesson 12 of the Study Pack

COMPREHENSIVE ASSIGNMENT No.1

TO BE SUBMITTED AFTER LESSON 2

To be carried out under examination conditions and sent to the Distance Learning Administrator for marking by the University.

Examination Paper. Time Allowed: Three Hours. Answer All Questions

Q1. a. Define management and describe its complexity and pervasiveness
b. Why in your opinion do you think it is important for students like you to study management?

Q2. Clearly distinguish between management roles and management functions.

Q3. a. Describe the skills required for management.
b. How are these skills related to management levels?

Q4. a. How would you define the term environment?
b. Discuss the external environmental factors that affect managerial decision making.

Q5. a. How can managers improve their personal time management so that they can focus on the pressing demands of the day and create space in which to plan strategically for the future?

END OF COMPREHENSIVE ASSIGNMENT No.1

NOW SEND YOUR ANSWERS TO THE DISTANCE LEARNING CENTRE FOR MARKING

LESSON THREE

THE MANAGERIAL FUNCTION OF ORGANIZING

OBJECTIVES

After studying this lesson, the student should be able to:

i. Clarify the meaning of "organizing" and of organization structure.
ii. Clearly define and describe the concepts of the process of organizing.
iii. Show the effects of the concepts of organizing to organizational effectiveness.

INSTRUCTIONS

i. Read Chapter 7 of Cole and the study text given.
ii. Attempt the reinforcing questions at the end of the text.
iii. Compare your answers with those provided in Lesson 12.
iv. If your answers are significantly different from those provided, read the study text again slowly and carefully.

CONTENTS

3.1 Meaning of organizing function
3.2 The process of organization
3.3 Approaches to organizational designs
Managing organizational conflict

3.1 MEANING OF ORGANIZING FUNCTION

The word organization has two common meanings. The first meaning signifies an institution, for example we refer to a school as an organization. The second deals with organization as a process i.e. the process of organizing which is the second basic managerial function and which mainly refers to the way work is divided and allocated among members of the organization with the aim of goal attainment.

The process of organizing involves balancing a company's needs for both stability and change. It is the structure of an organization that gives stability to the actions of its members. Change is adapted by altering an organizations structure. This lesson is going to focus on the process of organizing with particular attention to the basic elements of the process of organizing which include:

Division of work, departmentation, co-ordination, span of management, authority and power, line and staff relations and organizational design.

3.1.1 Definition of Organizing

Koontz defines organizing as "the grouping of activities necessary to attain objectives, the assignment of each grouping of activities to a manager with authority necessary to supervise it, the provision for coordination vertically and horizontally in the enterprise structure."

Another definition refers to organizing as the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of ensuring people to work together effectively.

Specifically organizing is the process of grouping activities and resources in a logical and appropriate fashion.

Most organizations start in one form and then evolve into other forms as they grow, shrink or otherwise change. Organization process involves shaping the organization as it grows, shrinks or changes.

Any step or activity that is undertaken and which leads to changes in the organization e.g creating new jobs is part of the process of organizing. One can never truly finish the process of organizing. New opportunities, threats and challenges keep arising and these cause the manager to modify or adjust his organization.

3.2 THE PROCESS OF ORGANIZATION

3.2.1 The Key Organizing Components and Concepts

The process of organizing involves certain key components and concepts which actually constitute various aspects of an organizational structure. These include:

(a) Job design
(b) Grouping of jobs
(c) Authority and responsibility
(d) Coordination
(e) Span of management
(f) Line and staff relations

(a) Designing Jobs

Job design is the process of determining what procedures and operations are to be performed by the employees in each position.

The basis for all design job activities is job specialization which involves a definition of the tasks that distinguish one job from others. Jobs are broken into small simple and separate operations in which each work can specialize.

Because no one person is physically able to perform all the operations in most complex tasks, and no one person is able to acquire all the needed skills for a job, there is need to specialize and divide work according to the areas of specialization. Job specialization therefore has certain advantages: People are able to become experts in their areas of function, simplified tasks can be learned in a relatively short time and can be completed quickly, the availability of a variety of jobs makes it possible to choose. Managers are able to exercise greater control over workers, as they can easily observe and monitor employees doing simple jobs. However it is possible to overspecialise and this has various disadvantages: It can lead to boredom and dissatisfaction, and staff may look for more exciting work elsewhere, too much time may be spent passing the work from one person to another so that efficiency is actually reduced.

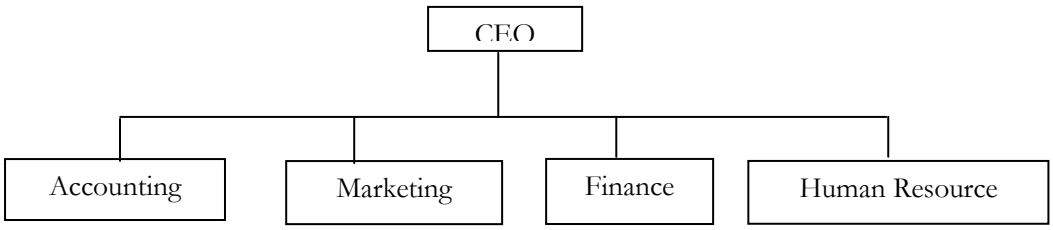
The limitations of job specialization can however be overcome by using other alternatives to specialization. These include:

- Job rotation: where employees are rotated across several narrowly defined and standardized jobs.
- Job enrichment: where there is more discretion or freedom how jobs may be completed.
- Job enlargement: where the job is changed to include more activities.

(b)Grouping jobs (departmentalization)

After jobs have been designed the next step in organizing process is to group them into logical sets. The step is important because properly grouped jobs make coordination and integration of activities much easier. This process of grouping jobs is known as departmentalization. Departmentation usually groups jobs according to one of these three bases: function, product and location.

Departmentation by function—in this form of departmentation employees who are involved in the same or very similar functions are grouped together. Most organizations using this form of departmentalization end up with the four basic functional departments: marketing, production, finance and human resource.



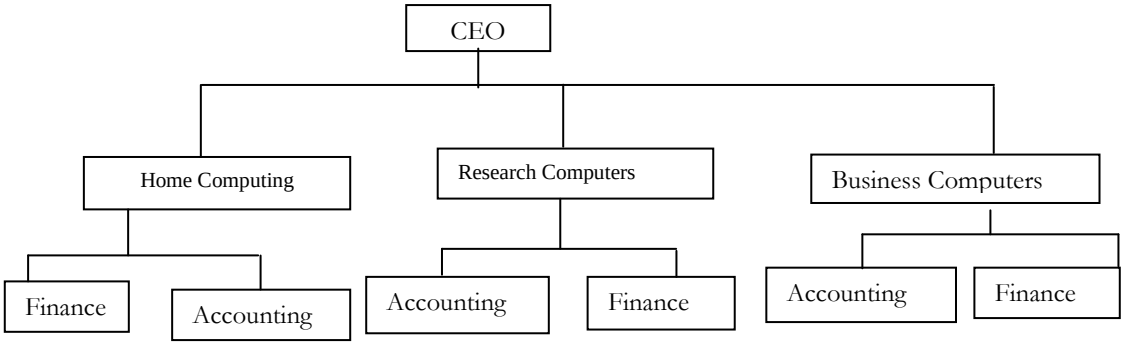
Departmentalisation by function has certain advantages:

- It is logical because it groups like or similar activities together. This facilitates specialization which could lead to increased productivity.
- Coordination is improved since work is not duplicated.
- It also contributes to organizational simplicity.
- Each department is staffed by experts in that particular function and therefore managers in charge of each function can keep close control of the activities.

Departmentalisation of functional areas also has certain limitations. It is ideal for small organizations but as the organization grows some weaknesses become apparent and complex.

- The chain of command becomes excessively long as new levels are added. This may slow down communication.
- It does not allow departmental managers to develop much understanding of the activities in other departments—so it becomes difficult to develop well rounded executives.
- It tends to slow decision making. Employees might concentrate so much on their functional specialities that they lose sight of the total organization.

(b) Departmentalisation by product



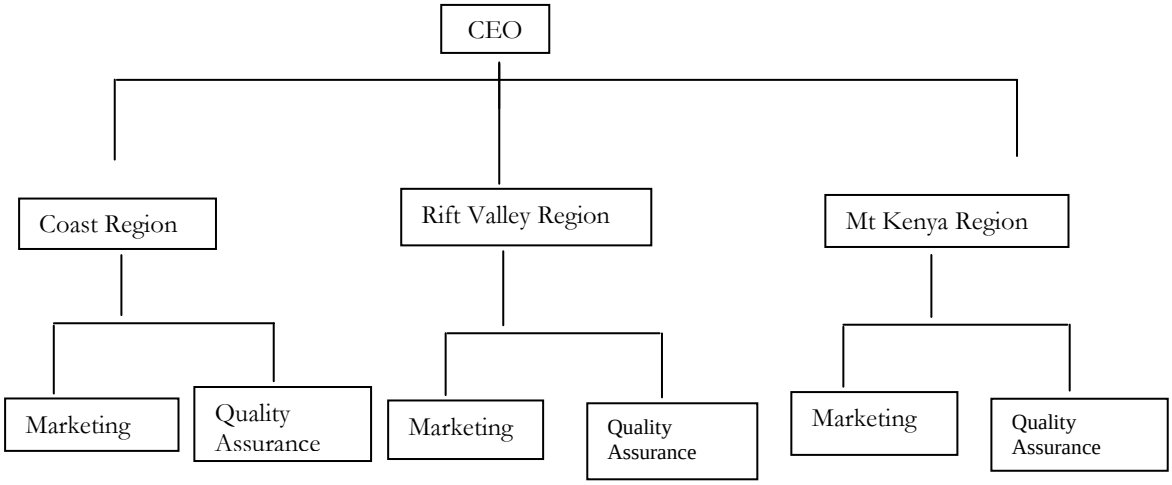
Here the activities associated with individual products or closely related product lines are grouped together. It is extensively used in many retailing and manufacturing organizations. This form of departmentalization has certain advantages:

- All activities associated with unique products are kept together;
- It facilitates use of specialised capital, facilitates a certain type of coordination and permits maximum use of personal skills and specialized knowledge.
- Internal competition is promoted—one product line competes with another. The performance of the manager of a product is measured in part by comparing his results against those of the manager of another product. A good example in Kenya would be EAI and its brand managers.
- Profitability of various products is more easily evaluated. It is possible to determine which products or product lines are making losses.

This form of departmentalization also has certain disadvantages:

- additional management personnel may be required to handle different product lines.
- some duplication of efforts may result. Each product line may require its own accountant, engineer, marketing and production staff. Personnel costs may as a result outweigh the benefits of product departmentation.
- Coordination may be difficult. This is especially true for firms with many product lines i.e. complex organizations.

Departmentalization By Location



Here jobs that are in one location or nearby locations are grouped together into one department and allocated a manager.
As an organization grows bigger geographical departmentation becomes necessary with geographical departments. Ultimate authority for performing the basic organizational functions is still retained by headquarters, but some authority for their performance is delegated to the departments on a geographical basis.
In departmentalizing by location considerations for the following must be made, economic factors, climatic factors, legal and political factors and convenience to customers.

Advantages:

- Decentralization allows the branches to react to local conditions more appropriately.
- Faster decisions because consultation with headquarters is minimised.
- Provides a good training ground for general managers.

Problems:

- Control—remote branches feel too independent and thus hinder control.
- Branches are expensive to run.
- There is duplication of resources especially human resources.

(d) Other forms of departmentalization

There are several other ways in which an organization could be departmentalized. These include among others:

- departmentation by customers—here activities are grouped so that they can serve the needs of specific customers. Used in businesses where customers have heterogeneous characteristics e.g. foreign and local buyers, domestic and industrial consumers or even in hospitals according to patient needs.
- manufacturing firms also often group activities around a process or type of equipment—here people and materials are brought together in order to carry out a particular operation.
- departmentation of sequence occurs when a sequence of numbers or other identifying characteristics defines the separation of activities.

Note

The discussion above has considered bases of departmentation in their pure form, but in reality most organizations use multiple or combined bases. A firm could, for instance use product departmentation at the top but departmentalize each product group by function. Each marketing department could then be broken down by location. Bases of departmentalization could also be mixed at the same level.

Matrix Design (page 21)

- Division Design (page 22)

3.2.3 Authority and Responsibility

This involves the determination of how authority and responsibility are managed in the organization. At the level of individual manager and his subordinates it involves the delegation process. At the level of the total organization it relates to decentralization.

(a) Delegation

Delegation can be defined as the act of assigning formal authority and responsibility for completion of specific activities to subordinates.
Delegation is necessary since no superior can personally accomplish and supervise all the tasks in the organization.
Delegation to subordinates does not make managers any less responsible to their superiors. Delegation of responsibility does not mean abdication of responsibility by the

delegating managers. After delegation the delegating manager still retains the responsibility for the accomplishment of the tasks. In short the delegating manager must answer why a delegated activity was not done, remains responsible for any necessary mistakes caused by subordinates to whom he delegated. In other words one does not delegate responsibility because responsibility always remains with the delegating manager.

The extent to which managers delegate authority and accountability is influenced by such factors as the culture of the organization, the specific situation involved and the relationships, personalities and capabilities of the people in that situation.

In delegating the manager must first assign responsibility, then he must grant the authority necessary to carry out the task and finally he must create accountability.

Barriers to delegation

Managers may be reluctant to delegate because of several reasons:

- Negative personal attitudes—some managers may lack confidence and trust in their subordinates and therefore find it difficult to delegate to them.
- Unreceptiveness of other peoples views—some managers are unable to welcome other peoples views.
- Unwillingness to let go—delegation entails willingness to give others the right to use their discretion. Managers who are unwilling to part with some of their authority find it difficult to delegate.
- Unwillingness to let others make mistakes—mistakes are part of learning and subordinates must be allowed to make mistakes, but managers who fear to be let down by subordinates mistakes will not delegate easily.
- Perceived threat— superiors are usually afraid of being replaced or outshone by brighter and better educated subordinates, and hence may limit the authority they pass to them.
- A feeling of inadequacy—a manager who is not competent fears that they will expose their lack of skill through delegation.

Guidelines For Effective Delegation:

The guideline presented in the following sections can help ensure that authority is delegated properly:

1. Grant proper amount of authority

This is the principle of parity of authority and responsibility. It means that responsibility for results cannot be greater than the authority delegated. Conversely responsibility should not be less than the authority delegated. Enough authority should always be delegated to achieve the desired results. Failure to delegate the necessary authority to discharge the responsibility implies that subordinates should not be held responsible for it would be both unsatisfactory and inequitable. At the other extreme too much authority can result in a manager's "running away" from the situation to the detriment of the organization e.g. too much authority over money may lead to misappropriation and improper investments by managers.

2. Define the results expected

Another helpful approach is for the delegator to make sure he or she has clearly defined the results expected. If a manager defined precisely what is to be done, he or she is in a much better position to decide how much authority to delegate.

3. Consider the capabilities of the subordinate

In delegating it is important that the manager considers the experience background and intelligence of the person to whom authority is to be assigned. Generally the more able the individual, the more authority the person will be able to handle. However, allowances for mistakes should be made.

4. Make sure the authority is clearly stated

If authority is not clearly explained problems can develop. Authority relationships should be clear not only to the subordinates but to all others concerned as well. The person in charge should be known to everyone involved in an activity i.e. all those concerned should know where authority resides.

5. Modify the authority whenever necessary

Managers should maintain a flexible attitude about what kind of and how much authority to delegate. Because of changes in the external environment (new laws, economic conditions etc.). Authority is always revocable or subject to modification. It can always be taken back, increased, decreased, or otherwise changed by the person who granted it in the first place.

6. Follow unity of command and chain of command

Ideally, authority should be delegated so that each individual reports to only one superior. Doing so is often not possible because of the need for staff specialists, who frequently are given functional authority.

It is also important for each person to know the source of authority delegated to him or her. Each manager at all levels should know what decisions should be made by him or her and what decisions must be passed upward to a superior. When this chain of command is violated, the working authority of a manager is endangered.

7. Develop a willingness to delegate

Without delegation no organization can function well, and some of the largest obstacles to effective delegation are psychological. Lack of courage to delegate properly and of the knowledge of how to do it is one of the most general causes of failure in an organization. Many managers are afraid to delegate authority because they fear the subordinate will not perform satisfactorily and thus will make them look bad. Two observations are in order in dealing with fear of subordinates. First, an effective organization is never built by holding good people back. Second, an old maxim in management states, "managers are judged not by what they do but by what they cause others to do".

8. A supportive climate

A supportive managerial climate free of fear and frustration should prevail. Mistakes should be treated as teaching points and not causes for reprimand. A supportive and positive attitude towards subordinates should be maintained. Participative management styles are more suitable than authoritative ones for effective delegation.

9. Free communication

Delegation works best where superiors and subordinates communicate freely.

10. Control techniques

Control ensures that the delegated authority is not being abused. Control tools should not however interfere with the day to day work of subordinates.

Advantages of delegation

- Delegation enhances prompt action as no consultation is needed before decisions are made.
- It enables the superiors to perform higher levels of work. This is because decisions are made at the lowest competent levels.
- It helps subordinates develop themselves professionally by doing challenging work. Subordinates become competent.
- Decisions are likely to be better as they are made at the lower levels of the organization close to where the problems are.

- Delegation also improves morale. Delegation means job enrichment and management by objectives which enhance morale and commitment.

Disadvantages of delegation

- the subordinate may make a serious mistake regarding the delegated work, but the superior will take the blame.
- the subordinate may have the knowledge and skills to do the delegated work, but he or she may not put in maximum effort as the superior would do.
- if you assign responsibility without authority, the delegated work will not be properly done.
- If you delegate work to someone who avoids decisions he will not make mistakes but the work will suffer.

(b)Decentralization

The results of maximum delegation throughout the organization is decentralization. Under decentralization power and control are systematically delegated to lower levels in the organization.
In general decentralization is pursued when the environment is complex and uncertain, when lower level managers are talented and want more say in decision making and when the decisions being made are relatively minor.
The opposite of decentralization is centralization, by which power and control are systematically kept at the top of the organization. Decentralization as a philosophy of management involves:

- Selectively/determining what authority to push down to subordinates.
- Developing policies and procedures to guide subordinates on how to use this authority.
- Controlling the use of this authority.
- Geographical relocation of activities.

Factors determining the degree of centralization or decentralization:

- Number of decisions made at lower levels. The greater the number the greater the degree of decentralization.
- The importance of the decision—if decisions at lower levels affect important aspects of the organization, then the degree of decentralization will be restricted.
- Costliness of decisions—this is probably the most important factor as managers are reluctant to delegate authority for crucial decisions. Generally the more costly the action to be decided, the more likely that it will be made at higher levels.
- Need for uniformity in policy—usually where uniformity of policy is required centralization is favoured.
- Size of the organization—usually the larger the organization the more the need to decentralize. Larger organizations with larger numbers of people must be divided to fairly autonomous divisions to facilitate efficient management.
- Management philosophy i.e. the orientation of top management.

Advantages of decentralization

- People working in the line units can make quick decisions without reference to their superiors all the time.
- High morale and staff motivation exists because the middle and junior managers are encouraged to use their initiatives to be responsible for their work.

- Decisions concerning conditions and situations are flexible and adaptable. This is useful for rapid changes in the organisation and beneficial in the competitive market.
- Top managers are relieved of work overload which is diffused. They can get more time to put their efforts on policies, objectives and strategies. This is useful for growth, expansion and better profitability in their organisations.

Disadvantages of decentralization

- It is difficult to get capable managers who are well motivated to be responsible for handling additional responsibility.
- Decentralization may lead to inconsistent treatment of customers or members of the public. This may lead to loss of business if the market has major competitors.
- Decentralization leads to ineffective communication unless adequate control systems are established in the organisation.
- Parochial attitudes may be developed by some subsidiary units in the decentralized organisations. They may consider their own needs instead of the corporation needs.
- It is difficult to exercise effective control and co-ordination of activities in decentralized organisations. The individual units can sometimes work against the corporate goals and objectives.

Conclusion

An organisation is better off if it uses a decentralised structure but maintain adequate control and co- ordination of all functional activities.

Centralization

An organisation is centralized if its main areas of authority are handled by a few senior managers in the head office. The managerial functions of planning, research and development, personnel and finance functions are not delegated with enough authority. There is little diffusion of appropriate authority because the senior managers at the centre do not want to delegate more work to their subordinates.

Advantages of centralization

- Decisions are made quickly and co-ordinated easily at one point.
- Top managers take a wider view of problems and consequences. A proper balance is maintained between different departments and functions especially regarding resource allocation.
- Quality of decisions are theoretically supposed to be higher because of senior manager's better skills and experience.
- Crisis decisions are taken at the centre more quickly without any need to refer back to get authority.
- Policies, regulations and procedures can be standardized organisation-wide.
- Finally it is possibly cheaper to reduce the number of managers as this will lower the overhead costs.

Disadvantages of centralization

- Rules and regulations are functional hence the employees feel that their superiors issue orders to hold powers over the subordinates. This reduces the effectiveness of interpersonal communication and increases tensions between the superiors and their subordinates.
- Rules are dysfunctional because employees use them to learn the meaning of minimum behaviour and productivity which is expected from them.

- Complexy of decisions and bureaucracy leads to slow decision making process. Innovation and creativity are discouraged. The subordinates do not have chance to think and make their decisions which they have initiated.
- Customer responsiveness is slow as the top managers are not near their customers.
- Centralized organisations tend to be bureaucratic and slow to adapt to new changed conditions.
- Control system is outdated because feedback on errors is used to initiate correction after the problems have happened but not preventing such problems. If the key groups of managers at the centre want to delegate more work to their subordinates then they must give appropriate authority to the employees.

3.2.4 Span of Control

The fourth element of the process of organizing is the concept of span of control also known as span of management. Span of control refers to the number of subordinates that one manager can supervise directly.

The manager faces certain limitations, he has limited time, limited personal capability and he can only give attention to and concentrate only on a limited number of subjects at a time. These limitations support the concept of span of control and also indicate that the optimum span varies among individuals and among organizations.

The principle of span of control states that, the number of subordinate positions directly reporting to a superior position should be that number which is considered as optimum and which balances:

1. the essential subordinate activities
2. the spans of personality knowledge, energy and attention of the superior
3. the communication and
4. the expenses associated with additional levels of management.

The actual span of control cannot be rigid and universal. It should be determined on the basis of:

1. Personal quality of both the superior and subordinate and
2. The number of important activities at the next lower level of the organization structure.

The span of control will therefore vary according to the following factors:

- Ability of both subordinate and boss—where they are both capable and competent then a large span is possible.
- Level of the superior in the hierarchy—the higher the superior is in the organizational hierarchy, the narrower the span of control.
- Faith in the subordinates (if the superior has faith in subordinates then there will be a higher span due to more delegation.
- Nature and type of work (if work is highly dynamic and volatile then a narrower span is favourable.
- Physical dispersion of subordinates—if subordinates are scattered in several locations then the manager can only supervise a few.
- Number of other non supervisory duties of the manager—if the manager has many other non supervisory tasks, then he can only supervise less subordinates.
- Need for communication (if need for communication is frequent then a limited span is preferable.

- The type of organization and management—clear and comprehensive plans and policies at all levels reduce the volume of personal decision making of the manager—therefore its span of control can easily increase.

Tall and Flat Organizations

The number of the span of control affects both group effectiveness and overall organizational effectiveness. A manager who has a large number of subordinates is said to have a wide span of control. One who has few subordinates has a narrow span of control.

A wide span of management results in an organization that has relatively few levels of management—a flat organization. A narrow span adds more layers of management and therefore leads to a tall organization.

In general flat organizations tend to be characterized by greater communication between lower and higher management, greater ability to respond to environmental changes and lower total managerial costs.

Spans tend to be larger when:

- people are competent
- people prefer low supervision
- tasks are similar
- work is standardized

Spans tend to be smaller when:

- people are widely dispersed
- manager has a lot of other work
- required interaction is high
- new problems frequently arise

The span of control has direct effect on communication and therefore on effectiveness. Where the span is narrow and therefore the structure is tall, there may be ineffective, inaccurate and incomplete communication due to the many levels and this could lead to decreased morale and increased executive payroll besides the possible redtape that may accompany the many levels.

With short structures where the span is wide, supervision and control may be unsatisfactory and this may lead to decreased productivity or increased costs of training high calibre managers.

3.2.5 Line and Staff Relations

Line and staff relationships are important in organizations but this is one area of management that causes much confusion and conflict.

Line authority follows from the scalar principle as being that relationship in which a superior exercises direct supervision over a subordinate. They are therefore the positions in the direct chain of command with specific responsibility for accomplishing the goals of the organization.

Staff positions are advisory. Their function is to investigate, research and give advice to the line managers who they support. Staff positions are therefore outside the direct chain of command and are primarily supportive in nature.

These distinctions between line and staff are becoming less clear as managers realize that everyone in the organization is part of the same team and that all are important for effectiveness.

The distinction is however important as a way of organizational life. Superior and subordinates must know whether they are acting in a staff or line capacity. If staff, they must realize their job is to advise and not command. The commands and the decisions must be made by the line superiors through the chain of command.

3.2.6 Co-ordination

If work activities are divided and departmentalized, it is necessary for managers to coordinate these activities to achieve organizational goals.
The ability of managers to achieve effective coordination depends in part on the number of subordinates reporting to them. The number of subordinates reporting to one manager constitutes his or her management or span of control. The larger the span the more difficult it may be to coordinate and supervise the activities of subordinates.
Coordination is the process of integrating the objectives and activities of the separate units (departments) of an organization in order to achieve organization goals effectively. Without coordination, individuals and departments would lose sight of their roles within the organization.
The need for coordination depends upon the nature and communication requirements of the tasks performed and the degree of interdependence of the various subunits performing them. When these tasks require or can benefit from information flow between units then a high degree of coordination is best.
A high degree of coordination is also likely to be beneficial for work that is non routine and unpredictable for work where environmental factors keep changing, for work in which tasks are highly interdependent (i.e when one unit cannot function without receiving inputs from another unit) and for organizations that set high performance objectives.

Co-ordination of activities

Co-ordination is the linking of activities in the organisation that serve to achieve a common goal or objective. As task activities are divided in the organisation managers must attempt to develop mechanisms that will link the task's together so that a desired goal is accomplished. The result of linking activities is the creation of various forms of activity interdependence. The degree to which activities are interdependent can vary from high to low. There are four configurations of activity interdependence:-

- Pooled
- Sequential
- Reciprocal
- Team

a) Pooled interdependence: -

It exists where there is minimal direct contact between individuals or groups performing an activity. Work does not flow between activities rather the results of the activities are "pooled" at a a higher level in the organisation. Each member of a planning staff may be individually assign the task of investigation and preparing a forecast on a specific domain of the organisation's environment.. After each member has performed the task, forecasts are submitted to the vice-president strategic planning who has the task of integrating them into a broader long-range plan.
Co-ordination is most readily achieved through standardization eg. have rules and regulations, imposing direct supervision and creating training programs. Rules and guidelines for each task performed separately there could be deadlines for the submission of the reports to the vice-president.

b) Sequential interdependence:

A greater degree of interdependence exists when the output of one activity becomes the input of another activity. It is mainly found in an assembly line where a worker may install package a product the next one puts the label.
Co-ordination is achieved in sequential interdependence through standardization which emphasises on the use of plans and schedules.
Setting deadlines, establishing performance targets, and identifying linkages between activities are all critical managerial decisions that must be made before units engage in the work process.

Sequential interdependence therefore requires workers to spend time planning so as to achieve an effective level of co-ordination.

c) Reciprocal interdependence:

When units provide each other with activity inputs to co-ordinate, mutual adjustment is required. Mutual adjustment is the process of direct communication and joint decision making among units involved in the task activities.

For example a legal department in a savings and loan business may review applications borrowers that were submitted to the loan department. After an application form is reviewed and changed it is sent back to the loan department so that the request or denial of the loan can be processed. The output of the loan department becomes the input for the legal department and the output of the legal department becomes an input for the loan department. Thus there is a two-way flow between departments.

d) Team interdependence:

The most intense form of interdependence results when completion of activities requires teamwork. Team interdependence exists when work is interactive or acted on jointly by members of different groups or units rather than simply being transferred back and forth. It is mainly used

when an activity cannot be broken down easily into distinct tasks because there is uncertainty over what tasks have to be performed in order to accomplish the goal. Teamwork requires plans, standardisation, mutual adjustment and most important direct contact among activity participants. Physical reparation makes co-ordination through teamwork difficult to accomplish.

The need for coordination of organizational activities is least with pooled interdependence, greater with sequential interdependence and greatest with reciprocal interdependence. As the need for coordination increases so does the difficulty of achieving it effectively. Similarly, increased specialization increases the need for coordination. But the greater the specialization, the more difficult it is for managers to coordinate the specialized activities of different units. People in specialized units tend to develop their own sense of the organizations goals and how to achieve them.

Problems in Achieving Effective Co-ordination

(a) Differences in orientation towards particular goals:

members of different departments develop their own views about how best to advance the interests of the organization. Accounts may see cost control as most important to the organization's success, sales people may see product features as more important than product quality etc. i.e. people are buried in departmental attachments.

(b) Differences in time orientation

time periods mean different things for the various specialists e.g. research people may be pre-occupied with problems that will take years to solve while production managers may be concerned with problems that must be solved immediately.

(c) Differences in interpersonal orientation

members of different departments may have different approaches to interpersonal relationships and especially to communication. Some may adopt a relaxed attitude to communication while others are abrupt and quick in decision-making.

(d) Differences in formality structure

each type of unit in the organization may have different methods and standards of evaluating progress toward objectives and for rewarding employees.

Note:

Division of work involves more than a difference in precise activities. It also influences how we perceive the organization, how we perceive our role in it and how we relate to each other.

Such differences are essential as they enable the organization to match individual talents, skills and perspectives to the specialized needs of different tasks and activities.

Coordination must be achieved where necessary without reducing the differences that contribute to task accomplishment.

Division of work and specialization are desirable to help the organization use its resources most efficiently. Differentiation encourages conflict among individuals and organizational subunits. Various members of the organization present their view points argue them out openly and make sure they are heard and that way they force managers to consider the special needs and knowledge of different departments when problems arise.

Achieving Effective Co-ordination

Communication is the key to effective coordination

Coordination is basically information processing task—the greater the uncertainty of the task to be coordinated the greater the need for information. The three approaches to achieving effective coordination are as follows:

- The first employs the basic management techniques:
  the managerial hierarchy, plans and goals to give general direction to activities and rules and procedures to guide these activities.
- The second approach becomes necessary when the organization's various subunits become more interdependent, expand in size and the basic coordination mechanisms of managerial hierarchy, rules and procedures, and goal setting become inadequate. The approach focuses on increasing the coordination potential by investing in: (communication)
- vertical information system e.g. the modern MIS—a means of which data are transmitted across the levels of the organization.
- By creation of lateral relationships i.e. cutting across the chain of command by permitting information to be exchanged and decisions made at hierarchical levels where the needed information actually exists e.g. direct contact between individuals who must deal with the same situation.
- The third approach to achieving effective coordination is by reducing the need for coordination. This may be done through:
  - Creation of slack resources—additional resources give extra leeway to working units e.g. providing more workers, materials or time can ease problems.
  - Creation of self contained jobs—each unit is provided with all the resources and information needed to function without having to share resources with other units.

3.2.7 Principles of Organizing

Before looking at the various principles that guide the establishment of effective formal organization, students must familiarize themselves with the concepts of formal and informal organizations.

(a) Formal Organizations

An organization is formal when the activities of two or more persons are consciously coordinated towards a given objective. A more detailed definition refers to a formal organization as a planned system of co-ordinating the activities of a group of people for the achievement of some identified common goal, objectives or purpose. This is done through division of labour and functions plus a hierarchy of authority and responsibility.the formal organization is highly structuredis deliberately created with clear roles and positions and with clearly stated objectives it can clearly be represented on an organizational chart.
A formal organization comes into being when:

- persons are able to communicate with one another
- when they are willing to act and
- when they share a purpose

(b) Informal Organizations

An informal organization will always appear within the formal organization. This primarily arises from interpersonal interactions. As people relate to one another they tend to form into groups with certain norms of behaviour irrespective of those defined by the formal organization. The informal organization is highly flexible, often with undefined relationships, spontaneous membership and no official leader.

(c) Principles of Formal Organization

The attainment of goals should be the reason for any formal cooperative activity. However there exists certain principles that could be used to guide the establishment of formal organizations.

1. **Unity of Objective**
   It states that all individuals in the organization and the departments to which they belong should contribute to the principal objectives of the organization. So an organization structure is effective if it facilitates the contribution of individuals in the attainment of organizational objectives.
2. **Principle of Efficiency**
   An organization structure is efficient if it facilitates accomplishment of objectives by people with the minimum possible costs and other unsought consequences.
3. **Scalar Chain**
   States that authority should flow directly and clearly from the top executive downward to each successive level in the organization until the bottom. The principle implies that best results are obtained when a clear chain of command is established and followed.
4. **Adequacy of Authority**
   This means that each manager in the organization should be given sufficient authority to achieve the desired results.
5. **Responsibility for Results**
   States that even if a superior delegates adequate authority to a subordinate, the superior is still responsible for the results if the goal is not attained.
6. **Accountability**
   The responsibility for results principle does not however relieve subordinate managers of their responsibility to perform. It holds that when managers accept a plan from their superiors, they are duty bound to carry it out i.e. they are accountable to their superiors for the results.

7. **Division of Work**
   States that work should be divided and grouped in a logical manner in order to eliminate duplication of effort and other forms of waste.
8. **Unity of Command**
   Ideally the principle states that each individual in an organization should report to only one superior. However this principle is often violated. In organizations there are many people who are responsible to two or more persons. Failure to adhere to the principle of unity of command may result into confusion because the individual is not sure of the superior to whom he/she reports; or she/he fears that if allegiance is shown, to manager A, probably manager B will be offended and he can take punitive measures. Inefficiency can arise if the subordinate serves both A and B then some of his/her work falls below perceived standards.

The principles should not be viewed by managers as absolute measures but rather as guidelines that must be applied in the light of the circumstances prevailing in the organizations. It is possible to find that some of the principles are completely inapplicable to some of the local firms in Kenya especially due to the nature of ownership and size. For example in a small family concern where different members of the family run the firm together, the unity of command principle may prove difficult to apply.

3.3 APPROACHES TO ORGANIZATIONAL DESIGNS

Organizations design can be defined as the overall configuration of positions and interrelationships among positions within the organizations. All organizations have certain things in common.

- they have objectives and goals
- they have a structure
- they use one or more bases of departmentalisation
- have line and staff relations

But no two organizations are exactly the same. Some may have wider or narrower spans, some are highly centralized, others decentralized, some are highly structured etc. The exact determination of how the various pieces of a specific organization are to be put together results in its organization design.

3.3.1 The role of Organization Charts

The organization design is best represented by an organization chart. Each box in a chart represents a management position within the firm and each line represents the nature of the relationships between positions. Broken lines show staff relationships.

From a chart it is possible to tell several things about the organization:

- you can tell how the organization is departmentalized,
- you can identify the span of management,
- you can also identify the staff positions and to who they are supportive,
- charts are especially useful to newcomers as they can tell their position in theoverall scheme of things, they can also easily clarify reporting relationships between the various positions.

As an organization grows it becomes more and more difficult to use the charts because of the large number of positions and the complex interrelationships that can exist among the positions.

3.3.2 Early Approaches to Organization Designs

The earliest approach to organization designs occurred during the era of the classical management theory. Of major contribution was the work of the German sociologist Max Weber. He was actually one of the first scholars to describe how organizations should be designed.

(a) The Bureaucratic Design

The term bureaucracy was coined by Max Weber to describe what he saw as the ideal kind of organization. The foundation of his bureaucratic guidelines was the creation of a formal and legitimate system of authority. That system he taught should lead to rational and efficient organizational activities. He said that:

- managers should strive for strict division of labour and each position should be staffed by an expert in that area, there should be a consistent set of rules that all employees must follow in performing their jobs (the rules must be impersonal and rigidly enforced),
- there should be a clear chain of command
    - everyone should report to one and only one direct superior
    - communication should always follow this chain and never bypass individuals,
- business should be conducted in an impersonal way (managers must maintain an appropriate social distance from their subordinates and not play favourites,
- Advancement within the organization should be based on technical expertise and performance rather than seniority or favouritism,
- Legal authority and power—authority and power rest in the institution of office. The power an individual holds is legitimised in the office and does not personally belong to him.

Over the years however, the term bureaucracy has come to connote red tape and slow hassle-ridden decision making. Bureaucratic approach to organization design may be appropriate when the environment of the organization is stable and simple. Many universities, hospitals and government agencies will have a bureaucratic flavour in them.

Functions (advantages) of Bureaucracy

- **Specialization**

Bureaucracy makes it possible to achieve large increases in productivity that can come from specialization. Employees are permitted to specialize in those areas where they are experts. Bureaucracy can thus help cope with complexity especially in those organizations where expertise from different fields is required.

- **Structure**

Bureaucracy provides form to an organization by structuring it. The duties of each position are described. The structure provides a logical relationship of activities.

- **Predicability and Stability**

The rules, regulations, structure, professional aspects and other aspects of bureaucracy enable it to provide predicability and stability for an organization.

- **Rationality**

A rational organization is one free from personal caprice and favouritism. In bureaucracy, judgements are made according to objective and generally agreed upon criteria not by patronage.

- **Democracy**

Bureaucracy contributes to democracy by its emphasis on technical competence as the sole basis for gaining and holding a job. Patronage, favouritism, tradition and other arbitrary bases have no effect. Because the opportunity to train, apply and be selected for a job is open to everybody a significant degree of democracy is achieved.

Dysfunctions of Bureaucracy

These are in large part inherent in the bureaucratic model. Dysfunctions are caused by differences in values and objectives, limited knowledge of motivational process and by simple errors and mistakes.

Below are listed some of the dysfunctions of bureaucracy.

1. Rigidity
2. It is claimed that bureaucracy is rigid, static and inflexible, it advocates for strict adherence to rules and procedures, this may not work in today's dynamic environments.
3. Impersonality
4. Bureaucracy advocates for impersonal observation of the system i.e. it ignores people. People are seen as inert factors of production and not as developing emotional and unique beings. Lack of personal sympathy for employees may cause dissatisfaction and consequently reduced productivity.
5. Displacement of Objectives
6. Sometimes the bureaucratic forgets his ultimate organizational reason for existence i.e. to contribute to the overall objectives of the organization. In pursuing his individual objectives or the objectives of his subunit, he may fail to adequately contribute to broader objectives.
7. Limitations of Categorisation
8. In order to achieve coordination and specialization, bureaucracy requires strict categorisation of activities and persons. One works only within his department, even if the work of his department can be combined with that of another—this leads to waste.
9. Since bureaucracy grants career status of tenure to a position, there is a tendency to maintain that position even if it becomes obsolete.
10. Self Perpetuation and Empire Building
11. Once fully established, bureaucracy is hard to destroy even if it has outlived its usefulness. The same power that a bureaucrat requires to do his work in a professional environment can be used by him to perpetuate his job or department beyond its useful life. The bureaucrat could increase the number of his subordinates to enhance his prestige.

(b) System 4 Design

As the human relation school of thought emerged, new ideas or organization design naturally also emerged, one of which has come to be known as system 4 design. System 4 design has been developed mainly to reduce the many drawbacks and deficiencies of the bureaucratic model.
The proponents of system 4 design argue that organization design can be described as a continuum. At one end is bureaucratic design called system 1 and at the other end is system 4 design that has more openness, flexibility, communication and participation.

SYSTEM 1	SYSTEM 4
(a)Leadership—includes no perceived confidence and trust—subordinates do not feel free to discuss problems with their superiors.	(a)Leadership—include perceived confidence and trust between superiors and subordinates. Subordinates discuss problems with their superiors.
(b)Motivational process taps only physical security and economic motives through the use of fear unfavourable attitudes prevail among employees.	(b)Motivational process taps a full range of motives through participatory methods employees have favourable attitudes.
(c)Communication process is such that information flows downward and tends to be distorted inaccurate and viewed with suspicion by subordinates.	(c)Communication process is such that information flows freely upward, downward and laterally. The information is accurate and undistorted.
(d)Interaction process is closed and restricted subordinates have little effect on goals, methods and activities.	(d)Interaction process is open and extensive superiors and subordinates affect goals, methods and activities.
(e)Decision process occurs only at the top of the organization, it is relatively centralized.	(e)Decision process occurs at all levels through group processes. It is relatively decentralized.
(f)Goal setting process is located at the top of the organization—discourages group participation.	(f)Goal setting process encourages group participation in setting high realistic objectives.
(g)Control process is centralized and emphasizes fixing of blame for mistakes.	(g)Control process is dispersed and emphasizes self control and problem solving.
(h)Performance goals are low and passively sought by managers who make no commitment to developing the human resources.	(h)performance goals are high and actively sought by superiors who make a commitment to developing through training, human resources.

Factors Affecting Design

- **Size**

Size may be by number of employees, assets, sales etc.
In a small company you may find an employee doing many jobs but as the company grows each employee tends to stick to one well defined job. Smaller firms tend to have fewer rules for how things should be done and more flexibility in how employees can confront problems.
As the firm grows the tendency to create more rules and to reduce flexibility increases. Organizations tend to be more centralized when they are small while bigger ones are more decentralized. As the company grows alterations in its design becomes inevitable.

- **Technology**

Technology refers to the set of conversion process used by an organization to transform inputs into outputs. Organizations that have mass production (assembly line style) may be more effective if they use systems 1 design. Small batch or unit technology are better using system 4 which allows the flexibility to react quickly to customer requirements.

- **Environment**

Environmental uncertainty can be captured by environmental change and environmental complexity. A highly dynamic environment will favour type 4 design while a relatively static environment will favour type 1 design.

Organic Design

Developed in the 1960's by two British researchers Burns and Stalker. It is based on open communication, low levels of specialization and standardization and high cooperativeness. The commitment to organizations tasks and goals is valued over loyalty or obedience, while communication can either be horizontal or vertical depending on who is more knowledgeable (i.e. the leader is not assumed to be all knowing).

Matrix Design (to page 6)

This design is created by super-imposing a product—based form of departmentalisation on functional departmentalisation. It allows an organization to retain the efficiency of functional departments and gain the advantages of product departmentalisation. The rationale for a matrix organization is quite simple. Functional departments allow the firm to develop and retain unified and competent functional specialists, whereas the product design directs special and focused attention to individual products or product groups e.g. when a firm wants to create a new product, specialists from each of the functional departments are brought together and formed into a team under the direction of the project manager. A matrix design is generally likely to be more applicable under the following situations:

- when the firm has diverse set of products and a complex environment
- when there is a great deal of information to be processed (when the environment is highly uncertain and the company has broad product lines) the firm is confronted with a lot of information and the matrix allows managers to categorize this information systematically and direct it to the key individuals.
- when there is pressure for shared resources—a company may need eight product groups but only have the money to hire only four marketing specialists. The matrix provides a convenient way for the eight groups to share the four specialists.

Advantages of the Matrix

(a) It is very flexible. Teams can be created, changed and dissolved with major disruption.

(b) Often it improves motivation. The team has so much responsibility. Its members are likely to be committed to its success.

(c) It promotes the development of human resources. Managers get a wide range of experience and as a result they can take increasingly important roles in the firm.

(d) It does enhance cooperation. Since there is so much interdependence, it is important that members will work together.

(e) It facilitates managerial planning because so much of the day to day operation of the organization is delegated to the teams top managers who have considerably more time to concentrate on planning.

Disadvantages

(a) Potential conflict created by having a number of bosses. If for example a marketing specialist is a part of three project groups and still has work to do within his functional role, he may not be able to satisfy all of his bosses when he is pressured for time.

(b) Coordination is difficult in a matrix. Two or more groups may need the same information and each could end up paying a market research firm to get the information without realizing the other has already done the same.

(c) The group work tends to take longer than the individual work. Each manager in a matrix is likely to spend considerable amounts of time meeting and talking

with other managers and putting one set of activities aside and picking up others, thus he may have less time to devote to task accomplishment.

The Divisional Design

A divisional design combines a product approach to departmentalization with a strategic business unit. Each division of the organization is responsible for all the aspects of the management of a given product or product line.
Fairly autonomous product departments as that operate strategic business units i.e. each has its own market and competitors and could be used either to generate cash (cash flow) given extra cash or simply operated or put on a wait and see basis.

MANAGING ORGANIZATIONAL CONFLICT

Also included in organizing function are the management of organizational conflict and change.

3.4.1 Nature of Organizational Conflict

This is the disagreement within the context of an organizational setting between individual employees, groups or departments, or between employees and the organization.
Organizational conflict can either be positive or negative, some conflicts lead into better performance while others result into reduction in performance.

Causes:

(a) Multiple Value Sources—people's values differ as they come from different backgrounds (different religions, philosophies, education etc.)
(b) Idealized individual values (interest) vs. practical organizational values. The organization may demand behaviour at variance with personal wants and interests.
(c) Interdependency between people or groups within the organization.
(d) Competition—between people or groups can also cause conflict.
(e) Difference in goals—can cause conflict between departments.

For management conflict may arise when:

(a) Their authority is challenged
(b) Their private rights are questioned (does a manager have a private life beyond his work in the company?)

N.B. Whatever the cause of conflict it must be noted that the consequences are the same: either

(a) hostility—people refuse to cooperate and are antagonistic
(b) withdrawal—refusing to socialize or leaving the organization
(c) motivation—where conflicting parties strive to prove each other wrong.

3.4.2 Managing Conflict

Depending on the expected outcome managers can manage conflict in either of these ways:

(a) Encouraging Conflict

Where conflict is likely to lead to increased performance and motivation then management can encourage conflict through competition, through contests or by publicizing results and performance.

(b) Preventing Conflict

Some cases require that conflict be prevented in the first instance e.g. cases where departments are arguing over use of resources.
Rules and procedures can be used to govern how issues are to be resolved.

(c) Resolving Conflict

Conflicts will always occur in organizations and management must devise ways of resolving them. The following are a few ways in which management can resolve conflicts.

i. Avoidance — ignoring the problem and hoping that it will go away. Strategy works if the conflict is minimal.
ii. Smoothing — similar to avoidance, but here the manager acknowledges the existence of the conflict while developing its importance.
iii. Compromise — Involves reaching a point of agreement between what each of the conflicting parties wants.The conflicting parties meet half way so to speak—each gives up a bit of its demand.It works okay so long as none of the parties feels cheated afterwards.
iv. Confrontation - The direct way of addressing the conflict and working together to resolve it—also called problem solving—as there is open exchange of information. The best method of resolving a conflict should result in a no win no lose situation. If one party feels cheated then the likelihood of additional conflict is very high.

N.B:

Where conflict is between the organization and the individual mainly because the goals of the organization are at variance with individual goals management can deal with the conflict through the following ways:

(a) Use of a blend — amounts to administration by objectives cater for both organization and individual goals.
(b) A fusion — a personalizing process where individuals pursue their own goals so as to seek fulfilment and self-actualization.
(c) Socializing — the organization tends to get people to devote their efforts to pursuit of organizational goals.
(d) Integration — management comes up with an agreeable "mix" (individuals are given a chance to come up with their own goals and ways of achieving them.)

INTERGROUP CONFLICTS

Organizational conflict is sometimes referred to as intergroup competition because forces of competition are involved. The nature of organizations is such that it is difficult if not impossible to avoid conflict between and among groups in an organization. In itself, such conflict may not be bad and may be preferable in some cases. It is the manner in which conflict is managed that may make conflict bad.

(a) Stages in Intergroup Conflict

Organizational groups (intergroup) conflicts develop in stages namely:

- Antecedent conditions;
- Perceived conflict;
- Felt conflict;
- Manifest conflict;
- Conflict resolution of suppression;
- Conflict aftermath

- Antecedent conditions refers to those conditions that have potential for the development of conflict. These are the sources of conflict and could be such factors as role ambiguities, competition for scarce resources and differences in values, goals and politics.
- Perceived conflict is a situation where one or more of the interest groups become aware of the existence of a source of conflict.
- Felt conflict occurs when perceived conflict affects feelings thereby creating tension in one or more of the concerned groups.
- Manifest conflict refers to the situation where perceived or felt conflict is expressed in some action by one or some of the involved groups. Manifest conflict can be resolved in the sense that the courses of conflict are corrected.
- It can also be suppressed in that although no change in causing conditions occurs, the manifest conflict behaviour are controlled.
- Conflict aftermath refers to the consequences of conflict. The consequences may be functional or dysfunctional.

The way a given conflict is handled can affect other conflicts and an unresolved conflict continues to promote future conflicts over similar issues. Truly resolved conflicts may establish conditions that reduce future conflicts of a similar nature and which help other eventual conflicts to be resolved in a constructive manner.
A manager should be sensitive to the influence of conflict aftermath on future conflict episodes.

(b) Sources of Inter-Group Conflicts

The following are some of the major potential sources of conflicts in organizations:

1. Aggressive Nature of Man

A man is aggressive in nature and seeks expression of his aggressive impulses. Some conflict in organizations stems from the normal need of some people to find outlets for their aggressive impulses.

2. Competition for Limited Resources

Intergroup conflict may arise when groups in the organization compete to win their share of the organization's scarce or limited resources such as money, materials and manpower.

3. Clashes of Values and Interests

Differences in value and interests of various groups may result into conflict between or among the groups involved.

4. Antagonistic Roles

Intergroup conflicts may arise because different groups occupy different roles that are apparently antagonistic to each other, e.g. the accounts department whose main role is to conserve the organizations funds may be in conflict with the marketing department whose role in promotion may require it to spend quite an amount of the organizational funds.

5. Drives for Power (Political Manoeuvring)

Intergroup conflicts may arise due to political manoeuvring that certain groups may engage in as they try to acquire power in the organization, e.g. wanting to be in charge of certain new responsibilities.

6. Poorly Defined Responsibilities

When job responsibilities are for example ambiguous, conflict may arise from disagreements about which groups have got certain responsibilities over certain tasks.

7. Introduction of Change

Changes such as acquisition and mergers creates a lot of competition and conflict at the initial stages. For example, when an organization is merged into another, a power struggle often exists between the acquiring and acquired organizations. Similarly, where certain changes are introduced into the organization conflict may arise between management and workers between those opposed to and those for the change.

8. Organizational Climate

An organizational character, personality or climate such as the amount of psychological distance organizational units maintain from each other, can be a major source of intergroup conflict. For example, there would be minimal conflict when professional groups have very much or very little distance psychologically from the adminstration than when they have medium distance.

9. Distortion of communication.

10. Attitude and value difference.

(C) Line Vs Staff Conflict

Line managers are those in charge of main operations of an organization while staff managers are those in advisory or supportive positions to provide line managers with specialized and expert services as may be required.

Line personnel are usually generalists while staff personnel are usually specialists. Conflicts between line and staff are quite common. These conflicts arise from the sources already discussed as well as the following:

i. Territorial Encroachment

In general the staff personnel advises the line person. Often conflict arises when the line personnel feel that staff advice is taken too far while staff on the other hand may feel that they have a responsibility and right to give the advice.

ii. Conflicting Loyalties

Staff specialists may get into conflict with line personnel because what line personnel may require them to do in the interest of the organization may conflict with professional ethics of the staff personnel. This is especially so when the staff specialists want to adhere to a professional order that conflicts with tasks assigned by the organization.

iii. Separation of Knowledge and Authority

Some line executives may not have sufficient knowledge to carry out their responsibilities and may depend on lower ranking staff advisers to furnish them with the appropriate information. Such cases where higher authority lacks the necessary knowledge and has to rely on his juniors for knowledge may be a source of conflict between the groups.

(d) Consequences of Organization Conflicts

Organizational conflicts can be functional or dysfunctional to individuals and organizations.

i. Functional Consequences

Among the major functional results are:

- Dissociating elements in a situation may be removed and unity may be established. After open expression of conflict the combatments may feel closer to each other.
- After conflict new leadership may be brought into the organization because the former leaders may be found unsuitable under the pressures of conflict.
- All goals and policies may be modified or replaced by more relevant goals as a result of the conflict.
- Conflict may become institutionalised. After several instances of intergroup conflict, outlets may be established where potential conflict may be resolved.
- Informal group discussions between members of management and employees is an example of institutionalization of conflict.

- Motivation of energy available to complete tasks may be increased under the influence of intergroup conflicts.
- Conflict may increase innovation because of the greater diversity of view points and heightened sense of necessity.
- Each group member may develop increased understanding of his own position because conflict forces people to bring forth all supporting arguments, think more clearly about issues and seek support of evidence of the views.
- Groups may achieve awareness of their own identities, each group thereby becoming more limited. They may identify where they belong more clearly.
- Inter-group conflicts may satisfy the aggressive urges inherent in many people.

ii. Dysfunctional Consequences

- The mental health of some combatants may be adversely affected because of the emotional stress reactions precipitated in such people. Tolerance levels are different i.e. low and high.
- Intergroup conflict of a high intense nature usually results in a misallocation of organizational resources i.e. time wanted to fight or combat one another, material and personnel are likely to be misused. People waste the organizations time, funds, materials and personnel in carrying out the warfare.
- Sub-optimization of part of the system occurs when disputants push their own position to the extreme.
- The distortion of goals may occur as people begin to concentrate their attention on petty issues or embark on fault finding, regarding their opponents instead of pursuing their assigned missions.

(e) Strategies of Maintaining Organisational Conflicts

Conflicts may be managed by the conflicting parties themselves or by third parties. Organizational conflicts can be met with non-attention, suppression or resolution.

Lose-Lose Strategies

In lose-lose strategy both parties in the conflict lose in the sense that neither achieves its true desires in the conflict. Conflict is managed in such a way that its underlying reasons remain unaffected. Consequently future conflict of a similar nature is likely to occur.

There are three basic approaches to conflict management in the lose-lose strategy;

- **Avoidance**
  Managing conflict by avoidance is an extreme form of non-attention. In this approach there is no direct attempt to deal with a manifest conflict. Everyone pretends that conflict does not really exist or if it does exist, it is such that it will simply disappear. Consequently, in this strategy, the conflict is left to develop on its own into a constructive or destructive force within the organization.
- **Smoothing**
  This is managing conflict by playing down differences among the conflicting parties and high-lighting similarities and areas of agreement. The aim is to encourage peaceful co-existence through a recognition of common interests. Smoothing may ignore the real essence of a given conflict. It is a form of a non-attention of a minor form.
- **Compromise**
  In this approach accommodations are made such that each party in the conflict gives up something of value to each other. As a result neither party gains its full desires and the reasons for conflict remain unsolved.

Win-Lose Strategies

In win-lose strategy, one party in the conflict wins while the other loses. One party wins by achieving its desires at the expense of the other party's desires. The root causes of conflict are not addressed. Instead, there is a tendency to suppress desires of at least one of the parties. Therefore future conflicts of a similar nature are likely to occur.

- Competition
  In this approach, a victory is achieved on the part of the winning party.
- Authoritative Command
  Here a formal authority simply dictates a solution and specifies what is gained and lost and by whom e.g. government intervenes in strikes and gives workers time to conform. When the authority is a party to the conflict, it is easy to predict who will be the winner and who is the loser.

Win-Win Strategy

Win-win strategy provides the best solution to conflict. It is a strategy that truly resolves conflict. It involves the recognition by all conflicting parties that something is wrong and needs attention. Both parties in the conflict win as both achieve their goals.

REINFORCING QUESTIONS

Q1. Clearly define the process of organizing.

Q2. Discuss the impact span of management has on an organization's structure.

Q3. Discuss the meaning of organization design and show the major contingencies that affect design.

Check your answers with those given in Lesson 12 of the Study Pack

LESSON FOUR

HUMAN RESOURCE MANAGEMENT

OBJECTIVES

After studying this lesson the student should be able to:

- Discuss the nature of staffing including the staffing process.
- Describe human resource planning and selection of human resources.
- Define performance appraisal and discuss both objective and subjective appraisal methods.
- Discuss labour relations, including how unions are formed and of what benefits unions are to employees, to management and to the organisation.

INSTRUCTIONS

- Read Chapter 11 of Cole and the lesson carefully.
- Attempt the reinforcing questions at the end of the lesson.
- Compare your answers with those provided in Lesson 12.
- If your answers are significantly different from the model answers, study the lesson again and supplement the notes given with readings from the recommended texts.

CONTENTS

4.1 HE HUMAN FACTOR IN ENTERPRISES

The individuals involved in an organization have needs and objectives that are especially important to them and which differ greatly from individual to individual:

1. Individuals assume different roles
   The employees are members of social systems of many organizations, e.g. they are members of families, schools, churches, citizens and consumers of goods and services.
2. There is no average person
   People act in different roles but they are also different themselves. There is no average person but yet in organizations rules, procedures, work schedules, safety standards and position descriptions, are made with an implicit assumption that people are alike. But individuals are unique, they have different needs, ambitions, skills, abilities, attitudes, aspirations, knowledge and capabilities. Managers must recognise the complexity and individuality of people in order to be able to manage them either through the process of staffing, leading or even motivating.
3. Personal dignity is important
   Although managing involves achieving enterprise objectives, the means used must never violate the dignity of people. People must be treated with respect no matter what their position is in the organization.
4. The whole person must be considered
   In talking about the nature of people the whole person must be considered, and not separate characteristics such as knowledge, attitudes or skills because each person has them but to different degrees. The human being is a total person influenced by external factors e.g. family, friends, peers, church, politics, etc. The effects of these factors cannot be divorced from the individual at the work place and therefore managers must recognise these factors and prepare to deal with them.

4.1.2 MODELS OF PEOPLE

Several models have been developed by management writers to explain the complexity of people.
For example Edgar H Schein developed four concepts of people

- Rational/Economic View—Assumes that people behave rationally and are motivated by economic gains.
- Emotional (Social) View—Assumes that people are ruled by their emotions some of which are uncontrollable.
- Self actualising model which assumes people are self motivated, they want to be and can be mature.
- Complex model—people are complex and variable and have many motives which combine into a complex pattern.

Another view of people is the Mc Gregor's theory X and theory Y. According to theory X, human beings have a natural dislike for work, because they dislike work most people must be coerced, controlled, threatened and directed to get them to work and the average human being prefers to be directed, wishes to avoid responsibility and has relatively low ambition and wants security above all. According to theory Y, the expenditure of physical and mental effort is as natural as play, external control and threat of punishment are not the only means for producing effort, committment to goals is proportional to rewards, under proper conditions human beings learn to accept and seek responsibility and that under the modern industrial life the potentials of people are only partially utilized. Each set of assumptions will affect the way managers carry out their managerial functions and activities.

Managerial models of people
There are three views of people:

i. Traditional model
ii. Human relations model
iii. Human resources model.

Traditional Model

The assumptions under this model are that:

1. Work is inherently distasteful to most people.
2. What workers do is less important than what they earn for doing it.
3. Few want or can handle work which requires creativity, self direction or self control.

Policies under this model which emphasise control and directing are that;

1. The manager's basic task is to closely supervise and control his subordinates.
2. He must break tasks down into simple, repetitive and easily learned operations.
3. He must establish detailed work routines and procedures and enforce them firmly but fairly.

The expectations under this model are that:

- People can tolerate work if the pay is decent and if the boss is fair.
- If tasks are simple enough and people are closely controlled, they will produce up to standard.

The Human Relations Model

The following assumptions are made under this model:

- People want to feel useful and important.
- People desire to belong and to be recognized as individuals.
- The social needs are more important than money in motivating people to work.

The policies followed by management under this model are:

- The manager's basic task is to make each worker feel useful and important.
- He should keep his subordinates informed and listen to their objections to his plans.
- The manager's should allow his subordinates to exercise some self-direction and self control on routine matters.

The expectations under this model are that:

- Sharing information with subordinates and involving them in routine decisions will satisfy their basic needs to belong and to feel important.
- Satisfying these needs will improve morale and reduce resistance to formal authority—subordinates will willingly co-operate.

The Human Resources Model

The human resources model takes the most positive view of employees and views them as important, in fact the most important resource that an organization has.

The model assumes the following:

- Work is NOT inherently distasteful. People want to contribute to meaningful goals which they have helped establish.
- Most people can exercise far more creative, responsible, self direction and self control than their present jobs demand.

Policies under this model:

- The manager's basic task is to make use of his untapped human resources.
- The manager must create an environment in which all members may contribute according to their abilities.
- The manager must encourage full participation on important matters, continually broadening subordinates self direction and control.

The expectations under this model are that:

- Because of the expanded subordinates influence, self direction, and self control operating efficiency will be improved.
- Work satisfaction may improve as because the subordinates will make full use of their resources.

Notes:

- The traditional model emphasises control and directing, it takes a simplistic view of employees and assumes that they will only co-operate if tasks and procedures are simple and specified and if employees are properly selected, trained and paid.
- The human relations model gives attention to social and egoistic needs—fair treatment and pay are not enough but it still focuses on control.
- The human resources model views the manager as a developer and facilitator who helps subordinates achieve performance aims. This model allows for participation in goal setting. Self-direction and self-control are emphasized.
- A manager may adopt any of the models in managing the human resources but he must judge its applicability in the light of the environment in which he operates. For example, in situations where employees are semi-skilled probably the human resources model though very positive may be inapplicable.

4.2 PERSONNEL MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

Personnel Management

is a specialist function of management and is not directly involved with business strategy it is a collection of people-related activities.

- Setting general and specific management policy for employment relationship.
- Administration: writing job descriptions, managing the appraisal process.
- Policing: ensuring the personnel policies are followed.
- Collective bargaining and industrial relations.
- Staffing and organisations i.e. providing and retaining personnel.
- Implementing downsizing and redundancy programmes.
- Aiding self development of employees at all levels.
- Reviewing and auditing manpower and management in the organisation.

Human Resource Management (HRM)

is a strategic and coherent approach to the management of an organisation's most valued assets. The people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage (Armstrong). It aims at integrating personnel issues with the company's strategy.

It is the process of managing people so as to contribute to organisational performance and change.

Aims and goals of HRM

- Serve the interests of management as opposed to employees.
- Suggest a strategic approach to personnel issues.
- Link mission to HR strategies.
- Enable human resource development to add value.
- Gain employees commitment to the organisations value and goals.

HRM is managing people for results. It is the responsibility of every manager. It involves every person who is responsible for the work of others.
It is about building a very competitive organisation around highly committed employees.

Features (Distinctive) Of HRM

- Top management: - Personnel was a staff function with limited impact. Top managers set direction and they must be involved.
- Performance and delivery of HRM: Line managers are responsible for the implementation of HRM. They do not carry out specialised instructions but manage within the context of the organisation's HRM strategy.
- Strategic fit: The right people in every respect must be chosen.
- Cultures and values: HRM tires to inaucate the organisations values into its employees.
- Employee behaviour and commitment: HRM seeks to win heart and minds rather than mere consent to management decisions.
- Reward systems that recognise good performance e.g. Performance related pay.
- Employees and assets people are a resource to be deployed. Assets need to be maintained through training. Degradation of human assets will harm competitiveness.

Differences Between Staffing And HRM

	HRM	Personnel
1. Purpose of activity	Strategic development of the business	Operations, policies and procedures eases management
2. Expertise	Serves the business strategy and is spread through the organisation.	A professional specialisation in one department.
3. Responsibility	It is everybody's although HR department still has an administrative and 'teaching' role	The personnel department
4. Work focus	Employees roles in furthering the mission	Job description.

HR strategy has to be related to the business strategy. Below is a demonstration of how the HR strategy and business strategy are related. The example relates an airline business.

BUSINESS STRATEGY	HR IMPLICATIONS	AIRLINE EXAMPLE
1. What business are we in?	What people do we need?	Air transport requires pilots, cabin crew, ground crew.
2. What products/markets level of output and competitive strategy now and in future	Where do we need people? What are they expected to do how many people? Location and size of workforce Productivity expected and output?	The airline is going global and therefore needs cabin crew who are skilled in languages and are sensitive to cultural differences.
3. What is the culture and value systems. Is it the right one?	The need to change culture and value	A cultural change programme; recruiting people to fit in with the right value system attitudal assessment.
4. Tomorrow's strategies, demands and technologies	Tomorrow's personnel needs must be addressed now, because lead times. New technology requires training in new skills.	Recruitment, training and education.
5. Critical success factors	How far do these depend on staff	Service levels in an aircraft depend very much on the staff so HRM is crucial.

4.3 THE PROCESS OF PERSONNEL MANAGEMENT

The composition of an organization's work force changes over time. People get promoted, others get laid off and some look for better jobs elsewhere, while some undesirable or unsuccessful employees are transferred.
The personnel management process is a continuing procedure to keep the organization supplied with the right people in the right positions at the right time.

The steps or activities in this process include:

- Human resource (manpower) planning
- Recruitment
- Selection
- Placement/orientation
- Training and development
- Performance appraisal
- Compensation
- Termination/ Separation.

4.3.1 MANPOWER PLANNING

Manpower planning is the long term planning of the manpower requirements of an organization taking into account both internal activities and factors in the external environment. Manpower planning aims at:

- obtaining and retaining the quantity and quality of people an organization needs.
- making the best use of human resources
- being able to anticipate the future in terms of potential surplus or deficit of people.

Job Analysis

1. Manpower planning starts with **job analysis** which is the systematic collection and recording of information about jobs in an organization. It is concerned with determining the requirements of a job in terms of tasks and responsibilities. A good job analysis should provide information on knowledge, skills, experience and any personal qualities and potentials that can be developed within that job.

A good job analysis consists of :

- Job Description—which summarises the duties encompassed by the job, working conditions, tools required, materials and equipment used on the job and
- Job Specification—which is a statement of minimum requirements to be able to perform the job satisfactorily. Whereas job specifications are used as standards against which applicants are compared in each step of the recruitment and selection, job descriptions are used as standards against which staff appraisal is carried out. Organizations also use job specification and job description in identifying trainees training needs as well as developing appropriate training programs.

2. The second step in manpower planning is that of forecasting the demand and supply of labour. Demand forecasting is the process of estimating the future quantity and quality of people required based on the corporate plan. Supply forecasting involves the measurement of the number of people likely to be available from within and outside the organization. It covers existing human resources, potential losses to existing resources through labour wastage, potential changes to existing labour force due to promotions and effects of changes of work conditions and absenteeism.

3. The last step in manpower planning is that of matching the demand and supply of labour. If supply exceeds demand, management must plan for layoffs, terminations, early retirements and normal attrition. If demand exceeds supply management must plan to recruit, select and train new employees. Finally if supply and demand is roughly equal no immediate action is necessary although the situation should be monitored in case either supply or demand changes.

4.3.2 RECRUITMENT

This is the second step in the staffing process. This process starts when a company finds it needs to hire more employees.
Recruitment concerns the set of activities that an organization uses to attract job candidates who have the abilities and skills needed to assist the organization in the achievement of its goals. Recruitment can either be general or specific. General recruitment is directed at filling positions that frequently open up in most organizations e.g. clerical or non-skilled or semi-skilled workers. Specific recruitment is mainly for managerial positions and for professional positions such as engineers and other skilled workers.

Sources of Recruitment
Recruitment sources are either internal or external.
Internal recruitment involves recruitment from within the organization through for example job postings or promotions. Internal recruitment has several advantages:

- It reduces excessive recruitment and placement costs;
- promotes improved morale and loyalty among employees because they believe their performance will be rewarded with promotions;
- generates internal competition for higher level positions which leads to increased performance;

- when managers promote from within they deal with people whose qualities they already know;

Recruitment from within also has several disadvantages:

- internal candidates may lack sufficient experience, knowledge, management ability, intelligence or skill in dealing with people;
- promotions from within may lead to in-breeding—an enterprise may tend to stagnate if all managers share the same views and experience. Bringing in new managers with different backgrounds can result in new ideas and new approaches;
- may create internal disharmony, this happens where there are many internal managers qualified for the job but in the end only one has to be selected.
- the Peter principle—managers are promoted until they reach their level of incompetence. If a manager proves successful in one level he may keep being promoted to higher levels until he cannot perform well.

External Recruitment is used extensively for highly specialised positions for which personnel in the organization are unqualified, where an organization may be expanding too rapidly to develop an adequate supply of managerial talent and when management wants to give the enterprise a new vigorous orientation. The sources of external recruitment may include walk-ins and unsolicited resumes from individuals, agencies and placement firms, newspaper advertisements, schools and colleges, unions and professional associations.

Advantages of outside recruitment include:

- the selection can be made from a much greater number of people.
- it brings individuals into the organization who have different backgrounds and who can perhaps help the enterprise maintain vitality.
- outside recruitment is used to give an organization a totally new direction.

Disadvantages of outside recruitment may include:

- the individual selected will lack specific experience in how the organizations functions and how the various departments interrelate.
- it costs more in terms of both money and time, for instance fees may have to be paid for advertisements and for professional recruitment firms and besides it may take weeks to locate the truly qualified manager.
- some adverse qualities of a person recruited from outside may go undetected despite a thorough investigation—for example how on earth can the recruitment manager tell that the candidate has a bad temper?

4.3.3 SELECTION

Once enough candidates have been recruited, the actual selection process begins. This process usually begins with an initial screening interview (short listing), which is followed by completion of application forms. This initial screening and completion of application forms allows the employer to get basic information about the candidates, determine the level of interest of the candidate and determine whether or not the selection process will continue after this screening interview, the successful candidates then appear for the formal interview where the candidates meet face to face with the recruitment panel who mainly give the candidate certain tests e.g. skills and abilities test and psychological tests. The tests may be oral or written depending on the interviewer.
Formal interviews have certain defects:

- The interviewee is likely to be inexperienced in interviews and he/she may feel uneasy and have an uncharacteristically tense manner.
- Interviews may cause the candidate to adopt a phony behaviour. The candidate feels compelled to project an image that he or she thinks will be acceptable to the interviewer. Sometimes the act put on by a qualified applicant may be obviously false or projects an image that is contrary to the organizations style. A less qualified candidate who projects a realistic position may be given the job.
- Tendency of interviewers to ask questions that have no useful answers e.g."tell me about yourself" or open ended questions like "what would you say is your greatest weakness".
- The interview process may also prove unreliable becasue of the different objectives of interviewer and interviewee. A prospective employer will want to sell the organization as a good place to work and may exaggerate the organization's strength. The prospective employee on the other hand wants to be hired and may exaggerate his/her qualities.

A candidate who has successfully gone through the formal interview may be asked for a physical examination, the prospective employer may also make reference checks about the candidate and if these and the physical examination are acceptable then the candidate gets the job offer.

The whole selection process has certain limitations:

- The diversity of selection approaches and tests indicates that there is no perfect way to select employees/managers. Even carefully chosen selection criteria are still imperfect in predicting performance.
- There is distinction between what a person can do (ability) and what he/she will do. Selection techniques and instruments are not a sure way to predict what people will do even though they may have the ability to do it.
- Testing itself especially seeking information may be considered an invasion of privacy. In addition it has been charged that some tests unfairly discriminate against members of minority groups.
- Time and cost involved in making personal decisions e.g. advertising expense agency fees, costs of test materials, time spent interviewing candidates, costs of reference checks, medical, start up required for new managers and orientation of new employees.

4.3.4 ORIENTATION

Orientation or socialization is designed to provide a new employee with the information he or she needs in order to function comfortably and effectively.

Socialization gives three types of information:

- general information about daily work routines;
- a review of the organization's history, purpose, operations and products and services;
- detailed presentation of the organization's policies, work rules and employee benefits. When new employees enter an organization they may feel anxious and worry about how well they will fit into the system, how well they will relate with the more experienced employees and therefore orientation should be aimed at reducing the anxiety of new employees.

Generally orientation is therefore concerned with placement and induction.
The levels of induction in an organization include overall level of induction, department induction, sectional induction, job level induction and induction by other appropiate groups for example, the safety committee, professional groups like economists, social/recreational

groups, trade unions and co-operative societies. Information supplied to the employee during induction must cover history and nature of organization, policies, goals and objectives of the firm, structure and functional differentiation, code of conduct, regulations terms, and conditions of service, specific departmental responsibilities, the organizations policies and any significant environmental factors.
Placement mainly involves assessing the employees, supplying employees with job descriptions and briefing on the job requirements.

4.3.5 TRAINING AND DEVELOPMENT

Training programs are directed towards maintaining and improving current job performance, while development programs seek to develop skills for future jobs.
Training programs are mainly concerned with the technical aspects of the job and therefore are usually directed at employees. Development programs are mainly for managers.

(a) Training

Training varies from highly informal assessments to highly structured programs due to the different calibre of people existing in an organization the training needs will vary with each group of people.
Training of employees can be effected with different approaches which are either internal or external.

Internal approaches to training

These are programs carried out within the environs of the organization and conducted for the organization. Examples are:

i. Orientation—this is the process of introducing new employees to the organization and to their specific jobs.
ii. Development by Level—training is provided as an individual rises from level to level. It follows the promotional path and becomes more and more oriented towards development of managerial rather than technical skills. It is advantageous in that :

- the method is logical as it follows a promotional path, one only trains when the training is needed;
- since training deals with immediate performance needs trainees are highly motivated and
- training is not wasted on individuals who never rise.

iii. Job Rotation—this requires an employee to spend a certain amount of time in each of the various key departments. The objective is to show what each department does and how it relates to the organization as a whole.
Advantages:

1. Trainees can be evaluated and the manager decides whether or not he wants him.
2. Trainees get the feel of different jobs and decide which suits them best.

Limitations:

1. The exposure provided by rotation may not be long enough to prove the employee's effectiveness.
2. Expensive, as trainees are inexperienced and thus not working properly.

iv. Apprentice Training—this method involves making the learner work as an understudy of an experienced worker for a fixed period of time after which he is expected to work alone.
v. Coaching—an informal person-to-person counselling that cannot be standardized. For it to work the subordinate must have confidence and trust in the coach. It is a method disliked by insecure superiors.
vi. Acting Capacity—the trainee temporarily works in a senior position mainly when the superior is on vacation or absent due to other reasons.

vii. Assistant to- Positions—the trainee works under close supervision of an experienced employee who may assign him some duties. It is an excellent method only if the superior is a good teacher and has the skill to counsel the employee.
viii. Committee and Junior Boards—the trainee is appointed to some committee set up for a given task. Members of the committee comprise experienced employees and the less experienced one gets the opportunity to interact with the experienced ones and to get a feel of how things are done.

External Approaches

These approaches are generally used to supplement internal programs. They are normally conducted by consultants, universities, colleges and other professional bodies. The programs may be conducted through traditional classroom lectures, seminars, workshops, conferences, etc. They are useful when skill or knowledge needed is highly specialised and organisations may have no one with in-depth knowledge of the subjects.

Guidelines For Successful External Programs

1. Should include all personnel, senior and subordinate.
2. The program should be evaluated regularly to justify its usefulness.
3. It must be actively supported by top management.
4. Emphasis should be placed on results not on the training activities.
5. Training needs should determine the methods or programs.
6. The theory and practice must be integrated.
7. Training should be rewarded.

4.3.6 PERFORMANCE APPRAISAL

This is another aspect (step) in the process of staffing. It is the process of identifying, measuring and developing human performance in the organization. Most managers find performance appraisal quite a difficult activity. It is not always easy to judge subordinates performance accurately and it is even more difficult to convey the judgement to the subordinates in an amicable manner.

The performance appraisal may be either formal or informal.
Informal appraisal is the continuous process of feeding back to subordinates information about how well they are doing their work and it is usually on a day to day basis.
Formal (systematic) appraisal occurs after given time periods e.g. yearly or half yearly and it aims to rate the employees' performance, to identify those employees that deserve a raise or promotion and those who require further training. Formal appraisal has four basic purposes:

1. It lets subordinates know formally how their current performance is being rated.
2. It identifies those subordinates who deserve merit rises.
3. It locates those subordinates who require additional training.
4. It plays an important role in identifying those subordinates who are candidates for promotions.

Formal appraisal can be effected by: a superior rating a subordinate, a group of superiors rating a subordinate, subordinates rating bosses, or a group of peers rating a colleague.

The four basic purposes of appraisal seem to suggest that compensation and performance improvement are the main reasons for appraisal but there are other reasons for appraisal.

- To provide feedback to employees in terms of quality and quantity of job performance without which employees have less knowledge of how well they are doing on the job and how they might improve.

- Appraisals are important for making important personnel decisions e.g. transfers, demotions, promotions, discipline and separations. Because of their very sensitive consequences these decisions must be made on adequate information.
- Appraisals form the basis of organizational reward systems particularly merit based compensation plans.
- Appraisals suggest areas in which employees training and development are most needed. If employee appraisals consistently point to problem areas programs can be developed to remedy the situation.
- Performance appraisals can be a self development indicator where individuals learn about their strengths and weaknesses as seen by other people.

Errors that could occur during appraisal

1. Central tendency error—superiors have been found to rate most of their employees within a narrow range. The rater fails to distinguish significant differences between group members and lumps everyone together in an average or above average category.
2. Strictness/Leniency error—some superiors may be by nature overly strict or overly lenient and this biases the appraisal activity.
3. Halo effect—this exists where the rater assigns the same rating to each factor being evaluated for an individual e.g. if he rates an employee above average on promptness he may have the tendency to rate him above average on all other factors and thus fail to identify the weak/strong points.
4. Recency error—in an annual evaluation a supervisor may give undue emphasis to performance during the past 2 or 3 months and ignore performance levels prior to this. This leads to uneven performance as well as contributing to the "playing the game" attitude where employees relax in the initial months and then work very hard just before the evaluation period.

5. Personal biases—personal biases can exist in the form of racialism, sex, background etc. An evaluater may have preconceived ideas about people of a certain sex, age or race and thus evaluate them in the light of his preconceived opinions. Here also the effects of stereotypes come into play during evaluation.

Techniques of performance appraisal

(a) Graphic rating—assessing performance by a graph or a line representing the range of a personal trait or dimension of the job.
(b) Behavioural rating—assessing performance by specific description of work behaviour.
(c) Work standards approach—comparing actual performance with present standards.
(d) Essay—writing a commentary discussing an individuals strengths and weaknesses.
(e) Management by objectives—setting of future objectives and action plans jointly by subordinates and superiors and then measuring outcomes against goals.
(f) Ranking method—involves ranking of employees in one department or work unit ranging from the best to the worst performer based on overall contribution to the organization.

Benefits of Performance Appraisal

For staff it will enable them to:

- Have a clear understanding of the goals and standards that are expected of them.
- Explain their needs and acknowledge any weaknesses in the positive context.
- Increase their confidence and awareness.

- Generate their solutions to problems and accept responsibility for their own development.

For managers a well run Appraisal will enable them to:

- Gain important insights into the work being done and those doing it.
- Improve the ability to plan, control and monitor work.
- Assess training needs.
- Develop a positive working climate in which effective staff communication and development is evident.

For the organization:

- It will have a staff whose abilities, talents and expertise are more effectively harnessed.
- A staff who understand and work to clearly defined policies, aims and objectives.
- Justifiable bases for such actions as separations, transfers, promotions etc.

4.3.7 COMPENSATION SYSTEMS

Compensation (remuneration) refers to any payment or reward that an individual receives in return for performing organizational tasks. The basic types of compensation include:

- Direct financial compensation (salaries/wages).
- Indirect financial compensation—other financial rewards other than wages and salaries e.g. medical cover, insurance cover, paid leave, etc.
- Non-financial compensation—most are intangible and they relate to the satisfaction that an individual derives in performing his duties. They can be as a result of meaningful jobs, social environment.The remuneration system should be able to attract and retain the right calibre of people, and gives rewards that will increase the workers motivation.

Factors Influencing Basic Compensation Policy And Practices

Demand and supply of labour & labour market conditions in determination of wages and salaries. The law of demand and supply must be considered. The higher the supply of labourers in the labour market in relation to demand the lower the salaries and wages paid. But when there's scarcity of labour i.e. less supply of labour in relation to demand wages and salaries will go up. Hence to achieve external consistency of wages and salaries an organisation wages and salaries policy must take into account labour market conditions and prevailing wage rates.

- **Union Pressures**
  Labour union pressures exert considerable influence upon the wage an salary issues. Generally the more powerful a union is or the stronger its bargaining power as measured by its membership and leadership strengths the greater will be the possibility of higher wages and salaries.
- **Job requirements in terms of knowledge & skills**
  Various jobs in an organisation are graded in accordance with relative skills efforts, responsibility, job condition etc. The more difficult the jobs are the higher will be the wages or salaries paid to the employees.
- **The organisation size or ability to pay**
  The large the organisation is the higher the chances of good profits earned by it. Large companies or organisations thus tend to pay higher wages and salaries relative to smaller organisations because of their ability to pay.
- **Product competitiveness and prospects for higher profits.**
  If an organisation product (goods or services) are highly competitive and profits are good wage level in the organisation is likely to rise. Hence organisations which are

market leaders in terms of products or services quality tends to make high profits and pay better than their competitors.

- **Psychological and Sociological/Ethical factors:**
  These factors exert a considerable influence on the company's wage levels because if the employees are dissatisfied with wages and salaries paid to them a sizeable pressure for wage/salary increases would develop frequently which may at times not be justified on purely economic grounds.
  Psychologically individuals perceive the level of wages and salary as a measure of satisfaction, security and status in life. Wage/salary differentials serve to depict social hierarchies and individuals perceive themselves in relation to others in relation to how much each of them earns. Ethically individuals feel that wages and salaries should be commensurate with their efforts.
- **Government policy and action in wage determination**
  Like pressures from trade unions there's pressure from the government upon wage and salary practices. Acting in the public interest government may pass legislation, issue executive orders or establish commissions with a view to regulate compensation policies and practices for the purpose of attaining specific social and economic objectives such as elimination of exceptionally low wages.
- **Cost of living or consumer price index**
  This is often regarded as an automatic minimum pay criteria. Due to high cost of living resulting from rising prices various organisation do increase their wages and salaries. Increase in Productivity

(Other Forms Of Payment To Be Input)

- **Employees Profit sharing scheme**
  Under this compensation plan an organisation would share its profit through
- **Cash distribution**
- **Contribution to trust funds**
  Under the cash arrangement benefits are distributed among employees in cash at least once in a year. The organisation may also establish a trust fund. The benefits from which are distributed in the event of death, retirement or disability.
- **Employee stock ownership**
  In this type of compensation plant the management allows employees to participate in stock ownership. The management may provide mechanisms through which eligible employees may purchase the stock of the company at reduced rate. Eligibility may be determined by wage level or years of service or both.
- **Supplementary compensation/fringe benefit**
  A supplementary form of compensation or a fringe benefit is a reward to an employee in addition to the basic wage or salary. It is usually provided at the expense of the employer. Examples of fringe benefits include:-
    - Pension schemes e.g. gratuity
    - Medical schemes
    - Housing schemes (house rental allowances/house purchase allowance)
    - Insurance schemes (e.g. life insurance benefit)
    - Car loans allowances
    - Subsidised meals at place of work.
    - Company's goods at discount rates
    - Transport scheme e.g. company transport services
    - Entertainment allowances given to senior managers of the organisation
    - Travelling allowances provided on making official company visits
    - Leave allowances
    - Sabbatical leave etc.

Characteristics of fringe benefits

- The following are the most important characteristics of fringe benefits:
- They are not directly related to merit but they often improve with status and length of service.
- Did not necessarily benefit all employees eg. a person who has good health will not benefit from medical schemes.
- They are not universal. Large company's usually have a wide range of fringe benefits while small company's tend to have very few or none at all.
- Once established they are difficult to abolish and become accepted by the employees as a normal condition of service rather than a benefit.
- There's no evidence that candidates are attracted to an organisation by fringe benefits but it is possible that fringe benefit discourage employees from leaving
- They probably increase job satisfaction but will certainly bring dissatisfaction if they are inconsistently and carelessly administered.

EMPLOYEE SEPARATION

Causes

- Retirement
  - Mandatory
  - Voluntary
- Death
- Lay offs, redundancy, retrenchment
- Discharge/dismissal
- Voluntary quits/resignation

Employees are terminated/separated from an organisation using the above methods

1. RETIREMENT:

May be defined as the exist from an organisation or career path of a considerable duration, taken by individuals after middle age and with an intention of reducing psychological commitment to work.

Types of retirement: -

There are two types of retirement: -

i) Mandatory retirement

It is also known as fixed/compulsory retirement. This form of retirement employees are compulsorily retired after attaining the retirement age set by organisation 50,60 etc.

Benefits of Mandatory Retirement

- It is simple to administer with no complications to prove that older people no longer meet the job requirements.
- Openings are created to which younger employees can advance.
- Human resource planning is facilitated when retirement schedules are known.
- It stimulates employees to make plans for retirement in advance of a known date.

Disadvantages of Mandatory Retirement

- Fixed retirement age will often lead to a 'short time' attitude in the years just prior to retirement 'short timers' tend to be less committed to the organisations challenges or problems and may even 'retire' on the job.
- Fixed retirement age may also lead an organisation to suffer losses or lower productivity when there highly experienced personnel leave.

Voluntary Retirement/Flexible retirement
It refers to the type of retirement whereby organisations allow employees to retire voluntarily before attaining the mandatory retirement age. Early retirement may be on medical grounds or inducement to retire under structural adjustment programmes e.g. Golden handshakes.

Managing The Retirement Process

This involves designing programmes intended to prepare prospective retirees prior to and after retirement.
Pre-Retirement Programmes.
Are basically conducted with the intention of reducing anxiety associated with retirement. Lack of pre-retirement programmes for employees to prepare employees psychologically and emotionally may lead to damage of their physical and mental health.

Pre- retirement programmes in terms of cancelling are therefore given to educate employees on the benefit of retirement and also actively facilitate effective transition from the working to the retirement role.

Administrating a pre-retirement programme.
The following instructional devices are used to: -

- Organising group meetings where expert speakers are invited to speak on certain areas eg a lawyer to speak on estate taxes, a doctor to speak on health problems of senior citizens, a state employment service represented to speak on availability of part time jobs etc.
- Meetings may be held with former retirees for an informal exchange on the problems of switching roles
- Work sessions are conducted where a potential retiree is asked to fill out a personal affairs check list so that retirement income can be estimated. In relation to that income a prospective budget can be worked out.
- Some organisations may provide access to a library with materials on retirement as well as subscribing to publications on retirement planning.
- In large organisations specialised counsellors may be provided to counsel individuals on problems of adjustment.
- Training programmes may be conducted for running small business.

Benefits of Retirement Programmes to the Organisation and Society at large:-
Pre-retirement programmes can provide considerable value for the organisation and society.
Benefits to the Organisation
- Successful retirees are walking ambassadors of goodwill for the organisation.
- Productivity of prospective retirees prior to retirement are enhanced because of the lessening of anxiety about the future.

Benefits to the Society
- Retirees possess a valuable societal resource:-
- A daily supply of free time. Programmes that inform prospective retirees of places where they can continue to serve in voluntary organisation enhance society's wealth.
- Programs that enable greater self reliance and self sufficiency in financial planning can do much to reduce the burden of the society for taking care of old age citizens.

LAYOFFS, REDUNDANCIES, RETRENCHMENT

- Layoffs: - refers to the release of a qualified personnel no longer needed by the organisation. Layoff may be temporary or permanent
- Redundancy: - occurs when workers no longer needed by the organisation are laid off. Redundancy may also occur when the employer has ceased or intends to cease carrying out the business. Under redundancy employees are paid terminal dues in accordance with the statutory requirements individuals may be declared redundant when his position is no longer needed by the organisation as a result of major restructuring
- Retrenchment: - this is the humanly way of carrying out redundancy. It does not always result after ceasing business but it can result out of the need to improve business. Under retrenchment programme employees are paid enhanced retirement packages and pension/provident fund provided they have the minimum years of qualifying service.

Factors leading to Retrenchment

- Poor business performance owing to decline in market share. This may be due to competitive pressure from competitors among other reasons.
- Poor management and inadequate planning
- Business mergers, takeovers and divestments.
- Introduction of high performance work systems which may entail:-
- Employment of multi skilled personnel capable of increasing productivity and responding to change.
- Introduction of new method of production
- Introduction of organisation structures designed to enable quick decisions fast responses and empowered employees.

PROCESS OF RETRENCHMENT

1. - Define the vision, mission, specific goals and objectives
   - analyse the market and define its needs
   - analyse product offerings to satisfy market needs
   - Consider whether it is still valid to remain in specific product or business area
2. Define sales and distribution strategies
3. Identify areas where services may be contracted to reduce overheads and duplication.
4. Define ideal organisation model incorporating all needs.
5. Carry out critical job analysis and define job skills required by the organisation.
6. Establish optimum staffing levels
7. Determine surplus staff
8. Determine the selection criteria

Examples of possible criteria

- age
- skills/professional qualifications
- Last in first out (LIFO)
- Work performance
- discipline

MANAGER DEVELOPMENT

TABLE I: STEPS IN THE SELECTION PROCESS

PROCEDURES TRENDS	PURPOSES	ACTIONS AND
1.Completed job application	Indicates applicant's desired position: provides information for interviews.	Requests only information that predicts success in the job.
2.Initial screening interview	Provides a quick evaluation of applicant's suitability	Asks questions onexperience, salary expectation,willingness to relocate etc.
3.Testing	Measures applicant's job skills and ability to learn on the job.	May include computer testing software, handwriting analysis, lie detector tests and urinalysis.
4. Background investigation	Checks truthfulness of applicant's resumé or application form.	Calls the applicant's previous supervisor (with permission) and confirms information from applicant.
5. In-depth selection interview	Finds out more about the applicant as an individual.	Conducted by the managerto whom the applicant will report.
6. Physical examination	Ensures effective performance by applicant; protects other employees against diseases; establishes health record on applicant; protects firm against unjust worker's compensation claims.	Often performed medical doctor.
7. Job offer	Fills a job vacancy or position.	Offers a salary plus benefit package.

Selection of managers in an organization is very important because largely the ability of managers determines the success or otherwise of an enterprise.
All managers do not work in the same way even at the same level—some managers will prove more successful and effective than others. To be successful and effective managers must have the following characteristics:

(a) Will to manage—a good manager must have within himself the desire to become even a better manager. He must be willing to accept responsibility and have the confidence to be accountable for the work of others. Some people have low desire to manage for the following reasons:

- They lack confidence
- Afraid of decision making
- Fear responsibility/accountability
- Are happy with current positions

(b) Knowledge of management process—a manager should have an understanding of the management process and management functions. It's important that candidates have some formal training and education in management.
(c) Intellectually capable—he should possess the necessary level of intelligence and ability to make logical decisions.
(d) Ability to command respect—a manager must be able to earn respect from his subordinates so that they are able to obey him, he must therefore be able to understand employees, be honest, fair and have a positive attitude. Respect from others cannot be forced and it's only a manager who respects himself and others who will be able to earn respect.
(e) Have good communication skills—must be able to express himself in a manner acceptable both to his superiors and subordinates. He must be able to make himself understood either orally or through writing. Ineffective communication leads to misunderstanding which results in mistakes.
(f) Integrity—managers act on behalf of the organization. They take care of the resources of the organization, if they wanted they could cheat, embezzle, falsify records, show favouritism, etc. They must have a high sense of what is right and what is wrong and practise it. Others in the organization look up to them and their mistakes are copied by others. They must conduct business and trade in a straight, ethical and acceptable manner.
(g) Loyalty—must show loyalty to the organization e.g. they should not do the same business or competing business. They must not sell company secrets and vital information to others for instance. Must always try and give a good image of the organization both within and without.
(h) Good personality—a good personality will ensure that one is able to relate to others amicably. A good manager should be one ready to work with others and one who does not always insist on doing things his own way. He should also have a stable character—with few personal problems which might be a liability to the firm e.g. alcoholism, drug addiction or domestic troubles.

Matching Managers With Specific Jobs

Most management jobs are too general—so they cannot indicate the qualities, skills and experience a person should possess for a management position.
Application of job analyses—job description and job specification is a useful way of trying to match managers to the job. However, these are more applicable at the first level manager and less applicable at higher levels. At lower level management jobs are more specific while at higher levels managers have to deal with wider areas and have more freedom to make decisions and take action.

Selecting Managers

Just like other employees, managers can either be selected from within or without the organization. Selection from within involves promotion, i.e. management positions are filled by people who are already in the organization.

Advantages of promoting from within

- Promotes and generates competition since people know that the higher level positions will be filled from within they work hard at their jobs with hopes of being promoted.
- Promotion from within may serve as a way of motivating employees therefore it may lead to increased morale.
- Promotions from within means that managers already know the qualities of the ones to be promoted as they have worked with him and observed how well he performs.
- Promotion from within is less expensive than from without. No money is wasted on advertisements and interviews.
- Promotion from within also means the person promoted can take up his work with minimum time waste as he does not need any orientation. Less time is also used in making the promotion decisions since the likely persons are already in the organization.

Disadvantages of promoting from within

- Internal people may not actually be the most qualified. They may lack sufficient knowledge, intelligence or interpersonal skills.
- It may lead to in breeding—managers have little scope as they all share the same experience. They are likely to see things from a limited point of view, they have almost the same ideas and approaches.
- It is likely to create internal instability or disharmony—most people may feel qualified yet only one is selected. Others may feel discriminated upon and may give less co-operation to the promoted colleague.
- The promoted managers may be complacent in their work as they feel they know the organization too much. The work may not be as challenging as it would be for a new person from outside.

Recruitment from outside

i. Usually used more in highly specialised positions.
ii. Also used when a firm is entering new areas of operation.
iii. Also used when a firm is growing too much and internal supply is less than demand.
iv. Also used when management wants to give the enterprise a new and vigorous approach.
v. Used in firms which have stagnated due to tradition and custom i.e. whose managers have developed over time some traditional ways of dealing with issues.

In recruiting from outside most firms in Kenya use management consultants firms e.g. Price Waterhouse Coopers or Deloitte or Ernest & Young, Hawkins and Associates, Manpower etc.

Usually professional firms are used because:
(a) They provide confidentiality
(b) Have more time to do the search
(c) Selection is less biased than if it was done by the company
(d) Can often do a better search for the "right" person.

Not all firms use professional firms, others do recruit through advertisement in the mass media, or through personal contact or from colleges and universities or from people who may just apply looking for a job.

Advantages of Outside Recruitment

- There is a wider choice as there are more people to choose from.
- Brings people into the organization who have different ideas, opinions, experience and backgrounds.
- Helps give the organization a totally new direction especially when a firm is not doing very well.

Disadvantages

- Expensive and more time consuming.
- Wastes valuable time through orientation.
- The new person will lack experience and how the organization functions, he will take time to grasp the workings of the firm.
- It is difficult to evaluate a person from outside effectively, a defective quality may be missed in the interview especially qualities that need subjective judgement.

Note:

- Recruitment of managers must involve gathering of information about the likely candidate. There are several sources of information and they include, past performance, personal interviews, in-depth investigations (gather data on an individuals habits, financial stability, family life, criminal records, etc) or from tests and assessments. The tests used are either intelligence tests, achievement tests, interest tests or aptitude tests.
- Forecasting the need for managers
  The supply of managers in an organization cannot remain constant throughout. Managers leave for other firms, some retire, some are sacked, some may die etc. To avoid being understaffed or staffed with wrong managers an organization must plan for the needs of its managers. This planning or forecasting can follow certain distinct steps.
- Taking inventory of existing managers
- A firm must always have an updated organizational chart showing existing managers by levels.
- Estimate growth/decline (attrition)
  Past history should give some data on who might need to be replaced.
- Evaluate quality of existing managers
  A firm should know the managers who qualify for any of the levels on management. Situations change and occur that may affect the qualifications of managers. A manager who was qualified last year may be unqualified this year due to environmental factors e.g. use of sophisticated technology or the expectations of workers and the society changes, changes do affect the work of managers and some may be unable to respond accordingly.

MANAGER DEVELOPMENT

Just like other employees managers must be developed and rewarded and these are also aspects of staffing.

Manager development is the process of developing programs that will ensure that managers better their skills and expand their knowledge for their jobs and as a whole all aspects of a managers job. These programs may range from formal training to informal techniques such as counselling.

All organizations need manager development because as people grow in the organization, they relax, get complacement and become actually obsolete due to custom and tradition. It is difficult to have perfect management but a good development program will lead to increased productivity.

Reasons (goals) of manager development

- To impart managers with necessary training, most managers enter the organization at the first level management with little managerial training.
  - Even college educated people usually lack experience and management training.
- To prepare managers to replace those who leave (this is why most firms have assistant manager positions).
- To prevent manager obsolescence
  Managers must keep up with development in the field of management, otherwise they may become out-dated in their ideas and practices, e.g. results in other areas of the environment, e.g. politics, economic or socio-cultural aspects.
- superior managers
- Managers who want to grow in management will want to go to a firm that ensures growth.

Approaches To Development
Manager development can either be internal or external. It is internal when it happens within the organization.
Internal Techniques

- **Formal Orientation**

Usually done by members of the personnel department when a new person joins the company. The person is given a general view of the policies and functioning of the organization.

- **Informal Orientation**

This is usually done by other colleagues as the new person interacts with his co-workers. They tell him who is who in the firm, and the accepted practices and habits. This informal contact is outside the control of management but management can influence it through proper leadership and effective communication.
Rotation
An employee can be rotated within departments to give him a feel of how each works. This is practised by banks in their management training programs.
Employees can also be rotated on basis of the geographical areas, practised very much by both business and non business firms. The manager is able to see how different branches approach problems. It also exposes managers to different problems, different environment, different customs, consumption patterns etc. and this gives the manager a more wider view of the organization.
However, geographical rotation may encounter resistance from employees who do not want to be moved and it is also costly to the organization.
Growth through the levels, training is provided on a level to level basis. As manager rises he is given additional training needed to function at the higher level. This method has certain

Advantages:

- one only gets the skills when needed;
- it is systematic and logical;
- it deals with immediate performance needs, the trainee is more motivated;
- training is only given to those who need it.

However, this form of training limits the trainers skills and knowledge to only one area or department so one may become very poor in other areas.
Coaching
It is informal and done on a person to person basis, usually only the manager and subordinate are present. It is private therefore even sensitive issues can be handled.
It's the most intimate form of training. When used for manager development it involves giving advice. Since it is face to face both the superior and the subordinate must establish mutual trust and confidence therefore the superior should be ready to see the subordinates develop managment skills.
However, some superiors are afraid to see the subordinates develop for fear of losing their jobs or being outdone by the subordinate. In such a case, coaching is not an effective way of manager development.

Other Forms
Organized development (OD) usually aimed at changing a managers opinion of himself and of the organization through modification of attitude, motives and viewpoints.

- Taking up acting position.
- Service on committees.
- Assistant to positions.

External Approaches to Manager Development
Usually used to supplement internal programs especially where the skill or knowledge needed is very highly specialized.Also used when a firm feels its employees need to be exposed to new ideas and viewpoints.
Also needed when it is more economical, outside training for management could be in any of the following forms:
University sponsored programs—usually universities and colleges give short programs mainly conferences and seminars for both business and non business organizations.
Trade and professional associations—trade associations like the National Chamber of Commerce and Industry provide training for both members and non members.
Consulting firms—provide management training to other firms. Kenya has several of these firms.
Informal sources—reading and consultation with other managers.

Effective Manager Development
An organization can make manager development more effective by doing the following:

(a) Giving manager development to all levels
Every level of management should be provided with development programs so as to upgrade the competence of each category of managers. For first line managers they need to know the technical aspects of their jobs and how they can improve by understanding the basic management functions.
Middle management need growth through understanding of the theory and practice of management. Top management must update themselves with all functional areas of the firm e.g. finance and marketing and the effects of changing environmental factors.

(b) Top management support
Training or development programs which have top management support and which are initiated by top management tend to be accepted and implemented more readily.

(c) Assist managers in their development
Managers should be motivated to grow. They should be helped to realise that they need a positive attitude towards development if really they want to grow.

Compensation (Reward) System For Managers
Like other employees managers need compensation for their work. The main financial rewards are:-

- salaries
- bonuses
- profit sharing
- pension plans
- stock ownership

Salaries
A fixed monthly payment. It's the main financial incentive for managers. Usually adjusted and reviewed to reflect manager development. A salary is advantageous to both the firm and the manager—to the firm it is easy to administer and to the manager it provides security. He can budget for it since he is sure it will come. However, a salary does not closely relate to performance and sometimes it leads to complacency on the part of the employees.

Bonuses
Most firms supplement a salary with a bonus. A bonus is directly related to results achieved. It is a sum of money given usually at the end of the year or on top of the salary. Usually used mostly by profit making firms.A bonus may be based on contribution to profit, waste reductions, sales increase, reduction in absenteeism etc.

Advantages:

- They can encourage greater effort
- Can help boost morale
- Encourages harmony at work especially when managers receive group bonuses
- Can help solve some problems e.g waste of material, where bonus is based on reduction of waste.

Disadvantages:

- It is difficult to measure each individuals contribution say to sales or profits
- It is expensive to administer, takes time and therefore makes management even more complex
- When it is group bonus, the high performers may feel de-motivated as they are rewarded at the same rate with low performers.

Profit-Sharing

The managers are given a certain percentage of the profits. The profit sharing may be cash or kept in a fund and given later at an agreed age or date. Profit sharing can help reduce turnover and attract better managers—also helps increase morale on the part of managers leading to increased group co-operation.

Pension plans

The firm invests funds for its employees to be paid when they retire. Pension plans help managers stay longer with the firm. It helps meet the manager's need for security therefore it can boost morale.

Stock Ownership

Some companies do sell shares to their employees. This gives employees a personal stake in the company and can therefore make them more eager to improve the company's performance.

Note

Financial compensation for managers are different for different companies. They are affected by the following factors:

- Type of the organization (e.g. is it profit making or not, is it private or public owned?)
- Size of the organization
- Type of industry
- Importance of the managers job:
- level of the job
- contribution to profit
- span of control
- The managers education and experience
- Competition
- Supply and demand

How To Make A Reward System More Effective

A manager reward system should aim to attract the most qualified managers and to motivate them individually and collectively to become more efficient and effective. A good reward system must therefore have the following:

- Must consider the system in its entirety

The firm should be looked at as a system that is interrelated so besides the money there should be good leadership, appreciation, respect and growth.

- Rewards should be related to performanceManagers must not be made to feel exploited, good performers must be compensated better than low performers.
- The reward system must be reviewed and amended frequentlyIt may be adjusted to reflect changes either in the firm or on the part of the manager e.g. increased responsibilities, rise in cost of living, development of skills etc.
- It must be fair and simpleIts reward system should be as objective as possible. It should be also simple and not costly to administer.

Evaluation of Managers Performance

Managers are the key to a firms success.Their strengths and weaknesses must be discovered and used to build a better organization.Evaluation of managers serves as a basis for corrective action.

The successful manager needs to be encouraged to remain that way while the unsuccessful one needs to be helped to improve his performance.

Judgmental vs Development Evaluation

Judgemental evaluation—it is a subjective way of evaluation where the performance of one manager is compared against that of others (ranking) or it is compared to an obsolete standard (rating).

Used to assess managers in order to make decisions on promotion, transfer, compensation or termination —it will help answer questions on whether the personsiare promotable, whether they should be transferred or whether they should receive a pay rise.

Used to make decisions on the use and reward of human resources. It must be conducted accurately and objectively otherwise it could lead to mistakes in promotion and compensation.

Development evaluation—used to improve the person being evaluated. Tries to come up with recommendations regarding the training and professional growth of the person i.e. what skills they need, what training they should undergo etc.

Note

- After evaluation decisions on either promotion or termination can be made.
- Promotion and the Peter Principle
- More pay, higher status, more responsibilities, power and authority usually accompany promotion. An individual who performs well at one level may be unable to perform at a higher level therefore; the person must have leadership skills and other skills that affect results. Promotion is also based on very thorough evaluation because promotion of a less than best candidate can adversely affect morale especially from others who may also have wanted the promotion.
- Termination based on Evaluation
  Management positions are not protected by union contracts, termination of their services is not difficult. Where there is a good appraisal and evaluation system the firm can identify individuals who are performing poorly and who have little hope of moving upwards and those can be asked to retire voluntarily. Where termination is to be demanded, it should be based on a comprehensive evaluation of the individuals performance. The superior demanding the termination should have all relevant information showing that the person being told to leave may never perform satisfactorily.

Methods For Evaluating Managers

The following are the main methods of evaluating managers:

(a) Results evaluation
(b) Trait evaluation
(c) Behaviour evaluation
(d) Functional performance evaluation
(e) Informal evaluation

(a)Results Evaluation

Uses the actual performance or accomplishment of the officer to evaluate him—the measures of achievement must be expressed numerically e.g. units produced, waste, turnover, volume sold or sales in KShs. The goals set in the organization must therefore be verified—i.e. an individual should know exactly what they are expected to do.

The evaluation or results is either periodic or continuous. Continuous evaluation i.e. on a day to day basis is very easy for line managers, especially in organizations that are computerized. Periodic evaluations are more common for staff managers e.g. legal officers, also used where long periods are required to accomplish results.

Advantages:

- Helps accomplish the major objective of managing—achieve results or objectives, the best way to evaluate managers then is to see whether they have achieved the objectives.
- At the end of each job—it's the results that count not the effort, a manager may appear good, well behaved and know how to manage but not deliver what the organization requires (results).

Disadvantages:

- Environmental factors external to management may affect achievement. A manager might therefore do his best and still not get results! (Weather, strikes, politics, economic events, etc) when they occur, attainment is impossible and such a manager should not be rated negatively. External factors could also make goal attainment easier and lead to a bias rating of the manager.
- Internal factors beyond the scope of the manager may change. Such factors affects goal attainment either positively or negatively e.g. it is difficult for a production manager to get good results if he is given defective materials. Likewise a marketing manager cannot achieve goals of his department if the production manager gives him a defective product. Internal factors may also affect results positively—a new mode of production may reflect very positively on the production manager but does he deserve credit?

Note

A fair evaluation must show that the manager truly deserves credit or is truly responsible for the poor results. Results evaluation must therefore be flexible especially where there are changes in environmental factors.

(b)Traits Evaluation (attribute)

A manager is judged in terms of personal characteristics e.g. co-cooperativeness, loyal, independent, dependable, consistent etc.

It is carried out in a planned manner and the individual is judged on work related qualities, e.g. knowledge of the job, ability to follow procedures, ability to plan and co-ordinate, ability to handle emergencies.

This evaluation gives the assessment at alternative ratings, e.g. very good, good, fair, poor, very poor etc.

It also gives an opportunity for informal evaluation as the reviewer can ask many open ended questions.

Advantages

- it is very simple, easy to complete the form
- can be used for different levels of management.

It has many limitations:

- It is subjective—one human being assessing another.
- The rating cannot be uniform—each evaluation will have its own rating due to differences in their understanding.
- It is not free of bias, the one being rated can bias the process depending on the power relation between him and the superior.
- It is not comprehensive—it is difficult to capture a person's total performance at one particular point in time—other factors will affect the process.
- Possession of a certain attribute e.g. initiative may not actually relate to performance.
- Halo-effect—a rater who feels a manager has one good attribute e.g. intelligence may rate him high on all other attributes, and if the rater believes the manager lacks a good attribute, e.g. judgement he will probably rate the person low on all other attributes.

(c)The Behavioural Evaluation

This appraises a manager in terms of how he or she went about achieving the results.

- Focuses on what the manager did, i.e. the process and techniques he used to achieve goals.
- It shows what the manager is doing right and what he is doing wrong. Instruments are used which identify the key aspects of the managers job.
- It emphasises manager development and it tries to get at the how of performance by identifying effective behaviours known to produce consistently superior performance.
- The instruments are designed for specific jobs or for jobs closely related.

A Behaviour Evaluation Instrument

The instrument is usually done on a group of managers together and follows certain steps:

Step 1: Managers meet and agree on the behavioural areas which should be evaluated.
Step 2: Ratings are developed for each behavioural area using written states e.g. from very good to very poor.
Step 3: The statements are evaluated and unclear ones removed.
Step 4: The statements are then arranged on a scale indicating the best possible behaviour and the worst possible behaviour.

Advantages of Behavioural Evaluation:

- Is more objective since it's behaviour (not personality) that is being evaluated.
- It can help managers discover ways in which they can help subordinates perform better because in developing the scale managers are forced to examine carefully how subordinates perform their work.
- Also helps managers develop—it indicates areas in which the manager needs specific training.
- It concentrates on performance under the individual's control—not affected much by other factors.

Disadvantages:

- it is costly as the instruments require a lot of time to develop, furthermore it must be done by many managers together.
- Is only feasible in relatively large organizations.

(d)Functional Evaluation

Managers can be evaluated on their ability to perform the basic management functions of planning, organizing, staffing, directing and controlling. Questions are asked which help pinpoint the strengths and weaknesses of the manager in each area or in each function.

Example: PLANNING
How effective is the manager in:

	Above Average	Average	Below Average
Scheduling work	—	—	—
Setting goals	—	—	—
Making budgets	—	—	—
Setting rules	—	—	—
Making procedures	—	—	—
Estimating	—	—	—
Resources needed	—	—	—

Similar questions are asked for all other managerial functions.
Advantages:

- It reveals specific weaknesses or strengths in the individual's performance, e.g. is he good at delegation, communication or scheduling.
- It can pinpoint specific areas where the manager needs further training.
- Has wide applications and is simple and straight forward.

Disadvantages:

- It is subjective therefore not free of bias emanating from the personality of the evaluator e.g. the perception of what is average is not the same for all evaluators.
- Does not relate directly to actual performance or actual results, the fact that a manager's performance of the managerial functions is above average does not mean he is attaining organizational goals.

(e) Internal Evaluation:
This is evaluation based solely on observation of a manager's performance. No structured instruments are used but subjective judgements are made. It is a continuous process with no formal design—the evaluator gathers data through informal observations as the manager performs.
Used widely in small organizations and also at top levels of big firms e.g. rating of key executives by a president is highly informal. It is the best way of appraising top level managers since their success depends on many intangible factors. Unlike other evaluation methods the informal method is simple -no forms, no interviews, or even formal infraction. It is also not costly, no need for experts to design it. It may give insights regarding day to day activities. It is subjective and judgmental i.e. it is affected by personal feeling towards the individual being evaluated. Since it is not recorded, it is difficult to come up with corrective action as it is not in any usable form.

Note
Manager evaluation is essential as it provides information that is useful in making decisions regarding promotions, compensations, transfers, terminations and placement. Above all, it gives useful information on how to improve the skills and abilities of a manager. Appraisal can therefore help managers map out the course for a career in management.

Conclusions

From the methods advocated for manager evaluation, no one method is the best in all situations.However, certain steps can be followed that will help make manager evaluation more effective.

The process therefore should follow the following guidelines if it is to be effective.

- The evaluation system is to be kept as simple as possible i.e. it should not take too much time or too much money to implement.
- As much as is possible the system should be kept free of personal bias and subjectivity. The evaluation should not be influenced by the evaluators attitudes and preferences towards issues that will affect the evaluation.
- The evaluations should be frank and honest.
- The personnel affected should be advised on the methods and the purposes of the evaluation—so that they can view evaluation positively.
- The evaluation should be frequent and at stated intervals—so that problems can be detected early and corrective action taken in time. The frequency will of course be affected by the level of job, how long the individual has been on the job, and finally the importance attached to evaluation by senior management.
- The results of the evaluation should be used constructively, i.e. should help make decisions e.g. on promotion, help managers improve themselves and help to show the managerial talents the firm has.

4.5 LABOUR RELATIONS

TYPES OF TRADE UNIONS

Despite the fact that the overall goals of every trade union are the same there exists different types of trade unions distributed throughout the whole labour force in Kenya. These types include:

1. Craft Trade Unions

These have also been referred to as traditional types of trade unions. These start where workers are skilled in certain crafts in a similar occupation band together to form a union. These workers get together to fight for better terms for their technical skills.

In fact the evaluation of labour movement in the USA is accredited to the craftsmen in similar occupation banded together voluntarily to protect their job. However, craft types of trade unions are not as popular now as they used to be. An example of a craft trade union in Kenya is the National Union of Teachers (KNUT).

2. General Type

These types of trade unions are organized or have members irrespective of the workers skills. They have been known to comprise of workers from the lowest level, e.g. cleaners to the highest level of unionisable staff. Examples of this kind of trade union are the Commercial, Food and Allied Workers Union and the Dock Workers Union.

3. Industrial Type
These are open to membership of certain industries who have affiliated themselves to particular trade unions irrespective of the occupation or craft of the members. Examples that can be cited here would be the Motor Industry Workers and also the Petroleum Workers Union.

4. Occupational Type
This is the latest type of trade unionism. It has its rooting from the issue that management staff are not unionisable. Thus the occupational type of trade unions has its leanings towards white collar jobs. The members affiliatable to such trade unions can comprise of clerical staff, juniors and middle managers. The occupational trade unions then take care of the grievances of the low and middle management. In fact there has been a short-coming, in that for an individual to sue a company, he has to be outside the government of that company, i.e. the top management and this puts top managers in a fix.

FUNCTIONING OF TRADE UNIONS

Compared to many other developing countries and particularly those in the East and Central Africa region Kenya's industrial scene is today many stages ahead of the times. In most East and Central African Countries, for instance, trade union membership and representation is either severely restricted and qualified by registration or simply outlawed. It is therefore worthwhile to review the success and smooth functioning of the trade unions in Kenya. The landmark is the Industrial Relations Charter of 1962.

INDUSTRIAL RELATIONS CHARTER

This charter was formulated in 1962 and was later amended in 1980. The Industrial Relations Charter was a tripartite agreement between the Government, the Kenya Federation of Labour (this being the predecessor of (COTU) and the Federation of Kenya Employers. The agreed responsibilities of the Unions and the Management are the basis of the smooth functioning of the trade unions in harmonising industrial relations.

These responsibilities include:

- The existing machinery for settlement of disputes should be utilised as quickly as possible in any event of an industrial dispute.
- Both the Unions and the Management should undertake to settle any or all disputes at the appropiate level and according to the procedure laid down by them.
- The Unions should never call a strike nor should the managment implement a lock-out without a prior notice served to either party. This caters to remove strikes and lock-outs which may jeopardise the chance of peaceful negotiations and wasted man-hours.
- The Charter also provides that neither party will have recourse to intimidation or victimization or conduct itself in a manner that is contrary to the spirit of this charter. This provision removes the fear of victimization by management of those workers who engage themselves in trade union matters.
- The management and the union must undertake to promote maximum cooperation in the interests of good industrial relations between their representatives at all levels and to abide by the spirit of agreements mutually entered into.
- Another important provision in this Charter is that both parties should observe strictly the grievances procedure outlined in the Recognition Agreement which will ensure a speedy and full investigation leading to settlement.
- The unions have been obliged to educate the management personnel and the employees regarding their obligations to each other for the purpose of good industrial relations. Here again the unions and the FKE should respect the worker's freedom of

association i.e. the workers can involve themselves in trade union activities or even decide not to. All correspondence that arises between them should be dealt with as promptly as possible.

From the above provisions we can clearly derive the obligations of the management.

OBLIGATIONS OF MANAGEMENT

- The management in each organization should recognise the union appropiate to its particular industry and should accord reasonable facilities for the normal functioning of the union in all its undertakings.
- It is the duty of the management to discover any interference with the rights of the employees to enrol as members, discrimination, restraint or coercion against employees, because of recognised activity of trade unions. Discrimination of employees and abuse of authority in any form, use of abusive language should also be discouraged. Generally the management should respect the provision of the ILO (International Labour Organization) Convention No.98.
- The management has the obligation again to take action for settlement of grievances and implementation of settlements, awards, decisions and orders as speedily as possible.
- In cases of misconduct the management has a duty to distinguish between misdemeanours justifying immediate dismissal and those where discharge must be preceded by a warning, reprimand, suspension or some other form of disciplinary action, and to arrange that all such disciplinary action should be subject to appeal.
- The management should recognise the right of every employee to approach management on personal problems and agree always to make accredited representatives available to listen to the day to day problems of employees.
- The management should also impress upon its staff the contents of this Charter and to take appropriate action where an enquiry carried out by order of management reveals that the spirit or contents of this charter have been contravened.
- It is also very important for the management to recognise that it is under duty to maintain democracy in all its undertakings that affect its personnel. Again it should discourage any breach of the peace or any civil commotion by employers or their agents.

OBLIGATION OF THE UNIONS

Following the provisions of the Charter the Unions were bound to observe the following obligations:

- The union should not at any one time engage themselves in any activities that are contrary to the spirit of the Charter.
- The unions should always discourage any breach of the peace or any other kind of civil commotion by the members of those unions.
- To add to the above all unions should ensure that their members will not engage in or cause other employees to engage in any activity during working hours unless where provided for by the law or an agreement.
- It is the work of the unions to discourage such practices as negligence of duty, careless operations, wilful damage of property, interference with or disturbance to normal working hours, insubordination, use of abusive language and to ensure respect of the provisions of the International Labour Organization (ILO) Convention No.98.
- The unions must take immediate action to implement awards, agreements, settlements and decisions as speedily as possible. The unions should also maintain essential services for precaution against injury during a strike or lock-out.
- Last but not least, the unions must appropriately disclose to the Union members the contents of the Charter. If an enquiry conducted by people appointed by the union

reveals that the spirit of the Charter has been contravened, then the unions must take appropriate action.

THE NEW EMPLOYMENT POLICY

The new employment policy was aimed at further enhancing industrial relations. It was adopted from the provisions of the ILO Convention Article 14 (1962).
The provisions of the convention was aimed at ensuring that there will be abolished all forms of discrimination among workers on grounds of race, colour, sex, belief and tribal associations. Such an anti-discriminatory campaign was to be applied in almost all spheres of the working environment.
Firstly, it had to apply in labour legislation and agreements which aim to afford equitable economic treatment to all those lawfully resident or working in the country. Secondly, there would be no discrimination as appertains to admission to public or private employment and also in the conditions of engagement and to promotion.
Opportunities for vacational training and conditions of work including health, safety and welfare measures were also not to be subjected to any discrimination as regards to any worker.
Matters of discipline, participation in the negotiation of collective agreements and matters pertaining to wage rates which were to be fixed according to the principles of equal pay for work of equal value, had also to be ridden of any discriminatory tendencies.

The new employment policy provided also that the Federation of Kenya Employers (FKE) and the then Kenya Federation of Labour (KFL) later COTU had to join hands in discouraging all strikes and lock-outs, until all the machinery laid down for peaceful negotiations had been exhausted.

The Central Organization of Trade Unions (COTU)

COTU was established and started operations in 1966. It mainly came to being as a result of the Ministerial Committee set up to investigate on the activities of the trade unions especially the 1965 strike by the Kenya Distributive and Commercial Workers Union. Their report came later to be known as the Presidential Declaration on Trade Unions. Cotu even up to now is headed by a Secretary General who has the blessings of the President.

Objectives Of COTU

The objectives of COTU could be summed up as follows:

- In general Cotu aims at improving the academic and social conditions of all workers in all parts of Kenya and rendering them assistance, whether or not such workers are employed or ceased to be employed.
- Cotu also aims at assisting in the complete organisation of all workers in the trade union movement.
- Cotu has also a prime role in assisting in settling of disputes between members of trade unions and their employers, or between trade unions and their members or between employees or one union and those of another or even between two different trade unions.
- Another visual objective of Cotu is to encourage the principal of the development and maintenance of good industrial relations between the employers and their employees.
- Cotu also aims at setting up area offices in any specific geographical area of Kenya where there are branches of registered trade unions branches for the effective discharge of the above obligations.

- The security of adequate representation on Government Boards and Committees dealing with labour matters or any other matters affecting the workers has also been Cotu's objective.

- The Cotu body has also been trying to achieve a noble aim, setting up appropriate committees to provide for training, education and other facilities and enterprises for the advancement of the workers and labour movement. This has to be coupled with the objective to establish and maintain funds by means of membership fees, monthly contributions, donation, subscription and even borrowing.

The above objectives together with the obligations of the unions outlined before give an insight as to the functions of COTU and of trade unions in general.

Trade unions always have to achieve or strive to achieve three major objectives. These are better wages and working conditions for its members (workers), greater security of income and employment and protection against arbitrary and discriminatory treatment by Management.
But in addition to these traditional roles, trade unions today delve further and perform such enduring tasks as promoting the growing interest around the world in giving workers an opportunity to participate in the decision making process. This in turn enables the workers to associate more closely and thoroughly in the running of the organizations in which they work by identifying with those decisions on which they were originally consulted.

In Kenya, Cotu runs the Tom Mboya Labour College in Kisumu whose principal task is to provide professional management skills to trade union leaders.
Another daring role of the trade union is that of protecting the larger interest of the society e.g. fighting unemployment and aiding all the people who depend on the workers' pay. Further to these, the unions have been seeking to obtain for the worker a share in the increased profitability of their organizations.

Advantages of Trade Unions

Through collective bargaining and the laid down procedure for negotiations between the Unions and Management, the Unions have been able to derive certain advantages for both the management and the members (employees). Some of these advantages are:

- There is a professional approach to the handling of disputes. The employees do not have to meet the employers over such issues and both the negotiating parties are competent enough to handle such disputes.
- There arises both self respect and self reliance among workers because they know that their interests are well taken care of by the Union. When disputes arise the workers feel they need not worry as there is someone to look up to who will handle the issue competently, being an equal match to the management.
- Trade Unions are of special importance to the management in that they help in avoiding unnecessary disruptions of work during disputes. Such disruptions can lead to extra-ordinarily heavy losses. For instance, such companies like those producing milk may incur losses in that their products if not sold for some time can go bad easily. This issue is curbed by Unions taking over to negotiate with management instead of the whole labour force.
- Wages is one of the most crucial issues which trade unions play a vital role in determining. They help in maintaining uniform wages throughout the industry. The logic behind this is that people in one firm or individuals will not claim to get what others in other firms in the same industry are not getting. So there is generally some harmonisation of wages throughout the industry. People feel satisfied that they are getting a pay for their work input that compares well with the pay of people doing similar kind of work. Job satisfaction may be given by the following:

$$\text{Job satisfaction} = \frac{\text{Output (Income)}}{\text{Input (Work done)}} \times \text{Referent to other}$$

Disadvantages of Trade Unions

Although the trade union is associated with the above advantages some shortcomings or disadvantages can also be noticed.

- The worst disadvantage is that sometimes trade unions tend to encourage inefficiency. This occurs on one hand when trade unions negotiate for higher wages and other benefits. It may reach a point where the workers are paid more than their input to the firm. This means the workers pay is not commensurate with their benefits accrued by the firm and so the firm is at a loss. Picketing and go-slows also make the workers produce a minimum while they still get their normal pay.
- Political manoeuvrering on the other hand may force some union leaders to use the workers in order to achieve some selfish goals. This will result in sub-optimal operations of the firm.
- Unions have also been known to cause workers to support union opinions. The workers may thus join a strike not because of their own grievances emanating from their normal course of business but because of the policy of the unions. This may not be very realistic as the subject for negotiation in such dispute would be an intangible.
- There have been cases where some particular trade unions have been too powerful for their member employers. These powers may emanate from high specialisation of the work (thus such labour being very scarce) or otherwise the members being very many and with huge funds as to compensate workers' losses resulting from say lock-outs. Such trade unions have often led some firms or even industries into bankruptcy. This may be brought about by these trade unions negotiating or bargaining for terms and conditions that a firm cannot afford and it is forced to withdraw from the industry.

NEGOTIATIONS

Although negotiations between the trade unions and the representatives of management is an on going concern it is mainly triggered by a grievance. A grievance can be defined as a specific, formal dissatisfaction expressed through an identified procedure. It may be raised by any worker on the shop floor or the management. It is very necessary to collect all the relevant facts of the case, e.g. what agreements, if any, apply, what is being asked for or what has happened, the circumstances, the facts, the difficulties of each trying to have an edge on the other in what is still an organized act. The union and management have each a spokesman who will present the management issues and union issues respectively. All this kind of negotiations can be presented in outlining the issue of collective bargaining.

COLLECTIVE BARGAINING

Collective bargaining has been known to differ from one country, e.g. the USA and others mainly due to different philosophical and political leanings for the collective bargaining system.

Collective bargaining can be defined as the process whereby representatives of management and workers negotiate over such items as wages, working hours, and conditions of employment. Collective Agreement is intended as a mutual benefit of both. There exists though the threat of conflict which is necessary to maintain the relationship. The most important aspect of collective bargaining, however, is that it is an on going concern. It is not a relationship that will end immediately after an agreement is reached.

Collective bargaining can be said to be a private process of negotiation between unions and management aimed at settling disputes before they turn into conflicts and industrial and labour unrest. Negotiations here are supposed to result into a solution. But when solutions are not found management and trade unions are supposed to submit disputes to mediation or arbitration. Mediation is an attempt to settle disputes through a neutral third party, where a mediator may be a professional acceptable by both the unions and management.

An arbitrator for the negotiation is different from a mediator in that an arbitrator has the power to make binding decisions. Arbitration is therefore the process by which a grievance or dispute is resolved by an important third party.
Arbitration takes two kinds i.e. conciliatory, where both the management and the union agree to call the third party and compulsory where the law provides for a third party to intervene.

TYPES OF COLLECTIVE BARGAINING RELATIONSHIP

One of the important factors determining the relationship between union and management is the attitudes of management toward unions. This attitude plays a major role in determining the strategic approach used by management. The degree to which labour and management accept collective bargaining as an important institutional consideration, has been found to be the most important element affecting union/management relations.

Management union relations in collective bargaining can follow one or several different types:

1. **Conflict**
   Under this strategy management takes a totally uncompromising view with an attitude of `burning the union'; the management adopts the old western movie phrase the `the only good union is a dead one'.
2. **Armed Truce**
   The management representatives take the position that the vital interests of the company and the union are poles away and will always be. However, the management realises that the union is not likely to disappear and so will not force a head-on collision.
3. **Power bargaining**
   Here the management realises also the powers of the union. The management philosophy here then becomes that management's task is to increase its power and then use its power where possible to offset the power of the union.
4. **Accommodation**
   Accommodation involves learning to adjust to each other and attempting to minimise conflicts, to conciliate whenever necessary and to tolerate each other. This strategy in no way suggests that management go out of its way to help organised labour. However, it does recognise that the need to reduce confrontation is helpful in dealing with common problems that are often caused by external forces such as imports and government regulations.
5. **Co-operation**
   This involves full acceptance of the union as an active partner in a formal plan and is a relatively rare occurrence. In co-operation, management supports not only the right but the desirability of union participation in certain areas of decision making. The two parties jointly deal with personnel and production problems as they occur. Examples of co-operation are co-determination and labour management committees.
6. **Collusion**
   This is a form of mutual interest monopoly and is unconcerned with interest except its own. These situations which are relatively rare in American labour history have been deemed illegal. This is because under the collusion strategy, union and management engage in industrial price fixing designed to inflate wages and profits at the expense of the general public.

THE PROCESS OF COLLECTIVE BARGAINING

The collective bargaining process contains a number of stages. However, over time each union and management situation develops slight modifications that are necessary for effective bargaining to occur.

1. **Preparation**

Both labour and management representatives spend extensive time preparing for the negotiations to follow. Data on wages, working conditions, management and union rights, benefits productivity and absentism is gathered and analysed. Each party outlines its priorities and tactics to use to get what it wants.

2. **Initial Demands**
   These are expectations of either party presented during the negotiations.
3. **Continuing Negotiations**
   Here each party attempts to determine what the other side values highly and to reach the best bargain possible, e.g. the union may offer to give up dental benefits (as dental cases have not been very numerous for higher wages). The management on its side determines what the union values highly and how to make it give up some of it.
4. **Bargaining Impasse**
   Regardless of the structure of the bargaining process, labour and management do not reach an agreement always on all issues. In such cases deadlock cases may result in strikes by the union or a lock-out by management.
5. **Settlement and Contract**
   After initial agreement on the issue being negotiated on has been made, the two parties, i.e. union and management representatives usually return to their constituencies to determine if what they have formally agreed on is acceptable. The crucial stage thereafter negotiations are ratification or getting a vote of acceptance. After ratification of the agreement, then the agreement is formalised with a contract.
6. **Bargaining Behaviour**
   It is worthwhile just to mention that collective bargaining is not just a logical and rational process. The behaviour of the negotiators plays a critical role. Walton and McKinsey have identified four types of behaviour sub-processes present in collective bargaining.

   (a) Distributive Bargaining
   This occurs when there is conflict over an issue and one party must win and the other lose.
   (b)Integrative Bargaining
   occurs when both the management and union face a common problem and must work together for a solution. For instance when the union and management are concerned with employee absenteeism and discipline and alcoholism, under-integrative bargaining. The parties might negotiate a joint program that identifies how alcoholism—caused discipline problems are to be handled.
   (c)Attitudinal Structuring
   occurs when each side attempts to affect the climate of the negotiations. The climate created and the attitude of the other party often result in the six bargaining strategies i.e. from conflict to collusion.

(d)Intra-organizational bargaining

This occurs when disagreements exist within labour or management. For instance, union members favour dental insurance while others favour higher retirements. This would be a conflict in itself.

CONCLUSION

The settlement of collective bargaining ends in a labour contract. Provisions in labour law suggest that employees' and employers' bargaining representatives should be obliged to bargain in good faith. Good faith means that the parties agree to bargain and that they send negotiators who are in a position to make decisions, not someone who does not have the authority to commit either group to a decision.

Although there have been some shortcomings as evident in the disadvantages listed elsewhere, trade unions in Kenya have gone a long way in enhancing industrial democracy and caring for the rights of the workers. We should be looking forward to a trade union that will in one way or another helping alleviating the current high rate of unemployment.

REINFORCING QUESTIONS

Q1. What is manpower planning and what are the major steps in manpower planning?

Q2. Discuss the benefits and limitations of promotion from within versus outside recruitment.

Q3. Discuss the major steps in the personnel management

Q4. Outline the major principles of interviewing for both interviewers and interviewees.

Q5. What are the advantages and disadvantages of trade unions

Check your answers with those given in Lesson 12 of the Study Pack

COMPREHENSIVE ASSIGNMENT No.2

TO BE SUBMITTED AFTER LESSON 4

To be carried out under examination conditions and sent to the Distance Learning Administrator for marking by the Universty.

EXAMINATION PAPER. TIME ALLOWED: THREE HOURS. ANSWER ALL QUESTIONS

Q1. Discuss the importance of history and theory to the Field of Management

Q2. Describe and assess the three schools of management theory

Q3. a. Clearly describe the various types of plans in any organisation.
b. What is the importance of planning to organisations?

Q4. a. Clearly outline the steps in goal setting.
b. Describe the various factors that affect goal setting.

Q5. a. What is Management by objectives?
b. What are the strengths and weaknesses of MBO?

END OF COMPREHENSIVE ASSIGNMENT No.2

NOW SEND YOUR ANSWERS TO THE DISTANCE LEARNING CENTRE FOR MARKING

LESSON FIVE

DIRECTING FUNCTION

(MANAGING PEOPLE)

OBJECTIVES

- After reading this lesson students should be able to:
- Identify the three distinct functions that make up the directing function.
- Explain why the directing function is also seen as an influencing function.
- Explain the importance of effective leadership in business organizations.
- Show clearly what factors in the Kenyan setting would affect the styles of leadership used by Kenyan managers.
- Clearly show the importance of communication to management.
- Show the usefulness of the various theories of motivation in dealing with employees.

INSTRUCTIONS

- Carefully read chapter 3 of Cole and the lesson given below.
- Attempt the reinforcing questions at the end of the Lesson.
- Check your answers with those given in Lesson 12 of the Study Pack.
- If your answers are significantly different from the model answers, please study the lesson again and read again the recommended texts.

CONTENTS

5.1 Motivation
- understanding motivation
- the motivational process
- theories of motivation

Managing Work groups.
Formal and informal work groups
Conflict management

5.3 Leadership
- meaning of leadership
- power and leadership
- approaches to leadership – Trait, behavioural or contingency (situational)
- leadership style

Factors influencing leadership effectiveness

5.4 Communication
- meaning of communication
- the process of communication

- types of communication
- barriers to communication (communication breakdown)
- Improving communication in the organisation

5.5 Corporate Culture

- meaning of culture
- factors that determine corporate culture
- the need to change culture
- developing a participative culture

INTRODUCTION

This lesson on directing sets out to convey three aspects of management which when put together constitute directing. These include motivation, leadership and communication, a short review of corporate culture and Japanese management is also included.
Directing is an interesting and challenging managerial function because basically, there is no one best way to lead, motivate or communicate. Directing is also of critical importance to management because unless people are motivated, lead and effectively communicated to, not much in the way of results can be achieved even with very good plans and organization structures.

5.1 MOTIVATION

5.1.1 Understanding Motivation

Motivation is a key part of the managers job because through it the manager is able to make people want to perform activities so that goals can be achieved.
Motivation has been defined as the set of processes that determine behavioural choices. That is the processes which influence people to behave the way they do. Motivation is therefore concerned with the reasons for human behaviour, it explains why people behave in a certain manner.
Motivation is derived from motive which is an inner force that moves a person to behave in a certain way. Motives may stem from both physiological and psychological needs.
Motivation is greatly affected by the environment in which the employee is operating, and therefore management of the environmental factors that affect workers is one way to lighten the function of motivation.
The concepts of reward and punishment are basic to motivation. For example most modern theories of motivation stress rewards as motivational factors. While punishments can also serve to motivate, it is difficult to draw reliable evidence that punishments help produce more effective or desirable behaviour. For example few prisoners get rehabilitated by prison conditions. How rewards and punishment are used in management depends on each individual manager. Management thinking on motivation has progressed through three distinct stages:

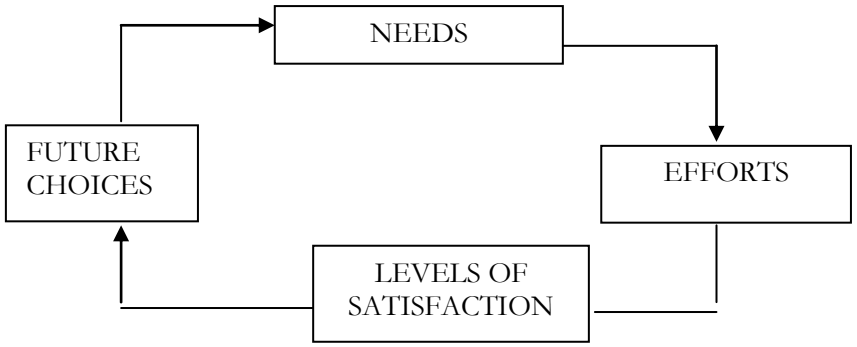
(a) Traditional view
this view of motivation was held during the era of Frederick W. Taylor and scientific management. This was a simplistic way of looking at employees. The opinion was that employees worked only for economic reasons and presumably the more they were paid, the harder they worked. It is also known as the rational or economic concept of motivation.

(b) Human related view
this approach was advocated by the behavioural school of management thought. It argued that social forces were the primary determinants of motivation. The opinion was that the more satisfied people were with their jobs the harder they worked. Also known as the social concept of motivation.

(c) Human resources review
this view takes the most positive attitude towards employees' motivation. It argues that people are actually resources that can benefit the organization. It also argues that people want to help and managers should look upon them as assets.

5.1.2 The Motivational Process

Human motivation is a complex process that begins with human needs. (Needs are drives or forces that initiate behaviour).
When needs become very strong people engage in efforts to fulfil these needs. As a result of such efforts people experience various levels of need satisfaction. The extent to which people find their needs satisfied serves to influence the future choices to satisfy the same or similar needs. The diagram illustrates:



The motivational process is a dynamic one. An individual has at any one time several needs to satisfy and one can be at different positions in the cycle for each need. Satisfaction of the needs also takes different time frames but at any rate the starting point is always needs.

Motivation is a complex problem in organizations because the needs, wants and desires of each employee differ. Each employee is unique in his biological and psychological make up.

Motivation is further complicated by the fact that it is not exactly clear who is responsible for employee motivation i.e. whether the manager or the employee himself (is the individual expected to provide his own motivation or is motivation a function of management?).

Motivation can either be external or internal.
External motivation emanates from management, and employees react either positively or negatively to what their managers do. Managers must therefore use external motivation that generates positive responses from employees.

Internal motivation originates from within the individual as he tries to satisfy his various needs. It may be caused by factors within the individual e.g. personality or factors that are under the control of management e.g. job context (salaries, policies, working conditions) and job content (recognition, advancement, status and responsibility).

Persons find that organizations allow them to achieve goals that they cannot achieve alone. This may imply a large degree of self-motivation or internal motivation on the part of each individual. Many people however do not realize that by working toward the organizational goals they are also achieving their own individual goals. Such people are rarely self motivated enough to share in organizational goals and usually want jobs with salaries that can pay bills. For such people management must provide external motivation in order to encourage them to work towards organizational goals.

5.1.3 Theories of Motivation

Motivation theories are divided into two main categories:

i. Content Theories
ii. Process Theories

Content Theories attempt to explain the specific things that actually motivate an individual at work. They are concerned mainly with identifying people's needs, their relative strengths and the goals people pursue in order to satisfy these needs. Their main focus is on what motivates. Included here are Abraham Maslow's Hierarchy of Needs, Herzberg's Two Factor Theory, Alderfer's Modified Need Hierarchy and McClellands achievement motivation.
Process Theories concern themselves with identification of the dynamic variables that make up motivation. Mainly process theories focus on how behaviour is initiated, directed and sustained. They include, expectancy-based models of Vroom and Porter, and Lawler and Adam's equity theory.

CONTENT THEORIES

I.Herzberg's Two Factor Theory

The two factor theory was developed by Fredrick Herzberg from his study of 200 accountants and engineers. It is also known as the hygiene theory. It is a theory of external motivation because the manager controls the factors that produce job satisfaction or dissatisfaction.
Prior to Herzberg's study it was generally believed that employee satisfaction and dissatisfaction and hence motivation or lack of it were two opposite ends of the same continuum (scale) i.e. people either satisfied with their jobs or they were dissatisfied or something in between. Herzberg's study however showed that this was not the case. He found out that satisfaction was influenced by one set of factors while dissatisfaction was influenced by another set (hence the two factor theory). Factors which influenced dissatisfaction he called dissatisfiers (hygiene or maintenance factors). These included company policy, administration, supervision, working conditions, salary, status, job security and interpersonal relations. If these factors are present in high quality and quantity, people are simply not dissatisfied and not necessarily satisfied. So presence of these factors does not motivate in the sense of yielding satisfaction. When these factors were absent or deficient, people were dissatisfied yet when they were present people were not necessarily satisfied—instead they were simply not dissatisfied.
Factors which affected satisfaction, he called them satisfiers or motivators. Included here were achievement, recognition, responsibility, growth and advancement. When these factors fell below an acceptable level, they contributed very little to job dissatisfaction but they did prevent satisfaction i.e. when they were present employees tended to be satisfied, but when they were deficient employees were merely not satisfied, but were not necessarily dissatisfied. If a job does not offer an employee advancement, challenging work, responsibility and recognition he will not necessarily be dissatisfied with it but neither will he derive any satisfaction from it.
This theory has a clear message for managers in trying to motivate employees, the first step should be to eliminate dissatisfaction by ensuring that pay, working conditions, company policies are reasonable. But pay and those other improvements will not lead to motivation, so the next step would be for managers to enhance motivation by improving factors that cause satisfaction. So managers should ensure there are opportunities for advancement, achievement, authority, status and recognition. From the theory it can be concluded that:

(a) The factors that cause job satisfaction are separate and distinct from the factors that cause job dissatisfaction.
(b) The opposite of job satisfaction is no job satisfaction and not dissatisfaction.
(c) The opposite of job dissatisfaction is no dissatisfaction and not satisfaction.

The applicability of this theory has been questioned and it must be approached with caution and not treated as a solution to motivational problems.

II. Abraham Maslow's Need Hierarchy

Maslow developed the hierarchy of needs theory of motivation based on the idea that human needs can be arranged in order of importance from the most basic. Once a need is fairly well satisfied it no longer motivates behaviour and man is then motivated by the next higher level of needs. Maslow divided human needs into five levels:

(a)Physiological Needs

These are the most basic human needs for sustaining life e.g. food, air, shelter and clothing. These needs have certain characteristics:

- they are relatively independent of each other
- they can be identified with specific location of the body
- to remain satisfied, they must be met repeatedly within a short time
- unless these needs are satisfied to the degree necessary to sustain life other needs will not motivate people.

(b)Safety or Security Needs

These needs are expressed as desire for protection against danger, threat or deprivation. The desire may be economic, physical or for social safety. Employees may for example desire economic security, orderly working relationships etc.

(c)Social Needs

These include need for belonging, love, acceptance, friendship, association, and need to give and receive love. Man being a social being will aspire for a place in his own group and will strive to achieve it.

Some managers who fear informal organizations may attempt to direct and control employee relationships in ways that frustrate their natural grouping and employees may react by being antagonistic, hostile and uncooperative.

(d)Esteem Needs (EGO)

According to Maslow these needs do not become motivators until the lower level needs have been reasonable satisfied. These needs are rarely completely satisfied. Once these needs become important to an individual he will continually seek satisfaction of them. The typical industrial organization offers only limited opportunity for the satisfaction of these needs at the lower levels of employment. Esteem needs consist of both self esteem and esteem by others. Self esteem needs include achievement, self confidence, self respect, competence independence and freedom. Satisfaction of these needs leads to feelings of worth, power, prestige, status, capability, strength and feelings of being useful and necessary in the world. Frustrating these needs may lead to feelings of inferiority, weakness and helplessness.

(e)Self Actualization Needs

These needs according to Maslow emerge after all other needs have been satisfied. Self actualization needs include the realization of one's potentialities, self fulfillment, self development and creativeness.

The form these needs take varies from person to person just as human personalities vary. Self actualization can be satisfied through any of these ways, athletics, politics, academics, family, religion, hobbies or business.

A creative state is involved since creativity is realizing one's own potential to the fullest degree whatever it may be. It is a feeling of accomplishment and attainment and being satisfied with one self.

Note

- forever wanting, so all needs are never fully satisfied once the importance of a need diminishes another need emerges to replace the already satisfied ones.

- The process of need satisfaction is never ending and it serves to continually motivate people to achieve their needs.
- The needs are interdependent and over lapping since one need does not disappear when another need emerges.
- Maslow's theory applies only to a typical healthy person.In most rich and developed countries, or among the rich of society physiological and safety needs may not be motivators but for the poorly paid low class workers and in poor economies physiological needs are strong motivators—for example in regions hit by famine and/or epidemics physiological needs may remain the only motivation of behaviour.
- Maslow's hierarchy theory has general and not specific application. One may deny himself one need so as to satisfy another much better e.g. a student who denies himself sleep and social interaction in order to attain higher grades in examinations, or a father may deny himself social needs by working on two jobs in order to be able to send his children to school.
- Need theory claims that money can satisfy some needs but contends that the worker is motivated primarily by intrinsic rewards which are provided by the worker himself.
- Maslow's theory is important to managers because it spells out the needs that people have. When managers know what people need, they can know how to help them satisfy these needs. Knowledge of each category of needs can help management in making management decisions especially those regarding employees. The decisions made by management must show concern for people's needs. Management can for example meet people's esteem needs by providing them with opportunities for advancement.

It must however be realised that needs even the basic ones like clothing and shelter are elastic—its hard to identify how much is enough! Research has also shown that even the lowliest employee has needs for esteem and self-actualization. In practice therefore managers must take a situational or contingency approach to the application of Maslow's theory. What needs they appeal to will depend on personality, wants, desires and interests of individuals.

III. Alderfer's Modified Need Hierarcy Model (ERG Theory)

Alderfer gives a variation of Maslow's need theory and refers to his version as the ERG model of motivation. Alderfer condenses Maslow's five levels of needs into three levels based on the core needs of existence, relatedness, and growth.

Existence Needs are concerned with sustaining human existence and survival and cover Maslow's physiological and safety needs. They include all the various forms of material desires such as food, water, pay and good working conditions.
Relatedness Needs are concerned with relationships to the social environment and cover love, belonging, affiliation and meaningful interpersonal relationships of a safety or esteem nature.
Growth Needs are concerned with the development of potential and cover esteem and self actualization.

Note:
The difference between Alderfer's and Maslow's theory is deeper than just in the number of levels.
Alderfer does not exactly see the needs as a heirarchy but he finds that one class of needs might remain strong, whether or not another class has been satisfied. But ideally he (like Maslow) suggests that individuals progress from existence needs, to relatedness, to growth needs as the lower level needs become satisfied.

- He suggests that more than one need (level) may be activated at the same time.

- He also suggests (unlike Maslow) that individuals do progress down the hierarchy e.g. for a person who has been continually frustrated in attempting to satisfy growth needs, relatedness needs may assume most importance.

Alderder had certain propositions:

1. The less existence needs are satisfied the more they will be desired (like Maslow).
2. The less relatedness needs are satisfied the more existence needs will be desired (disagrees with Maslow).
3. The less relatedness needs are satisfied the more they will be desired (agrees with Maslow).
4. The less growth needs are satisfied, the more relatedness needs will be desired (unlike Maslow).

By simplifying the class of needs Alderfer is subject to less misunderstanding. The result of Alderfers work suggest that lower level needs do not need to be satisfied before higher level needs emerge as motivators (unlike Maslow). His theory however agrees with Maslow in as far as that lower needs decrease in strength as they become satisfied.

IV. McGregor Theory X and Theory Y

McGregor idenfied two styles of managing:

Theory X	=	Autocratic Management
Theory Y	=	Participative Management

Theory X assumes the following:

- The average person dislikes work and will try to avoid it
- Because people dislike work, they must be coerced through threat and punishment if they have to contribute to organizational objectives
- Above all, people want security, they prefer to be led and avoid responsibility.

Theory Y assumes:

- Work is as normal as play
- Threat of punishment is only one way to make people work
- Committed people are self motivated and self directed
- Under the right conditions the average person will seek and like responsibility
- The ability to think creatively, to innovate and solve problems are widely distributed among people.

McGregor felt that theory X assumptions were used in most industrial organization but were inadequate for the full utilization of each worker's potential. Theory X advocates for external motivation mainly through threat or punishment. Theory Y looks at employees as self fulfilling and highly internally motivated. With the proper environment i.e one which employees can best achieve their own goals by committing themselves to the organizational goals, employees will exercise a large degree of internal motivation.

The heavy emphasis on internal motivation (Y) implies that all employees will be motivated by self esteem and self actualization needs while on the job. This is not always so—some people are uncomfortable with too much freedom.

Managers must remember that each employee is unique and should be understood and treated as such. Therefore external motivation should be flexible enough to accomodate each unique person in the organization. People should not be forced to fit into rigid theory or into one manager's view point.

V. McClelland—Need based motivation

He said that human beings have three basic needs (motivational) power, affiliation and achievement.

- Power is shown in strong desire to alter the course of events.
- Affiliation is need for friendship, love and group approval.
- Achievement is shown by desire to succeed not to fail.

He found out that scientists, business men and professionals have above average desire for achievement motivation. He suggested that a person with high achievement motivation possesses certain characteristics.

- he prefers tasks in which he can take personal responsibility for the outcome.
- he sets moderate goals and takes calculated risks.
- wants precise feedback concerning his successes or failures.

He prefers co-workerscsc sc who are competent despite his personal feelings about them. McClelland's theory is important to the study of motivation because he maintains that the achievement motive can be taught. He indicates that the achievement motive can be acquired through training by teaching a person to think and behave in terms of the achievement motive.

VI. Skinner—motivation through positive reinforcement

Skinner said that all behaviour is as a result of stimulus.

In management a motivational stimulus can be anything that results in change of behaviour. It can be positive such as promotion, pay rise or negative such as threat of demotion. Stimulus that causes positive motivation are positive reinforcers and Skinner emphasized positive reinforcement. Managers who follow the Skinner style of management emphasize praise, encouragement and assistance in solving problems at work.

PROCESS THEORIES

I. The Vroom Model—A Contingency View

Vroom looks at effective motivation as a result of three factors:

- The goals that a person wants to achieve
- These might include a higher salary, promotion, job security and more interesting work. Each individual may have a different arrangement of goals. Vroom lays emphasis on what goals the employee sees as important.

Relationship Between Productivity And Personal Goal Attainment

- Each person has a perception on how productivity is related to personal goal attainment. If a person sees high productivity as leading to achievement of personal goals, then high productivity will be desired. If not, not much value will be attached on productivity by that person. Here it is the employees perception that counts.

- Extent to which a person can influence his/her own productivity

- If an individual believes that there is little or nothing he can do to influence his output, then he may not attempt to do so.

II. Productivity and Satisfaction—Porter & Lawler Model

Basing their work on the assumption that a relationship existed between satisfaction and productivity, Lawler and Porter developed their model of managerial motivation. Their model is based on the assumption that rewards cause satisfaction and that sometimes performance produces rewards. They hypothesized that satisfaction and performance are linked by rewards. They see good performance leading to rewards which lead to satisfaction. According to them satisfaction performance leads to rewards which are either intrinsic or extrinsic. Intrinsic rewards are given to the individual by himself for good performance and they include feelings of accomplishment and satisfaction of higher level needs. Extrinsic rewards are given by the organization and include pay, promotions, status, job security etc. and they mainly satisfy lower level needs. This means that at times extrinsic rewards are not related to performance. To be considered a reward the individual must value it positively so both the individual worker and the organization are responsible for motivation. But despite the organization's influence the greater responsibility for motivation lies with the individual. Therefore his motivation or satisfaction depends on his performance as it is affected by the value he places on rewards, the probability that effort will result in rewards, his efforts, his abilities, his traits and his role perception.

Motivating Factors

Despite the fact that scholars of management have not agreed fully on what motivates people, there is a general consensus that the listed factors do cause motivation.

(a) Participation in Planning—when employees are given a choice to plan their own work and contribute to organizational planning, the plans are more acceptable to them—after all they have taken part in making them.

(b) Challenging Work—when work is not challenging boredom sets in and this is likely to cause sluggishness and dissatisfaction at the place of work.

(c) Recognition and Status—most people want approval by peers, friends and bosses. Benefits that show status e.g. company car, credit card, club membership may increase motivation.
Recognition is shown by items distinction e.g. a key to the executive lift, or washroom, carpeted offices, reserved parking etc.

(d) Authority, Responsibility and Power—some people are motivated greatly by being responsible for the work of others. Many people stay in organizations with a hope of rising to upper levels. Management should therefore devise plans for advancement and growth.

(e) Independence of Action—being allowed to work without close supervision.

(f) Security—especially financial security achieved mainly through secure and comprehensive labour contracts e.g. that involve medical covers and insurance.

(g) Advancement—people could become demotivated if the organization has little room for upward mobility.

(h) Personal growth—people want to grow wholesomely both in aspects related to the job like skills and those outside the job like potentials in such fields as sports.

(I) Good working conditions
The environment in which people operate is very important to their importance. Excessively noisy, congested, dirty or poorly arranged places may demotivate employees.

(j) Money
A good salary is a basic motivator. In fact for some people money could be the greatest motivational force. For example for people who are financially hard pressed money remains the biggest motivator. However, people also look for other things in a job other than money and they may even accept lower paying jobs that have those other things.

Conclusion

Most of the important questions in motivation remain largely unanswered. Most of the theories seem to conflict but nevertheless they do shed light on those areas of motivation that still need extensive studies. Motivation is a vital area in the study of organizations and management and it cannot be ignored even with the many unanswered questions. Employee motivation remains a complex and difficult task, which is further complicated by the following factors:

(a) Human Nature
which is dynamic. Over time people change and their needs, wants, desires and interests also change. Their attitudes towards certain things change and what may have motivated them at one time may cease to be a motivator.
(b) Dynamic Environment
the social, economic, political, legal, cultural and technological environment in which employees live are dynamic. When these environments change they affect people's attitudes towards many things e.g. towards authority or towards work in general. The problem is further complicated by the fact that the factors are out of the control of management and so more often than not management is unable to influence the effects of these factors on employees. Despite these constraints managers must strive to make work as attractive to the employees as possible. If work is more satisfying to employees, then the employees are likely to have higher morale.

MANAGING WORK GROUPS

Formal And Informal Work Groups

An organization can be described as a group of people working toward common goals. Within any organization there are two groups, formal groups and informal groups.

Formal groups are official and created by management e.g. divisions, departments, units, work teams and committees.Informal groups arise from member interactions e.g. people having tea together meet to share ideas.

Why People FormGroups

(a) Natural attractions—people have inborn tendencies to form into groups, to work and live together.
(b) Survival—people gather together to survive being alone for long periods of time can affect our emotional health badly e.g. what happens to people put under solitary confinement.
(c) Interdependence—people interdepend mainly because of human limitations and weaknesses. People form into groups to overcome personal limitations.

Kinds of Groups

A group is two or more people who interact regularly to accomplish a common goal

- at least two people must be involved
- must interact regularly
- have a common purpose

(a) Functional Group is created by the organization to accomplish a range of goals without a definite time limit.

(b) A Task Group is created by the organization to accomplish a limited number of goals within a stated or implied time.

(c) Informal Group also called interest group created by organizational members for purposes that may or may not be related to the organization and has no time horizon. Managers should recognize the existence and importance of the informal organization (the overall pattern of influence and interaction defined by the total set of informal groups within the organization).

Group Dimensions – Characteristics Found In Groups.

(a) Conformity

human beings and their behaviour are amazingly diverse, but within any given culture or group there is considerable agreement. Compliance with existing rules, or customs is called conformity. All groups make certain demands on their members.

i. to obey the norms of the group
ii. to accept sanctions or forms of punishment
iii. to give up rights (individual rights in favour of group interest).

Group members may conform for the following reasons:

i. Fear—fear of sanctions e.g. to alienate
ii. Insecurity—some individuals are very insecure and will easily conform.
iii. Good judgement, because conformity produces good results.

The extent to which conformity is necessary depends on several factors e.g. the type of organization as people move up managerial levels, the less the conformity required. While conformity is necessary to the organization's everyday operation it does not necessarily result in creativity, innovations, and new ideas needed to improve and

organize. Most people have been strongly used to conforming in schools, churches, family etc. As a result relatively few individuals are able to think original thoughts, plans or to develop new concepts.

(b) Aggression

this refers to offensive behaviour e.g. fights at work, for resources, for friends, for power etc. The fight may be either acceptable or unacceptable. Aggression is mainly as a result of:
yyyy

- Frustration (especially when somebody faces bottlenecks to goal attainment)
- Annoyance (feeling of being upset)
- Attack (physical or mental harm done to an individual or a group is anattack)

Note

To curb aggression managers should come up with rules and regulations to govern peoples conduct at work, or seek ways to direct aggression tendencies towards the attainment of organization goals in socially acceptable ways.

(c) Competition

competition involves struggle for resources or other items. People compete when resources are limited or as a result of societal pressure. Organizations will also compete between themselves for resources, markets and personnel (external). Internal competition arises between individuals, groups or units in the organization. When properly managed competition can produce beneficial results e.g. increased efficiency, less boredom help weed out unproductive people. It would also lead to more mistakes, accidents, waste or duplication of efforts.

(d) Cooperation

another aspect of group dynamics is cooperation which simply means working together willingly. Where people's tasks are interrelated or where a group of people have to accomplish one task then cooperation is not only essential but is critical, without it there would be no results.

Managers must concern themselves with cooperation because the survival of their organizations is in part determined by other organizations (external). But they also must guard against illegal cooperation e.g. collusion in price setting.

Cooperation between individuals and groups with the organizations (internal) is very important. For an organization to remain cohesive managers must seek willing internal cooperation because without it group goals cannot be achieved.

(e) Role Dynamics

people in groups play roles, some work to accomplish goals, others serve the leaders, others keep every one happy, while some do very little but still remain part of the group. Role dynamics explains how a person's expected role is transformed into his/her enacted role.

Expected role is what is expected of a group member and is transmitted in the form of a sent role and translated into a perceived role. If the sent role is not clear then the role becomes ambiguous. Sometimes the sent roles may be clear but are inconsistent and this leads to role conflict.

(f) Cohesiveness

refers to the extent to which members of a group are motivated to remain together. A group where members enjoy working together and eagerly pull together and are contented with being members is highly cohesive.

A group with low cohesiveness is one where members do not like to be together and are eager to leave the group. High cohesiveness may result from small size, clear goals and constant interaction. The results are that group members are highly motivated and there is goal attainment.

Low cohesiveness may be due to large size, ambiguous goals and roles and little interaction and the result may be low goal attainment, low morale and death of the group.

(g) Group Norms

norms are standards of behaviour that group members develop and which become accepted behaviour. Group members may develop norms on ways of communicating, dressing, passing free time, sharing meals etc. and norms on the acceptable minimum level of production or performance.

Managing Groups In The Organization

As stated earlier structured organizations consist of two kinds of groups (formal and informal groups)

A formal group has several prescribed characteristics e.g.

- an official and designated leader
- a specific mission
- established goals
- specified performance standards
- known rewards and punishment
- rules to be followed

The informal group on the other hand has the following characteristics:

- created by members
- no official leader
- if rulers exist they are developed by the group
- the group also establishes peer sanctions and rewards
- it may mainly thrive on mutual trust and interest, and confidence in members ability to keep information within the group.

Informal groups mainly exist due to the following reasons:

(a) Transmission of information
not all information is transmitted through the official channels. Some managers can be very secretive and pass very little information. Informal groups manage to gather both official and unofficial information and pass it around through their communication channel popularly known as the "grapevine". Information through the grapevine is undocumented and is based mainly on hearsay, rumours and it undergoes changes as it is passed around.
(b) Fear
people may form an informal group because they fear what they do not know hence they form protective grouping.
(c) Amusement (entertainment)
mainly from knowing the personal lives and affairs of the managers from the gossip passed around.

Management of Committees

A committee is an official group mainly formed to deliberate on a specific subject or matter. Other names include task forces, commission project teams etc. A lot of managerial work is usually delegated to committees.

Characteristics of Committees
Committees usually range in size from two to several people.

- they are found at all levels in the enterprise
- Committees are either standing committees i.e. they are permanent, or ad hoc i.e. formed for a specific purpose and mainly temporary. Whereas management may create certain committees for purposes of delegation of some matter, some forms of committee are created by law e.g. Board of Directors, PTA in schools and Board of Governors.

Committees can be made more effective if managers follow specific guidelines.

(a) The goals and limits of authority of the committee need to be clearly specified so as to keep the activities of the committee in focus.
(b) The committee should have a specific agenda to work from.

(c) Members of committees should not devote too much time to the committee and forget their regular jobs.
(d) The results or output of the committee should be specified and clearly communicated to the committee.
(e) The size of the committee should be appropriate. It should only be large enough to be most efficient. Large committees may be desired if many different experts are needed and if the scope of the task is wide. Smaller committees may be needed if (i) speed in action is necessary, (ii) if the matter is highly confidential.
(f) The committee should have the right members i.e the people selected to the committee should be suited for the work. They should be people with the interest of the committee at heart, they should be psychologically compatible with each other and they should be qualified i.e. they are able to provide the needed information.
(g) The person heading the committee i.e. the chairperson should be suited for the position. He is the person to set the mode and to be held accountable for the success of the committee. He should be a person who possesses the following qualities:- planning ability, objectivity, diplomacy, experience and efficiency.
(h) The committee should be provided with the needed or necessary information and resources to accomplish their task e.g. they should have the necessary staff assistance.
(i) The committee should be provided with realistic and reasonable deadlines for the completion of its assignment. Frequent checks on the committee's progress are also necessary so as to review whether the committee need any extra information.
(j) The committee should be asked to provide a final report writing and the report should be acted upon.

Why The Wide Use Of Committees

(a) Committees may be used because they are likely to produce more information for decision-making, especially when they are made of experts from different fields.
(b) Use of committees ensures that authority is distributed as decisions are made by a group.
(c) Committees are likely to facilitate coordination—each committee member may be reporting about or representing each of the functional areas in the organization.
(d) Committees may foster support for decisions—usually through the use of committees employees are given the opportunity to participate in the decision making process as they are allowed to represent their viewpoints.

(e) Committees can lead to employee development. Because of the expensive contact with people from different fields, committee members get to broaden their knowledge. Young managers can learn a lot by sitting in committees.

Limitations Of Committees

(a) They are expensive both in terms of time and resources.
(b) Committees often lead to slow decision-making especially due to the consultations they need for consensus.
(c) Committees could lead to compromise solutions in a bid to avoid conflicts.
(d) Since it is a group decision making with no one person responsible for the results, members may lack commitment on that account.

An example of a Committee (Board of Directors)

A board of directors is the supreme governing body of a corporation. It is a permanent and legally required committee. The C.E.O. in any organization is accountable to the board and serves at the pleasure of the board. Sometimes majority shareholders do serve on the board with the largest shareholder probably serving as the chairperson to the board.

The operation of the board should be such that it aims to achieve key objectives. Outsiders to the firm are more objective board members than insiders and they can offer significant observations and criticism.

Responsibilities

(a) Obey the provisions of the corporate charter—which stipulates the authorized activities for that corporation.
(b) Avoid conflicts of interest e.g. collusion in price setting by sitting on boards of competitive companies.
(c) Elect corporate officers e.g. the managing director or the C.E.O.
(d) Decide on key financial matters (investments).
(e) Give broad direction to the enterprise.
(f) Maintain the survival or community of the firm.

Advantages of Group Decision Making

(a) Use of groups in decision-making tends to lead to higher quality decisions than a single individual working alone might have obtained.
(b) More information is available to the group than is available to an individual—members have varying experiences, education and qualifications.
(c) A group is likely to generate more alternatives—so each person may have their own differing ideas.
(d) Acceptance of the decision will probably be greater than it would be if an individual made the decision alone—it involves an element of democracy.

Disadvantages

(a) Groups tend to take longer to reach a decision, because all members may wait to discuss every aspect of the decision.
(b) The group may try too hard to compromise to the exclusion of a superior decision that the group could have attained with more effort.
(c) A single individual may dominate the process—setting aside all the potential advantages of group decision-making.

(d) Groups may succumb to group think i.e. become interested in maintaining cohesiveness and good feelings towards one another and lose sight of the groups original goals.
(e) Here the group makes decisions that protect its members and individuals and the group as a whole rather than decisions that are in the best interest of the overall organization.

CONFLICT MANAGEMENT

Also included in organizing are the management of organizational conflict and change.

Nature of Organizational Conflict

This is the disagreement within the context of an organizational setting between individual employees, groups or departments, or between employees and the organization. Organizational conflict can either be positive or negative, some conflicts lead into better performance while others result into reduction in performance.

Causes:

(a) Multiple Value Sources—people's values differ as they come from different backgrounds (different religions, philosophies, education etc.)
(b) Idealized individual values (interest) vs. practical organizational values. The organization may demand behaviour at variance with personal wants and interests.
(c) Interdependency between people or groups within the organization.

(d) Competition—between people or groups can also cause conflict.
(e) Difference in goals—can cause conflict between departments.

For management conflict may arise when:

(a) Their authority is challenged
(b) Their private rights are questioned (does a manager have a private life beyond his work in the company?)

Note
Whatever the cause of conflict it must be noted that the consequences are the same: either

(a) hostility—people refuse to cooperate and are antagonistic
(b) withdrawal—refusing to socialize or leaving the organization
(c) motivation—where conflicting parties strive to prove each other wrong.

Managing Conflict

Depending on the expected outcome managers can manage conflict in either of these ways:

(a) Encouraging Conflict
Where conflict is likely to lead to increased performance and motivation then management can encourage conflict through competition, through contests or by publicizing results and performance.

(b) Preventing Conflict
Some cases require that conflict be prevented in the first instance e.g. cases where departments are arguing over use of resources.
Rules and procedures can be used to govern how issues are to be resolved.

(c) Resolving Conflict
Conflicts will always occur in organizations and management must devise ways of resolving them. The following are a few ways in which management can resolve conflicts.

iAvoidance
Ignoring the problem and hoping that it will go away. Strategy works if the conflict is minimal.

ii. Smoothing
Similar to avoidance, but here the manager acknowledges the existence of the conflict while developing its importance.

iii. Compromise
Involves reaching a point of agreement between what each of the conflicting parties wants.
The conflicting parties meet half way so to speak—each gives up a bit of its demand. It works okay so long as none of the parties feels cheated afterwards.

iv.Confrontation
The direct way of addressing the conflict and working together to resolve it also called problem solving—as there is open exchange of information. The best method of resolving a conflict should result in a no win no lose situation. If one party feels cheated then the likelihood of additional conflict is very high.

Note
Where conflict is between the organization and the individual mainly because the goals of the organization are at variance with individual goals management can deal with the conflict through the following ways:

(a)Use of a blend
amounts to administration by objectives cater for both organization and individual goals.
(b)A fusion
a personalizing process where individuals pursue their own goals so as to seek fulfilment and self-actualisation.
(c)Socializing
the organization tends to get people to devote their efforts to pursuit of organizational goals.
(d)Integration
management comes up with an agreeable "mix" (individuals are given a chance to come up with their own goals and ways of achieving them.)

INTER-GROUP CONFLICTS

Organizational conflict is sometimes referred to as inter-group competition because forces of competition are involved. The nature of organizations is such that it is difficult if not impossible to avoid conflict between and among groups in an organization. In itself, such conflict may not be bad and may be preferable in some cases. It is the manner in which conflict is managed that may make conflict bad.

Stages in Inter-group Conflict

Organizational groups (inter-group) conflicts develop in stages namely:

i. Antecedent conditions;
ii. Perceived conflict;
iii. Felt conflict;
iv. Manifest conflict;
v. Conflict resolution of suppression;
vi. Conflict aftermath

- Antecedent conditions refers to those conditions that have potential for the development of conflict. These are the sources of conflict and could be such factors as role ambiguities, competition for scarce resources and differences in values, goals and politics.
- Perceived conflict is a situation where one or more of the interest groups become aware of the existence of a source of conflict.
- Felt conflict occurs when perceived conflict affects feelings thereby creating tension in one or more of the concerned groups.
- Manifest conflict refers to the situation where perceived or felt conflict is expressed in some action by one or some of the involved groups. Manifest conflict can be resolved in the sense that the courses of conflict are corrected. It can also be suppressed in that although no change in causing conditions occurs, the manifest conflict behaviour are controlled.
- Conflict aftermath refers to the consequences of conflict. The consequences may be functional or dysfunctional.

The way a given conflict is handled can affect other conflicts and an unresolved conflict continues to promote future conflicts over similar issues. Truly resolved conflicts may

establish conditions that reduce future conflicts of a similar nature and which help other eventual conflicts to be resolved in a constructive manner.

A manager should be sensitive to the influence of conflict aftermath on future conflict episodes.

SOURCES OF INTER-GROUP CONFLICTS

The following are some of the major potential sources of conflicts in organizations:

1. **Aggressive Nature of Man**
   A man is aggressive in nature and seeks expression of his aggressive impulses. Some conflict in organizations stems from the normal need of some people to find outlets for their aggressive impulses.
2. **Competition for Limited Resources**
   Inter-group conflict may arise when groups in the organization compete to win their share of the organization's scarce or limited resources such as money, materials and manpower.
3. **Clashes of Values and Interests**
   Differences in value and interests of various groups may result into conflict between or among the groups involved.
4. **Antagonistic Roles**
   Inter-group conflicts may arise because different groups occupy different roles that are apparently antagonistic to each other, e.g. the accounts department whose main role is to conserve the organizations funds may be in conflict with the marketing department whose role in promotion may require it to spend quite an amount of the organizational funds.

5. **Drives for Power (Political Manoeuvring)**
Inter-group conflicts may arise due to political manoeuvring that certain groups may engage in as they try to acquire power in the organization, e.g. wanting to be in charge of certain new responsibilities.

6. **Poorly Defined Responsibilities**
When job responsibilities are for example ambiguous, conflict may arise from disagreements about which groups have got certain responsibilities over certain tasks.

7. **Introduction of Change**
Changes such as acquisition and mergers creates a lot of competition and conflict at the initial stages. For example, when an organization is merged into another, a power struggle often exists between the acquiring and acquired organizations. Similarly, where certain changes are introduced into the organization conflict may arise between management and workers between those opposed to and those for the change.

8. **Organizational Climate**
An organizational character, personality or climate such as the amount of psychological distance organizational units maintain from each other, can be a major source of inter-group conflict. For example, there would be minimal conflict when professional groups have very much or very little distance psychologically from the administration than when they have medium distance.

9. **Distortion of communication.**

10. **Attitude and value difference**

LINE VS. STAFF CONFLICT

Line managers are those in charge of main operations of an organization while staff managers are those in advisory or supportive positions to provide line managers with specialized and expert services as may be required.

Line personnel are usually generalists while staff personnel are usually specialists. Conflicts between line and staff are quite common. These conflicts arise from the sources already discussed as well as the following:

i. **Territorial Encroachment**
In general the staff personnel advises the line person. Often conflict arises when the line personnel feel that staff advice is taken too far while staff on the other hand may feel that they have a responsibility and right to give the advice.

ii. **Conflicting Loyalties**
Staff specialists may get into conflict with line personnel because what line personnel may require them to do in the interest of the organization may conflict with professional ethics of the staff personnel. This is especially so when the staff specialists want to adhere to a professional order that conflicts with tasks assigned by the organization.

iii. **Separation of Knowledge and Authority**
Some line executives may not have sufficient knowledge to carry out their responsibilities and may depend on lower ranking staff advisers to furnish them with the appropriate information. Such cases where higher authority lacks the necessary knowledge and has to rely on his juniors for knowledge may be a source of conflict between the groups.

CONSEQUENCES OF ORGANIZATION CONFLICTS

Organizational conflicts can be functional or dysfunctional to individuals and organizations.

i. Functional Consequences

Among the major functional results are:

1. Dissociating elements in a situation may be removed and unity may be established. After open expression of conflict the combatments may feel closer to each other.
2. After conflict new leadership may be brought into the organization because the former leaders may be found unsuitable under the pressures of conflict.
3. All goals and policies may be modified or replaced by more relevant goals as a result of the conflict.
4. Conflict may become institutionalised. After several instances of inter-group conflict, outlets may be established where potential conflict may be resolved.
   Informal group discussions between members of management and employees is an example of institutionalization of conflict.
5. Motivation of energy available to complete tasks may be increased under the influence of inter-group conflicts.
6. Conflict may increase innovation because of the greater diversity of view points and heightened sense of necessity.
7. Each group member may develop increased understanding of his own position because conflict forces people to bring forth all supporting arguments, think more clearly about issues and seek support of evidence of the views.
8. Groups may achieve awareness of their own identities, each group thereby becoming more limited. They may identify where they belong more clearly.
9. Inter-group conflicts may satisfy the aggressive urges inherent in many people.

ii. Dysfunctional Consequences

1. The mental health of some combatants may be adversely affected because of the emotional stress reactions precipitated in such people. Tolerance levels are different i.e. low and high.
2. Inter-group conflict of a high intense nature usually results in a misallocation of organizational resources i.e. time wanted to fight or combat one another, material and personnel are likely to be misused. People waste the organizations time, funds, materials and personnel in carrying out the warfare.
3. Sub-optimization of part of the system occurs when disputants push their own position to the extreme.
4. The distortion of goals may occur as people begin to concentrate their attention on petty issues or embark on faultfinding, regarding their opponents instead of pursuing their assigned missions.

STRATEGIES OF MAINTAINING ORGANISATIONAL CONFLICTS

Conflicts may be managed by the conflicting parties themselves or by third parties. Organizational conflicts can be met with non-attention, suppression or resolution.

1. Lose-Lose Strategies

In lose-lose strategy both parties in the conflict lose in the sense that neither achieves its true desires in the conflict. Conflict is managed in such a way that its underlying reasons remain unaffected. Consequently future conflict of a similar nature is likely to occur.

There are three basic approaches to conflict management in the lose-lose strategy;

i. Avoidance
Managing conflict by avoidance is an extreme form of non-attention. In this approach there is no direct attempt to deal with a manifest conflict. Everyone pretends that conflict does not really exist or if it does exist, it is such that it will simply disappear. Consequently, in this strategy, the conflict is left to develop on its own into a constructive or destructive force within the organization.

ii. Smoothing
This is managing conflict by playing down differences among the conflicting parties and high-lighting similarities and areas of agreement. The aim is to encourage peaceful co-existence through a recognition of common interests. Smoothing may ignore the real essence of a given conflict. It is a form of a non-attention of a minor form.

iii. Compromise
In this approach accommodations are made such that each party in the conflict gives up something of value to each other. As a result neither party gains its full desires and the reasons for conflict remain unsolved.

2. Win-Lose Strategy

In win-lose strategy, one party in the conflict wins while the other loses. One party wins by achieving its desires at the expense of the other party's desires. The root causes of conflict are not addressed. Instead, there is a tendency to suppress desires of at least one of the parties. Therefore future conflicts of a similar nature are likely to occur.

i. Competition
In this approach, a victory is achieved on the part of the winning party.

ii. Authoritative Command
Here a formal authority simply dictates a solution and specifies what is gained and lost and by whom e.g. government intervenes in strikes and gives workers time to conform. When the authority is a party to the conflict, it is easy to predict who will be the winner and who is the loser.

3. Win-Win Strategy

Win-win strategy provides the best solution to conflict. It is a strategy that truly resolves conflict. It involves the recognition by all conflicting parties that something is wrong and needs attention. Both parties in the conflict win as both achieve their goals.

LEADERSHIP

5.3.1 Meaning of Leadership

Several definitions of leadership have been given by different management writers. Van Fleet describes leadership as an influence process directed at shaping the behaviour of others (leadership is shaping the behaviour of others through influence).

David Schwartz describes leadership as the art of inspiring subordinates to perform their duties willingly, competently and enthusiastically. So a leader becomes one who by example and talent plays a directing role and commands influence over others.

In simple terms leadership could be described as getting others to follow or getting others to do things willingly. In management leadership could be seen as the use of authority in decision making.

Leadership could be exercised as an attitude of position, or because of personal knowledge and wisdom, or as a function of personality. So leadership could be looked at from many perspectives but what is clear is that it is a relationship through which one person influences the behaviour of others. If for example your friend convinces you to try a new product in the market, he is leading.

5.3.2 Leadership Versus Management

The question of whether leadership is synonymous with management has long been debated. While they are similar in some ways, they are different in more ways.

People can be leaders without being managers, managers without being leaders or both leaders and managers.

- A manager usually directs others because of formal authority and power.
- A manager is by essence required to perform the four functions of planning, organizing, directing and controlling.
- leadership is a little of management but not all of it—it involves ability to persuade others to seek set goals willingly.
- Leadership binds a group together and motivates it towards agreed goals.
- A leader needs only to influence his followers or their behaviour in whatever direction he chooses.
- Unlike the manager a leader does not rely on any formal authority, because while a manager can force people to comply by using formal authority a leader has no such power.

However, people can be both and effective leadership does increase a person's managerial capabilities.

5.3.3 Need for Leadership

Effective leadership gives direction to the efforts of workers.

- leadership guides organizational efforts towards achievement of organizational goals.
- It has been said that without leadership an organization is a muddle of men and machines.
- Leadership is the ability to persuade others to seek defined goals enthusiastically, and it is the leader who triggers the power of motivation in people and guides them towards goals.

- Leadership transforms potential into reality.
- Leadership is indispensable if an organization is to be successful.
- workers need to know how they can contribute to organizational goals.

5.3.4 Power and Leadership

The foundation of leadership is power. Leaders have power over their followers and they wield this power to exert their influence. There are five basic types of power that can be used by leaders.

i. Legitimate Power
This is based on the perception that the leader has the right to exercise influence because of his position and roles. It is power created and conveyed by the organization.

ii. Reward Power
The power to grant and withhold various types of rewards. These rewards may include pay increases, promotion, praise, recognition, etc. The greater and the more important the reward, the more power a leader has.

iii. Coercive Power
The power to force compliance through psychological, emotional or physical threat. In industrial organizations coercion may be subtle through oral reprimands, fines, layoffs, demotion. In military organizations coercion could actually be physical.

iv. Expert Power
Power based on knowledge and expertise. The more knowledge one has and the fewer the people who are aware of it, the more power he has.

v. Referent Power
Power based on subordinates identification with the leader, it usually distinguishes leaders from non leaders. The leader exerts influence because of charisma and reputation. The follower wishes to be like the leader or to be associated with him.

Note:
Most leaders use several different types of power at the same time. However, regardless of the manager's skills power always has its limits. Generally people can only be influenced up to a point and willingness to follow usually is limited. Few leaders can maintain a long term support for their ideas and programs.

Employees usually react to attempts to influence them either by showing commitment, compliance, or resistance.

5.3.4 Approaches to Leadership

There are three basic approaches to studying and describing leadership: trait, behavioural and contingency approaches.

(a) Leadership traits
Assumes that great leaders possess a set of stable and enduring traits or characteristics that set them apart from followers. Adherents of this theory attempted to identify these traits so that they could be used as a basis for selecting managers. Attention was focused on the search for traits and researchers. Studied common traits such as intelligence, height, self confidence and attractiveness. However, traits proved to be ineffective bases for selection of leaders because the

known good leaders had such diverse traits that it was impossible to draw a list of common traits.

(b) Behavioural Approach
This approach sought to define behaviours that set effective leaders apart from ineffective leaders. A leader may have either job centered leader behaviour or employee centered leader behaviour (Michigan Studies).

Two critical leader behaviours were also identified by the Ohio State studies i.e. initiating structure behaviour similar to job centered behaviour and which focuses on the job being done, and the consideration behaviour similar te employee centered behaviour and which focuses on employee satisfaction.

(c) Contingency Approaches
Contingency approaches to leadership suggest that situational factors must be considered. One kind of behaviour may work in one setting but not in another. The goal of contingency approaches is to identify the situational variables that managers need to consider in assessing how different forms of leadership will be received. There are four popular contingency theories of leadership; the LPC model, the path goal model, the participation model and lifecycle theory of leadership

(1) The LPC Model

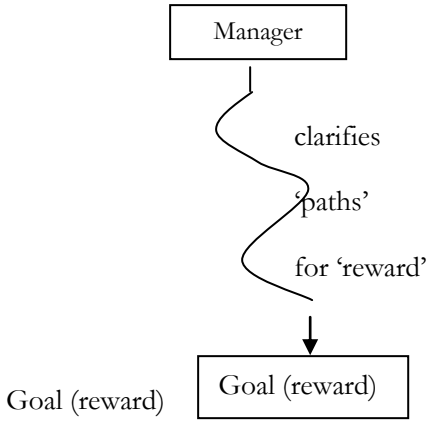
Called the Least Preferred Co-Worker. This model was developed by Fred E. Fieldler. According to him leaders become leaders not only because of their personality but also because of the various situational factors that they face. He came up with three critical dimensions of leadership situations that affect a leader's style. These were:

i. Position Power—the degree to which a position enables a leader to get enough members to comply with his directions.
ii. Task Structure—degree to which tasks are spelled out clearly and people held responsible i.e. how much each person knows his roles.
iii. Leader-Member Relation—the extent to which group members like, and trust a leader and are willing to follow him. From these situations Fieldler identified two types of leadership style:

Task-oriented whereby a leader gains satisfaction from seeing tasks performed. People-oriented where the leader aims at achieving good interpersonal relations. Fieldler concluded that "Leadership performance" depends both on the organization and the situation. One cannot speak of effective leaders but only of leaders who tend to be effective in one situation and ineffective in another situation. Effective leadership requires both training and a conducive organizational climate. The LPC model sees appropriate behaviour as a function of the favourableness of the situation as defined by the three situations.

(2) PATH-GOAL THEORY OF LEADERSHIP

by Martin G Evans and Robert J. House (1971)



This theory was developed by the above said persons in 1971. The Path-goal approach to leadership effectiveness is based on the expectancy/valence model that states that "An individuals motivation depends on his or her expectation of the reward and the valence or attractiveness of that reward."

This theory focuses on the leader as the source of rewards.

It attempts to predict how different types of rewards and different leadership styles affect motivation, performance and satisfaction of subordinates. Managers have at their disposal a number of ways to influence subordinates. According to Evans the most important are the managers ability to provide rewards and to clarify what subordinates must do to earn them. Thus managers determine the valibility of "goals" (rewards) and make clear the "paths" to be taken to reach them. Evans suggests that a managers leadership style influences which rewards will be available to subordinates as well as subordinates perceptions of what they have to do to earn those rewards. An employee centred manager for example will offer a wide range of reward to subordinates not only pay and promotions but also support encouragement, security and respect.

A task oriented manager on the other hand will offer less set of rewards. However according to Evans such a manager will usually be much better at linking subordinates performance to rewards than an employee centred manager.

(3) The Participation Model

Involves a much more narrow segment of leadership than the other two models. It addresses the question of how much subordinates should be allowed to participate in decision making. The model includes five different degrees of participation.

AI → The manager makes the decision alone with no input from subordinates [A = Autocratic].

AII → The manager asks surbodinates for information that she or he needs to make the decision but still makes the decision alone.

CI → The manager shares the situation with selected subordinates and asks for information and advice the manager still makes the decision but keeps subordinates actively involved [C = Consultative].

CII → The manager meets with subordinates as a group to discuss the situation information is freely shared although the manager still makes the decision.

GII → The manager and surbodinates meet as a group and freely share information and the entire group makes the decision [G = Group].
This model suggests that managers need to consider several factors in choosing the degree of participation in decision making.

- is there quality required?
- do I have enough information to make a high quality decision?
- is the problem structured?
- is acceptance by subordinates critical to implementation?
- do subordinates share the organizational goals to be achieved by making this decision?
- is conflict among subordinates likely in the preferred solution?

(4) Lifecycle Theory of Leadership

This theory was developed by Paul Hersey & Kenneth Blanchard
The theory holds that most effective leadership styles varies with the "maturity" of subordinates.
Hersey and Blanchard defined maturity not as age or emotional stability but as desire for achievement and willingness to accept responsibility.
They believed that the relationship between a manager and subordinates moves through four phases as subordinates develop and mature

Phase1:
When subordinates enter the organisation a high orientation by the manger is most appropriate. Subordinates have to be instructed in their tasks and familiarise with the organisation rules and procedures. At this stage a non-directive manager may cause anxiety and confusion among employees. A participatory employee relationship approach would be inappropriate at this stage because according to Hersey and Blanchard employees cannot yet be regarded as colleagues.

Phase2:
As subordinates begin to learn their tasks, task orient leadership remains essential because subordinates are not yet willing or able to accept full responsibility. However, the mangers trust in and support of subordinates can increase as the manager becomes familiar with subordinates and willing to encourage further effort on their part. At this stage mangers can start using employee oriented behaviour.

Phase 3:
At this phase the subordinates ability and achievement motivation are increased and subordinates actively begin to seek greater responsibility. The manager will no longer need to be directive (close direction might be resented). Mangers will however continue to be supportive and considerate inorder to strengthen the subordinates residue for greater responsibility.

Phase 4:
As subordinates gradually become confident self- directing and experienced the manger can reduce the amount of support and encouragement. Subordinates can then be left on their "own" and no longer need directive relationship with the manger.

5.3.5 Leadership Styles

The method or style of leadership a manager chooses to use greatly influences his effectiveness as a leader. An appropriate leadership style coupled with a proper external motivational technique can lead to the achievement of both individual and organizational goals. If the style is inappropriate goals could suffer and workers may feel resentful, aggressive, insecure and dissatisfied.

There are three main styles of leadership:

(a) Autocratic Style
All authority and decision making is centered in the leader. He makes all decisions, exercises total control by use of rewards and punishment. An autocratic leader requires conformity from his subordinates and always considers his decision to be superior to those of his subordinates. One advantage of autocratic leadership is that it allows faster decision making but it can easily cause workers to experience dissatisfaction, dependence on the leader or passiveness towards organizational goals.

(b) Democratic or Participative Style
This style of leadership seeks to obtain cooperation of workers in achieving organizational goals by allowing them to participate in decision-making. It does not relieve the leader of his decision-making responsibilities or of his power over subordinates, but it requires that he recognise subordinates as capable of contributing positively to decision making. Participative decision-making can lead to improved manager-worker relations, higher morale and job satisfaction, decreased dependence on the leader and better acceptance of decisions. However, it also has certain limitations, delayed decision-making, `group think', time consuming and diluted decisions due to compromising.

(c) Laissez Faire Style (Free Reign)
This style does not depend on the leader to provide external motivation but, the workers motivate themselves based on their needs, wants and desires. They are given goals and left on their own to achieve them. The leader assumes the role of a group member.

This approach increases worker independence and expression and forces him to function as a member of a group. The main disadvantage is that, without a strong leader the group could lack direction or control, which may result into frustration in the workers. For laissez faire to work the subordinates must be competent, reliable and well versed with the goals of the organization.

5.3.6 Continuum of Leadership

In reality there is not only three leadership styles but styles could be many ranging from highly boss centered styles to highly employee centered leadership. According to Tannenbaum and Schmidt the leader has flexibility in choosing the most appropriate style. The choice of the style depends on three factors:

(a) Forces in the leader which include his value system, confidence in own leadership inclinations, feelings of insecurity and unncertainty, and confidence in his subordinates.

(b) Forces in subordinates—each employee has different needs, wants, desires, experience, training abilities, skills etc. It is therefore beneficial for the manager to understand the forces at work within his employees. A manager could for instance

allow participation in decision making if the employees are competent, well trained, ready to assume responsibility, have high needs for independence, understand and identify with the goals of the organization and necessary knowledge. If these are absent then the leader may be forced to lead autocratically.

(c) Forces in the situation
Include environmental pressures such as type of organization, effectiveness of work group, type of problem and urgency of the problem. For example production workers may work better under one style while professionals may work better under a different style.

5.3.7 The Managerial grid

In considering the leadership orientation that a manager can take, it appears that he can either be people oriented or production oriented.

A people oriented leader is concerned with the human aspects of the organization. A production oriented leader's main concern is the tasks—seeing that work is accomplished. The best managers are both people and production oriented. By combining his people and production scores a manager will obtain his managerial score according to the grid. The managerial grid was developed by Blake and Mouton and its objective is to bring about a managerial style that maximises concern for both people and production.

A low score in either area is a good indication of a poor approach to management. The points on the grid give these types of management.

1 Impoverished Management
Has no concern for people and also little concern for production. Effective production cannot be achieved because people are lazy, apathetic and indifferent. Sound and mature relationships are unobtainable.

2 Task Management
Maximum concern for production and low concern for people. People are seen as a commodity just like machines. The manager aims to plan direct and control peoples activities.

3 Country-Club Management
Highest concern for people but little concern for production. Production is incidental to lack of conflict and good interpersonal relations.

4 Dampened Pendulum (middle of the road)
"Be fair and firm", push for production but not all the way, "give some but not all attitude of management".

5 Team Management
Highest concern for both people and production. Production is seen as a function of the integration of task and human requirements. Better managers are described by points towards this type of management.

5.3.8 Personal Qualities of Leaders

i. Ability to inspire others
ii. Ability to understand human behaviour
iii. Similarity with the group
iv. Verbal assertiveness

v. Willingness to communicate honestly
vi. Dedication to the goals of the organization
vii. Ability to inspire through example
ix. Willingness to take risk
x. Willingness to assume full responsibility for the group
xi. Skill in the art of compromise
xii. Ability to tolerate criticism

5.3.9 Factors Influencing Leadership effectiveness

Identification of situational factors within the work environs and the choice of appropriate leadership style is the essence of effective leadership.
The following factors influences leader effectiveness in different work situations: -

1. Leader personality and past experiences:- managers value background and experiences will affect his or her choice of leadership styles. A manager who has had success in exercising little supervision or values the self-fulfilment needs of subordinates may adopt an employee-oriented style of leadership. A manger who distrusts subordinates or who simply likes to manage all work activities may adopt a more authoritarian role.

2. Expectation of superiors:- a superior who favours task oriented leadership may cause a manager to adopt that style of leadership. A superior who favours an employee-oriented style on the other hand may encourage the manager to adopt the employee-oriented leadership.

3. Subordinates characteristics and expectations:- the response of subordinates to managers will be subordinates characteristics in terms of skills and training influence the mangers choice of style. Highly capable employee would normally require less directly approach. The expectation of subordinates is another factor in determining how appropriate a particular style will be. Subordinates who have employee centred managers in the past may expect a new manager to have similar style and may react negatively to authoritarian leadership.
4. Tasks requirements: Jobs that precise instructions are to be followed demand more task oriented style than jobs whose operating procedures can be left largely to the individual employees e.g. University teaching.

5. Organisational climate and policy the "personality" or climate of an organisation influences the expectations and behaviours of organisation members.

   In organisations where climate and policies encourage strict accountability for expenses and results, managers usually supervise and control subordinates tightly.

6. Peer expectation and behaviours: - Ones fellow managers so as not to appear odd. Also conformance to their expectations is required.

CONCLUSION

A leader performs many functions which greatly determine the success of the organization. Some of these functions include arbitrating, catalyzing, representing, inspiring, praising, providing security and supplying objectives.
To be able to accomplish these functions the leader requires certain skills. Any skill that a manager has acquired serves to increase his leadership abilities. Included are technical skills, human skills, and conceptional skills.

The most appropriate leadership style depends on the situation, the leader himself, his subordinates and the organization.
Leaders in Kenya for instance must be aware of the environmental circumstances faced by their employees. These circumstances are of economic, political, social, cultural, educational, religious and geographical nature. These the manager must consider when leading his people.

5.4 COMMUNICATION

5.4.1 Meaning of Communication

To communicate is to make known, to impart or to transmit information. Communication forms the bridge between managers and employees.

Communication is an integral part of managing because it is only through communication that a manager can make himself understood by his employees.

Managers must receive and give ideas, reports, instructions, explain problems and give demonstrations. An organization must also keep in touch with its relevant environments—customers, suppliers, dealers, regulations etc. Talking, listening, attending meetings, reading and writing occupies most of the manager's time.

Communication is therefore essential for effecting organizational performance. An excellent plan that is poorly communicated is useless. Effective and efficient communication results in better overall performance. Ineffective communication leads to loss of meaning or misunderstanding which in turn leads to mistakes. The success of an organization is a reflection of the effectiveness of its communication. Many mistakes and negative results in a firm e.g. accidents, waste, duplicated work and incomplete work can be traced directly to poor communication. Communication is needed to:

(a) Establish and disseminate goals of an enterprise
(b) Develop plans for their achievement
(c) Organize human and non human resources
(d) Select, develop and appraise staff
(e) Control performance
(f) Direct, lead and motivate employees

Communication is a two way process where everyone is both a receiver and sender of information. Effective communication must involve transfer of meaning from the sender to the receiver i.e. the information received must be understood by the receiver. If the receiver does not understand the meaning of the message then communication is not effective.

5.4.2 The Communication Process

The process traces the movement of information from the sender to the receiver. The process has the following elements.

1. Sender
Any one who wants to communicate something to someone else. The sender has a thought or idea. The thought or idea must be put into a language understood by the receiver and the sender (this is called encoding).

2. Message
The information the sender wants to communicate.

3. Channel (vehicle/media)

The link between the sender and the receiver of the message. i.e. the mode of transmission of the message e.g. letter, telephone or gesture. Choice of the channel is affected by the following factors.

i. Urgency —when the message is very urgent a telephone call may be the most appropriate.
ii. Importance — mportant messages are better communicated face to face.
iii. Need for documentation
iv. Delicacy of the message
v. Costs involvedIf sender is constrained by cost the mass media may be the most appropriate.
vi. Future reference —Where future reference is required then written messages must be used.
vii. Noise—Anything whether in the sender, channel or receiver that hinders communication e.g. a noisy or confined environment may affect thinking by clogging the mind. Ambiguous symbols and words may distort meaning.

4. **Receiver**
The person the sender wants to reach with the message. Once the receiver gets the message he/she must decode it. This is the process by which the receiver interprets the message and attaches meaning to it. If communication has to be complete (understood) the receiver and the sender must attach the same meaning to the message.

5. **Feedback**
The action taken by the message receiver once the message has been conveyed. It is only through feedback that the sender can know whether the process was successful.

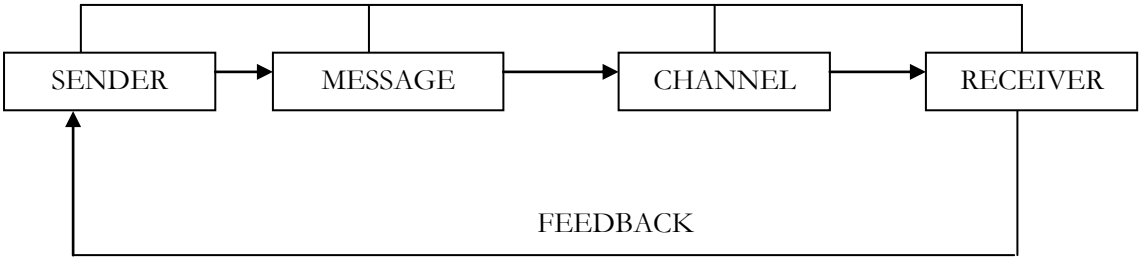
Note
be able to communicate effectively it is important that one gains and holds the attention of the receiver. This is difficult because the competition for attention is enormous. One receives too many messages at the same time and because naturally the attention span is limited, peoples minds keep wandering. Managers at the top face more noise than their subordinates. They must keep up to date with many institutions outside the organization and each institution keeps sending different messages to the manager which all require his attention.

For communication to be effective the message sender must have a good knowledge of the receiver. Managers using work manuals must establish whether the employees are capable of reading and understanding the manuals. Overestimation of the capability of the receiver e.g. his intelligence will lead to misunderstanding of the message. Income, social status, responsibilities and position of the receiver all affect and influence the way a message is perceived.

How well the receiver knows the sender may also influence perception of the message. People differ in many ways therefore they interpret messages differently. The message sender must therefore tailor each message to suit the receiver. The biggest problem of communicating within business firms in Kenya is that few people understand human behaviour and this is why messages are misunderstood leading to accidents and mistakes at the work place.

A SIMPLE COMMUNICATION MODEL

NOISE



Note
The process is affected by many situational and organizational factors. Factors in the external environment include educational factors, sociological factors, legal factors, political factors, technological factors and economic factors. Time and geographical distance are also other factors that affect communication. The manager may not have the time to send out communication or the message may become invalid with passage of time. Communication is also affected by internal factors such as the structure of the organization, managerial styles and changes in technology. Using the communication process model managers are able to pinpoint problems and to take corrective action.

5.43 Types of Communication

Communication in an organization is either external or internal.
Internal communication takes place between people within the organization while external communication occurs between people in the organization and others outside the organization.
Today's organizations are complex and big and the amount of information handled is very large. Therefore a lot of efficiency in communication is required. All organizations generate internal communication and the communication flow is multidirectional.

It could either be:

(a) Vertically upward—from lower to higher level through the chain of command.
(b) Vertically downward—from higher to lower levels.
(c) Direct horizontal—when an individual from one department communicates to another in another department but at the same organizational level.

(d) Indirect horizontal—occurs between people of different organizational levels and in different departments.
(e) Depending on the nature of the firm zigzagging or diagnosing of messages cannot be ruled out.

The informal group through the grapevine forms an important communication channel. All organizations have a "grapevine" or informal communication channel. News flow through the grapevine with or without the approval of the management. The information that flows through the grapevine is rarely ever true as it is based on gossip and half truths. Where management has not devised ways of passing information promptly the "grapevine" thrives. So the more fully and accurately management keeps people informed, the weaker the grapevine.

The firm also invites communication with groups outside and as the organization grows external communication grows. These groups include customers, suppliers, government, competitors etc.

Written Communication

Written communication is in form of letters, memos, manuals or minutes. It has the advantage of providing records and references. Written messages are to a large extent uniform.

However, written communication may:

- increase paperwork
- provide no immediate feedback
- one is never sure the receiver got the written document
- it can be made ineffective by poor writing
- involves danger of using technical jargon not understood by the receiver.

Oral Communication

Most communication in organizations is oral. It provides immediate feedback and unclear issues can be classified immediately. The communicator knows the effects of communication immediately. It can easily be altered or adjusted to suit the receiver. Face to face communication when used by managers gives the subordinates a feeling of importance and self worth.

Non Verbal Communication

Includes facial expression, body gestures, eye movements, distance maintained etc. These can either reinforce what we say or contradict it. Communicators must know that its actions that count finally so a manager must be able to supplement what he says with actions.

The Art of Active Listening

Active listening refers to a method of listening for the total meaning of a message. A sender's message has a verbal and a non verbal component as well as a feeling component.

The receiver must be aware of both components in order to understand the full meaning of the message.
The feeling component expresses the feelings the communicator is experiencing at the time of communication. These may be of joy, hate, resentment or anger and are contained in the way the words are expressed Very sweet words may be expressed in a way to convey a sour message.

People can become more active listeners if they follow these guidelines.

(a) Suspend premature judgement—premature judgement prevents the receiver from listening for the total meaning of a message and this makes the sender defensive.
(b) Listen with understanding—the receiver should try and understand what is being said from the senders perspective.
(c) Listen and respond to feelings—the content of a message often plays a small part in interpersonal communication. The emotions and feelings during communication should be recognised.
(d) Note all non verbal cues.
(e) Rephrase the sender's message. The receiver may restate or paraphrase the sender's message in his own words to see if she/he understands the sender's message.

Commandments for active listening

- stop talking and listen
- put the talker at ease
- show the talker you want to listen
- remove distractions
- empathize with the talker
- be patient
- hold your temper
- avoid argument and criticism
- ask questions

5.4.5 Barriers to Communication

Communication barriers can arise from either sender, channel, receiver or from the surroundings.

(a) Lack of planning to communicate—good communication is not by chance. Clear thinking must precede talking or writing. Often people talk or write without clear thinking and without a clear purpose for their work.

(b) Unclarified assumptions—most messages have an underlying assumption. For a message to be clearly understood both the sender and the receiver must understand the underlying assumption.

(c) Semantic distortion (language)—where words are not clearly understood because they are ambiguous. Besides some words have several meanings and when used in a message they may mean different things to different people.

(d) Poor expression (language)—caused by poorly chosen words, omissions, lack of coherence, awkward sentence structure and unfamiliar jargon.

(e) Loss of transmission—as the message is passed around people insert their own words or they paraphrase the message and this distorts the original message.

(f) Poor retention—few people retain things for a long period. People forget too fast.

(g) Poor listening—human minds keep wandering and as a message is being passed people keep pondering their own things. Some use the opportunity to make impressions on others and such people give ideas and comments totally unrelated to the message.

(h) Hasty (premature) evaluation—people have a common tendency to judge, approve or disapprove what is being said rather than trying to understand the speaker.

(i) Distrust, threat and fear—in an organization plagued by fear and distrust communication is difficult as each message is viewed sceptically.

(j) Insufficient period for adjustment to change—the essence of communication is to effect change. Change usually disrupts the way people have been carrying on their work and usually people need enough time to adjust to change.

(k) Noise—noise or interruptions from without the communication e.g. giving instructions in a noisy environment, disease, weather etc.

5.4.6 How Can Communication Be Improved?

Improvement in communication should be an ongoing goal for managers especially due to the vital role it plays in organizations.

Effective communication requires that meaning must be transmitted and understood. The responsibility for communication rests upon management as they are the people in charge of the enterprise. In a business enterprise, knowledge of the area of business e.g. of the products, skills of doing the job and time are vital for communication. A person incharge of

selling a product must for instance have a thorough knowledge of the product, must have selling skills and presentation skills.

Both the sender and the receiver of the message can improve communication.

What the sender can do to improve communication:

1. (a) Clarify ideas before communicating
   (b) Examine the purpose of communication

2. Remove hierarchical barriers
   Status differences in organizations can limit the effectiveness of communication between superiors and subordinates—this creates a psychological distance which makes employees filter the information they give to management, withholding any information they feel is distasteful.
3. Remove interpersonal barriers
   Communication is an interpersonal process, interpersonal barriers such as distrust, defensiveness, and domination hinder open communication.
4. Be sensitive to the receiver's perspective
   The communicator should be empathetic to the receiver i.e. be able to put himself in the shoes of the receiver.
5. Develop and maintain credibility
   Credibility is usually measured by one's expertise on the subject matter being communicated.
6. Support words with action.
7. Avoid information overload
   i.e. giving employees more information than they can handle or process. A gate keeper could be used to screen the information, or filtering and prioritising of information could help reduce overload.
8. Avoid information underload
   Giving too little information, this often leads to employee dissatisfaction.
9. Be a good listener
   Effective communication takes place only when the sender is satisfied with the receiver's response.

What the receiver should do ?

Communication is a two way process. The receiver can improve communication by becoming a better listener, by learning the art of active listening, by observing the ten commandments already outlined in Section 7.34 and by practising the art of providing feedback.
Feedback is the process of responding to what another has told you i.e. communicating how you feel. Feedback can either be responsive where the sender's message is restated or corrective where one communicates the effects of the message. Certain guidelines could be observed for effective feedback by the receiver.

(a) Aim to help the recipient.
(b) Consider the recipient's ability.
(c) Focus on behaviour rather than on person.
(d) Be descriptive rather than evaluative.
(e) Respect the recipient's privacy.

5.4.7 Other Ways To Improve Communication

(a) Brief message—a lengthy message gives room for distortion

(b) Appropriate vocabularly—language used must be understood by both the sender and the receiver
(c) Accuracy and Completeness
(d) Selective Communication
(e) Empathy
(f) Use of visual devices
(g) Use of combined media
(h) Follow up
Good listening

5.4.8 Other Qualities For Improving Organization Communication

1. Define specific communication goals prior to actual communication.
2. Establish communication mechanisms through which organizational members can interact regularly.
3. Facilitate frequent face-to-face interactions between supervisors and employees.
4. Encourage employees to express their ideas and concerns in dealing with their jobs.
5. Solicit information from employees concerning their careers and personal problems.
6. Involve employees in formulating their task goals and responsibilities.
7. Provide employees with timely feedback on their job performance.
8. Inform employees on any changes in the company's goals and policies as soon as possible.
9. Periodically evaluate the firm's communication effectiveness.

5.5 CORPORATE CULTURE

5.5.1 Meaning of Culture

Vijay Sathe defines culture as "the set of important understandings that members of a community share in common". These shared understandings consist of norms, values, attitudes and beliefs. The community may be a society, industry, company, department or work unit.

The culture of an organization can be determined from the things, doings, feelings and sayings held in common by organizational members.

5.5.2 Factors that determine the culture of any organization:

Values held by top management—top management through their orientation and values set the tone that prevails in the organization. For example a management that is antagonistic to competitors creates this atmosphere for its employees.

History of the organization—the way things have always been done in the organization determines to a great extent the things held in common by its members. For example the character of the founder of a company is maintained in the company through out the years.

Top management vision for the company—what top management feel about the future of the company permeates into the entire organization. If the CEO for instance has no faith in the future of the company a tone of hopelessness may prevail among employees.

Work Group

The nature of the immediate work group will affect one's perception of the quality of culture. Commitment refers to whether this group is just going through the routine motions of work. Sixteen people are just going through the motions, it is difficult for a particular individual to

obtain high levels of output and satisfaction. Hinderance is concerned with the degree to which a great deal of busy work of doubtful value is given to the group. Morals and friendliness within the group are factors with which most readers are familiar.

Organizational Characteristics

The leadership style of the immediate supervisor will have a considerable effect on the culture of the group and vice versa. If the manager is always pursuing for output, this alters the environment. Trust refers to supervisory behaviour characterised by personally working hard and setting an example. Consideration is a leadership characteristic. Organizational characteristics may also affect the type of culture. Organizations vary on such attributes as size and complexity.
Large organizations tend toward higher degrees of specialization and greater impersonalization. Labour unions often find that large firms are easier to organise than smaller ones because smaller firms tend to be closer and have more informal relationships between employee and management. Complex organizations tend to employ a greater number of professionals and specialists which alters the general approach to solving problems.
Organizations also vary in the degree to which they write things down and attempt to program behaviour through rules, procedures and regulations (standardisation of processes). They can also be distinguished on the basis of the degree of decentralization of decision making authority, which affects the degree of autonomy and freedon of personnel within the organization.

Administrating Process

Corporate culture can be affected by administration processes. Firms that can develop a direct link between performance and rewards tend to create cultures conducive to achievement. Communication systems that are open and free flowing tend to promote participation and creative atmospheres. The general attitudes that exist toward the handling of risk and the tolerance of conflict will, in turn, have considerable impact on the type of team work affected. They also affect the amount of organizational innovation and creativity.

A strong and widely recognised culture is one of the factors that may contribute to the success of a company.

A company's predominant culture can be changed by various environmental factors e.g. competition, government action or social movement. For example the current issues of gender balance, environmental friendliness, economy deregulation, privatisation and even transparency and accountability may change the cultures of many companies here in Kenya.

Culture emerges from the actions of organization members and any attempt to change culture must focus on what people do. If a manager can get organizational members to behave differently then cultural change is possible. Culture gives organizational members a sense of how to behave and what they ought to be doing.

Organizational culture has an impact on the employee's degree of satisfaction with the job, as well as the level and quality of their performance. The assessment of how good or poor the organization's culture is may differ from employee to employee.

5.5.3 The Need To Change Culture

When major changes occur companies usually must alter their culture in order to survive. The reasons for changing culture need not be negative. A company that enters a new market might copy the cultures of successful competitors in the market. A new management team, for example, often changes corporate culture to match its higher ideals. Organizations should strive for an open and participative culture. This type of culture is characterized by such attributes as:

- Trust in subordinates
- Openness in communications
- Considerate and supportive leadership
- Group problem solving
- Worker autonomy
- Information sharing
- High output goals

Some behaviouralists contend that this culture is the only viable one for all situations. The opposite of the open and participative culture is a closed and autocratic high output goals. But such goals are more likely to be declared and imposed on the organization by autocratic and threatening leaders. There is greater rigidity in this culture, resulting from strict adherence to the formal chain of command, shorter spans of management and stricter individual accountability. This emphasis is on the individual rather than teamwork. Employees reactions are often characterised by going through the motions and doing as they are told. Despite criticism by behaviourists, a closed and autocratic culture (philosophy) may prove better than an open one in certain situations. Some organizations' cultures are neither purely open and participatory or closed and autocratic. Although employees may be expected to dress conservatively and otherwise follow company rules, new ideas may be encouraged and rewarded through incentives compensation.

5.5.4 Developing a participative culture

The prevailing managerial approach in most organizations has been one characterisedf as being highly structured. Consequently, most attempts to alter organizational culture have been directed toward creating a more open and participative culture. The theme or participation developed by McGregory, Herberg and Maslow, among others relates primarily to self-actualisation, motivator factors, consultative and democratic leadership, job enrichment and M.B.O.

Value of Participation

The possible values of involving more people in the decision making process within a firm relate primarily to productivity and morale. Increased productivity can result from the stimulation of ideas and from the encouragement of greater effort and co-operation. Psychologically involved employees will often respond to shared problems with innovative suggestive and unusual efforts. Open participative cultures are often used to improve the level of morale and satisfaction. Specific values in this area include:

- increased acceptability of management's ideas;
- increased co-operation with members of management and staff;
- reduced turnover;
- reduced absenteeism;
- reduced complaints and grievances;
- greater acceptance of changes;
- improved attitudes toward the job and the organization.

In general, the development of greater employee participation appears to have a direct and immediate effect on employee morale. Employees take a greater interest in the job and the

organization. They tend to accept, and sometimes initiate changes not only because of their understanding of the necessity for change but also because their fears or insecurity has been reduced because they know more about the change. Most experience and research indicate a positive relationship between employee participation and measures of morale, turnover, and absenteeism.

Limitation of Participation

Despite the values of a participative approach to management, there are some limitations. The requirements for greater participation in decision-making are:

i. Sufficient time
ii. Adequate ability and interest on the part of the participants, and
iii. Restrictions generated by the present structure and system.

REINFORCING QUESTIONS

Q1 (a) Define communication and show its importance.

(b) Describe managerial communication, horizontal communication, and chief information officer.

(c) Discuss how to manage communication, barriers to effective communication and how to improve communication effectiveness.

Q2. Define leadership, indicate the difference between leadership and management and identify the challenges of leadership.

Q3. Discuss the various types of power, their application and their outcomes.

Q4. Identify important human needs and discuss two theories that attempt to outline how these needs motivate people

Q5. Describe employee motivation from the perspectives of expectancy satisfaction and equity.

Q6. Describe clearly the nature of groups and discuss their psychological character.

Q7. Discuss the management of functional groups and committees showing clearly the advantages and disadvantages of group decision-making.

Q8. Describe the nature and management of organizational conflicts.

Check your answers with those given in Lesson 12 of the Study Pack

LESSON SIX

STAFFING AND PERSONNEL FUNCTION

INSTRUCTIONS

1. Carefully study the lesson and Chapter 8 of Cole.
2. Attempt the reinforcing questions at the end of the lesson
3. Compare your answers with those provided in Lesson 12.
4. If your answers are significantly different from those provided, please read the lesson again carefully and with understanding

CONTENTS

6.1 THE CONTROL PROCESS

6.1.1 Introduction

Controlling is the fourth function of managing and it involves the measurement and correction of the performance of employees, and of other organizational resources in order to ensure that everything is going according to plan. Any manager charged with putting plans into action must carry out control. Controls help to point deviations from plans so that corrective action can be taken. Controlling therefore assists the realization of plans. Before controlling can be done management must ensure the two prerequisites of the control system:

(a) Controls require plans

Controls must be based on plans. One cannot know whether something is wrong unless what needs to be done is clearly spelt out. Managers cannot determine whether their units are achieving what is expected unless they know what is expected in the first place. Managers must first set plans and these plans become standards against which performance is measured. This implies that any good control techniques are in effect planning techniques. It is useless to try to design controls without taking into account plans and how well they are formulated.

(b) Controls require a clear organizational structure

The essence of control is to take corrective action and to be able to do this we must know where in the organization the responsibility for deviation from plans is situated. Organizational responsibilities must be clear and definite so that when something goes wrong one can tell at which position it did. Lack of a good structure means that managers may know something is going wrong but they cannot tell exactly where the responsibility for the problem lies. Without clear knowledge of exactly where things are going wrong, corrective action is impossible.

6.1.2 The Steps in the Control Process

The methods used for control of the various resources, techniques and procedures are basically the same regardless of where it is being done or what is being controlled. The process has three major steps:

Step One: Establishment of Standards

The first step in the control process is to establish plans which serve as the standards against which performance is measured. In establishing the standards for control purposes, critical points must be selected. These are the points at which if anything went wrong, there would be devastating effects on the organization. It is difficult to control every aspect of the firm. Standards is the measure by which performance is judged as "good" or "bad", "acceptable" or "unacceptable". The standards set may be of many kinds and among the best are the verifiable goals and objectives, which stipulate the desired results. These goals and objectives may be in physical terms e.g units to be produced, sales volume, products rejected, profits earned, customer complaints etc.

Step Two: Measurement of Performance

This step involves measurement of actual performance in the light of the standards set. The objective of this step is to answer the question of "how well are we doing in meeting the standards set for our activities?" Where possible standards should be such that they can detect deviations before they actually occur so that appropriate corrective action can be effected.

Step Three: Correction of Deviations

Taking the necessary corrective action is actually what completes the control process. Deviations from standards can either be positive or negative. When positive, then performance is better than expected and even if this is good, it is necessary to evaluate the standards and check for their accuracy and adequacy. Correction of negative performance is the point at which control is seen as part of the whole system. Corrective action is the step at which all other managerial functions are integrated into the process of control. The overlap of control with other functions of management demonstrates the systems unity of the managers job and the integrated nature of the managerial process.

Note

The three steps interrelate. For example corrective action cannot be taken unless the measurement of performance dictates so. Measurement cannot take place unless there is a yardstick against which to measure.

Controlling is the activity that makes right what is wrong and is therefore one of the most challenging activities that managers perform.

Controls therefore help managers to answer a very important question, "how well are we doing?" It also helps them decide on ways to improve performance that is below standard.

6.1.3 The Steps Elaborated

(A) SETTING STANDARDS

Many managers fail to set standards. More often than not, what constitutes "an honest day's work" or "good service" is not clear. The failure in clearly defining performance standards make effective control impossible. Performance standards are needed for all activities performed by a firm. Standards are performance targets. Managers attempt to at least meet them and perhaps, exceed them. They may be either quantitative or qualitative.

Quantitative Standards

Quantitative standards are criteria for judging performance that can be expressed in money time exposed, proportions and percentages, weights, distance or some other numerical style. Quantitative standards have two major advantages; they are reasonably precise. That is required level of performance is stated in terms managers understand, they are relatively easy to measure. This is simply because quantitative standards mean about the same thing to all supervisors. Some of the most common quantitative standards are discussed below:

Time Standards

They indicate how much time is needed for a specific result. Each employee will work 40 hours per week; interview time per employee is 30 minutes; and each semester should take 17 weeks are examples of time standards.

Cost Standards

Cost standards indicate how much money should be spent to perform a particular task. Material cost per unit should be Kshs.100; labour cost per unit should be Kshs.250.50 are examples of cost standards.

Revenue Standards

Revenue standards show how much income should be earned from specific activities. For example, revenue per sales person per month should be Ksh.500,000.

Historical Data

Organizations often use past performance as a basis for estimating future satisfactory performance. A farmer may know from past records that average maize production per hectare is 50 bags. He may then use 50 bags as the standard for future years. Although historical standards are easy to establish, they do not take into consideration changes that may occur in future.

Market Share

This standard concerns the percentage of the total market that a firm would want to acquire and maintain. A toilet soap company like EAI may seek to attain a market share of 30 per cent of all units sold. The problem with using the market share is that it does not by itself indicate profitability. To acquire or maintain a certain market share may require an organization to spend so much on promotional campaigns such that the action may greatly reduce profits.

Productivity

Productivity standards are needed in all activities in an organization. Productivity is a key standard, since it indicates the efficiency with which activities are conducted.

Standards for measuring sales productivity may be expressed as sales per sales person per day week or other time period like sales per distribution outlet. On the other hand, productivity standards might be stated as units produced per machine per shift, units produced per man-hour worked etc.

Return on Investment (ROI)

Is the ratio of net income to invested capital. Firms with several divisions often use ROI as a measuring device for different divisions as well as for the company as a whole. It helps to show managers of divisions how well they have employed the capital assets assigned to them.

Profitability (Return on Sales)

Can be expressed as a ratio of net profits to sales. If a firm falls below what management considers a fair return on sales, corrective action is indicated. Profitability standards may be based on past experience, performance of other similar firms, and judgement.

Quantitative Personnel Standards

Personnel standards can be set for such items as employee turnover, accidents, absenteeism, and suggestions received from employees. Setting personnel standards is not easy. However, personnel factors should be set for them even if such standards are based only on "good judgement". Without standards, there is no basis for measurement.

Qualitative Standards

A basic drawback of qualitative standards is that it is difficult to apply them to all operations in a firm. Not all standards can be expressed in time, weights, percentages, money. or other measures. For examples the goal of an organization may be "to maintain a good relationship with the trade union". Does the absence of a strike or showdown necessarily indicate existence of a good relationship with the union? Because of this basic drawback, qualitative standards are also needed.

Qualitative standards are subjective standards used to evaluate situations that cannot be expressed numerically. For example, "employees are expected to be neatly dressed". Because they are subjective, qualitative standards are difficult to use in performance evaluation.

Guidelines for setting standards

These guidelines can help in choosing appropriate standards and winning support for them:

(a) Set standards at appropriate levels

Standards should be set at a reasonably attainable level under the prevailing conditions. If work standards are set too low, resources (human and non-human) are wasted; if

they are set too high, mistakes, frustration and a host of other problems will result. Managers should carry out time-and-motion studies of production activities in order to develop realistic standards.

(b) Keep standards to a reasonable number

In many cases an excessive number of standards are set. This wastes managers time and creates resentment. Some jobs are "over-engineered". So many standards are set that it becomes too time-consuming. This interferes with managers "real" or important activities.

(c) Have people expected to meet standards, help set them.

Many people do not like standards that are imposed on them without their having any say in the matter. Participation in setting standards goes a long way in making them acceptable.

(d) Communicate standards effectively

In well-managed organizations, each employee knows what standards have been set for his/her performance and the degree to which he/she is meeting them.

(e) Explain why standards are required

People accept standards much more readily when they understand why more standards are needed.

(f) Condition people to want higher standards

An important art in managing is to motivate personnel to want even higher, though attainable standards.

(B) MEASURING PERFORMANCE

Step 2 in the control process is to measure performance against standards. It involves comparing what was accomplished with what was intended to be accomplished. Measuring performance follows the setting of a standard and precedes the taking of remedial action.

A standard would be meaningless unless the degree to which it is met is determined. It is pointless to set a per-unit production cost of Kshs.10 and then not measure actual costs.

Measuring performance tells managers when corrective action is required. In other words, measurement of performance helps managers to answer such key questions as "how well are we doing?" and "What should be done to improve performance?"

In some cases performance can be measured objectively with considerable precision. In other cases, it must be measured subjectively. Performance can be measured by strategic devices, ratio analysis, personal observation and level of satisfaction.

Strategic Control Points

Standards should be set for all activities. Performance of each activity should also be measured against the standard set for it. But this is an ideal for in practice it is seldom everything that is being done. The most important thing is for managers to take strategic control points for measurement. That is the activities that can make or break the enterprise. Examples of strategic control points include: income, expenses, inventory, product quality, absenteeism and safety.

Guidelines for measuring performance

Measurement of performance can be made effective if the following guidelines are followed:

1. **Be economical**—Although standards should be set for all activities, precise measurement of every activity may cost more than it is worth. It is common to find a firm that requires its personnel to complete lengthy reports that are never used. Another firm may install sophisticated devices to detect minute deviations. Measurement can be made economical by the use of sampling. Also, management should concentrate on strategic control points.
2. **Be prompt**—Delays in measuring performance automatically create delays in taking corrective action. The sooner a deviation from the norm is brought to the attention of the manager concerned the more quickly the problem can be rectified.
3. **Be accurate**—Accurate measurement leads to the right corrective action. The opposite is true. It is possible to measure the performance of some activities very accurately by machines and devices. However, measuring performance solely by observation may lead to errors.
4. **Be systematic**—As much as possible, the information used to measure performance should be collected and disseminated systematically. Through computerisation, a vast amount of needed information can be obtained if the right management information system (MIS) is designed MIS is discussed in the next chapter.

(C) TAKING CORRECTIVE ACTION

Corrective actions are called for when performance fails to meet the standards set for it. Corrective action may involve a very simple act, such as adjusting a machine or giving an employee a demonstration on how to use a particular machine. It may also be very complicated, like turning around an unprofitable organization.

Corrective actions also vary in the time required to effect them. Routine malfunction may be corrected immediately. But complex problems may require months or even years to rectify.

Prescribed vs Judgmental Corrective Action

Prescribed corrective action is a predetermined action in company rules, procedures and policies. Despite the best efforts of the management, some problems are certain to recur. To save time and money and reduce frustration, managers should develop plans with built-in corrective action to deal with common problems such as absenteeism, machine breakdowns, and unsatisfactory performance.
Prescribed corrective action in the form of carefully prepared procedures is also needed to cover emergencies, even though these situations are unlikely to occur. An organization may have a procedure to follow in case of fire.

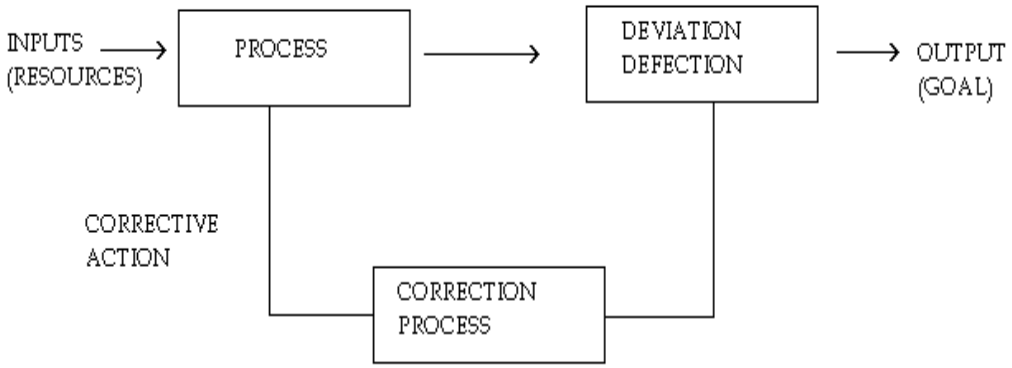
Much as the remedial action that is required at lower levels of management can be prescribed, judge-mental plans become increasingly important in deciding how to correct what has gone wrong at higher levels of the organization. Judge-mental remedial action is not spelt out in predetermined rules, procedures or policies. It is based on the experience, knowledge, and wisdom of the manager who decide what remedial action is needed.

Where judgement is concerned, there is no manual available to provide solutions. Instead managers must rely on experience, observations of problems in similar firms were solved, opinions of other managers, and the "feel" of the situation to develop appropriate corrective action. Unlike prescribed corrective action, judgement problem solving permits considerable latitude (flexibility).

Guidelines for Taking Corrective Action

The following guidelines are useful in making corrective action effective:

1. **Deal with problems, not symptoms**—Managers should search for the fundamental problem and not base remedial action on symptoms. Lack of motivation is usually not the real problem. It is only a symptom of one or more underlying problems. It may be caused by ineffective supervision, poor working conditions, or some other problem.
2. **Be prompt in taking corrective action**—A common error in managing is failure to take corrective action promptly when standards are not met. Managers should be encouraged to take corrective action quickly. The old saying "A stitch in time saves nine" holds for most situations encountered in managing.
3. Whenever possible, **build corrective action into existing plans**—Ideally plans (rules, procedures, policies and strategies) should have built into them the appropriate action to take if something goes wrong. Prescribed correction saves time and is efficient. However, major problems in an organization usually have no prescribed solutions and require considerable use of judgement.
4. **Consider Constraints**—Managers should bear in mind that various environmental constraints limit the problem-solving actions that managers may take. Good managers ask questions such as "What are the legal implications of what I want to do?" "How will the competitors react to this strategy?"



6.1.4 Feedback Nature of Control

Managers measure actual performance, compare it with standards, identify and analyse deviations. They then develop a program for corrective action and implement this program in order to arrive at the desired performance. However, some time-lag happens between detection and correction and this demonstrates the need for future directed control if control is to be effective. The time-lag also shows the deficiency of historical data such as from accounting reports which tells you in December that you lost money in June or July because of something that happened in May! The information only becomes a distressing fact. Managers need a system of control that will tell them in time to take corrective action, that problems will occur if they do not do something about them now!

6.2 TYPES OF CONTROL SYSTEMS

Control systems are mechanisms designed to help achieve the desired performance and can be specifically designed for the activity being controlled.

There are three main categories:-

- Managerial discretion
- Timing and
- Information

Manegerial Discretion: relates to amount of discretion that an individual manager has in completing the task i.e the degree of freedom or authority to make decisions or choices about a particular situation.

Timing: This depends upon where in the on going activities the control technique is used. It can be used before an activity is used, during and after. Output controls measure and evaluate results of behaviour. Behavioural monitor, measure and evaluate behaviour as it occurs

Information control deal with type of information handled by the control system eg financial or human resource

Managerial Discretion: -
Cybernetic control are self-regulatory in that there are (in-built) devices that automatically correct deviations that occur. There is little managerial discretion eg. robotics. It is useful in task in which all the steps and standards are very well known.

Non-cybernetic:- Managers use their own discretion about how best to complete an activity and meet performance goals. The more creative and unusual the job the more discretion is required.

Timing:-
Steering controls/feedforward/preliminary.
An attempt is made to control before the activity occurs. The controls anticipate the results and guide activities before the operation begins eg. New product development.

Yes- No Control: Assess an activity while it is in progress. Check points occur at which time progress is okayed. Corrective action is taken or progress is halted. Behavioural controls also attempt to control the behaviour a progress as an activity is in progress. By correcting the process as it occurs it is hoped that the actual performance can be kept close to the desired output. The more that is known about tasks the greater the tendency to use yes-no behavioural controls.

Post-Action controls: Measures/evaluates activities after they have been completed. Changes in new performance levels or goals are based on these evaluations and rewards are based on these controls. Used also for planning. To control activities in which processes are not well known, activities are measured post-action. This is a measure of output performance that can be evaluated and compared with desired goal.

Information

Financial Resources:- The main controls are budgets, capital expenditures and cash flows analysis which require a set of targets or standards against which current expenditures are compared.

The focus for the above control systems are expenditure projections, cash investments and cash management respectively.

Operation:- production schedules, quality control and resource control which will focus on volume produced, quality of product and amount and of supplies respectively.

Human resources: absenteeism, performance and socialization. These will focus on days worked evaluation and conformity of personnel respectively.

Draw Backs Of Control Systems:-

1. Game playing within the procedures of the control system. eg budget may be "padded" so as also look at rules and regulations as things to circumvent Games are played within the procedures of the control system.

2. Sabotage – damage of control system so that they don't work even in future and therefore be abandoned by management e.g. Computerised time clocks are frequently broken or manipulated by workers. Sabotage is meant to create confusion.

3. Inaccurate controls rely on accuracy and timeliness of information about actual performance and its information: -
   Comparison with projected goals, Managers may supply inaccurate information so that they may appear better.

4. Illusion of control. Appearing to be in control is particularly important at the upper levels of the firm. People try to deny the existence of any negative deviations from performance standards.

6.2.1 Requirements for Adequate Controls

To enable them make sure that events conform to plans, managers need adequate and effective systems of controls. The controls used must be designed for the specific task and person they are intended to serve so the basic process and the principle may remain the same and universal but the actual system requires specific design.

If they are to work controls must be tailored to:

(a) Plans and positions
(b) To the individual managers and personalities
(c) To the needs for efficiency and effectiveness

Controls tailored to plans and positions

Control techniques and systems should reflect the plans they are designed to follow. Every plan or every phase of a plan will have its unique characteristics. Managers will need to know and should know the information that will tell them how the plans for which they are responsible are progressing. Controls for following a personnel training program are different from controls for a marketing programme. Controls should also be tailored to positions. A supervisor will need different controls from a president. Controls for sales department will differ from those for finance or production. Controls should also reflect the organization pattern i.e. the roles of people in the organization. These roles show where responsibility for various activities lies. The more the controls reflect the positions where responsibility lies the easier it is to correct deviations.

Controls should be tailored to individual managers and their personalities

Control system should be designed to help individual managers carry out their functions. Therefore there is need for the controls to be understood by the various managers. People in different fields will have their information in different ways e.g. statisticians will want controls

expressed in complex tables. Control information must be simple enough to be understood by those who are to use it.

Controls should point exceptions at critical points

If controls are to be efficient and effective they must be able to point out exceptions at critical points. Some deviations from standards have little meaning while others have serious effects on performance. The points at which deviations occur are important e.g. a large deviation in costs may be less serious than an unpleasant response from customers or a 5% deviation of labour costs will be more serious than 30% deviation in duplicating or postage. Some points in the organization are critical while others are inconsequential.

Controls should be objective

Although management contains many subjective elements, good performance should ideally not be a matter for subjective determination. Objective standards can be quantitative such as costs or labour hours or even sometimes quantitative but the standard should be determined and verifiable.

Controls should be flexible

Controls should be adjustable to changing plans and circumstances. For example, in production management the production manager must prepare for failures occasioned by machine breakdown or from illness of one or more workers. Flexibility in control can be provided by having alternative plans for various probable situations.

Control systems should fit the organizational climate

Organizational climate refers to the general mode of orientation e.g. have people been given freedom, and is there participative management and free communication. An organization which, allows greater freedom would not suit tight controls. A dictatorial climate would be unsuitable for a permissive or relatively free control system.

Controls should be economical

Controls must be worth their cost, but will vary with the importance of the activity, the size of the operation etc. Small companies will of course not afford the extensive control systems of large companies.

Economy can be achieved if managers select only critical points for control i.e. controls must be tailored to the job and to the size of the firm. Controls should be able to achieve the principle of efficiency of controls i.e. control system or techniques and approaches are efficient when they detect and illuminate the causes of actual or potential deviations from plans with the minimum of costs or other unfavourable consequences.

Controls should lead to corrective action.

The essence of controls is corrective action. Adequate controls should indicate where failures are occurring and those who are responsible. Control is justified only if indicated deviations are corrected through appropriate planning, organizing, staffing and leading.

6.2.2 Critical Control Points and Standards

To ensure that the operations in any firm are going as planned, the manager must select points for special attention and watch them. The points so selected must be critical i.e. points at which the effects of deviations would be enormous or too damaging. The principle of critical point control becomes vital to every organization. This principle says **"effective control requires attention to those factors critical to performance as measured against individual plans".**

Because of the diverse nature of enterprises there are no specific types of controls available to all managers. Production and services to be measured are enormous, plans and programmes to be followed are innumerable so controls must be tailored to fit individual needs.

The ability to select critical control points is one of the arts of management so managers must deal with such questions as:

(a) What will best reflect the goals of my department?
(b) What will best show me when these goals are not being met?
(c) What will best measure critical deviations?
(d) What will inform me as to who is responsible for any failure?
(e) What standards will cost the least?
(f) For what standards is information economically available?

Types of critical point standards:

Although every goal, objective, plan or programme is a standard against which expected performance might be measured in practice standards tend to be of the following types:

1. Physical standards
2. Cost standards
3. Capital standards
4. Revenue standards
5. Program standards
6. Intangible standards
7. Verifiable goals

Physical Standards

Usually deal with monetary measurements.
Common at operating levels where materials and labour are used to produce goods and services. They may be units of output, man hours, units of waste etc. They could also reflect quality e.g.
firmness, hardness, elasticity, tolerance, density durability etc. These determine the financial implications of these elements.

Cost Standards

Usually deal with monetary measurement and occur at the operating level. They give monetary values to various expenses e.g. direct costs, labour costs, machine hours cost etc. usually by project/service unit.

Capital Standards

Costs that have to do with the capital invested in the firm e.g. return on investment.

Revenue Standards

Arise when monetary values are attached to sales.

Programme Standards

Standards used to appraise the effectiveness of a given programme e.g. timeliness.

Intangible Standards

Standards not expressed either in physical or monetary terms. There is no generally accepted agreement on what constitutes desired performance for all kinds of operations e.g. the competence of a personnel manager, or loyalty of workers or success of a public relations programme. Where human relationships count in performance, it is very difficult to measure

what is "good", "effective" or "efficient". Managerial controls over interpersonal relationships must continue to be based upon intangible standards, considered judgement, trial and occasionally on sheer hunch or a `feeling of the gut'.

Goals as Standards

However, managers are finding that it is possible to define goals that can be used as performance standards. Programmes can be drawn that have specific characteristics which then become standards e.g. training employees in accordance with a plan with specific characteristics, the characteristics furnish standards which tend to become objective.

6.3 CONTROL OF OVERALL PERFORMANCE

Most of the controls we have dealt with are designed for specific things such as policies, wages, salaries training, development, product quality, cost expenditure cash etc. Such controls are partial, they only apply to a single part, so they do not measure total accomplishments against total goals. To make controlling more complete devices have been developed to measure overall performance of an enterprise.

Need for overall controls (reasons) arises from:

(a) Overall planning must apply to enterprises or major division goals and so controls must be applied.
(b) Decentralization creates semi-autonomous units which must be subjected to overall controls to avoid complete autonomy
(c) Overall control enables managers to measure the total effort of an integrated area rather than part of it.

Largely overall controls are financial. Businesses survive on profits, with limited resources and its best measure of effectiveness is finally money.

- Finance is the binding force of business and therefore financial controls are the most important single objective measure of the success of plans.
- Financial measurements also summarize through a common denominator, the operation of a number of plans
- Financial controls also do accurately indicate total expenditures of resources in reaching goals. Even in organizations whose main objective is not to make money, managers must have some way of knowing what their goal achievement has cost in terms of resources.

For those reasons in all forms of firms control of overall performance is usually financial as financial weaknesses provide a good "way" through which accomplishment in non-financial areas can be seen. This is not to say however we do not have control of non-financial areas as part of overall control. The control of human organization is also used. So overall control is mainly done through:

(a) budget summaries and reports
(b) profit and loss control (Standard costing methods)
(c) control through return on investment
(d) control of human factor

6.3.1 Control through Budget Summaries and Reports

Summary budgets are increasingly being used as forms of overall control. A budget summary is a collection (resumé) of individual budgets and it reflects the company plans so that the various

elements i.e. sales, profits, costs, use of capital and ROI may be seen in their proper relationship.

It will show how the company is succeeding as a whole. For best control through a budget summary a manager must first be satisfied that total budgets are an accurate and reasonable complete indication of enterprise plans.

A budget summary however is not a substitute for good operation and the success of budgeting is affected by the plans being the budget. The better the plans, the more effective the budgeting.
In the face of decentralization of authority budget summaries provide an effective means of overall control as they give a means by which enterprise objectives can be clearly and specifically defined and departmental plans can be made to contribute toward such objectives.

If the summaries show that the firm is not moving toward its objectives, the top management have a convenient and positive means of finding out where deviations are occurring.

6.3.2 Overall Control Through Profit and Loss Control

A profit and loss statement will show the constituent parts of a profit or loss for a given period and therefore it is useful for determining the immediate revenue or cost factors that have accounted for the success or failure.

It also gives a manager a chance, before the event, to influence revenues, expenses and therefore profits so it is a good control device.
Many companies use the profit and loss statement for divisional controls since business survival usually depends on profits so they form a good standard against which to measure success. Each division details its expenses and revenues and provides periodically a statement of its profits and loss.

Profit and loss control is therefore only practical for major divisions of a company especially if the divisions are product or territorial where both sales and production functions are under one jurisdiction. It is also occasionally used for functional departments but rarely applied to central staff and service departments.

Control through profit and loss has various limitations:

(a) It can be too costly—there is too much paperwork, duplication of accounting records and time and effort required to calculate intracompany sales.

(b) It would be inadequate to measure overall performance completely especially when top managers are unwilling to delegate.

(c) Departments may come to compete with an aggressive detachment (individuality) which may hinder enterprise coordination.

6.3.3 Control Through Return on Investment

The rate of return on capital is sometimes regarded as the ultimate test of business success. It is calculated as follows:

$$\text{Rate of Return} = \frac{\text{NET PROFIT}}{\text{AVERAGE CAPITAL EMPLOYED}} \times 100\%$$

Accounting technicalities make this a notoriously unreliable figure.

ROI is a good control device where decentralization is encouraged due to its comparative equality. Furthermore it is complete and shows all the factors bearing upon the return. Like profits and loss ROI focuses managerial attention on a central measure of business success and therefore measures the efficiency of the company as a whole by emphasizing on making the best profits possible on the capital available.

However there is no general agreement on what constitutes a reasonable return on what the optimum rate should be. It could also lead to undesirable inflexibility in investing capital for more ventures because most companies fixed a minimum rate that must be met before allocation of capital. It is not foolproof, difficulties involve availability of information on sales, costs and assets or even proper allocation of investment.

6.3.4 Measuring and Controlling the Human Organization

Measurement of critical human variables is an important control area. This measurement is based on the fact that the human organization of any enterprise makes the most difference in end results. This actually is the essence of management i.e. getting work done through people.

Rensis Likert was a pioneer in developing means of measuring human variables. His research over the years indicated that the best managerial producers:

(a) Practise supportive management
(b) They facilitate peoples work with the necessary tools, training and external or internal help
(c) Encourage interaction talk, and mutual help among group members

(d) Expect high performance standards. He called this system 4 or participative group. Shifts towards system 4 seem to result into better goal attainment with time. Likert outlines various factors that indicate the type of managing an individual is undertaking and outlined ways of measuring them.

Casual and Intervening Variables

Likert argued that casual variables of managerial behaviour and organization structure affect and are affected by certain intervening variables e.g motivating factors, goal performance, extent and nature of communication and are related to cause and results like profits, sales, costs and other enterprise goals and the result of human satisfaction.

Control of human organization may be looked upon both as control of individual managers and as the overall control of human side of enterprise. Likert and his associates attempted to come up with methods for measuring the value of the human assets of an enterprise. This mainly is covered under human asset accounting to cover the entire spectrum of human resources i.e. assets represented by people within the firm and the values represented by customer good will. Human resource accounting is however still not largely embraced by many organizations so few firms have undertaken to measure the investment cost and losses in human resources. No one interest in effective control of enterprise can afford to disregard the importance of maintaining the value of human assets.

INDIRECT CONTROL

At the base of control is the fact that the outcome of plans is dependent on the people who carry them out. A factory that produces low quality products for example cannot be controlled by throwing away the products and a firm with consumer complaints cannot be controlled by ignoring the complaints. Responsibility for controllable deviations lies with whoever has made the unfortunate decisions.

Any hope of abolishing unsatisfactory results lies in changing the future actions of the person responsible, may be through additional training, modification of procedures or through a new policy. Two methods could be used to ensure that the people responsible modify future action.

(a) You can trace the cause of the deviation back to the persons responsible for it and get them to take corrective action. (Direct Control).

(b) Develop better managers who will skilfully apply concepts, techniques and principles and who can look at managerial problems from a systems point of view. (Indirect Control).

DIRECT CONTROL

Uses standards developed to compare the actual output of good/services in terms of quality, time and cost with plans. If standards are correct plans may fail because of:

(a) Uncertainty
(b) Lack of knowledge, experience, or judgement by those who make the decisions.

Uncertainty: Facts, risks and uncertainty are the elements that affect a given plan. Facts are known while little is known about risk and risk areas from the uncertainty which includes everything about which nothing is certain.

Lack of Knowledge, Experience of Judgement

Plans may fail when people appointed to managerial posts lack the necessary background. At the top level, the chance of correction through separation from the firm tends to be fairly small but at middle and lower level deviations can be dealt with through transfers, demotions or separation. If the cause of error is poor judgement which is due to inadequate training or experience or to failure to use appropriate information in decision making correction can be made. Managers can improve their education and experience.

Direct control is based on the following assumptions:

(a) **That performance can be measured**—But there are several things that cannot be measured e.g. creativity, foresight and judgement.
(b) **That personal responsibility exists**—sometimes no manager is responsible for poor results. Environmental factors could affect achievement.
(c) **That mistake can be discovered in time**—Discovery of deviations from plans often comes too late for effective action. Although the control can be applied only to future action most controls depend on historical data.
(d) **That time expenditure is warranted**—Whether managers undertake the inquiry themselves or assign it to others, executive time must be spent differentiating out causes of poor results.
(e) **That the person responsible will take corrective steps**—Fixing the responsibility may not lead to correction, especially if the person is in superior management, e.g. production cost must not always be traced to the production department. They could flow from the marketing department.

The Principle Of Indirect Control

Argues that most deviations can be corrected through practice of good management. States that the higher the quality of management and their subordinates, the less will be the need for direct controls.

For indirect control people need wider understanding of managerial principles, functions and techniques which may be gained through formal training, on the job experience, and coaching by a knowledgeable superior or by constant self education.

Assumption of indirect control

(a) **Qualified managers make a minimum of errors**—Managers with good working knowledge of management fundamentals are likely to make less mistakes as they carry out the functions of management.
(b) That management fundamentals can be used to measure performance.

(c) **That the application of management fundamentals can be evaluated**—evaluation will provide for periodic measurement of the skill with which managers apply managerial fundamentals and such evaluation will highlight the extent to which an individual has the knowledge and ability required to fill the managerial role.

Advantages of Indirect Control

(a) Leads to greater accuracy in assigning personal responsibility.
(b) They do hasten corrective action—encourages control by **self-control** since managers know that errors will be uncovered they try to minimize them, or try to make voluntary corrective action.

(c) Could highlight the burden now caused by direct controls.
(d) The psychological advantage of indirect control is impressive. Subordinate managers know what is expected of them, understand the nature of managing and feel a close relationship between performance and measurement.

Management Audit

Emerged with the application of the principle of indirect control. Management audit is NOT aimed at appraising individual managers. Mainly through achievement of set standards and goals. But appraising managers by looking at the entire system of managing an enterprise, this mainly takes two forms:

(a) Management function audit covering planning, organizing, staffing, directing and controlling.
(b) Management decision audit, dealing with the quality of decisions in the areas of long-range and company-wide planning, marketing, operations, personnel accounting and finance.
(c) Managerial audit has mainly been adopted by accounting firms but the trend is also moving towards certified management audit i.e. an independent appraisal of a company's management by an outside firm. (But the firm should be reputable and recognised and staffed with individuals qualified to appraise a company's managerial system and the quality of managers).

A management audit report must go far beyond the typical accounting auditors statements. It must be able to assess the quality of managers and their systems objectively in fairly specific terms. (But problems will arise if deficiencies are at the top and the appraisers have to report to these very managers) or retained by them. So management audit is a long way from being fully developed as there are still no objective standards which are generally accepted.

The Enterprise Self Audit

Contrasted with management audit the enterprise audit appraises the company's position to determine where it is, where it is heading, under present programs, what its objectives should be, and whether raised plans are needed to meet these objectives.

Objectives and policies get obsolete if the enterprise does not change its course to suit the changing social, technical, economic and political environments, then it may lose its market, personnel and other requirements for continued existence. The enterprise self audit forces managers to meet this situation (Dynamism in the environment).

Nature

It may be annually or over a specified number of years.

- First step in the audit is a situation analysis mainly of the company industry (e.g recent trends and prospects, position of the product, the nature of the markets, technological developments changes in demand and political or social factors that may affect the industry.
- Second step is an appraisal of the position of the firm in the entire industry mainly the competitive outlook and current strengths and possible threats to that position.
- Third step—the company must examine its basic objectives and major policies to determine where the company wishes to be say in 5 or 10 years or at a specific time in the future.

- Lastly is an audit of the company's policies, procedures, programs, facilities, financial position, personnel and management, and this should identify any deviations from objectives and facilitate the revision of many major and minor plans.

CONTRIBUTIONS

It forces managers to appraise overall performance in relation to long-range objectives and on both current and future goals.

Clarifies and simplifies day to day decisions since managers have a clear picture of where the company wishes to go.

Helps appraise a company that a firm may wish to acquire. Can also be of great use in cases of mergers.

It generally gives a better and clearer guide to the survival of the organization. Helps to keep the organization always on course.

6.3.5 Summary of Controlling

From the study of the managerial function of controlling, certain basic truths or essentials have been implied and can be carried under "principles of controlling". Because control is just a part of the managerial function, these truths may be similar to truths in other areas of management. So generally the purpose and nature of control can be summarized under the following principles.

i. **Principles of purpose of control**—Hold that controls are not for the sake of it. They should ensure that plans succeed by detecting deviations and furnishing the basis for correction of such deviations.

ii. **Principle of future directed controls**—The more a control is based on the feed forward rather than simple feedback of information, the more managers have the opportunity to understand or perceive deviations from plans before they occur and take action in time to prevent them. Control like planning should be forward looking although the principle is usually ignored in practice. There are no easily available systems for performance control in the field of managing.

iii. **Principle of control responsibility**—The main responsibility for the exercise of control rests in the manager charged with the performance of the particular plans involved. Delegation of authority, assignment of tasks, and responsibility for objectives rest in individual managers. It must follow that control over this work should be exercised by each of these managers.

iv. **Principle of efficiency of controls**—Control techniques and approaches are efficient if they detect and highlight the nature and causes of deviations from plans with a minimum of costs or other unsought consequences. The benefits of control should outweigh the costs if controls have to be efficient.

v. **Principle of Indirect Control**—The higher the quality of every manager in the managerial system, the less will be the need for direct controls.

vi. **Principle of reflection of plans**—The more that plans are clear, complete and integrated, and the more that controls are designed to reflect such plans, the more effectively controls will serve the needs of managers. Controls cannot be devised without plans since their task is to ensure that plans work.

vii. **Principle of Organizational Suitability**—Controls should reflect the place in the organization structure where responsibility for action lies. Controls need a clear organization structure. Since it is the function of an organization structure to define a system of roles, it follows that controls must be designed to effect the role where responsibility for performance of the plan lies.

viii. **Principle of standards**—Effective controls require objective, accurate and suitable standards controls should provide a simple specific and verifiable way to measure whether planning programs are being accomplished.

ix. **Principle of critical point control**—Effective control should pay attention mainly to only those areas where deviations would affect the running of the organization substantially (mainly to avoid being wasteful).

x. **The exception principle**—The more managers concentrate control efforts on exceptions, the more efficient will be the results of their control. Managers should concern themselves only with significant deviations i.e. exceptionally "good" or "bad" situations.

xi. **Difference with critical point**—Critical point control has to do with recognizing the points to be watched while exception has to do with watching the size of the deviation.

xii. **Principle of Flexibility of Controls**—If they are to remain effective in the light of dynamic environments, controls should be flexible. If a plan fails or is changed controls should also be adjusted.

xiii. **Principles of Action**—Controls are justified only if they indicate corrective action through appropriate planning, organizing, staffing and leading. If this principle is forgotten controls could become useless and wasteful of managerial and staff time.

6.4 SPECIAL CONTROL TECHNIQUES

A variety of techniques are available to help managers set standards, measure performance against standards, and take corrective action as needed. These control devices help managers carry out plans effectively.

6.4.1 The Budget (A Traditional Control Technique)

A budget is a plan expressed in numbers for the purpose of controlling operations. It is the most important control device. Budgets are performance standards. They are usually prepared for a specific period of time.
Organizations must typically establish annual budgets, although shorter or longer time periods can be used.
Budgets are very important because they force managers to account for the way resources are used and funds are spent. Deviations from a budget automatically indicate a need for corrective action.

Some types of budgets are described in the following sections.

Revenue and Expense Budgets

Also referred to as an operating budget it spells out the anticipated revenues and the predicted expenditures for a given time period.

The revenue budget should show anticipated sales by product, territory, division, distribution outlet, or other organizational unit if it is to be precise. A supermarket for example should predict sales for each department to arrive at a composite revenue projection.

Predicting expenses is the second step in completing a revenue and expense budget. Classification expenses may include rent, labour, supplies, security and maintenance. Expense forecasts should also be carefully acquired so that managers will be directly accountable.

Cash Budgets

A cash budget is a projection of cash receipts and cash disbursements for the budget period. Cashflow is a company's total of incoming and outgoing cash. Cash budget is necessary because revenues from sales may not coincide with the amount of cash required to pay expenses. This is especially true for seasonal businesses where expenditures often exceed revenues during some periods of the year.

Capital Expenditure Budgets

Capital expenditure budgets are plans for long-term investments whose expense and return on investment will be covered beyond one-year period. Typical capital items include buildings, manufacturing facilities and equipment. A major problem in budgeting for capital expenditure items is that money is being committed for several years in advance. Capital budgeting is therefore an important part of long-range planning.

Time budgets and material budgets

A time budget shows a forecast of the labour input, usually transacted into money required to produce the item in question. Material budgets are forecasts of how much material will be required to achieve a result, for example, in manufacturing a product.

Balance-Sheet Budgets

This is a composite of all the other financial budgets and reflects anticipated assets, liabilities, and shareholders equity. A balance-sheet budget indicates the expected financial status of the company at a future time if the various other budgets are met.

Guidelines for Making Effective Budgets

1. Budgets should be flexible.
The most common error in making budgets is to view them as an inflexible model of performance. This mistake may arise because budgets like other plans, are expressed in money, time periods, or other numbers, not only in words. Numbers are specific and mean the same thing to everyone. If the environmental changes indicate that it is wise to spend more or less in a given time period budgets should be modified accordingly.

2. Budgets should not be viewed as ends in themselves.
Managers may tend to view budgets in terms of laws instead of tools to help achieve organizational goals. When this mistake is made, managers may fail to take advantage of opportunities to purchase equipment, supplies and materials at attractive prices or take other action that conditions suggest are needed. Managers should realise that budgets should not serve as a substitute for good judgement.

3. Those affected by budgets should help set them up.
That budgets should not be imposed on lower-level managers. Rather the lower level managers should participate in budget preparation because managers are more willing to support and execute plans if they have a hand in their development. Lower-level managers are closer to actual operations which give them a better understanding of the problem.

4. Budget requests should be justified.
Managers should be required to think through each budget request. A common mistake is to use one year's budget as a precedent for the next year's. This practice is not only lazy, but it also stifles incentives to think creatively about how to make use of resources more effectively.

5. Budgets should serve as an incentive for the efficient use of resources.

6.4.2 Auditing

An audit is an investigation of activities. It is usually associated with the verification of financial records and practices. But the term may also refer to a verification of non-financial aspects of an organization. Audits are conducted periodically. Internal and external audit deals with financial data, while management audits deal with management practices.

Internal Audits

The purpose of internal audits is to examine financial reports in order to determine if they accurately and honestly reflect the financial condition of the firm. They are conducted by an organizations personnel.
The major advantage of internal audit is that the people making the verification already have knowledge of the inner workings of the firm. Expenses for outside experts are not normally incurred.
A problem with internal audits is that the individuals doing the auditing may lack the knowledge and skill to make the evaluation. They may also lack objectivity.

External Audits

External audits are conducted by persons outside the firm. The main advantage of such audits is objectivity. Public accounting firms are independent firms and are required by professional accounting standards to report financial conditions and practices as they actually exist. Another benefit is that professional accountants are more knowledgeable and skilled than internal auditors.

Management Audits

Sometimes called an organizational audit, this involves an evaluation of the overall operation of an organization—its mission, objectives, strategies, and other plans; the competency of its key personnel; its profitability; its resources, and its future direction.
Management audit may be conducted by personnel within the organization, or may be performed by public accounting firms or management consultants.
Management audits force managers to look at both the specific aspects of the organizational activities and the organization as a whole. They also may reveal numerous opportunities to improve performance.

6.4.3 Traditional non Budgetary Control Tools

(a) Statistical Data
Statistical analysis and presentation of statistical data are important control tools. These include charts, tables and reports. Statistical reports for instance show trends so that a view is able to extrapolate the movement of the firms performance.

(b) Special reports and analyses
These are mainly used for particular problem areas. They are not routine and can help review unusual areas that may need significant improvements.

(c) Break-even point analyses
The break—even chart shows the relationship between sales and expenses in such a way as to show at what point volume revenues cover expenses. i.e. point at which total cost = total revenue. From this point a manager can tell the effects of additional cost or sales on profits.

(d) Personal Observation
Managers should not overlook the importance of control through personal observation. Managers have the task of seeing that people accomplish enterprise objectives and tasks. The problem of control still remains one of measuring the activities of human beings and an experienced manager can gather a lot of information from personal observation.

(e) The Gantt Chart
This is a graph on which projected and completed phases of production are plotted in relation to specific increments of time.
The Gantt chart allows the manager to monitor use of the resources at a glance. As a control device it allows the manager to compare both projected and completed phases of production in relation to one another and in relation to time and therefore be able to evaluate overall progress.
It facilitates the assignment of control as managers can plot progress, take care of any problems before a crisis develops. The chart is however quite time consuming.

(f) Network analysis
Here the whole of a project is broken down into specific parts so that the nature, proportion function and relationship of each part can be evaluated in relation to other parts and in relation to time. Network analysis is used for extremely complex projects.

6.5 DISCIPLINE AND DISCIPLINARY ACTIONS

Definition

Discipline is the internal force which prompts individuals and groups to observe organizational rules, regulations and procedures deemed necessary for the smooth running of the organization.

Disciplinary measures are the steps taken by management to correct indiscipline, disobedience and if possible the causes of indiscipline and disobedience.

6.5.1 Aims (of discipline and disciplinary measures)

(a) Discipline improves efficiency and improves the quality of production. A disciplined approach to production activities is aimed specifically at the reduction of such production costs as material usage, labour time and production overhead costs.

(b) Discipline develops in employees the spirit of tolerance, self control and the ability to adjust personal life to resonance with group values.
Adjustment may involve sacrifice in that personal convenience may have to be subordinated to group convenience.

(c) Discipline provides the organization a sense of identity and direction consistent with its economic, social and moral objectives.
Thus, the rules of military institution would differ from those of a girls school or those of a mining crew. The disciplinary code reflects the culture of the organization.

(d) Discipline creates the harmony necessary for the smooth functioning of the organization. It unifies group behaviour and avoids unpredictability and disruptive actions by group members.

6.5.2 TYPES (of indiscipline)

It is not possible to state and enumerate all kinds of misconduct, indiscipline and cases of inability to meet required standards. Different organizations will require and draw rules, regulations and procedures consistent with its objectives and operating environment. Generally, disciplinary actions will fall into three broad categories:

(a) **Minor infractions**
These do little or no harm to the organization or its members if isolated. They can however become serious if they become frequent and accumulated. Examples of minor instances of misconduct would include rough play at work, foul language, salary attachments by court or failure to be present when needed in a meeting or for consultation. A record of all minor offenses should be kept for future reference.

(b) **Major Infractions**
These are acts which can substantially interfere with the orderly running of an organization or compromise the image of the institution. Each one of these kinds of misconduct would require disciplinary measures to be taken by management against the offender. Examples of such major infractions would include refusal to carry out an order, telling lies to a superior, pilferage, violation of safety rules and an accumulation of minor offenses.

(c) **Intolerable Offenses**
This category of indiscipline are serious and usually require severe disciplinary actions whey they occur. They usually involve the breach of major regulations, the law or moral codes. Common examples include stealing, wilful damage to property,

falsification of records, gross neglect of duty, abusing a superior and fighting on the job causing injury, alcoholism and use of drugs.

4. CAUSES OF INDISCIPLINE

Employee misconduct may be caused by the individual or it may also be a result of poor managerial skills of the superiors.

(a) **Personality**
The natural temperament and character of the individual may contain a high level of disobedience. People who are self assertive or possess some feeling of superiority usually resent authority and are less inclined to follow directives meekly and unquestioningly. They question in their minds, the right of anybody to exercise authority, power and control over them. They see themselves as right while authority sees them as undisciplined.

(b) **Intelligence and Knowledge**
A person with low mental faculties is unlikely to calculate the consequences of his behaviour. He lacks the ability to understand why certain actions are expected or rejected by the organization. Such people behave in a haphazard manner and very frequently find themselves at variance with authority.

(c) **Job Maladjustment**
Indiscipline may arise because the employee is placed on the wrong job or at an inappropriate position in the hierarchy. A person without the relevant background is unlikely to appreciate the rationale of the rules, regulations, and procedures pertaining to the situation he finds himself.

If a person is located in too junior a position, he may ignore the rules which he considers below his dignity. Similarly if a person is elevated to a disproportionately high position, there is the temptation of throwing weight or abuse of authority. In either case, there is the likelihood of breaking the code of conduct and this amounts to indiscipline from the point of view of the organization.

(d) **Inappropriate rules**
If management institutes rules which are unfair, improper or unpracticable, there is little likelihood of them being accepted and followed. The employee will weigh the social cost of obedience against the benefits of discipline. Where the cost of compliance is too great, the employee will disobey even at the risk of disciplinary measures being taken against him.

(e) **Communication**
Failure to communicate the rules and the penalties of disobedience would result in possible breach of the rules, regulations and procedures. The employee would be in no position to do or not to do what is unknown. But even if the employee knew the do's and dont's of the organization, ignorance of the consequence of breaches could lead to indiscipline. He would not be in a position to calculate the cost of indiscipline.

(f) **Supervision**
At the lower cadres of the organization close supervision is necessary to ensure compliance with established code of conduct. There are circumstances when McGregor's Theory X about the average man is applicable. In addition, where the informal group values associates indiscipline with bravery and cleverness, close supervision is necessary to maintain discipline.

(g) **Vacillation**

Employees who breach a regulation and escape disciplinary action due to some indecision by management or pressure on them by some external influence would encourage future indiscipline. The culprit and his colleagues would see in this a sign of weak management which can be disobeyed without the risk of punishment.

(h) Where employees see the institution and application of rules as aimed at discriminating against a certain ethnic, religious or racial group, they are likely to view the rules as subjugation. Political influences would then set in and disobedience would be seen as quest for freedom. Management would be inclined to use repressive measures to impose discipline. As a result, the unity of the organization would be compromised and smooth functioning disrupted.

6.5.3 Principles of Good Disciplinary Measures

(a) Positive & Negative Discipline

Whenever possible, disciplinary measures must have a positive basis. This is achieved when management creates an atmosphere in which employees willingly concede to rules and procedures. This voluntary compliance can be obtained through rewards, incentives, appreciation of good work and good leadership.

Positive discipline contrasts with negative discipline in which people are induced to compliance through threats of penalties. Negative discipline should only be reserved for those who do not respond to positive disciplinary approaches. Techniques of negative discipline would include lay-offs, reprimands, demotion transfers and lay-outs.

(b) Involvement

If possible, the rules and regulations should be formulated with the collaboration of representatives of those affected. Trade union leaders should therefore be consulted in the formulation and administration of disciplinary measures.

(c) Review

All rules and regulations should be regularly reviewed and re-evaluated in the light of changing circumstances. Obsolete rules should be scrapped and, if necessary, new ones introduced.

(d) Fairness

Rules should apply uniformly to all employees without exceptions or favours. Discriminatory rules are bound to create discontent.

(e) Communications

The required standards of behaviour and the penalties for any violations should be clearly stated in advance. It is preferable that the communication be done in writing in the form of a manual or handbook. This ensures fairness and an objective appreciation of the cost of indiscipline.

(f) Causes

If a certain rule or regulation is broken frequently, the causes of such violations should be traced. This gives management the opportunity of curing the root rather than the symptom of a problem.

(g) Privacy

Generally, disciplinary actions like reprimands should be done privately in confidence to avoid ridicule. There may be circumstances e.g in school or army, where public punishment is considered a deterrent to others.

(h) Timing

It is important to take disciplinary action promptly when the offence is still raw. A protracted disciplinary measure could easily take the semblance of a vendetta and witch hunt.

(i) Halo-Effect
Once a disciplinary measure has been preferred against an employee and executed, the manager should forget the incident. He should not let it influence his attitude and future interaction with the employee unless and until the offence is repeated.
(j) Example
The supervisor should personally observe and exhibit high standards of discipline. In this way, subordinates are able to appreciate the importance and practicability of the code of discipline.

6.5.6 Application of Disciplinary Measures

(a) Informal Warning
For most minor infractions a sequence of informal verbal warnings would be given. The manager may tactfully deliver the warning in the form of a personal piece of advice.
(b) Formal Warning
For serious offenses a formal warning would be given. At first, this could be done verbally but sternly in a serious official atmosphere. Subsequent warnings may have to be in writing with a copy to personal file. The notice would state the possibility of a dismissal on repeat of the same or other serious offence. It would state that the behaviour of the offender would henceforth be monitored and a date set for review.
(c) Transfer or Suspension
Where the offence is not minor but not too serious, the employee may be transferred geographically or functionally. This measure would be in addition to the warning. Depending on the managers assessment of the gravity of the offence, the employee may be suspended from work and financial remuneration frozen.
(d) Dismissal
In cases of serious breaches of discipline like theft, falsification of records, violence etc. separation may be preferred as an outright measure without recourse to warnings or suspension.
Dismissal is the ultimate sanction on employees and must therefore be confined only to exceptional cases. In the deliberations considering dismissal, past performance and all mitigating factors should be carefully considered. If the decision to dismiss is taken, it should be communicated immediately by a superior officer in a formal audience and then confirmed formally in writing.

The employee's right to testify in self defence or to appeal against a separation decision should not be denied.

REINFORCING QUESTIONS

Q1 (a) Briefly describe the managerial function of controlling.

(b) Why is controlling necessary in any organization?

(c) Outline some of the problems of managing a control system.

(d) Outline some characteristics of an effective control system.

Q2. Discuss the contributions of computers to the control process.

Check your answers with those given in Lesson 12 of the Study Pack

COMPREHENSIVE ASSIGNMENT No.3

TO BE SUBMITTED AFTER LESSON 6

To be carried out under examination conditions and sent to the Distance Learning Administrator for marking by the University.

EXAMINATION PAPER. TIME ALLOWED: THREE HOURS. ANSWER ALL QUESTIONS

Q1 a. Clearly distinguish between Centralizations and Decentralizations
b. What are the major barriers to delegation and how can they be overcome?

Q2. a. What do you understand by the term bureaucracy?
b. What are the advantages and disadvantages of bureaucracy?

Q3. a. What is organisational conflict and where does it stem form?
b. What strategies can managers employ in managing conflicts.

Q4. a. Briefly describe the managerial models of people.
b. What important aspects of people should managers remember as they plan staffing.

Q5. a. What is manager development?
b. How can an organisation make manager development more effective?
c. Outline the external approach to manager development.

END OF COMPREHENSIVE ASSIGNMENT No.3

NOW SEND YOUR ANSWERS TO THE DISTANCE LEARNING CENTRE FOR MARKING

LESSON SEVEN

MANAGING PRODUCTION AND OPERATIONS

INSTRUCTIONS:

1. Carefully read the Chapters on Functional Management in Cole and the lesson given below

2. Attempt the Reinforcing Questions at the end of the Lesson.

3. Check your answers with those given in Lesson 12 of the Study Pack.

   If your answers are significantly different from the model answers read the lesson again and supplement your reading with the text book.

CONTENTS:

7.1 PRODUCTIONS AND OPERATIONS MANAGEMENT

Besides services, almost all organisations produce a mix of physical goods and an array of related services. Fast-food restaurants produce Burgers and hot-dogs, but their performance is judged also on the speed and friendliness in which they serve them. Even colleges produce products. If you are currently a student, you either see yourself as the product being produced or as a customer buying a service called education. Either way, you expect to come out of the college, a Certified Public Accountant or Secretary.

In simple terms, production/operations management (POM) is the study of the conversion of inputs into outputs in any organization. It is concerned with the manufacture of goods and services. It includes large and small forms, profit and non-profit making organizations. It also applies to all government agencies and functions. Table 1-1 provide a sampling of organizations from different industries and lists the inputs, conversion process and outputs for each.

Table 1-1

Production Function for Selected Firms

Organization Products	Basic Inputs	Conversion
Fast-food Restaurant Sandwiches, fries, drinks, friendly effective service	Labour, Capital, Material, Energy	Cooking and Preparation
Hospital Healthy people	Labour, Capital Material, Energy	Health Care
College Graduates, and New Knowledge (Books,papers, etc)	Labour, Capital Material, Energy	Teaching and Research
Bank Loans, Accounts, Savings Plans	Labour, Capital Material, Energy	Financial Analysis Decision Making, Record Keeping

This unit describes the fundamentals of those areas that make up production/operations management. It discusses the importance of each area and shows how the various functions fit together to create an effective and efficient production system.

Production and the Organization

Production is of vital importance to any organization. This is because every organization is engaged in production of either a physical good or service. The survival of any organization rests on its ability to produce something for which there is a demand. Production is the foundation on which every organization is built.

Unfortunately, production and operations management has often been associated only with manufactured goods. However, in recent years, the area has been expanded to include such

activities as purchasing, transportation and other operations from procurement of raw materials through various activities until a product is available to the buyer.

Indeed, POM traces its roots to "Production Management" or "Factory Management". Yet the addition of the term "Operations" signifies that many concepts originally developed for the factory apply equally well to non-profit making organizations, service firms, and government agencies.

The term `products' is used, here, to refer to a manufactured good or service. Food items, cars, books and furniture are all products. So too, are haircuts, sporting events and training programs.

With services taking a major portion of business activities these days, it is important that principles and practices proven beneficial in manufacturing be used to make the delivery of services more effective and efficient. This will be more challenging because of the intangible nature of the services, but the potential benefits make the effort all the more worthwhile.

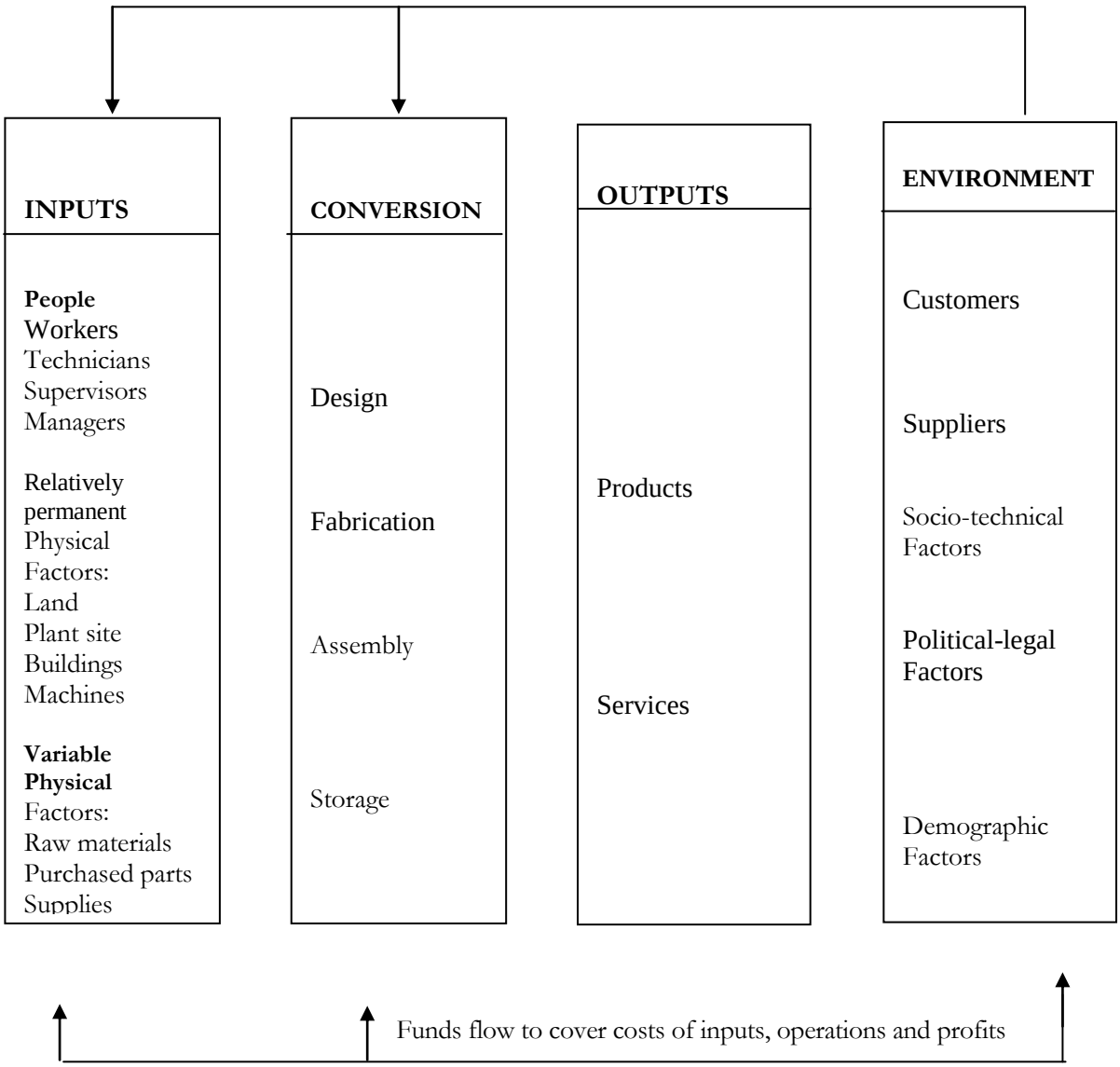
Operations Management System

POM is a system. Figure 1.1 gives an overview of the production function. In this model the inputs include people, raw materials, equipment and information that are relevant to the conversion process. People (managers and workers) use the information and physical factors to produce outputs. Some equipment such as land, plants, buildings, machines and warehouses, are relatively permanent. Other physical resources, such as materials and supplies, are consumed in the process of producing outputs.

The conversion process incorporates planning, operating and controlling the system. It is the merging of time and place and the transformation of inputs to make them more usable and accessible to consumers. Various tools and techniques are available to facilitate the transformation process. Because decisions of time and place are handled primarily by the marketing function of the firm, the emphasis in transformation is in form of the output—that is, the creation and production of goods and services and may even be information, such as may be provided by a consultancy firm.

The last part of the model shows that operations are influenced by a number of external variables. These factors include customers, suppliers, socio-technical factors, politico-legal factors and physical factors. Production system is an open system that is in continuous interaction with its surroundings. The production model may be regarded as a subsystem of the total management system.

Figure 1.1- The Operations Management System



Production/Operations Management and Other Business Functions

The production function of any business interacts closely with each of the other key functions of the organization. Each firm must integrate the functions of finance, human resources, marketing and production/operations. How well this integration is done will determine the success or failure of the organization.
Production/operations employs the capital resources acquired by the finance function. It converts funds into equipment, tools, facilities, and inventories to produce products. Production cannot function without people. The staffing function is to recruit, train and maintain workers to fill positions, within the production process in accordance with the manpower planning assessments performed by work-study analysis. Any changes in the production process must be coordinated with the staffing function.

The interaction between production and the marketing function is also complex and critical. Marketing sells what production produces and vice versa. If the interaction between marketing and production functions is not strong, survival of such a firm is in danger.

Functions Of POM

The process of transforming inputs into outputs requires certain functions to be performed. Some are design functions, which receive the most attention when the business is formed and when major changes are made. Others are control functions, which must be performed continuously for the effective and efficient performance of the organization.

Product Design and Development

Most enterprises are continuously developing new products and services. However, few products are truly new. Most new products are variations and improvements on already existing ones.
Innovations normally take time before they are formed into a final product or service offering. Usually an idea is developed, refined, and tested over time before a working model is produced. The development of an original idea into a marketable product requires a systematic, scientific study involving hard work and attention to detail. Product specifications must be developed to ensure that items can be produced cost-effectively and be of the desired quality.
Most organizations have a research and development (R&D) department that study new products and new processes of producing them. Strategically managed firms cannot rely on copying the innovations of others, nor can they afford to produce the same product or service in the same way for a long period of time if the firm is to be competitive.

Facilities Location

The proper location for the organization's facilities can be decided once and for all when the organization is formed, or it may be a recurring question. The site may be critical or inconsequential depending on the type of organization. For example, the management of a small consultancy firm may have to decide only on the original location. A large supermarket chain, however, may be required to open a new branch now and then, and the specific locations chosen for the branches may be critical in determining their success.
The location decision must combine a host of many factors including land and building costs, tax rates, infrastructural development, access to customers, potential for growth, energy sources, competitor's locations community acceptance, etc.

Capital Equipment

Includes the functions of determining the capital equipment needed, acquiring it at a reasonable cost, installing it, providing for both the routine maintenance and emergency repair, and eventually replacing it. Capital decisions can be simple or complex. Many capital intensive firms fail or succeed on the basis of the management of their capital equipment.

Facilities Layout

The efficiency of a firm has got a lot to do with the layout of physical facilities. Layout of a manufacturing plant, for example, should follow a logical sequence so that materials can flow smoothly through the process with minimal handling. For service organization, equipment and materials should be arranged to provide easy access and minimal delay. Service functions should be arranged in sequence according to the flow of customers through the process e.g. hotel and restaurant.

However, many organizations have not laid out their operations efficiently. Chances are that they were never carefully laid out in the beginning. But it is more likely that the layout has grown inefficient yet it is difficult to determine when a layout is bad enough to justify the costs of halting production to move equipment and rearrange facilities.

Work Design and Measurement

Each task in the production process must be designed if the organization goals are to be achieved effectively and efficiently. When unnecessary activities are eliminated, a lot of money can be saved.
Work design and measurement are necessary for worker control. The price of the output is to a large extent a function of the labour and material used. Material and labour usage must be accurately measured and controlled.
Work design and measurement are not as widespread in services as in manufacturing, because services are less repetitive and more labour intensive. However, the need for more accurate labour measurement and control is critical, and the potential payoff is great.

Production forecasting

Forecasting helps a firm to anticipate the demand for its product. Forecasts can be based on analysis of past data, consideration of current events, and personal judgement (educated guesses) about the future developments.
There exist a number of statistical techniques that can help the forecaster form a reasonable and accurate prediction of the future. Forecasts of activity then form the basis for purchasing, manufacturing and other activities of the firm.

Production Planning and Scheduling

To coordinate the many diverse yet dependent operations of an organization, a master plan of activities and a schedule of their timing are needed. Each operating unit should then derive from the master plan the information necessary to coordinate the activities for which it is responsible, careful planning anticipates the needs for people, materials and equipment so that sufficient lead time is available to make any changes that may be necessary.
Planning and scheduling are dynamic activities. No matter how carefully initial plans are formed, unanticipated events will occur and rescheduling will be necessary. The planners and schedulers of the firm arrange resources and available time in attempting to best utilize the firm's capacity to produce.

Purchasing/Materials Management

All organizations use material inputs they may account for as much as 90 per cent of the value of the output or for as little as 1 per cent. The effort devoted to purchasing and materials management should reflect this relative importance.
The purchasing function includes researching, analysing, and selecting suppliers. Negotiation of contracts or other buying agreements are made to assure that the firm obtains the right quality at the right time, in the right place and at the right price. The purchasing manager is responsible for vast amounts of the company's money and failure to achieve any of these objectives will result in a less profitable operation.

Inventory Management

Once material is obtained, it must be stored before it is processed, at intermediate stages in the process, and at the end of the process. These inventories are raw materials, work-in-progress, and finished goods, and represent a sizable portion of a firm's assets. Inadequately controlled, the firm loses money through excess storage and handling costs, obsolescence, pilferage, breakage, and the opportunity costs of having too much or too little inventory on hand.

Quality Control

Quality control is concerned with the quality of production. No amount of inspection can make a bad product or a good one. Quality must be designed and produced into the product. It is essential that the firm monitor the quality of incoming materials, work-in-progress and finished items to assure that quality standards are being met or that necessary corrective action is taken.

GOALS OF PRODUCTION/OPERATIONS MANAGEMENT

To remain economically viable, a firm must convert inputs into outputs effectively and efficiently. It must be concerned with both the unit cost of its products and the contribution of its products to profit. In addition, a good firm will look at various aspects of productivity and will always seek improvement. These overlapping goals are defined and briefly explained below.

Effectiveness

Effectiveness is the degree to which the purpose of an organization is achieved. The purpose of a firm in the transportation industry is to move materials, people, or both; the more it moves, the more effective it is. Effectiveness requires eliminating unnecessary activities and outputs that fail to meet the quality standard. Effectiveness can be measured by sales, market share, and other global measures, as well as by comparing specific results to specific company objectives.

Efficiency

Efficiency refers to how fast the output is produced and how many resources are used. Efficiency generally relates to reducing waste—of time, effort and materials. Greater efficiency can result from technical changes as well as behavioural changes. Improved efficiency results in greater output for a given amount of resources.

Unit Cost

One of the best measures of performance available to a production manager is the unit cost. If the production manager has a good control process in place, it will be reflected in a favourable unit cost.

Contribution to Profit

Because profit is one of the major objectives of the firm, contributions to profit should be recognised. When comparing one product unit with another or one division with another, measures of unit cost, efficiency, or effectiveness may not be meaningful. Contribution to profit—the excess of revenue over costs can determine whether a product line should be expanded or discontinued. Contribution to profit also can be a factor in other areas in which efficiency measures are incomplete or inappropriate.

Productivity

This objective is often misunderstood in POM. Productivity frequency is used to measure output per hour, but it really means any ratio of output to input. The total productivity of the firm is the total of all outputs divided by the total of all inputs. However, this measure is hard to determine because of the difficulty in identifying and measuring all these factors in some common unit of measurement. We usually deal with partial measures, such as labour productivity.

Responsiveness

Survival in the world of fast-changing technology and intense international competition requires a quick response rate. Firms must develop new products and get those products to market quickly. Being late in the market for a highly competitive new product might be much more costly to the manufacturing company than even a significant overrun in research and development costs would be.

Environmental Responsibility

There are various environments within which every business firm operates: legal, social, economic, technological, and physical. The firm must respond to all of these. It has an

obligation to obey laws and regulations, operate in an ethical and socially responsible manner, and to help protect the physical environment upon which it depends.

Product Design and Development

The basic aim (purpose) of any organization is to produce products that customers are willing and are able to buy. This task is complicated by the dynamism of the environment in which the firm operates. Not only are customer needs, tastes and preference constantly changing, but competition and technologies also change sometimes making products obsolete. Most firms closely monitor shifting attitudes and demographics through market research and keep updated on technological changes that might affect their industry. The firm uses this information to create new products or modify existing products to keep the firm competitive.

Product Life Cycle

Just like plants and animals, products have a life cycle. That is they are born, grow up, mature, and finally die. In Kenya, Eliots is an example of products, which have finally left the market, whereas Clider toothpaste and Guiness Malt are relatively new entrants.
The concept of product life cycle involves an attempt to identify the different stages in the history of a product. The rationale for doing so is that each stage presents different opportunities and problems to the organization. In the market place, most new products go through a product life cycle of four stages.

1. Introduction: This is the period synonymous with the commercialization stage of a new product development process. It is characterized by slow growth in sales and low or no profits. The product is brand new highly priced, and does not always work well. Market awareness and acceptance of the product is minimal, with sales volume at a low level and growing very slowly. The only customers for the product at this stage are the innovators (adventuresome).

2. Growth: The product is now accepted in the market place after it satisfies the customers. As a result it starts to make rapid sales gains. This phenomenon occurs because of a combination of repeat buying and first time buying. Customers buy the product with little promoting, but substantial profits gained by the innovating firm lure competition into the market. To maintain the growth in sales, the firm engage in product quality improvement, enter into new markets and shift the emphasis of promoting from informing to convincing potential buyers.

3. Maturity: Normally this stage is divided into three sub-stages:

i. Growth where sales continue to increase though very slowly
ii. Constant maturity, where sales are constant, and
iii. Decaying maturity, where absolute level of sales decreases.

The maturity stage lasts longer than any other stage, and therefore, most products tend to be in this stage. A number of competitors have entered the market. The rate of sales growth begins to slow because of the declining numbers of people who still are unaware of the product. By now, the product has proved itself dependable in performance, and because of increased competition the product now is reasonably priced.

With decaying maturity, nearly everyone who wants the product has bought it. Sales thus level off at a rate determined by population growth. Product promotion is very important in this stage, since the products of competitors differ very little.

4. Decline or Selinity: This is the stage where the absolute level of sales decreases consistently. The decline may be rapid or slow depending on existing market conditions as well as the strategy adopted by the firm. The stage is identified through an analysis of a number of years of sales decline. The market share and the return on investment are reduced at this stage. The firm has to decide when to quit, since leaving the market too early or too late may be an uneconomical use of the firms scarce resources.

NEW PRODUCT DEVELOPMENT STRATEGY

There are several reasons why new products are developed.
These include:

i. New products may help an organization remain competitive. That there is competition over available shelf- space at the retail outlets (e.g. Uchumi Supermarket) is true. Holding other factors constant, the firm with more brands or products tends to be allocated more shelf-space than ones with fewer brands.

ii. A new product may be introduced to utilize excess production capacity. If a new product can be profitably introduced to utilize excess capacity, then the organization should do it.

iii. Sometimes company growth can only be sustained through the development of new products. This is because products have a life cycle. Products that are profitable today, may be dead tomorrow and therefore, whenever feasible, new products should be introduced if the firm is to continue growing.

iv. In some situations new customer needs may only be satisfied by new products. Human needs change over time as a result of changes in the environment.

New Product Development Process

New product development is a process involving many stages of decision-making. Different experts advocate different phases. However, the following are the most common:

i. Idea Generation—It is the first stage in the process. A pool of ideas is generated in the hope that it will be developed into a successful product. Since products are developed to satisfy consumer needs and wants, customers are a very important source of new product ideas.

Another important source of new product ideas are the company laboratories. Scientists while experimenting in laboratories may occasionally come up with very rich ideas.

Competitors are another source of new product ideas. Hence the firm evaluates and studies new products being introduced by competitors. The firms sales persons and dealers are also a possible source of good ideas. Because of their closeness to the market and the fact that they interact with actual and potential customers on a daily basis, sales people and dealers have a unique opportunity of identifying a gap in a product category (Kibera and Waruingi, 1988).

ii. Idea Screening—The idea generation stage may yield thousands of ideas, some of which may not be worthwhile. Others may be so viable that they should be reviewed further. Idea screening is therefore the first phase of idea evaluation and pruning.

The pruning process involves the new product developer weighing his new product ideas against the following factors.

(a) The extent of existing or potential demand for the new product if developed.

(b) The extent to which the proposed product harmonizes with the existing marketing variables.

(c) Durability of the product.

(d) The extent to which the proposed product is in harmony with current production facilities, and

(e) The long term expected sales growth of the proposed product. (Kibera and Waruingi, 1988)

These factors can be reviewed to assess the various new product ideas.

iii. Business Analysis—The new product developer is here concerned with projecting future sales, profits, rate of returns of the proposed new product and with determining whether these are in line with the company objectives.

iv. Product Development—It is at this stage the firm tries to find out if the product is technically feasible. Brand name and packaging problems are also resolved here.

v. Test Marketing—Test marketing entails introducing the product in a small scale and in a pre-selected environment to determine how customers react to it. If the reaction is positive then the new product developer can commercialize.

vi. Commercialization—This means that the new product should now be introduced to the whole market. To successfully accomplish this, investing in new production equipment and facilities and developing a new marketing program may be necessary.

LOCATION, LAYOUT, WORK STUDY, AND MANAGEMENT

This lesson continues the discussion of the design functions necessary to set up an effective and efficient production system. Necessary design functions covered in this lesson include

finding a proper location for the facilities, deciding on the best layout of the work flow within the facility, studying work to determine the best methods, and measuring the work to establish time standards for planning and control.
Although these functions must be performed at the initial (startup) stage of a new organization to avoid chaos, it is also important for existing firms to re-evaluate their operations periodically to maintain an effective system in the face of environmental changes over time.

In order to develop and maintain a competitive and profitable operation, management must consider the following four factors:-

i. Location—The regional, community and specific site factors involved in selecting an original, replacement, or additional location for a product or service facility.
ii. Layout—The arrangement of machines, equipment, materials handling, service areas, storage areas, work stations, and
iii. Work study—The design of work proceedings to establish the process and methods to perform specific jobs within the process efficiently, and
iv. Work measurements—The analysis of work to establish time standards or estimates of the amount of labour needed to perform a task.

FACILITIES LOCATION

The wrong (improper) location for a manufacturing firm will normally result in increased production and distribution costs. As for service organizations, the location is critical because proximity to customer and a convenient location may be an important factor in determining the survival of the enterprise. Location decisions become even more significant because once the choice is made and implemented, it cannot be reversed without considerable costs.

The facilities location decision involves three phases:

1. The regional or general area,
2. The particular community with the region selected, and
3. The specific site within the community.

Some of the major regional factors requiring careful consideration includes:

1. Proximity to markets—long distances require more time and costs and thereby affect the service provided.
2. Relationship to other facilities. A firm with multiple locations may select a region for an additional facility based primarily on the best coverage of the market territory it serves.
3. Access to materials and vendors. This determines transport times and costs for materials, supplies, tools, equipment and components supplied by vendors.
4. Transportation and communication facilities—Prompt, regular, dependable, low cost shipment and communication, services are essential. Depending on the nature of its operations, a firm may prefer, rail, truck, air or some combination of these.

5. Concentration of skilled labour and the overall labour supply. The objective is to develop and maintain an effective work force with minimum recruiting and training costs.
6. Competition. The nature of the industry will determine whether it is better to locate it near or far from competitors.

Factors that affect the location decision at the community level include the following:

1. Labour supply—This should be sufficient to provide the number of people and skills to be employed.
2. Laws and taxes—These may restrict or support a firm's operations
3. Attitudes—The community, labour groups, and other business firms may have co-operative attitudes or be resistant to any change.

The following specific site location factors within a community are important.

1. Size must be adequate for present needs and sufficient for future expansion.
2. Land costs, plus total development costs, should be realistic.
3. Utilities such as electricity, water, fuel, and sewers should be available on a deendable basis at a reasonable cost.
4. Infrastructure should be well developed to facilitate the efficient and low-cost distribution of materials and fraud by personnel.
5. Provision for waste disposal and environmental considerations should minimize restrictive legislation, control costs and prevent loss of public support.

FACILITIES LAYOUT

Facilities layout is the overall management of machines, personnel, materials handling, service facilities, and access required to facilitate efficient operation of the production system.

A number of specific objectives of good facilities layout are listed below:

1. Minimizing materials handling and plant transportation requirements. This minimizes the costs and time to move materials through the production process.
2. Maximize the return on the fixed investment in facilities by minimizing the amount of floor space required. That is eliminating floor congestion and production bottlenecks.
3. Utilizing labour efficiently and effectively by minimizing the distance and time to obtain materials, tools, and suppliers and facilitating production supervision.
4. Preventing the hazards affecting employees and products, that is, making the job safer.
5. Providing for a smooth, logical flow of customers through the process where applicable.
6. Providing for flexibility for expansion caused by growth, new products and new processes.

The net effect should be to increase efficiency, reduce costs, and improve employee and customer satisfaction.
Regardless of how effective the original layout is, changes are inevitable. Changes in demand, new product development, and changes made to reduce costs may prompt a new layout.

WORK STUDY

Generally speaking, every organization is concerned with providing goods or offering services while utilizing men and women, machines, materials and facilities as resources. All organizations should be concerned with performing their work efficiently and economically. Work study is an effective way to coordinate and use available resources. Work study means finding the most effective way of doing a job. It entails analyzing present and preferred work systems to develop an optimal transformation of resources into desired production.

The competitive forces on today's managers greatly increase the need for work study. Specifically work analysis should result in greater productivity through improved methods that normally permit an increased output with the same or less effort. It further leads to reduced worker fatigue, improved workplace layout, better product design, more efficient materials handling and increased safety.
Work study is best applicable to large-scale repetitive manufacturing operations with standardized products and materials. In a vehicle manufacturing factory for example, where millions of identical units will be produced, work is studied in great detail to eliminate any wasted motion, to make the job easier to perform, and to find the right sequence of operations for maximum efficiency. The volumes justify the time and effort taken in work study.
But work study is finding increasing application in the office and in a variety of service operations. Although a bankers job is less routine than a job on a car assembly line, the tellers' job can be standardized for most typical transactions and the unusual cases handled by exception.

Work study can be applied in three separate phases:

1. Analysis of the initial design of the product and the process

2. Periodic reviews of an existing method to see if further improvements can be made

3. Special studies to resolve problems or to incorporate changes made to the products or process.

An organization's work is accomplished by a series of interdependent operations performed by individuals at work stations. Depending on the process tasks may be connected in a line (as a car assembly) or separate but linked. The job of the work study analyst is to break down the work into its necessary elements, analyze each element to make it as efficient as possible and combine the elements into a process that efficiently produces the desired product.

WORK MEASUREMENT

Work measurement attempts to determine the standard time, defined as the time required for a normal worker with normal skill and effort, to perform a task over an extended period with allowances made for breaks, personal time, fatigue, and working conditions.

The knowledge of the standard time allows production planners to have the information needed to:

1. Schedule the amount of labour needed to complete a job
2. Determine any amount of additional facilities needed to reduce non productive time.

3. Calculate the amount of labour per unit of product to determine pricing and other decisions.
4. Evaluate proposed work improvements by comparing before and after standard times.

Several methods are used to establish work standards.

(a) Estimates based on historical data
(b) Stopwatch time studies
(c) Predetermined time-and-motion study
(d) Work sampling

MANAGAMENT DECISION MAKING

Introduction

People at all levels of the enterprise must constantly make decisions and solve problems. Decision making and problem solving are important parts of a managers job. Decisions may be of nature:

- How profits should be invested
- Which employee should be assigned a particular task

Whether the problem is large or small, it is usually the manager who has to confront it, and decide what action to take.
Decision making describes the process through which a course of action is selected as the solution to a specific problem. Problem solving refers to the broad set of activities involved in finding and implementing a course of action to correct an unsatisfactory situation.
Before problems can be solved they must be found i.e. individuals must determine which situations represent problems and which of these problems should be solved.

7.2.1 Types of Problems and Decisions

Managers will make different types of decisions under different circumstances and the information available when making a decision will vary.

(a) Programmed and Non-Programmed Decisions

Programmed decisions are those that are made in accordance with some habit, rule or procedure. Every organization has written or unwritten policies that simplify decision making in recurring situations. Programmed decisions are used for dealing with complex as well as with uncomplicated issues.
If a problem recurs and if its component elements can be defined, predicted and analyzed, then it may be a candidate for programmed decision making. Programmed decisions limit the decision makers freedom because the organization rather than the individual decides what to do.
However, the policies, rules and procedures of which we make decision trees, decision makers of the time needed to work out new solutions to every problem, then allow the decision maker to devote attention to other more important activities.
Non-Programmed decisions are those that deal with unusual or unique problems; problems which have not come up often enough to be covered by a policy or it is so important that it deserves special treatment, it must be handled by a non-programmed decision e.g. decisions on:

- allocation of resources
- society relations
- falling product lines

Most management training programs try to improve a managers ability to make non-programmed decisions usually by trying to teach them to make decisions reasonably.

TOOLS FOR DECISION MAKING

The following is a summary of decisions and the traditional and modern tools used.

Type of decision	Traditional Tools	Modern Tools
Programmed (Routine respective decisions)	Habit Clerical routine, standard operating procedures	Operational research, mathematic analysis, computers, electronic data processing
Non-programmed one-shot, rare special decisions	Judgement, credibility, Institution rule of thumb, Selection and training of executives	Heuristic problem solving Constructing heuristic computer programmes (knowledge base intelligence "Expert")

Heuristic (Empirical DM)

Programmed decisions are obviously the easiest for managers to make as it is quicker and simple to refer to a policy - but effective managers should only learn of policy as a time saver and remain alert for exceptional cases. A company policy for example put a ceiling on the advertising budget for each product, but a particular product may need an extensive advertising campaign to counter a competitor's newly aggressive marketing strategy. Ultimately managers must use their own judgement whether or not a situation calls for programmed decision.

7.2.2 Certainty Risk and Uncertainty

Managers make decisions in the present for actions in the future and all decisions contain elements that cannot be known or predicted e.g. a competitor's reaction, inflation rates in future etc. Decisions are therefore made either under conditions of certainty, uncertainty or risk.
Under certainty we know what will happen in the future. Under risk the probability of each possible outcome is known. Under uncertainty we do not know the probabilities and may be not even the possible outcomes.
Under conditions of certainty there is accurate, measurable, reliable information available on which to base decisions. Where predictability is lower a condition of risk exists. Complete information is unavailable but we have a good idea of the probability of particular outcomes. Under uncertainty, however, very little is known and decisions under these conditions may give the decision maker sleepless nights.

Note
Few decisions are received happily by everyone. People will react either positively or negatively to decisions.
A decision may be okay for the organization but may cause problems for the decision maker himself. The decision maker must therefore clearly understand how the decision is going to be viewed by staff members, how it will affect him and others in the organization. Decisions have certain characteristics and that is why they affect different people differently.

(a) Decisions vary in importance
(b) Decisions are made at all organizational levels
(c) Decisions differ in urgency
(d) Decisions are made by both individuals and groups
(e) Decisions vary in complexity.

7.2.3 THE DECISION MAKING PROCESS

It involves six basic steps:

Step 1: Define the problem as an idea to be acted upon

This step involves an accurate assessment of the problem so that management does not treat mere symptoms. This step should result in a statement of the desired results.

Step 2: Develop alternative solutions

Alternatives are the possible courses of action, only one of which may ultimately be chosen. There is need to have as many alternatives as possible.

Step 3: Gather information pertinent to alternatives

Once alternatives have been identified the next step in decision-making is to collect pertinent information. The main information for decision-making are existing rules, procedures, policies, available facts, research, feasibility studies, simulation, opinion of advisers, experience, public hearings and forecast.

Step 4: Consider constraints and evaluate problems

At this step the manager eliminates some alternatives because of constraints. Constraints may be either from external factors e.g. custom, organizational charters, limited money and personnel, organizational policies, procedures, rules, higher level managers, laws and political considerations, the public, competitors actions, labour unions, the education of potential employees, society and economy. The most common methods of evaluation include: risk analysis, cost benefit analysis, decision trees.

Step 5: Selection

This step involves selection of an alternative from those that have been proposed and not eliminated. It is the most difficult and managers should take into account the effects of the decisions.

Step 6: Follow-Up

Involves implementation of the decision reached in step 5. It requires that the appropriate action be carried out. It may involve appropriating funds, assigning personnel, hiring new personnel, arranging for work space, or purchase of equipment, real estate supplies or inventory.

7.2.4 Managerial Problem Solving

Decision making may imply that managers just sit and decide what to do about every problem that arises. However effective managers do not try to solve every problem that arises but rather they conserve their time and energy for those problems that really require their decision making ability. Managers should try to anticipate problems, decide how to prevent them or what to do if they occur and actively seek opportunities which they can exploit.

Since organizations face a great number of problems and opportunities a critically important skill for managers, is the ability to select the right problem or opportunity. The managers value and backgrounds will play an important role in selection of opportunities and handling of problems e.g. are the managers politically or theoretically oriented, or more economically oriented.

Managers from different departments will define the same problem in different ways. Departmental managers will tend to have a departmental approach to solving problems.

The Problem Finding Process

Four situations have been described which alert managers to possible problems.
These include situations when:

- There is a deviation from past experience
- There is a deviation from a set plan
- When other people present problems to the manager
- When competitors outperform the managers organization

With situations of deviation from past experience, a previous pattern of performance is broken e.g. growth in employee turnover, or sudden fall in sales. With a deviation from the plan the manager's projections or expectations are not met e.g. lower profits than anticipated or a department exceeding its budget or a project off schedule. Such events tell the manager that something must be done to get the plan on the right course.
Other people may bring problems to the manager e.g. customer complaining on late delivery or strike by subordinates. Most decisions made daily are on problems by other people. The performance of competitors can also create problem solving situations for the manager e.g. a competitor may change prices or develop better production procedures.

Opportunity

An opportunity is something that offers the chance to exceed objectives. Opportunities are the key to an organization's success. Opportunities are often invoked by an idea or a single event. In dealing with problems and opportunities managers must accumulate information until it is enough to make a decision.

Deciding to Decide

Some problems come to managers while some they must locate for themselves and since no manager can handle all problems it is important to learn how to set priorities among problems and to give subordinates opportunities for taking care of the minor ones. The following questions need to be dealt with:

- is the problem easy to deal with?
- might the problem resolve itself?
- is this my decision to make?

i.e. are you responsible for it, or does it affect other departments, or does it require information available only at higher levels?

7.2.5 Rational Problem Solving

Many managers rely on informal problem solving methods e.g. tradition, approach to authority or just using logic. These methods may be appropriate in certain cases but they could also lead the manager to make wrong decisions. No approach to decision making can guarantee that the manager will always make the right decision. However, managers who use a rational, intelligent and systematic approach are more likely than others to come up with high quality solutions to the problems they face. The problem of rational decision making is similar to that of strategic planning and mainly involves the following steps:

Stage 1: Investigate the situation

Includes a search for factors that may have created the problem and an identification of the problem. It has three basic steps:

(a) Define the problem

A problem is a situation that prevents the organization from achieving one or more of its objectives. Managers must not confuse symptoms with problems so problems must be defined in terms of the objectives being blocked.

(b) Identify the decision objectives

This is deciding what would constitute an effective solution. Which parts of the problem must be solved? The solution should enable management to achieve organizational objectives.

(c) Diagnose the causes

Determine the actions that will achieve the solution by first understanding what may have brought the problem in the first place.

Stage 2: Develop Alternatives

Generation of alternatives helps managers to resist the temptations to solve problems too quickly. No major decision should be made until several alternative solutions have been developed. (Alternatives should not be appraised or evaluated at this stage).

Stage 3: Evaluation of Alternatives and Selection of the Best

Alternatives are evaluated for effectiveness mainly by use of two criteria:

- how realistic the alternative is in terms of the goals and resources of the organization,
- how well the alternative will help solve the problem.

Each alternative must be judged in the light of the goals and resources of the organization. A logical alternative which cannot be implemented for lack of resources is a useless one. Each alternative must also be judged in the light of its consequences on the organization e.g. how will it affect other departments and members in the organization. This stage requires enough information so that the selected alternative is the most viable or the best compromise among the factors that have been considered.

Stage 4: Implement and Follow Up the Decision

Here resources must be acquired and allocated as necessary. The possible risks must be kept in mind and detailed plans for dealing with them must be developed. The various actions taken to implement a decision must be monitored to ensure that things are working according to plan.

7.2.6 Barriers to Managerial Problem Solving

i. Relaxed Avoidance

Managers decide not to decide or act after noting that the consequences of the inaction are not grave.

ii. Relaxed Change

Manager decides to take some action noting that the consequences of doing nothing will be serious. He takes the first alternative and avoids careful analysis.

iii. Defensive Avoidance

Seeks a way out. A resigned attitude where the manager is unable to handle the problem and may pass it on to others.

iv. Panic

He feels pressured by the problem and by time, resulting in a high level of stress which may lead to agitation or irritability.

Limitations Of Rational Problem Solving

(a) Limitations in the managers ability to acquire and utilize information. Time factors and costs may prevent acquisition of certain data.

(b) Most decisions involve too many complex variables for one manager to examine them all. So they just make the most logical decision that they can.

(c) Managers will rarely have the mental ability, time or information needed to make perfect decisions.

7.2.7 Overcoming Barriers to Individual Problem Solving

In addition to using the rational problem solving process, there are other specific ways individuals can manage their decision making more effectively.

(a) Set priorities
Assess problems according to importance and allocate time to them.

(b) Acquire relevant information
Managers need basic information to provide the essential structure of the decision making situation. They also need elaborating information use to evaluate the alternatives and finally performance information used to show the pay off or gain or loss to the organization.

(c) Proceed methodically and carefully
Managers should try and follow the decisions sequentially taking care of all relevant factors.

(d) Involve others
Since most decisions affect subordinates as they are the ones who implement them, forcing decisions on them may result into resistance for both genuine and non-genuine reasons. Involving subordinates may increase their esteem and morale and hence their acceptance of the decisions.

Note

When decisions must be made quickly or time must be saved, managers should choose authoritarian decision styles (time efficient ones).

When managers wish to develop their subordinates knowledge and decision making skills, the more participative styles (time investment) will be selected.

7.3 DECISION SUPPORT SYSTEMS

7.3.1 Why MIS is Important for Planning, Decision Making and Controlling

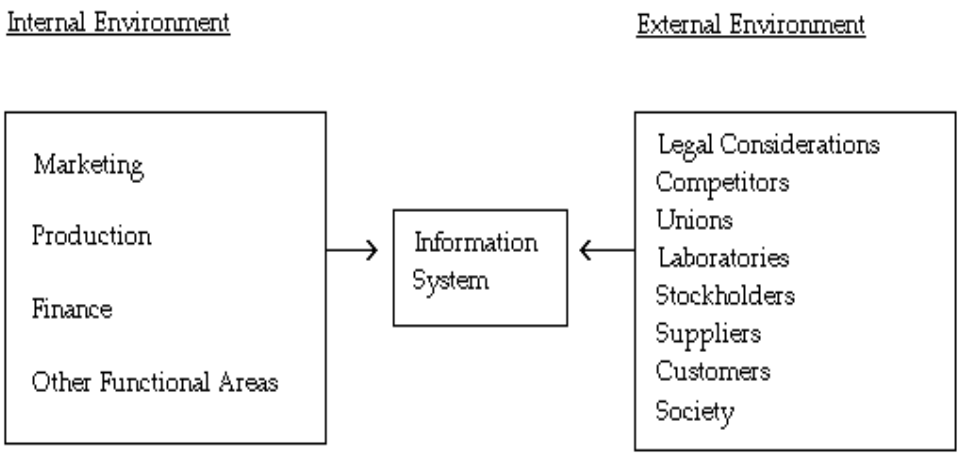
For managers to be able to perform the functions of planning and controlling, information must be readily available on the basis of which of these functions may be carried out. There must be a system which can provide accurate information in time for managerial decision making. Future plans are based on information regarding the past, the present and forecasts for the future. Controlling is based on present and past performance as measured against some set standards (goals and objectives). It is not possible to identify deviations from the right path and steer action back on course unless there is accurate and timely information, relevant to the situation in sufficient quantity and quality.

An MIS is any organized approach for obtaining relevant and timely information on which to base management decisions (Mondy et all, 1988). It is a formal method of making available to management the accurate and timely information necessary to facilitate the decision making process and enable the organization's planning and control functions to be carried out effectively. It has been argued that no attribute of an organization significantly affects decision making as does the management information system. An effective MIS effectively employs computers and other sophisticated technologies to process information that reflects the day-to-day operations of a firm organized in form of information to facilitate the decision making process.

7.3.2 Information Needs of an Organization

Each component of the business environment creates informational needs for managers. A properly designed MIS assists in satisfying these informational needs. Both the internal and external environmental factors affect the organization and must therefore be accounted for in the MIS. For example, without a keen awareness of information flows in the external environment, a firm may not be able to respond to unfair competitive practices. This can be seen in the figure below.

Figure: Management Information Needs



Source: Mondy et all (1980)

It can be seen from the figure that MIS draws information from the various internal functional areas, such as production, marketing and finance. It then integrates this information with that of the external environment, resulting in creation of an information system. Information about the two environments are needed if the organization is to perform effectively. For example, the marketing manager will probably not perform well without knowledge of the market (customer) the firm is attempting to serve. Similarly, lack of information about the type and

availability of manpower in certain areas may have negative effect on the production and operations function in an organization. Both the internal and external environments interact and these relationships must be reflected in the information system in order to satisfy the informational needs of an organization.

CHARACTERISTICS OF AN EFFECTIVE MIS

An MIS, whether manual or computerized, should be designed to provide information with the following characteristics in order to give managers the maximum utility from such information. Information provided should be:

1. **Timely—**Up to date. Good decisions cannot be based on outdated information. For example, a person or organization desiring to invest in the Nairobi Stock Exchange is at a severe disadvantage if decisions are made on the basis of a month-old or even a week-old data.
2. **Accurate**—Correct. Incorrect data will probably cause bad decisions to be made.
3. **Concise**—essential data only. There is a limit as to the amount of information a manager can absorb during any one period. Subsequently, managers must limit information to only the most necessary.
4. **Relevan**t—Information that the manager needs to know. An MIS can provide management with volumes of information. However, because only a small portion of data available is actually useful in a given situation, it is important to single out only the most relevant data for analysis.

5. **Complete**—all the information needed. Having partial data could lead a manager to draw false conclusions as decisions could be based on incomplete information. The absence of any one of these factors reduces the effectiveness of an MIS and as such complicates the decision making process.

MIS AT DIFFERENT ORGANIZATIONAL LEVELS

Decisions can be classified as (i) strategic, (ii) tactical and (iii) operational. These levels of decision making corresponds to management levels. Strategic decisions are made by top management; tactical decisions by middle management, and operational decisions by low-level management. These three levels of decision making rely on data processing for portions of their information, and therefore make unique demands on the MIS.
Strategic decisions are made for the future and involve a great deal of uncertainty. Strategic decision making involves establishing objectives for the organization and outlining of long range plans for attaining those objectives. Decisions regarding the location of plants, about capital sources and about which products to produce, are examples of strategic decisions.
Tactical decision making is concerned with implementing the decisions made at the strategic level. This includes allocating the resources needed to meet original objectives. Examples of tactical decision making include plant layout, personnel concerns, budget allocation, and product scheduling.
Operational decisions involve executing specific tasks to assure that they are carried out efficiently and effectively. These decisions are made primarily by lower-level supervisors. Guidelines against which performance is measured are usually present for operational decisions. Managers and supervisors at this level are expected to make decisions that keep the operation in line with the predetermined standards. Examples of operational decision making include accepting or rejecting credit, altering inventory reorder times and quantities, and assigning jobs to individual workers.

Characteristics of the three levels of decision making

Levels of Decisions Making

Characteristic	**Operational**	**Tactical**	**Strategic**
Problem variety	Low	Moderate	High
Degree of structure	High	Moderate	Low
Degree of uncertainty	Low	Moderate	High
Degree of judgement	Low	Moderate	High
Time horizon	Days	Months	Years
Programmable decisions	Most	Some	None
Planning decisions	Few	About half	Most
Control decisions	Most	About half	Few

In addition to the three levels of decision making, there are two types of decisions; programmable and non
programmable. Programmable decisions are decisions for which policy standards or guidelines are already established. For this reason they are often called structured decisions. These decisions are routine in nature and can be made by reference to previously established policy. An example of a programmable decision is a credit granting decision based on the income, years employed, and so on of an individual applying for credit. Programmable decisions do not have to be made by a computer based system. Often these decisions are made by lower level managers or supervisors.

Non-programmable decisions deal with ill-defined and unstructured problems. These decisions concern the future and contain many variables whose impact on the outcome cannot be qualified. These unstructured decisions require highly skilled managers.

Examples of such decisions are those regarding plant expansion, new products, and mergers. The characteristics of the information required at each level of decision making are summarized in the table below.

		Levels of Decisions Making		
Characteristic		**Operational**	**Tactical**	**Strategic**
1.	Dependence on computer information system	High	Moderate	Low to moderate
2.	Dependence on internal information	Very-high	High	Moderate
3.	Dependence on external information	Low	Moderate	Very high
4.	Need for on-line information	Very-high	High	Moderate
5.	Need for computer graphics	Low	Moderate	High
6.	Use of real-time information	Very-high	High	Moderate
7.	Use of productive information	Low	High	Very high
8.	Use of historical information	High	Moderate	Low
9.	Use of what-if information	Low	High	Very high
10.	Use of information stated in money form	Low	Moderate	High

Management Uses Of Information

Management information is used for two purposes: planning and control. Planning occurs before the execution of any organizational activity. Objectives are established in the planning process. The activities that must occur to reach the objectives are identified and the resources such as money, equipment, and labour necessary to support these activities are allocated.

7.3.3 Creating the MIS

There are four recommended steps in designing an MIS. These steps are not separate and distinct but they overlap. The development of an MIS calls for a major commitment from top management. This commitment is vital if the MIS is to be smooth—functioning and operational.

1. Study the present system
   In evaluating the current information system, one might ask these questions: (i) What is the present flow of information? (ii) What is the information used? (iii) How valuable is this information in terms of decision making? Identifying any deficiency in the present information system is the reason for asking the third question above.
   For example there is no need of writing very detailed reports which are never used in decision making.

2. Develop a priority of information that managers need
   Once the present system is thoroughly understood, it is used to develop a priority of information that managers need. Certain information is vital if a manager is to make proper decisions, but some are merely nice to have even though not critical to the manager's job performance. The design of an MIS must provide for high-profit information while low on the priority list should be guaranteed only if their benefits exceed the costs of producing them.
   A good approach to prioritizing information needs is to have individual managers develop their own priority lists and to integrate them into a list for the entire firm. Some departments may find that the information they identify as top priority will be far down the organization's list. The needs of the entire firm must override those of a department.

3. Develop the new information system
   The firm's information needs priority list should govern the design of the new MIS. A system of required reports should be developed and diagrammed. Freaking the whole organization as a unit allows the elimination of duplicated information. At some point on the priority list, the information is not cost effective and should not be included. When an MIS is properly designed, the important information a firm needs in the decision making process is provided.

4. Choose a computer
   It is reasonable to assume that the MIS for most firms will make use of a computer. Because of computers' increasing use, it is becoming very important for a manager to be computer literate.
   A common mistake many firms make is to purchase a computer and then attempt to design the information around the computer. The computer chosen should provide the best capability of processing data that management needs as accurately and currently as possible. Because there are many types of computers with different capabilities, one must review the alternatives and select the most beneficial.

7.3.4 Information Subsystems for Managers

Management uses different information subsystems. They are referred to as subsystem because, taken separately, they do not constitute a Management Information System. In other words, an MIS is composed of various information subsystems. Some organizations may have only a few of these subsystems.

(a) Accounting information subsystems

The processing of accounting data is traditionally the first area to receive much attention. It is through the use of these accounting information systems that managers receive much of their control information. Speed and accuracy are stressed in the processing of profit and loss information, taxes, and a multitude of other accounting-related activities. Subsets of a typical accounting system include accounts receivable, accounts payable, payroll, credit control, inventory control, sales and invoice and financial reporting.

(b) Office management subsystems

Only a few years ago, the typical office management revolved around filing cabinets, letters being dictated to secretaries, who then typed and mailed them, and telephone messages being placed on the manager's desk to be answered at a later time. The potential for totally restructuring the office management system is now a reality. Managers can now sit in front of their desk top computers and send messages to other companies at distant points through electronic mail.

Wordprocessing has had a major impact on the modern management office system. Copies of correspondence that once filled several filing cabinets can now be conveniently stored on small floppy disks for rapid retrieval at a later date.

Editing can now be quickly accomplished without requiring a secretary to retype the document each time a change is made.

In addition, the concept of the desktop publishing work station have been introduced. This permits an office to turn out brochures and reports that look professionally printed. The impact of these and other forms of modern technology is changing the way offices are run.

(c) Manufacturing Subsystems

The manufacturing process of production scheduling inventory control design, equipment control and cost accounting can be tied together through the use of computers. Computers now provide even small firms with the capability to use modern production control and scheduling methods.

(d) Marketing Subsystems

The purpose of marketing is to ensure that the proper product is delivered to the right customer at the right price and location and with the correct amount of promotion.

Putting together a marketing strategy was often an overwhelming task without the benefits of the computer. Through computerized marketing systems, information is made available to the marketer concerning such vital areas as product profitability and advertising effectiveness.

(e) Human Resources Information Subsystems

Unlike the accounting information subsystem, the human resources information system (HRIS) was often the last to be installed. Organizations are now realizing that a well designed HRIS can provide tremendous benefits. The HRIS permits all personnel areas to be tied together into an information system. Data from several input sources are integrated to provide needed information for decision making. As the human component of the organization gains greater importance, it is likely that HRIS is going to experience continued growth.

7.3.5 Computer Advancements Affecting Production

Almost every industry has felt the impact and value of computers. Let us look at some of the most common ways that businesses use computers.

Wordprocessing

One of the most popular uses of computers involve wordprocessing, the use of computers to type, store, retrieve, edit and print various types of documents. If you have ever used a computer to write a paper you know that it is easier to revise sentences, check spelling, and correct mistakes on a computer than on a typewriter. Wordprocessing allows organizations to handle huge volumes of correspondence, process numerous documents and personalize form letters.

Some firms may use special-purpose computers, called dedicated wordprocessors, designed exclusively for this purpose. However, more often word processing involves using special wordprocessing software packages such as word perfect, wordstar, or Apple-writer on standard computers.

Desktop Publishing

A development that takes wordprocessing even further is desktop publishing, a computer system that allows organizations to design and produce printed material in-house. Desktop publishing software combines high-quality type graphics, and layouts to create output that looks as attractive as documents produced by professional publishers and printers. Advanced equipment can scan photos and drawings and duplicate them on the printed page. Desktop publishing systems are often used to print in-house to create brochures and marketing materials. A good desktop publishing system can save a firm money by allowing it to produce such documents in-house.

Decision Support System

A decision support system (DSS) is a system that quickly provides relevant facts to help business people to make decisions. It includes a set of software tools that helps decision makers generate the information they need. DSS tools may vary from company to company, but often they include software that helps people obtain needed information from a database, simulation software that lets employees create computers `models' to see that company performance might be under certain conditions, and presentation software that lets them create graphs of data. A common type of DSS software is a spreadsheet, which we will discuss next.

Spreadsheets

If you see a microcomputer in an executive's office, it is almost guaranteed that the manager uses electronic spreadsheets to help in answering "what if" questions. The computerized equivalent of an accountants' worksheet, the electronic spreadsheet is a grid of columns and rows that enables the manager to organize information in a standardized, easily understandable format. By far the most popular spreadsheet is Lotus 1-2-3.

Electronic Mail

Another popular business use of computers is electronic mail. Electronic mail (E - Mail) is a system for sending and receiving written messages through computers. If you want to send a message to co-workers, for instance, you would just type in the message, indicate who is supposed to receive it, and signal the computer to send it. The computer saves the message in a special file. When your co-workers sign on, they can retrieve the written note, read it on the screen and dispose of it as they wish—either by printing it on paper, sorting it electronically, forwarding it to other people, answering it by another E - Mail memo, or just ejecting it altogether.

Executive Information Systems

Sometimes specialized information systems are created to address the needs of specific levels of employees. An executive information system (EIS) allows top managers to access the firm's primary databases, often by touching the computer hardware called a mouse. EIS software produces easy-to-read graphics with full colour displays and charts. A typical EIS gives users a

choice between many kinds of data, such as the firm's financial statements, sales figures and stock markets trends. Managers can start by looking at summaries and then request more detailed information if they wish.

Voice Processing

Voice processing involves technologies that use spoken language to send or receive information from a computer. It often involves using the telephone. For example, an automised telephone ordering system can be used to catalogue merchandise from some retailers.

Artificial Intelligence and Expert Systems

While computers are better than humans at dealing with huge amounts of data and repetitive tasks like calculating numbers, people are still better at reasoning and problem solving. But computer scientists are working on it.

Artificial intelligence is the use of computers to solve problems by applying abstract reasoning and what we call "common sense"—in short to mimic human logic. This branch of computer science focuses on the ways we perceive and assimilate data, reason from it, adapt to it, and communicate what we have learned to others.

One way in which organizations apply artificial intelligence is through the use of expert systems, computer programs that limits human thinking through a complicated series of "if...then" rules. These systems apply human knowledge to problems in specific subject areas in order to solve the problems.

7.3.6 Summary of Learning Objectives

1. Explain the purpose of an information system and how it functions in a firm?

Information is a vital element in business decisions. Effective decisions cannot be made without answers to questions about the internal operations of the firm and the external environment in which it operates. Progressive companies use a planned management information system (MIS) that provides past, present, and projected information on internal operations and external intelligence for use in making decisions. Such information systems should aid all areas of the organization production, accounting, marketing, human resources, purchasing and finance—in carrying out their decision making responsibilities.

2. Describe important ways in which information technology affects organizations?

Information systems and related technologies affect organizations in many ways. Telecommunications can change business by reducing the time necessary for transacting data; overcoming geographic barriers, and restructuring business relationships. Other issues in technologies and business include security, privacy, health risks, ergonomics, computer crime, and computer viruses. There is no simple answer to the question of how computers affect organizations, their efforts can be both positive and negative. Much depends on the management and corporate culture of the company involved.

3. Explain the role that computers play in business today?

Computers are used throughout private and public sectors. It is difficult to imagine a modern organization operating without computers. Examples of computer usage in business include word processing, decision support systems, executive information systems, spreadsheet analysis, artificial intelligence and expert systems.

REINFORCEMENT QUESTIONS

Q1. By description differentiate between decision making and problem solving.

Q2. Write short notes on

(a) the decision making process
(b) approaches to decision making

Q3 (a) Briefly explain the meaning of the term management information system.

(b) Outline the stages of developing a management information system.

(c) What are the guidelines to designing an effective MIS?

Check your answers with those given in Lesson 12 of the Study Pack

LESSON EIGHT

STRATEGIC MANAGEMENT

INSTRUCTIONS

1. Carefully study the lesson and Chapter 16 of Cole.
2. Attempt the reinforcing questions at the end of the lesson
3. Compare your answers with those provided in Lesson 12.
4. If your answers are significantly different from those provided, please read the lesson again carefully and with understanding

CONTENTS

8.1 OVERVIEW OF STRATEGIC MANAGEMENT

8.1.1 Introduction

Activities that are encompassed by strategic management have in the past been referred to as strategic planning, long-range planning, corporate planning and business policy.
Planning have been put aside in favour of "Management" which suggests a broader approach to the activities involved. This strategic management is fundamentally about "setting the aims of the
organisation, choosing the most appropriate strategies towards achievement of those aims and fulfilling both overtime."
Thus strategic management is seen to be much "about vision and direction of mechanisms and structures."

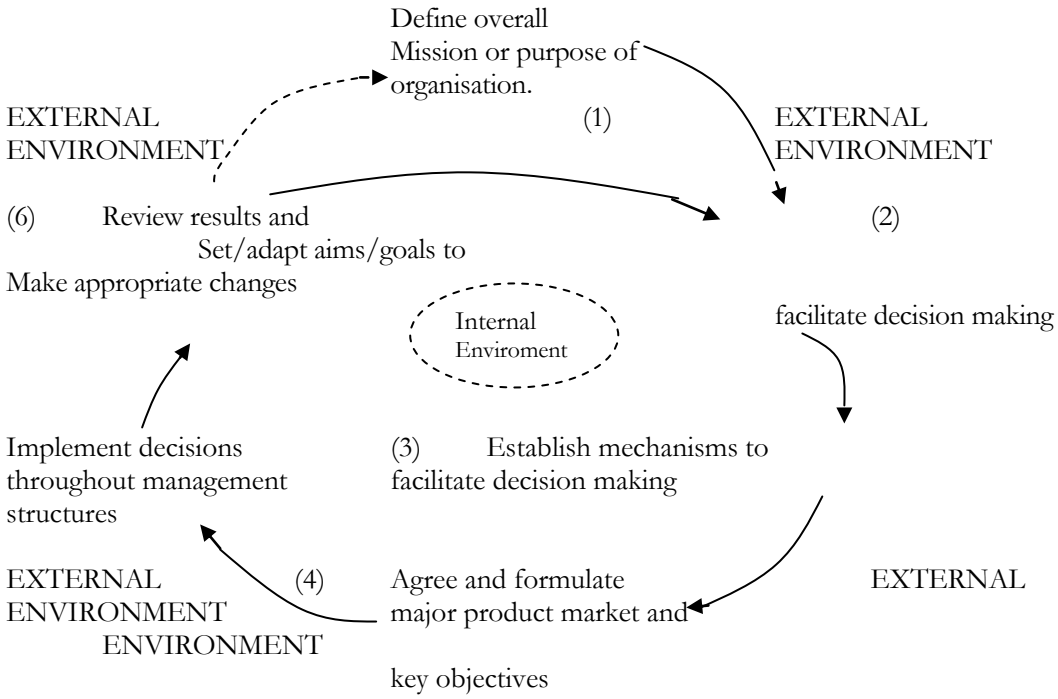
8.1.2 Meaning of Strategy

According to Alfred D. Chandler "Strategy is the determination of the basic long goals and objectives ofm an enterprise and adoption of courses of action and the allocation of resources necessary for carrying out hose goals."

8.1.3 Definition of Strategic Management

Strategic management can be defined as the process directed by the top management to determine the undamental aims or goals of the organisation and ensure a range of decisions which allow for the achievement of those aims or goals in the long term while providing adoptive response in the short term; hence strategic management is concerned with setting aims and goals of the organisation and developing and implementing appropriate strategies towards goal achievement.

Strategic Management Model



Strategic management model may be considered as a circle of strategic decisions where each set of decisions has a "knock on" effect on subsequent decisions as well as having consequences for all those affected by them i.e. customers, suppliers, employees etc.

The circle contains a review element which enables decisions to be questioned and changed if need be.

Strategic Management Model:-

The above model can be explained as follows:-

1. The overall mission or purpose of the organisation is defined such a task is undertaken infrequently.
2. The fundamental long term aims and goals of the organisation are agreed i.e. the core business.
   - These aims/goals may be or changed added from time to time.
3. Mechanisms are established to ensure that strategic thinking process does take place. This include data collection mechanisms, consultation arrangement as well as decision making meetings. The key investigation at this stage will relate to theory's position in its market and especially to its competitive situation.
4. The key product market, resourcing, quality and other major decisions are agreed by the senior management.
5. Appropriate original structures are put in place to ensure that strategic decisions are carried out throughout the organisation and implemented in accordance with agree policies.
6. Results are reviewed and appropriate changes are made to aims and goals or to mission or purpose of the organisation.
7. All the above activities are influenced both by internal and external environment

8.2 STRATEGY FORMULATION

Formulating strategy involves:-

- Mission statement
- Defining aims/goals
- Objectives/targets
- Assessing external environment
- Industry analysis – life cycle
- Environmental forecasting
- Actual strategy formulation

1 Defining mission/purpose

The setting of the overall mission or purpose of the organisation raises fundamental issues and challenging questions such as: What is our purpose in this business i.e. what do we want to achieve for being in this business/offering this public service/running this charity? The whole purpose or mission statement is that it should not only set out key parameters of the organisations business but to stand the test of time. Mission statement is therefore a public statement on behalf of the organisation which sets out terms of the customer's needs it intends to satisfy. A feature of a mission statement is that they are broad and elated with such generality that they may not make their point clearly known. These statements are intended to provide a clear vision to the organisation. Example of a mission statement from British Airways:-
"Our mission is to be the best and most successful company in the airline industry."
Example from Unilever (E. African Industry)

"To provide quality, affordable, branded food, home and personal care products to consumers in East Africa.

Defining strategic aims and goals

The key aims or goals of the organisation usually embraces all the major units and functions of the organisation. They are usually intended to provide for medium term solutions to organisations problems. They are more finely focused statements of intention directed at those aspects of the organisations operations which are critical to its success. Such statements usually encompass product market or service, intentions, resourcing (people, plant, materials, funding etc.) the use of technology, quality standards and financial parameters.

Strategic goals and aims are formulated and reviewed during a period of 3-5 years.

Example of goals of British Airways
"Our goals is to:-

- be safe and secure airline
- deliver strong and consistent performance
- secure a leading share of air travel business worldwide with significant presence in all major geographic markets
- provide overall superior service and good value for money in every market segment in which we compete
- excel in anticipation and quickly respond to customer needs
- to sustain a working environment that attracts, retains and develops committed employees who share in the success of the company."

Objectives

These are short term and specific intentions of various operational units of the organisation. They are often called "targets" and are the major key elements in short term plans. They are usually incorporated into the annual budget of the organisation. They represent the intended outcomes of the organisations efforts to meet the day to day needs of the customers and other stakeholders.

Classification of objectives

- **Profitability**:- The primary objective or profit earning companies and is accepted as being growth in earnings per share. At the planning procedures the objective for earnings per share will need to be translated into targets for control linking sales, profit an capital employed. The company wants to survive so as to make a profit or to maximise the wealth of investors in the company i.e. shareholders.
- **Survival**:- It is an implicit, overriding objective in every organisation even though it is rarely talked about. The first six months in the life of a company are crucial:- its brands are unknown, its advertising campaign has a little probability of making any impact there are no repeat orders and the organisation structure will still be at its formative stage.
  However survival at infancy is not guarantee to success. Economic recessions and activities of competitors will threaten an established company and may cause it to re-examine its capacity for long-term survival. Survival should not be at any cost especially when the asset bases has been shrinking as a consequence of high interest rates with no improvements in the foreseeable future or heavy losses. Under these circumstances its assets base will erode until it has zero value at which time it is likely to be technically insolvent.

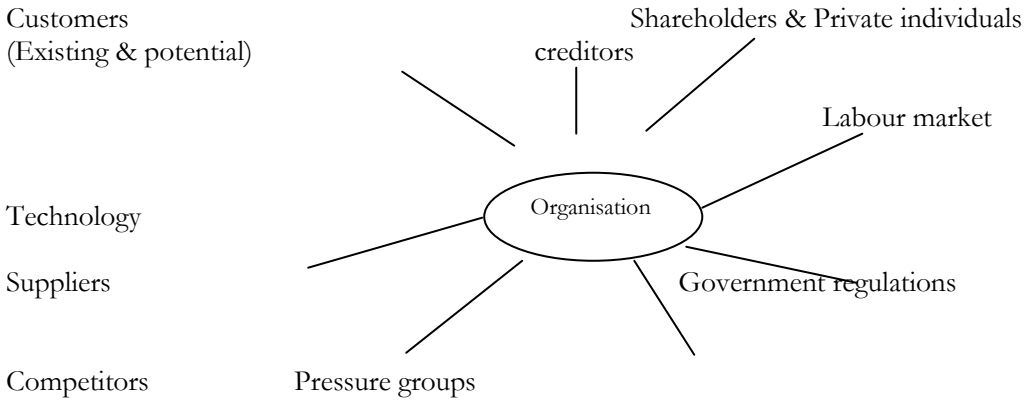
- **Customer satisfaction/create customers**:- The aim of the marketing function is to generate enough satisfied customers to ensure a profitable existence for a company by endeavouring to establish and then supply the needs of its target customers, rather than offer a product for which there is insufficient demand.Satisfaction increases as the quality increases and prices fall.
- **Innovation:-** The board must determine whether it intends to lead in developing technology and products, to follow other companies or to design to customer needs. Its ability to innovate is governed by its technical and creative resources.Financial and physical resources: finance will be needed to make the other objectives possible and objectives under this reading will include:- the amount of capital to be raised from external sources and the form in which capital will be raised.

Manager performance and development:- This will cover issues such as:- organisation and development

4. Assessing the External Environment

External environment helps strategy planners to identify key opportunities and threats in the external environment and to compare with organisations internal strengths and weaknesses (SWOT analysis)

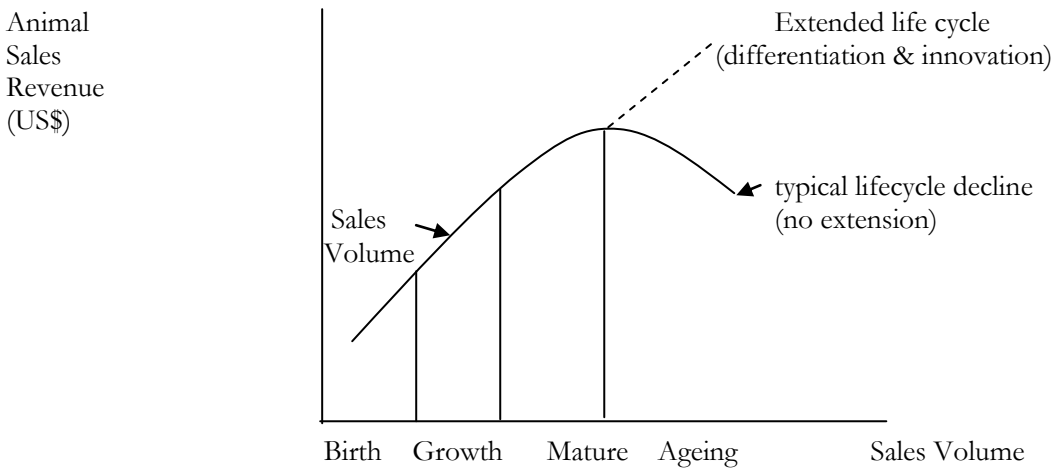
Thorough knowledge of external environment enables organisation to develop effective competitive strategies.



Industry analysis (Business Life Cycle)

Ultimately the objective of assessing the internal & external environment is to identify where the business is currently positioned in its market inorder to be able to make strategic decisions about where it ought to be in the future. Such decisions can be improved if the management planners are aware of where the industry or business lies in relation to its life cycle.

Basic firm/industry life cycle of Motor manufacturing



The above model can be used for analysing the conditions that might be expected at each stage of the lifecycle. In the case of a mature industry such as the motor manufacturing it can be expected that competition will be intense, prices will be very competitive and profits will be lower than at the growth stage and finally the rates will show little increase. The strategic emphasis is likely to be on product differentiation and market segmentation to gain a competitive edge. Another key strategy is to reduce costs at all stages and to improve productivity.

6.Environmental forecasting

Strategic management involves making organisational decisions in conditions of considerable uncertainty. The result of such decisions can be failure of the business. Hence to reduce the uncertainty and risks attached to decisions about the future forecasting should be done together as much relevant information and data about the organisation itself. Main competitors and the rest of its external environment (world).
In strategic context forecasting refers to any attempt whether qualitative or quantitative and usually based on past performance to predict future outcomes and trends in the internal and external environment of an organisation inorder to limit the risks involved in formulating and implementing a strategy.
Strategic issues and areas requiring forecasting:-

- **Organisational performance (past – current and future).**

Any assessment of organisational performance is likely to focus on the following:-

- Organisations market segments
- Product/service range
- Sales (by product, service, brand, market etc)
- Costs (production, sales and overheads)
- Research and development efforts
- Investment programmes
- Organisations structure
- Management style (including delegation and control)
- Personnel (Numbers, skills, training and effectiveness)
- Management Accounting system

- Financial management activities of the organisation

ii) Trends in the external political, economic, social cultural, technological, physical and competitive environment.

Strategic forecasting techniques

There are two methods:-

- Quantitative techniques
- Qualitative techniques

Quantitative techniques

Projections are based on numerical data such as statistics and accounting data often analysed by computer based model. Examples of quantitative techniques:-

Budget forecasting:- used by middle and senior managers. They attempt to quantify their target for the coming year, estimate the cost and justify the results they want.

Ratio analysis:- involves the analysis of management and financial ratios for the purpose of identifying trends in key performance areas. A ratio signifies a quantifiable relationship often expressed as a percentage between the key aspects the key aspects of companies activities eg.

$$\text{Rate of Return on Capital Employed} = \frac{\text{Profit before tax}}{\text{Capital employed}} \times 100$$

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

Computer modelling:- used in planning, design, control and review of large scale projects.

Time series analysis – projections may also be carried out based on past data of the organisation. In time series analysis, data eg. sales are plotted against time period eg. months, or years and then the "bests fit" line is obtained showing a future trend in the predicted sales.

2. Qualitative techniques

Involves basing projections on explicit assumptions and individual judgment. Examples of qualitative methods:-

Delphi techniques – uses a panel of experts from within and outside the organisation. They independently give their views which are discussed and included in key decisions for the future.

Brain storming – in this technique a group of people with knowledge in a particular problem are assembled and brainstorm inorder to predict the future.

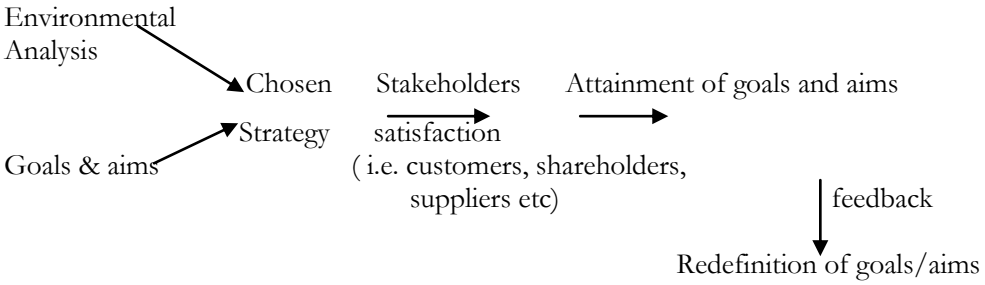
Scenario development – due to lack of precision in forecasting several scenarios may be developed each scenario providing a different set of assumptions about future events.

Swot analysis – involves judgmental predictions of trends of opportunities or threats in the environment and strengths and weaknesses of the organisation.

7. Actual strategy formulation

Strategy formulation can take place at more than one level in an organisation depending on its size. A large divisionalised company or diversified company for instance would have to plan strategy on at least 2 or 4 levels i.e. at corporate level covering the whole business network or group of business e.g. branches unit level covering the principal or strategic business unit which make up the organisation and functional level (the basic operating level) which may be product or service based. Only a small or medium sized business is likely to be able to rely on a corporate level approach.

Model of strategic choice



8.2.1 Making strategic choices

Formulating a strategy involves analysis of environment and matching the results to goals/aims of the organisation so that a strategic choice can be made from key alternative strategies. A basic model indicating the place of strategic choice in the overall process of strategy formulation may be given by the above figure. The model suggests that choices are made in the light of organisational goals and aims and the evaluations of its internal and external environment. The chosen strategies are intended to meet the principal goals of the organisation in terms of direct stakeholders satisfaction i.e. those who have a prime stake in the organisations results such as customers, shareholders or suppliers. The fact that some strategic choices are aimed at deflecting the competition (indirect stakeholders) is implied in the results to be achieved by direct stakeholders but it is not stated directly in this model. The extent to which goals are attained provides a feedback to the organisations senior management and may lead to appropriate definition of organisations goals/aims. This process can be repeated when new strategies have to be developed.

Strategic Options Open To Business Organisations

Business organisations have the following strategic options:-

- Consolidation (i.e. strengthen its activities by following previous strategy).
- Market penetration – (build on current position)
- Market development _ (seeking new markets)
- Product/service development i.e. developing new products/services
- Price leadership – i.e. offering most competitive prices in the market
- Differentiation – i.e. developing a product or service that is seen to be unique in the industry.
- Niche strategy – (i.e. developing a distinctive marketing mix aimed at a specialists market)
- Growth via acquisitions and joint ventures
- Divestments i.e. selling off part of the business/subsidiary
- Withdrawal i.e. selling up-entirely/closing down/liquidation.

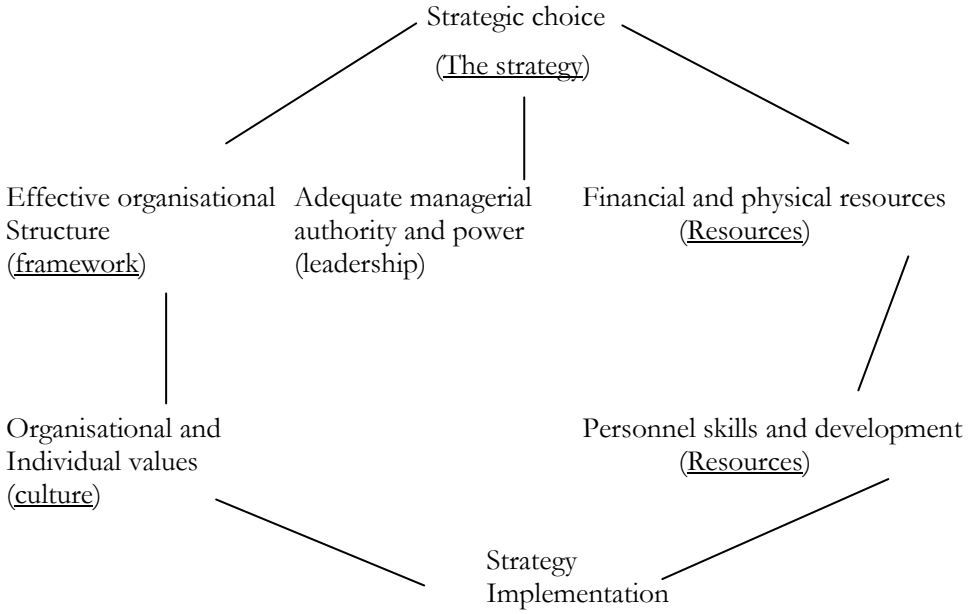
The objective of these strategies (apart from withdraw) is two fold:-

- To ensure the general health and survival of the business

- To attain increased growth and prosperity.

STRATEGY IMPLEMENTATION

Model of strategy implementation



Implementation of a strategy is concerned with key decisions that need to be made by managers and provision of necessary facilities if the strategic choices made are to be put into effect or operationalised.

An organisation may use the following methods to implement its strategies.

- Adequate allocation of resources (both human and physical to business units/departments concerned)
- Effective organisational structure to facilitate co-ordination and control
- Strong managerial leadership (adequate authority and power)
- Effective communication to employees on the procedures required to implement the strategy.
- Effective monitoring system budgetary controls
- Effective recruitment and staff training and development i.e. the organisation should hire highly qualified personnel and equip them with the training needed for effective implementation of strategy.
- Strong positive organisational and individual values (culture). This will create the strong will for the pursuit of goals an objectives.
- Employee motivation through financial and non-financial reward.

REINFORCING QUESTIONS

Q1 Define strategic management?

Q2 What are the major steps in strategy formulation?

Q3. Give some examples of objectives.

Q4. Clearly define and describe work study and show its advantages.

Q5. Write short notes on constraints to productivity measurement.

Check your answers with those given in Lesson 12 of the Study Pack

LESSON NINE

MARKETING MANGEMENT

INSTRUCTIONS

1. Carefully read the Chapter 34-35 of Cole
2. Attempt the Reinforcing Questions at the end of the Lesson.
3. Check your answers with those given in Lesson 12 of the Study Pack.
4. If your answers are significantly different from the model answers read the lesson again and supplement your reading with the text book.

CONTENTS

Understanding marketing and the marketing process

9.2 Developing the marketing mix

9.3 Marketing of services

9.4 Analysing marketing opportunities – segmentation and selection

9.5 Extending marketing (international marketing)

9.1 UNDERSTANDING MARKETING AND THE MARKETING PROCESS

Marketing Defined

Several definitions have been given by different writers:

The American marketing association defines marketing as "the performance of business activities that direct the flow of goods and services from producer or seller to the consumer or user".
Kotler defines it as "the satisfaction of human needs and wants through exchange". Stanton says that "marketing comprises a system of business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential consumer segments.

Drucker says "marketing is the whole business seen from the point of view of its final result, that is from the customer's point of view!"

What we must note is that marketing is very broad and encompassing, and no one definition will suffice. However all the definitions are clear on the main issue underlying the discipline of marketing: that is there must be two sets of factors—givers and takers or producers and users. Note that one individual or organization can be both a producer and a consumer of different products. The two sets of factors must interact through a process of exchange where they give and simultaneously receive something of value. Marketing as an exchange process does not include production for own use, robbing, stealing or begging. Human beings who form the buyers have unlimited wants which must be satisfied with limited income, therefore they must make choices.

Components of Marketing

Has two sets of factors:

(a)Controllable variables: marketing mix

These are the activities or areas that are under the control of the marketing executive and which he can manipulate to achieve his marketing objectives. They include product, price, promotion and place (distribution) and they are popularly known as the 4p's of marketing or the marketing mix. A marketing programme contains a "mix" of these variables. The way the marketing manager mixes these variables determines the effectiveness of the firm's marketing programmes.
To have an optimum mix of the 4p's the market must have a clear understanding of the target market, e.g. size, composition, ages, incomes, education, lifestyle etc. This information is usually gathered through marketing research.

Note
Services, however, have additional 3ps (people ,physical facilities and process) in addition to the usual 4ps giving a total of 7ps.

(b)Non-Controllable variables

Marketing takes place in an environment that has other factors which can be divided into micro and macro environmental factors.
The micro factors include such factors as buyers, suppliers, competitors, marketing intermediaries and employees. The macro environmental factors include economic factors, political-legal factors, socio-cultural factors, technological factors, the international marketing environmental and physical or geographical factors.

Importance of Marketing

Marketing helps people consume goods and services that they would not otherwise consume. It is through marketing that we get goods produced within our country and also from other countries.
It is through marketing that we are able to export our products like tea and coffee to other countries.
Marketing therefore plays a big role in raising our standards of living as it creates utility. Marketing also creates employment. Many people in Kenya earn their living by performing marketing activities e.g. all those people in wholesaling, warehousing, retailing, transportation, advertising agents etc. Marketing gives us information and also pays for most of the entertainment and news that the mass media provide to the public.

The Core Concepts Of Marketing

The starting point for the discipline of marketing lies in human needs and wants.

Needs

A human need is a state of deprivation of some basic consumption e.g. hunger, shelter, safety belonging.These needs exist within our biological makeup.

Wants

Wants are desires for specific satisfiers of these deeper needs. Wants are influenced by the environmental factors. So they are continually shaped and reshaped by social forces and institutions, such as churches, schools, families and business corporations e.g. different people can satisfy their need for transport differently depending on where they are. Also people in different environments satisfy the need for food differently.

Demands

Are wants for specific products that are backed by the ability and willingness to buy. So wants become demands when they are backed by purchasing power. Many people may want bread but only a few are able to buy it. In marketing companies they must therefore measure not how many people want their product but more importantly how many are willing and able to buy the product. Marketers do not create needs, but they influence wants. For instance marketers suggest to us that a Mercedes-Benz would satisfy our needs for social status, they do not create the need for social status. Marketers also suggest to people that a toilet soap would satisfy their need for beauty—they do not create the need for beauty. So needs actually precede marketers. Marketers try to influence demand by making the products attractive, affordable and easily available.

Products

People satisfy their needs and wants through products. So a product is anything that can be offered to someone to satisfy a need or a want. The product can be tangible (physical) e.g. T.V, soap, car, pen, etc. or intangible (service) like a haircut, transport, cleaning etc. People do not buy physical product for their own sake but because of the benefits they think they will receive from the product. So when a lady buys a tube of lipstick she is in effect buying beauty or a better look. When we choose to travel by bus we are looking for certain benefits e.g. safety, comfort, speed, etc. So marketers should concentrate on the benefits in-built in the product. Some marketers however fall in love with their products and keep emphasizing the physical features of the product and how the product is good (to their eyes of course) forgetting that people buy products because they satisfy certain needs. Such marketers are said to suffer from marketing myopia.

Utility, Value, Satisfaction

How do consumers choose among the products that might satisfy a given need? The guiding concept is utility. It is the consumer's estimate of the products overall capacity to satisfy his needs. But each alternative has a price, so to make a choice the consumer must consider the products utility with the price and choose the product that gives the highest utility per shilling (greatest value). So although one product may offer more utility to a consumer, it may represent less value in relation to another product. A product that is of better value than another is one that offers more for the price.

Exchange, Transactions and Relationships

The fact that people have needs and wants and can place value and utility on them does not fully explain marketing. Marketing emerges when people decide to satisfy needs and wants through exchange. Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange to take place the following must exist:

(a) two parties
(b) each party has something that might be of value to the other
(c) each party can communicate and deliver
(d) each party is free to accept or reject the offer
(e) each party feels it's desirable to deal with the other party.

Whether the exchange will take place or not will depend on whether the parties can agree on the terms of exchange. If they agree then a transaction takes place i.e. trade of value between the two parties. So transactions are the basic units of exchange. A transaction can either be a monetary transaction or a barter transaction.
Smart marketers try to build long-term trusting, win-win relationships with customers, distributors, dealers and suppliers. This way a company builds a marketing network of solid dependable relationships between itself and other actors in the market place.

Markets

The concept of exchange leads to the concept of a market. A market consists of all potential customers with a certain need or want and who are willing and able to engage in exchange to satisfy that need or want. The size of the market depends on the number of people who exhibit the needs, have resources that interest others and are willing to offer the resources to acquire the product.

Marketing and Marketers

The concept of markets brings us to the concept of marketing. (Human activity taking place in relation to markets). It means working with markets to actualize potential exchanges for the satisfaction of human needs and wants.
The party that is seeking the exchange more aggressively i.e making the offer is the marketer while the other is the prospect. So a marketer is the person seeking a resource from someone and willing to offer something of value in exchange. The marketer is seeking a response from the other either to sell something or to buy something. The marketer can be a seller or a buyer. Where both parties are actually seeking an exchange, they become both marketers and the situation is reciprocal marketing. Marketing therefore is the social and managerial process by which individuals or groups obtain what they need and want through creating and exchanging products and value with others.

MARKETING MANAGEMENT

Marketing management takes place when at least one party to a potential exchange gives thought to objectives and means of achieving desired responses from other parties. It is therefore the process of planning and executing the conception, pricing, promotion and

distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.
Marketing management is historically identified with tasks and personnel dealing with customer (final consumer) market. So the people carrying out marketing management are going to include sales manager, marketing managers, advertising managers, marketing researchers, customer service managers, product managers etc.
Marketing management has the task of influencing the level, timing and composition of demand in a way that will help the organization achieve its objectives. Essentially marketing management is demand management. Each organization has a desired level of demand with its target market. The actual demand may be below or above desired level, i.e. there may be either no demand , weak demand, adequate demand or excessive demand.

MARKETING MANAGEMENT PHILOSOPHIES

Philosophy refers to management attitudes, orientation or state of mind as far as marketing management practice is concerned. Five different marketing philosophies have been advanced.

(a)Production Concept

When managers main concern is production and distribution efficiency, it holds that consumers will favour those products that are widely available and low in cost. The concept works when:

i. demand exceeds supply especially in many third world countries. Here the consumers are more interested in obtaining the product than in its fine details.
ii. where products cost is high and has to be brought down through increased productivity to expand the market.

(b)The product Concept

Holds that consumers will buy products of high quality and performance and shun inferior quality products. The producers concentrate on improving their product without knowing "what turns the customers on". It is weak in that it assumes people are aware of the product's technical qualities and that they will buy without persuasion from the producer.

(c)Selling Concept

Holds that consumers if left alone will ordinarily not buy enough of the organization's products. The organization must therefore undertake an aggressive selling and promotion effort practised most commonly with "unsought goods" like insurance. The marketer must practise hard selling. It is also practised a lot in the non profit areas e.g. colleges, political parties, churches and harambee movements (in Kenya). Most firms practising the concept have overcapacity so their aim is to sell what they make rather than make what the market wants.

(d) Marketing Concept

Holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.
Marketing concept focuses on the needs of the buyer and argues that all marketing decision-making should start by understanding the target consumer. It takes the view that consumers are the most important stakeholders in the organization. This does not mean that the customer is always right but rather that he (customer) forms the starting point for the organizations corporate strategy. With this concept marketing is seen as an activity that is so important in the organization that it cannot be left to the

marketing department only—everybody in the organization must think to serve the consumer.
The marketing concept is therefore a market focused, customer oriented co-ordinated marketing effort aimed at generating customer satisfaction as the key to achieving organizational goals.

(e) Societal Marketing Concept

The marketer is concerned with both satisfying consumer needs and the long run welfare of the society at large. It argues that the needs of the individual consumers are not always in conformity with societies needs and therefore in trying to satisfy individual needs and wants the marketer should consider the societal consequences of his activities. The world is characterised by environmental degradation, resource shortages, explosive population growth, poverty, hunger and neglected social services. The question is whether companies are acting in the long run interest of the society. Should marketers satisfy customers regardless of environmental issues? The societal concept argues that it is only right to satisfy consumer's needs so long as in doing so the marketer does not affect the environment adversely.

9.2 THE MARKETING MIX VARIABLES

The marketing mix is a vital element of every marketing strategy. The mix forms the group of variables that are offered to the market at a particular point in time. These variables include product, price, place (distribution) and promotion. The 4 P's careful use of the marketing mix enables marketers to speedily respond to changes in the marketing environment.

A. PRODUCT DECISIONS

Product means anything that is offered to customers for attention, acquisition or purchase. The term embraces physical objects, services, ideas, personalities, places etc. Products can be grouped into major categories as follows:

(a) On durability—here we have durable and non durable products
(b) Buying effort expended—here we have

i. convenience goods e.g. bread and milk
ii. shopping goods e.g. television, furniturespecially e.g. Rolex watch or fine crystalUnsought good e.g. life insurance

(c) Industrial vs. Consumer goods—industrial goods used by producers of industrial products, consumer goods purchased for final consumption.
(d) Standardized vs. Custom-made products

Classifying products helps marketers in designing marketing programmes. Whether the product is perishable or durable, consumer or industrial, standardized or custom made will influence the mode of distribution, packaging, labelling and promotion decisions.

New Product Development

Companies develop new products for various reasons:

(a) To help a business meet the pressure of competition. The more brands a company has the more shelf space it has and the higher the likelihood of consumers picking one of the products.
(b) To help utilize excess marketing or production capacity.
(c) Sometimes company growth can only be sustained through the development of new products.
(d) To meet changing consumer demands and tastes.

Stages in New Product Development

(a) Idea Generation—where a pool of ideas is developed. Sources of ideas include customers, sales people, competitors, researchers, group discussions or company laboratories.

(b) Idea Screening—where ideas are analysed to see their viability bearing in mind the following:

i. Size of demand
ii. Marketing capability
iii. Expected life cycle
iv. Technical capability
v. Expected sales growth

(c) Business analysis—the concern is future sales and profits. Here forecasts of sales and cost are made to see whether the venture is worth it.

(d) Product development—Here the company tries to find out if the product is technically feasible. Decisions on names, brands, packaging are resolved and a model is developed.

(e) Test Marketing—The product is introduced into the market on a small scale to see the reactions of the market.

(f) Commercialisation—Full scale production and marketing of the product is implemented. Once the product is made available to the market the consumer adoption process begins.

Consumer Adoption Process

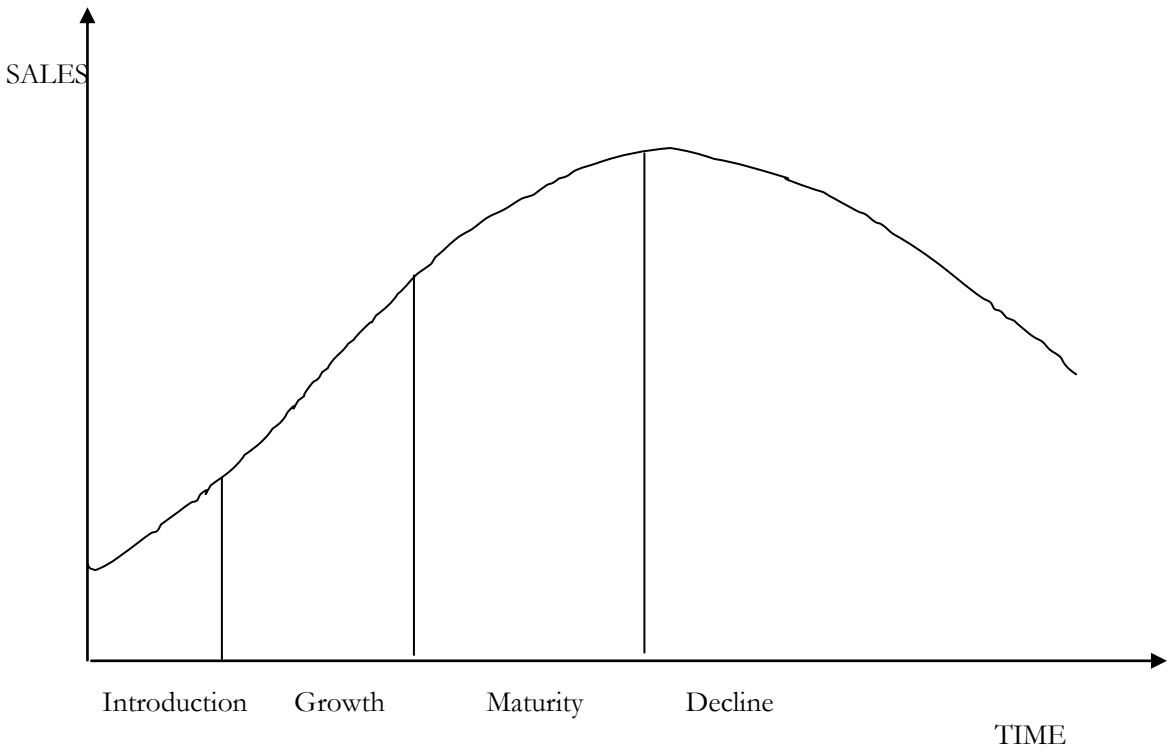
The process represents the mental sequence of stages through which an individual progresses from awareness of a new product to final acceptance or rejection. In deciding whether to accept or reject a product, the consumer may go through three stages:

(a) Knowledge phase
(b) Attitude development
(c) Action phase

One becomes aware of the new product, then analyses it to see how it may suit his tastes, then he may sample small quantities and finally adopt the product. Different individuals adopt new products at different time periods. Where the consumer attention process ends there begins the product life cycle.

The Product Life Cycle

Just like plants and animals, products also have a life cycle. That is they are born, grow up, mature and finally die. The concept of product life cycle involves an attempt to identify the different stages or phases in the sales history of a product. Each stage when identified, presents different marketing opportunities and problems. If the marketer knows the phase in which a product is in or is moving towards, he can devise a marketing programme that befits that stage. The product life cycle shows an S shaped curve.



(1)Introduction

This stage is characterized by slow growth in sales and low or no profits. The customers are largely unaware of the new product and those who become aware may be involved in searching for information before deciding whether or not to buy it. Profits are usually negative or negligible because of high investment for launching the product e.g heavy promotion and distribution.

Marketing Strategies in the Introduction Stage

In launching a new product, management can set a high or low level for each marketing variable such as price, promotion and distribution. Management can pursue any of the following strategies:

A Rapid Skimming Strategy—The new product is launched at a high price and a high promotion level. The high price is aimed at recovering as much gross profit per unit as possible. Heavy promotion is aimed at convincing the market of the merits of the product.

Slow Skimming Strategy—The product is launched at a high price and low promotion. High price to get as much gross profit per unit as possible and the low promotion to keep marketing expenses down.

Rapid Penetration Strategy—Launching the product at a low price and high promotion aims to bring fastest penetration and a large market share.

A Slow Penetration Strategy—The product is launched at a low price and low promotion. The low price is aimed at encouraging rapid product acceptance while the low promotion keeps costs down.

(2)Growth Stage

This stage is marked by a rapid climb in sales because the product has managed to satisfy customers. The high sales are due to trial buys and repeat buys. The high profits start to attract competitors. The marketer needs to maintain the sales by engaging in product quality improvements shifting the emphasis in advertising from informing to convincing potential buyers.

(3)Maturity Stage

In this stage the sales growth rate slows down and sales reach their peak. This stage which lasts longer than previous stages is divided into:

i. growth maturity—where sales increase at a decreasing rate
ii. stable maturity—sales have flattened and the market is saturated and
iii. decaying maturity—the absolute level of sales starts to decline and customers start switching to other products and substitutes. The industry experiences over-capacity which leads to intense competition. A marketing manager must carefully combine market modification, product modification and marketing mix modification in order to devise a marketing programme that will efficiently help him achieve his objectives.

(4)Decline

The absolute level of sales decreases consistently. This decline can be slow or rapid depending on the existing market conditions as well as the strategy adopted by the marketer. As the sales and profits decline some firms withdraw from the market, those left may reduce product offering or withdraw from smaller market segments and weaker trade channels. The marketer must however decide very carefully when to quit since leaving the market too early or too late may be uneconomical. The strategies available to the manager at this stage are:

- Increasing the firm's investment to dominate or strengthen its competitive position
- Maintaining the firm's investment level until the uncertainties about the industry are resolved
- Decreasing investment selectively e.g. Dropping unprofitable customer groups
- Harvesting (milking) trying to recover cash very quickly
- Divesting the business quickly by disposing of its assets as advantageously as possible.

Importance of Product Life Cycle Curve (PLC)

- the PLC can be used by marketing managers to interpret market movements
- as a planning tool, the PLC concept characterizes the main marketing challenges in each stage and poses major alternative marketing strategies.
- as a control tool, the PLC allows the company to measure product performance against similar products
- taking to account the stages in the PLC it is easy to plan development and introduction of new products, and plan the withdrawal of obsolete products
- knowing the stage on the PLC, the potential sales growth of a product can be assessed.

Problems In Using The PLC

(a) Time period—how long is the product life cycle? years, months or decades. There is no fixed length of each stage.

(b) Sometimes you cannot tell which stage the product is truly in. Not every decline means an absolute decline or maturity. It could be temporary due to other forces in the market place.

(c) Products could show other curves other than the S curve.

(d) Product definition—the concept of product life cycle does not clearly define what it is that is being referred to by the term `product', yet in marketing the term product could refer to any of the following:

- Product item—e.g. Close-up tooth paste, Toyota RX, or Bic pen.
- Product-line—e.g. toothpastes, soaps, cars, etc.
- Product mix—e.g. EAI range of products, Cussons range of products or Bidco range of products.

It seems that when marketers talk about a product in the Life Cycle, they are usually referring to product items or brands. It is logical for instance to argue that individual brands of cigarettes come and go than to say that all cigarettes will one day disappear from the Kenyan market.

B.PRICE DECISIONS

The second marketing mix variable is the price. A simple term but with many dimensions. Price is the value placed on a good or service by the customers at some point in time. A product placed in the market with a price higher or lower than the value perceived by potential customers does not really contain the customer orientation necessary to market that product. Price may go by many other names e.g. rent, fees, wages, interest, honorarium, salary etc. All these terms mean one thing—what customers pay for a good or a service.

Importance of Price

- Pricing keeps the economy in balance
- Price serves as a regulator of economic activity
- The rise in any of the factors of production e.g. land, labour and capital is dependant upon the price received by each
- A products price has a strong effect on sales and an increase or decrease may mean different sales levels depending on the nature of the product

Price in many cases has a psychological impact on consumers. Sometimes it can be used to emphasize quality, other times a bargain or gain hence a saving. Price can also play a big role in offsetting competition. Of all the 4P's only price can be changed quickly to respond to changes

in the market. So whether or not pricing is properly done does determine the success of the firm. The marketing executive must have a thorough understanding of pricing decisions.

Factors affecting prices

- **Marketing objective**: The firm must decide on the strategy for its product. The objective could be survival, profit maximisation, market share, leadership or product quality leadership. E.g. a company may have survival as the objective when there is heavy competition in which case it may set low prices to increase demand.
- **Cost:** They set the floor for the price that the company can charge a price that both covers all its cost for producing, distributing and selling the product and delivers a fair return on its effort and risk.
- **Market and demand**: The market and demand set upper limits. Both consumer and industrial buyers balance the price of a product against the benefits of owning it.
- **Consumer perception of price and value:** In the end the consumer will decide if the price is right or wrong. The perception will affect the consumer's buying decision. Pricing decisions must be buyer oriented. Effective, buyer-oriented pricing involves understanding how much value consumers place on the benefits they receive from the product and selling a price that fits its value.
- **Competitors' prices:** Consumers always evaluate a number of companies' products prices before buying.
- **Economic factors** such as boom, recession, inflation and interest rates. The consumer price index all affect pricing decisions.
- **Government legislation** for example minimum price levels.
- **Social concerns**.

(C)DISTRIBUTION DECISIONS (PLACE)

The third element of the marketing mix is distribution. This refers mainly to the movement of goods and services from producer to the consumer through a given channel of distribution. A channel of distribution has been defined as a chain of market intermediaries or middlemen used by a producer or a marketer to make products and services when and where consumers or users want them. It is therefore a route followed by a product as it moves from the producer to the user.

Examples of Channels

P - C	Zero level
P - R - C	One level
P - W - R - C	Two level
P - A - R - C	Two level
P - A - W - R - C	Three level

P = Producer, A = Agent, W = Wholesaler, R = Retailer, and C = Consumer

Factors to Consider in Selecting Channels

i. **Customer Characteristics**—the size of the market, the geographical dispersion of consumers, buying habits and preferences, buying outlets etc. For example where customers are widely ispersed one cannot sell direct. If the market is composed of industrial buyers then fewer intermediaries are better.

ii. **Product Characteristics**—important factors include perishability, whether product is household or industrial, need for bulk breaking whether product is fragile, non fragile, whether product is breakable or not. For example

products that are highly perishable like bread, milk, fresh flowers or fruits require very short channels usually from producer to consumer direct.

iii. **Company Characteristics**—here you look at the company objectives, financial status, product mix and desired degree of channel control. High degree of control allows only for one middleman or direct selling.

iv. **Middle-men Characteristics**—What markets do the middlemen serve? Do they provide any financial support, what services do they provide, how sound are they financially because financially weak middlemen may require credits. Some channels of distribution for example are not available everywhere.

v. **Competitive Characteristics**—Is one going to use the channels already being used by competitors or his own channels?

vi. **Environmental Characteristics**—Economic, Political, Legal, Social and Cultural factors also influence channel decisions. Where economic conditions are depressed, marketers should try to move their products to the market via the least number of channels. The government also has imposed certain legal regulations to govern distribution, for example the requirements that manufacturing companies should not retail directly to consumers.

Functions of channels of distribution members

- Information: Gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and yyyy exchange.
- Promotion: developing and spreading persuasive communications about an offer.
- Contact: Finding and communicating prospective buyers.
- Matching, shaping and fitting the offer to the buyers' need including activities such as manufacturing, grading, assembling and packaging.
- Negotiation: reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
- Physical distribution: transporting and storing goods.
- Financing: acquiring and using funds to cover the costs of the channel work.
- Risk taking: assuming the risks of carrying out the channel work.

D.PROMOTION DECISIONS

Every product needs to be brought to the attention of the market through identification of the benefits of the product. The basic elements of promotion which when put together from the promotional mix include: advertising, personal selling, sales promotion and publicity.

(a) Advertising

Has been defined as any paid form of non personal presentation by an identifiable sponsor. Advertising is used to communicate persuasive information about a product to the target group through use of spoken or written word and by visual materials.

Advertising has certain distinctive qualities:

i. Public presentation: Advertising is a highly public mode of communication, which suggests a standardised offering to customers.
ii. Pervasiveness: Advertising is pervasive as it permits the seller to repeat a message many times.
iii. Amplified Expressiveness: Advertising provides opportunities for dramatising the company and its products through the artful use of print, sound and colour.
iv. Impersonality: In developing an advertising program marketing managers must make five major decisions:

- what are the advertising objectives? (mission)
- How much will be spent? (budget)
- What is to be communicated? (message)
- What channel will be used? (media)
- How should the results be measured? (effectiveness)

Advertising Objectives Include:

i. To inform
ii. To persuade
iii. To remind

(b)Personal Selling

Involves use of sales people to communicate the product to the market. It involves face to face contact between the sales person and the prospective customer. Because of the personal contact personal selling is the most expensive of the promotional elements but it can also be the most rewarding and effective in clinching deals.
Sales people besides just selling the product have other duties which include: after-sales servicing, information gathering, communicating new information to customers and prospecting.
To be effective sales people need information about the company, the products offered, sales and profit targets, customers, sales plan, promotional material, techniques of selling and a knowledge of competitor products.
A company must decide on how to structure its sales force depending on the product and the market being targeted. The alternative forms of sales force structure include:

i. Territorial Structured Sales Force—here each sales person is assigned an exclusive territory in which to represent the company's full line.
ii. Product Structured Sales Force—where each sales person is in charge of a specific product or line of products.
iii. Customer Structured Sales Force—where sales force are set up for different groups of customers.
iv. Combined Structure (Complex)

Sales force effectiveness can be measured either by net sales achieved, call rate, value of sales per call, number of new sales or by sales expenses in proportion to sales achieved.

(c)Sales Promotion

Sales promotion involves attempts to stimulate sales by use of incentives. These incentives may include free samples, special discounts, bonus for sales people, temporary price reductions, bargain packs, gifts, point of sale demonstrations etc.

When directed at consumers, sales promotion has the following objectives:

i. Draw attention to new products
ii. Encourage sales of slow moving products
iii. Stimulate off peak sales
iv. Increase usage of products

Sales promotion can also be directed at traders with the following objectives:

i. Encourage dealer/retailer cooperation
ii. Persuade dealers/retailers to devote increased shelf space to the company's products
iii. Develop goodwill of dealers/retailers

(d)Publicity

Publicity often does not cost the organization money. It is news about the product or the organization reported in the press and other media without charge to the organization, but there are however certain costs involved in setting up the publicity programme. In publicity the firm aims to secure editorial space as divorced from paid space in the media available to customers.
Publicity is a part of the larger concept of public relations. A company's public relations has several objectives including, obtaining favourable publicity for the company, building up a good company image, and handling adverse rumours or stories about the company. To carry out these objectives the public relations department of a company could use press relations, product publicity, corporate communications, lobbying, and counselling.

The people in charge of publicity must make the following major decisions:

i. Establish the publicity objectives
ii. Choosing the publicity message and media
iii. Implementing the publicity plan and
iv. Evaluating the publicity results

9.3MARKETING OF SERVICES

How to market Services

Definition of Services

Services can be defined as "separately identifiable, essentially intangible activities that provide want satisfaction and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of the title (permanent ownership) to these tangible goods." (Stanton)

Scope of Services

The above definition includes the services which are sold by people, business firms and professional firms to earn profits. The list includes the following services:

- Domestic Services eg. Cleaning
- Swimming
- Movie – viewing
- Accommodation provided by hotel owners
- Transport services provided by public transporters
- Repair services
- Management, financial, or investment services;
- Personal care, e.g. beauty care; and
- Many others, e.g. recreation, private education, communication, insurance and financial, medical and other care like dental services, etc.

The three stages of Economic Development

(a) Stage One

The first (lowest primary level) stage of economic growth consists of production and marketing of agriculture and extractive products like raw coffee, raw cotton, forest products, fish products and minerals.

(b) Stage Two

This is the secondary level of economic development which is characterised by manufactured and processed products, e.g. motor vehicles, televisions, refrigerators, processed foods, etc. The stage is dominated by the marketing of manufactured and agricultural goods.

(c) Stage Three

At the third stage of economic development, marketing of services reflects the tertiary level of economic development. When we refer to marketing of services, our discussion is largely based on the commercial activities which go on during this third stage. However, it should be noted that to a small extent, marketing services can take place during the first and the second stages of economic development, there is nothing as a dividing line.

Our definition does not include those services which are incidental to the sale of physical products. The demand for services is considered as a function of the following: -

- Incomes of people;
- Leisure time which is available;
- General standard of living

The higher the incomes of people, for instance the more purchases of services will be made. In East Africa the personal disposable incomes are low, hence the quantity of services purchased must be less than the quantity purchased in Japan where the personal disposable incomes are much higher than ours.

Characteristics of Services

Services have unique characteristics which affect marketing programmes for service markets. These characteristics are so important that marketers must consider them while they establish
their marketing programmes which have to be different from those made for physical products. The services are usually intangible, perishable, inseparable and heterogeneous.

Intangibility

Services are essentially intangible, hence a customer cannot be given a sample to taste, feel, smell, see or hear before purchasing is done. For this reason, the marketers must sell benefits of services and not features or services in the promotional programmes. This means that instead of emphasizing the service itself, emphasis must be on the service benefits.

Some examples of benefits include the following: -

- An insurance company sells service benefits such as payment of a child's college expenses or a retirement income of some good money or income per month.
- A telephone company may also sell to the business users the benefits of suing long-distance calling to reduce selling and inventory costs

Inseparability

In the majority of cases, services cannot be separated from the people selling them. Some services are created and dispensed simultaneously, e.g. dentists create and dispense their services at the same time, while barbers create the services of a haircut and dispense it at the same time. The same apply to the services of doctors, motor mechanics in repair work, etc. The buyers have to receive the service directly from the producer/seller and not through some intermediaries in many cases. The marketing programmes have to relate to this direct selling as the only possible channel of distribution. A seller's service cannot be marketed in many other markets per day while a dentist can also treat only some patients per day.
An exception to the inseparability, however may be possible in a situation where the service is sold by a representative of the creator-seller, e.g. a travel agent, an insurance broker, a rental agent, etc.

Perishability ("Instorability") & Fluctuating Demand

Services are perishable because they cannot be stored.
Examples of perishable services are the following:-

- Idle mechanics in a garage
- Empty seats in a stadium during a game, or in a cinema when a show is going on, or in a plane.
- Furthermore, there are seasonal market fluctuations, eg. Some golf courses remain unused during winter in some countries, or city buses and matatus are irregular in Kenya during the weekends and mid-days.

Some exceptions to the generalisation regarding perishability and storage of services are given below: -

- In health and life insurance the service is purchased but held by the seller until it is required by the buyer or the beneficiary (the holding is a temporary storage).
- Telephone companies can sometimes lower rates at night and weekends. This is done to avoid perishability or fluctuating demand.
- For idle plant, marketing executives may look for new uses of equipment in order to avoid the fluctuations.
- In transport services the consumers can be encouraged to use the non-peak hours period.

Heterogeneity

Services are heterogeneous because it is impossible for the individual sellers to standardise the output. Each "unit" of the service is different from other "units" of the same seller. It is also difficult to standardise the "output" of different sellers in the same service industry. For example:-

- The shoe-shine boys in Nairobi cannot provide a service of the same quality from one customer to another every time.
- An airline cannot give the same quality service on each flight

It is difficult to judge the quality of a service, e.g. repair work done by a mechanic on different vehicles.Nobody can forecast the quality of a service before purchasing is made. If you pay for a ticket to watch a football game, you will in the end find that:-

- It was according to your expectation, or
- It was better than your expectation, or
- It was below your expectation.

The marketers of services should be careful and pay particular attention to the "product-planning" stage (i.e. service planning stage) of the marketing programme. Consistency of quality must be adhered to all the time, despite the problems which have been discussed above.

Marketing Concept and Service Marketing

Service marketers not marketing – oriented

In many cases the marketing executives have not been marketing-oriented in the service industries in the same way as they have done in the product industries. This has happened because of the following reasons:-

- The intangibility of services creates more serious challenges for the service marketers than for product sellers.
- The service sellers in many service industries have lagged behind the product sellers in adopting the marketing concept, especially the modern techniques of marketing. This has happened because the sellers in professional services still see themselves as producers or creators, and not as marketers, of services. For example, they can be proud of their ability to repair a vehicle, diagnose an illness, or do a good job of hair-cut. They do no perceive themselves as business people.
- One leading reason is that in some cases top management executives do not understand what marketing is and its importance to the success of their company. The top managers seem to equate marketing with selling; this means that they do not consider the other aspects of marketing.
- The marketing activities are not organisationally co-ordinated by some top managers in the service industries, and many service firms do not have senior executives in charge of marketing, e.g. Marketing Director or Manager.

Some successful service firms.

There are many successful service firms which have adopted modern marketing techniques. Their success is in largely due to the marketing orientation. In Kenya, we can consider marketing orientation as the major reason for the success of companies such as American Life Insurance Company (Alico), Express Kenya Limited, etc. At Express you can find the Managing Director, the Freight Director, the Travel Director and the Marketing Manager of the company spending
their working time in checking the quality of customer service and planning new service strategies.
In the USA, organisations such as Holiday Inn, Avis, Pacific South-West Airlines, etc, have done well because they are marketing-oriented in the service industry.
In the banking service industry, things are changing. In the past, the top management executives were not marketing-oriented. For years, commercial banks thought that they honoured or favoured customers to deposit their money in the banks. The bank tellers were faceless people behind the protective counters, savings accounts earned low interest rates, and customers paid charges for operating current accounts (checking accounts).

The above situation is still prevailing in East Africa. However, competition has intensified both within and outside the banking service industry. This has forced many banks to do a little marketing. They are now making efforts to attract the retail (customer) business, e.g. introducing 24 hour service, designing buildings and internal layouts to project good image, bank credit cards, etc. Their new services include insurance, financial counselling, payment of customers' monthly bills, etc.

At the present moment in Kenya or East Africa, Barclays Bank Ltd. appears to lead other banks in respect of customer service, for they have a feedback system in their communication with their customers. The Standard Chartered Bank is another one which has become customer-oriented in Kenya today.

Introduction

The recommended starting point for a service industry marketer is similar to the one for a physical product. Analysis has to be made of customer behaviour, motives and reasons for purchasing must be analysed and the objectives of buyers must be known.

In most cases, everything that applies to tangible products will be relevant to services. The product planning, price decisions, channels of distribution and promotional activity are the same, except for a few modifications designed to reflect the nature of the service to be marketed.

However, it must be noted that the task of developing a total marketing programme in a service industry is a serious challenge to the marketing executives.

Market Analysis.

The market analysis for a service industry will include:-

- Components of population
- Why the customers want the services;
- Buying motives in different market segments;
- Buying patterns of service (when, where, how and who does buying). Psychological determinants of buyer behaviour, e.g. attitude, perceptions, personality.
- Sociological factors, e.g. social class, small-group influence, etc.
- External and internal factors of business environment.

Product Decisions: Planning & Developing The Service.

1. Process of Service Planning and Development

The demand for service comes as a result of a standard of living in a nation's economic development. The primary level of economic development is dominated by agricultural and extractive products marketing; the secondary level is dominated by manufactured and processed products marketing; and the third level is characterised by tertiary or service marketing.

In service marketing segmentation and product differentiation are skilfully combined into a single package. For example, an airline offers first class and economy class services in one flight and Kenya Railways usually offers first, second, and third class coaches (i.e. differentiated product and segmented market in one package). In the cinema industry, the sitting arrangement consists of viewers from upstairs (circle) and stalls. The football stadia segmentation depends on locality differentiation, seat quality, roofing on an area, etc.

New services, improvement of existing services, elimination of unwanted or unprofitable services are all key factors in service planning and development.

Marketing managers can use the following systematic procedures in developing their marketing programmes:-

- to determine the services to be offered;
- to determine the length and breadth of the service mix to be offered;
- to decide the service attributes e.g. branding or offering guarantees.

If the service firm wants to increase its total volume, or reduce the seasonal fluctuations, or cater for changing buyer patterns, then the firm can: expand or contract the service mix; change current services; and trade up or down.

2. Difficulties of Service Planning and Development

Process such as packaging, colour, labeling, style, etc. are not available in service marketing. This makes service planning relatively easier than tangible product planning for the marketing executives.
In other areas of product planning, e.g. branding and standardisation of quality, service planning is relatively more difficult than tangible product planing for the marketers. Branding becomes difficult because it is not possible to attach physically your brand to your service. The customer wants consistency in a service quality, but it is a challenge for marketers to provide it in some fields like beauty care, medical care, and some of the recreation industries. No attempt can be made by marketers to provide a mass-produced service. Although the customer still wants consistency in a service quality, the sellers provide customer service which is required by each individual customer.

Pricing Decisions

The basic methods of pricing for tangible products are applicable for services. Car rental agencies give quantity discounts and their daily rates are cheaper if you agree to rent the car for a week, or a month at any given period of time. Insurance companies also give cash discounts if their customers pay premiums annually, or quarterly, instead of monthly. Doctors and management consultants use variable – price policies, while hotel and building owners offer different services (e.g. one bedroom, two bedrooms, suites, etc) and seasonal discounts for hotel accommodation.
Geographical pricing may apply where mechanics charge more if they go to work out of a town, or doctors may charge more if you call them from their homes instead of their offices. Lower rates for long distance telephoning at night and on Sunday can be seen as another example of geographical pricing and creative pricing.
Perfect competition does not exist in service marketing because of the heterogeneous nature of services. Most services are highly differentiated because of the difficulty in standardisation. To have complete market information is not possible and there are geographical limits for offering services. There is a small number of sellers, and freedom of entry is hampered by the heavy capital requirement for producing certain services like transport and medical car. For the above reasons, the private seller just establishes a price, but it must be reasonable and approved by a government or regulatory agency.
Finally, the need for managerial creativity and skill in pricing is essential and necessary as well, because:-

- services are extremely perishable and not storable
- demand for services often fluctuates considerably
- customers can postpone purchases or perform the services by themselves

The price should be based on the elasticity of demand, i.e. High price should be charged whenever the demand is low;
the price will depend on the intensity of demand, the cost of producing the service and the existing competition.
In practice, "uniform" prices are charged by land valuers, doctors, lawyers and shoe-shine boys who operate in the same geographical areas, e.g. within Nairobi area.

Channels of Distribution (Placing decisions)

Traditionally services have been distributed directly from the producer/creator to the consumer. There have been no intermediaries because the services cannot be separated from the sellers (services are created and marketed simultaneously). Public utilities, medical care, repair service, etc. can be given as examples of direct distribution from the producer to the consumer. The sellers personalise their services and receive feedback from their customers.

Sometimes one intermediary agent may be used, e.g. in marketing of securities, travel arrangements, entertainment, or house rentals. Dealers may be trained in the production of a service, then franchised to sell it.
The main issue in distribution, however, is the transfer of permanent ownership (or title) from the seller to the buyer or consumer/user. This is usually done at the time when the seller (e.g. a doctor) is providing the service.
In recent years some firms have made efforts to overcome the problems of distribution in the following ways:-
Banks have introduced tellers' windows which are accessible to their customers. They have set up additional 24-hour service mechanical banking facility (i.e. using bank cards). Some banks ask employers to deposit employees' pay cheques directly into their bank accounts; here the employers operate as service intermediary agents for the banks.
A service marketer can broaden his distribution, but there is limitation. Some service industries such as rental stores can have rental problems while accountants do not have the same problems.

Promotional Decisions

This is done mainly through advertising, personal selling, sales promotion, public relations and publicity as it is done in the case of promotion for tangible products. Emphasis, however, is on personal selling and advertising which are used more effectively than the other aspects of promotion. In the transport industry, for example, advertising and personal selling both play a very significant role in promotional activities of the services offered.
It is easy to sell something that the buyers can see, smell, feel or something that can be demonstrated. Services are not in this category of products. Point of purchase displays are impossible but the benefits of using the service can be effectively advertised or explained through personal selling. Recreation, entertainment, travel, sports, etc. benefit considerably from publicity through newspapers, radios, television. For many years advertising has been used for covering many service fields such as the ones quoted above plus housing, household operation, transport and insurance.
Until recently, the professional associations of doctors, lawyers, accountants, etc thought that it was unethical to advertise their services. They prohibited advertising. Things are changing now and some advertising is being done by their members. They also do an indirect type of promotion. For example, they:-
Participate in community affairs and this helps them to put their names before the public;
Advertise to attract new industry; this is done by banks, utilities, railroads, etc. they are aware that if anything helps the community to grow, it will definitely lead to a market expansion for them.
The main objectives of the promotional programme in a service firm should have three components. (I) it should portray the benefits of the service in an appealing manner, (ii) it should differentiate the service benefits from those of the competitors and (iii) it should build the firm's good reputation. The reputation of the firm becomes very essential because of the intangible nature of the service being offered.In addition to the 4P^{S} mentioned earlier services have three additional P^{S} i.e people, processes and physical evidence.

People:
the importance of employees as an element in the marketing mix is particularly evident in the service industries.
If you have had poor service in a shop or restaurant you may not be willing to go there again. Research has should that there is an identifiable relationship between low staff turnover and repeat purchases.
Managing front-line workers eg cabin crew on aircraft who are the lowest in the organisational hierarchy but whose behaviour has most effect on customers is an important task for senior management. It involves corporate culture, job design and motivational issues. People issues include:-

- Appearance
- Attitude
- Commitment
- Behaviour
- Professionalism
- Skills
- Numbers
- Discretion

Processes:
involve ways in which the marketers task is achieved. Efficient processes can become a marketing advantage in their own right. For example if an airline develops a sophisticated ticketing system it can encourage customers to take connecting flights offered by allied airlines. Efficient processing of purchase orders received from customers can decrease the time it takes to satisfy them. Process issues include the following: -

- Procedures
- Policies
- Mechanisation
- Queuing
- Information
- Capacity levels
- Speed/timing
- Accessibility

Physical evidence/facilities
This is important in service industries for example where the ambience of a restaurant is important logos and uniforms help create a sense of corporate identity:-

- Environment eg. Furnishing, smell, colour, layout, noise levels
- Facilities (van, equipment, tools, apparel or uniform
- Tangible evidence (ticket, logos, packaging, labels) etc.

Recent Trend in Service Marketing

Factors Affecting Growth in Service Industries

Some internal barriers to future growth of service industries are:-

- **Specialisation:** There are few people with specialised skills, e.g. doctors, lawyers, engineers and accoutants.
- **Competition:** There is limited competition in some service industries such as transport, communication and medicine.
- **Research and development:** In many service fields there is little emphasis on research and development.
- **Role of marketing:** There is general failure in some service industries to adopt the concept and role of marketing in every business.
- **Alternative performance:** In some cases the customers are capable of performing the services by themselves
- **Use of technology:** Some manufacturers produce goods which decrease the demand for service industries, e.g. wash and wear clothes which do not require laundry service, or television sets replacing commercial entertainment.

- **Poor quality:** The boom in the services market has led to deterioration of the service quality because of poor management, inefficiency, low productivity, etc.

Prospects of Future Growth

In some recent cases the service industries have adopted the marketing concept. The idea of selling benefits to the customers is being stressed and this enables traders to focus on new performance methods. Mechanisation, assembly-line standardisation, specialisation and organisational consolidation are manufacturing concepts which are applied in the service industries in the following ways:-

- Laundry and dry cleaning (Mechanisation of services).
- Fast food retailing (assembly-line technology in services)
- Medical field (doctors, dentists, etc. as specialists in services).
- Travels and hotels (airlines owning hotels – this is an example of consolidation of services for improved productivity).

In conclusion, the recent trend shows that despite the drawbacks, services will continue to grow in the future. The demand for services is less sensitive to economic fluctuations than the demand for tangible products. The busiess becomes more complex and management realises that there is a need for business service specialists.

9.4 ANALYSING MARKETING OPPORTUNITIES – SEGMENTATION AND SELECTION

9.4.1 CONSUMER MARKETS AND SEGMENTATION

Introduction

Strategic marketing planning has the following five-step process:-

- Conducting a situation analysis
- Developing marketing objectives
- Determination of positioning and differential advantage
- Selecting target markets and measuring market demand
- Designing a strategic marketing mix for the marketing operation

What is a Market

A market simply means people or organizations with needs and wants to satisfy. They have money to spend in satisfying their needs and wants by buying benefits of products and services. They must have the willingness to spend their money in buying the satisfying benefits.
For example, many people in Nairobi need and want transportation service, and they are willing to pay for it. However, they are in a large group. Some of them want low-cost and efficient transportation. Others want luxury and privacy. A firm can satisfy all groups with different needs. This is done through the process of target market segmentation strategy.

Target Marketing Strategies

A target market refers to a group of people or organisations selected by a firm which directs a marketing programme to the group. In a new company management uses research methods to identify the markets, and in an old company the management routinely studies changes in the characteristics of its target markets and alternative markets. The total or aggregate market is normally divided into different segments at which respective marketing programmes are directed. The firm may choose a single market segment as its target for marketing operations or more segments for the same purpose. Selection of the target markets segments is done on

the basis of opportunities. A firm must forecast demand or anticipate sales in its target market segment in order to assess, analyze and evaluate its opportunities. The demand or anticipated sales forecasting results are used to decide whether the company's target markets should be pursued or alternatives should be identified.

Four Approaches to Target Market-Segmentation

Market segmentation usually reveals whether or not there are opportunities for the firm. After adopting a segmentation strategy, a company can take one of the following four approaches:

(i) Market customisation strategy

In market customization strategy each consumer is treated as a unique customer. The strategy is popularly used by companies marketing industrial (business) products. It is extensively used for consumer goods, e.g. by firms which market tailor-made goods such as furniture, dresses, suits, etc. They all practice market atomisation.

(ii) Differentiated Marketing Strategy

This refers to a multi-market segmentation in which a company directs its marketing programmes to several marketing segments. This is done by variations in the marketing mix. For example, in each market segment you can have different products, different prices, different promotion activity and different distribution facilities. A university engages in different marketing by offering its course programmes at different educational levels.
When a firm differentiates products, it has a chance to increase its total sales, in the total or aggregate market. This happens because the firm focuses on several market-segments as its mixes are being directed at many people. Products such as clothes are capable of great variations. Hence they are easily differentiated.

(iii) Concentrated Marketing Strategy

This approach is called concentrated marketing strategy because the marketers endeavor to serve a single market-segment. For example the manufacturers of BMW cars and Mercedes-benz cater for the affluent consumers in different countries.

Advantages of Concentrated Marketing Strategy

- Its main advantage is that the firm has a good chance to specialise by concentrating its efforts on a single market-segment.
- The firm has the opportunity to carefully analyse its customers' needs and wants then concentrate in satisfying the identified needs. Hence the firm can generate a large sales volume if it deeply penetrates that single market-segment.

Disadvantages of Concentrated Marketing Strategy

The danger is that the firm puts all its eggs in one basket. Should the demand for the product decline, the firm would get into problems.

(iv) Undifferentiated Marketing Strategy

- Here the firm focuses on what it has identified as common to all people in the aggregate or total market.
- A single marketing mix is designed and directed at the complex aggregate market
- The market is treated as an aggregate
- This strategy is suited for homogeneous products such as coca cola soft drink.

Market Segmentation: Consumer Markets

Definition of Market Segmentation

We talk about a market segmentation if the total market for a product is broken down into several sub-markets (i.e. different markets), and each sub-market has homogeneous characteristics in its essential aspects.
Marketing segmentation is customer-oriented; a company will first identify the needs of the consumers within a proposed sub-market or segment before it plans, develops, prices and delivers goods and services to satisfy such needs profitably in the market segment.
The total market for most products is heterogeneous and cannot be considered as one homogeneous market. It does not have a single uniform entity. It has sub-markets which are significantly different from one another. It is easily broken down into sections known as segments.

Benefits of Market Segmentation

- The advertising media can be used more effectively, especially if the company develops different promotion messages aimed at each market segment.
- Market demands can be well satisfied by designing suitable products for each segment.
- It is possible for small firms with little resources to survive and compete in one or two segments. It will be too difficult for them to compete in the total market.

Criteria for Market Segmentation

- Measurable and accessible data for consumer;

- Access through the existing distribution channels
- Each market segment to be large enough to be profitable;
- Segmentation to be according to the ultimate consumers and industrial users

(d) Strategies Commonly Used

The strategies used in market segmentation include:
Developing different varieties of basic product for each segment; or
using the same product but with different promotion activities for each segment. Take for example a Toyota Corolla (1300cc) in Kenya. It can be marketed to three different market segments with three different sales appeals:-

Family car: The sales appeals could be a family car which is likely to be either medium or large with interior comfort and plenty of space.

Company car: The same may be promoted in a different market segments as a company car which is easy to drive, easy to service and easy to sell after new replacement cars have been bought etc.

Second car: The vehicle can also be sold to a third market segment of the rich people who can buy it as a second car. The sales appeal can show that it is a small ,economical car which is inexpensive to buy and easy to run.

In East Africa, Toyota Corolla (a Japanese car) has fulfilled the above segments of the car market. It is

Possible for the car firms to develop particular models for particular markets. For example, Rolls Royce (Britain), BMW and Mercedes-benz (Germany) are luxury cars which appeal to a special market segment in Kenya and in other parts of the world.
In Kenya, East Africa Breweries usually sell at home mostly their brands of Tusker, Pilsner, Whitecap and Export Kubwa, while overseas they sell Premium Lager, Malt Lager, etc. However, Kenyans are free to buy the latter if they like.

Methods of segmentation.

Each market segment has its own unique requirement because it is homogeneous. Hence it needs a different mix of the marketing resources. Market segments vary from one market to another in the following ways: -

- Age: People in different age groups use different fashions, styles of clothes, etc. The marketing strategy for one age group (a segment) will be different from that of the other age groups.
- Population: This includes the size of the total population is considered together with age, sex, family lifestyle and family life cycle. These are useful factors for market segmentation to consider. The marketers must consider these factors before they make their decisions on advertising, distribution of products, market research, and other marketing activities in each market segment.
- Grouping: It is essential for the marketers to know the various groups making up their markets. Religious, cultural, racial and social groups must be identified. Nationalities, education, occupations, personality, attitudes, and product benefits which are desired must be considered by the marketers.
  The grouping is useful for firms which sell products such as clothes, shoes, cars, toys for babies, etc. Each group can form a distinct market segment within a region or a country.
- Income: The size of disposable income (net income after deductions) is important for the marketers who have to determine the quality and quantity of the products to be marketed, and how many lines or models that their companies should market. The question of money to spend is answered by the size of the income.

GLOBAL/INTERNATIONAL MARKET-SEGMENTATION

1. Segmentation Within-country

This is done in the home country by those companies which apply global/international operations.

2. Cross-border segmentation

Segments in one country are different from those of another countryowever, some countries may have segment similarities between groups of consumers. A regional segment is possible. Even a global is possible sometimes.

Advantages of regional or global segments are:

- Opportunities for standardisation;
- Significant economies of scale in production;
- Economies in R&D and marketing costs;
- Segmentation can be done in the youth market;
- e.g. for jeans, pop records, etc and the business market (business suits
- and magazines)

The disadvantage is lack of customer responsiveness.

3. Country Groupings

- Complete countries are grouped into segments
- This is good for standardisation
- Economies of scale are realized
- Criteria used for grouping may be level of economic development or geographical proximity. This is based on a single variable.
- Advantages are convenience of management for geographical proximity
- Disadvantages are the segmentation ignores social, cultural and political differences. If whole countries are grouped by using a single variable, it is not likely that there will be a real cost or marketing advantage.

CONSUMER BUYING BEHAVIOUR

Introduction

The consumer buying behaviour can be considered as complex decision making processes and acts by individual consumer over a time period. The actual purchase is usually preceded by a series of related psychological and physiological activities. These activities influence the nature of the consumer purchasing processes and acts before the actual buying transaction is done.

It is essential for the marketers to analyse and understand the consumer buying behaviour because of the following reasons:-

- A firm's success depends on the reaction and behaviour of the consumers towards its marketing programmes and strategies.
- The marketing concept states that a firm's marketing mix should satisfy the consumers' needs and wants.
- A better understanding of factors influencing consumer buying behaviour is necessary. Why? The marketer is in a safer position to anticipate and predict how consumer will respond to the firm's marketing strategy.

Consumer Buying Decisions Behaviour

The consumer buying decisions can be classified into the following categories:-

- Routine response behaviour.
- Limited decision making behaviour
- Extensive decision making behaviour
- Impulsive buying behaviour

- **Routine response** behaviour is applied when the consumer makes frequent and common purchases e.g. buying soap, salt or bread. These are commodities of low cost and risk.
- **Limited decision making behaviour** is used when the consumer purchases products occasionally or when she/he requires information about some unfamiliar brand in a familiar product category.
- **Extensive decision-making behaviour** applies when the consumer purchases an unfamiliar expensive, high risk or infrequently bought product.
- **Impulsive buying behaviour** occurs when the consumer does an unplanned buying. This involves a powerful persistent urge to buy something immediately without any prior decision.

The above mentioned decisions do not mean that to buy a certain product the same type of behaviour must follow. Individuals differ in their response to purchases situations. Sometimes even the same consumer makes a different decision in other circumstances.

Consumer Buying Decision Process

The consumer buying decision process is divided into five stages. These are:-

- problem recognition
- information search
- evaluation of alternatives
- purchase stage
- post-purchase evaluation

It should be noted that decision processes do not necessarily lead always to a purchase. Not all consumer decisions include all the five stages.

Problem Recognition

Problem recognition applies when a buyer realises that there is a difference between his desired state and an actual condition. After realisation of the problem or need, the buyer decides to search for information for products that can help him. Satisfy his needs or solve the problem.

Information Search

In this internal search, buyers search their memories to see if they have information about the product which can solve their problem. They may be unable to retrieve from their memories sufficient information to make a decision. Then they seek additional information through external search.
A successful search then provides the consumers with a group of brands known as an evoked set. The buyer sees the evoked set as possible alternatives.
Evaluation of Alternatives in Evoked Set

First, the buyer will establish his/her criteria for evaluating the alternatives in the evoked set. This is done by assigning certain importance or salience for comparing, rating and ranking the differed products.
Purchase Stage The product or brand is selected on the basis of the results of evaluation stage and on other dimensions. The buyer now chooses the seller from whom to buy the chosen product. After the purchase, the buyer evaluates the product again to see if its actual performance is satisfactory.Post-purchase Evaluation and Cognitive Dissonance

After the purchase the post-purchase evaluation sometimes provokes cognitive dissonance. This means the dissatisfaction brought about by consumer's doubts regarding whether or not she/he should have been better off to buy this one or another brand which had also ranked high in the evaluation stage. The results of the post-purchase evaluation can affect future buying behaviour.

Major Categories of Influence on Consumer Buying Behaviour
There are three major categories of influences on consumer buying decision process. They are outlined below.

- personal factors
- psychological factors
- social factors
- Personal Factors
  Personal factors are unique to individual consumers. They include (a) demographic factors, (b) situation factors and (c) level of involvement
- Demographic factors refer to those characteristics such as age, sex , race, ethnic origin, income, family life cycle and occupation.
- Situation factors regard external circumstances or conditions, which are relevant and exist when a consumer is making a purchase. For example, time to make a decisions is a situation factor.

Consumer's level of involvement refers to the importance and intensify of his/her interest in a product in a particular situation. This will affect the buying decision.
The consumer is said to have enduring involvement if he/she has an on-going interest in a product class because of personal relevance. If he/she finds himself/herself in the particular circumstances or environment, the case becomes a situational involvement at the time of purchasing.

Psychological Factors

The psychological forces which influence the buying decisions are primary psychological factors such as (a) perception, (b) motives, (c) attitudes, (d) personality and (e) learning.

PerceptionThe perception process leads to selecting, organising and interpreting information and interpreting information inputs, e.g. the sensations received through sight, taste, hearing, smell and touch. The process is done to produce meaning.

Selecting exposure applies where people select inputs which are to be exposed to their awareness.
Selective distortion occurs when people change or twist currently received information
Selective retention happens when people decide to remember only the inputs which support their personal feelings and beliefs. They forget the inputs which do not favour such feelings and beliefs.
Integrating the new information: This is the second step of perception after selection. It requires organisation and integration of the new information with that which is already stored in memory.
Interpretation: This is the third step of perception after integration of the new information. It is the assignment of meaning to what has been organised.
Self-concept or self-image: people have self-concept or self-image in addition to their perceptions of packages, products, brands, organisations, etc.

MotiveAll consumer behavioural activities are motivated by some aroused need. A motive is an internal energy or force which directs a person's behaviour towards seeking a need satisfaction or achieving a goal.

Patronage motives: These motives influence a person if he/she purchases products regularly. Marketers use in depth interviews, focus groups or projective techniques to analyse the major, motives which influence the consumers to buy or not to buy their products. The common projective techniques are word association tests, bubble drawings, sentence completion tests, etc.

LearningLearning is a change in behaviour as a result of experience. Stimulus-response learning involves drives, cues, responses, reinforcement and punishment.

The above items mean that learning is an activity caused by receiving information and acquiring experience. Knowledge consists of (a) familiarity with the product and (b) the individual's ability to apply the product, i.e. expertise.

AttitudesAttitudes refer to learned predispositions to respond positively or negatively to an object or class of objects in a consistent manner. Attitudes concern positive or negative feelings about an object or activity. Consumer attitudes towards a firm's image or products will always influence the success or failure of the company's marketing strategy and programmes. Marketers use projective techniques and attitudes scales to measure consumers' attitudes. Attitudes have direction and intensity and they tend to be stable and generalisable. The strongly held attitudes are usually difficult to change.

PersonalityPersonality refers to the sum of an individual's traits that make him/her different from other people by influencing his/her behaviour. The traits and behaviours make a person unique. Hence personality influences the types and brands of products which the consumer buys.

Social Factors

The social factors in this context are forces which people exert on buying behaviour. Social factors include:-

- influence of roles and family
- reference groups
- social classes
- culture and sub-cultures
  People occupy positions within groups, organisations and institutions. Each holder of a position has a role to play. A role is a set of actions and activities. A person in particular position plays a specified role. This is based on the expectations of the person and the surrounding people or group.
- Reference group: A group is referred to as a reference group if an individual joins it and identifies with it to the extent that he/she adopts its values, attitudes or behaviours of the group members.
- Opinion leaders: In most reference groups, one or more members emerge as opinion leaders.
- Social class: This is an open group of people who have similar rank.
- Cultural and sub-culture: Culture and sub-culture refer to the things in our surroundings. Such things are made by human beings. It is practical to divide a culture into sub-cultures based on geographical regions, human characteristics, etc.

Conclusion

Marketers use research methods to understand consumer buying behaviour so that they can offer the consumers more satisfaction.

BUSINESS (INDUSTRIAL) MARKETS AND SEGMENTATION

MARKETING OF INDUSTRIAL (BUSINESS) PRODUCTS

What are industrial products?

In marketing, we do not define products by using their physical characteristics. We usually define them by reference to the utility that the product confers on the buyer or user. This means that a product is defined in the form of utility which the product user derives from it. The reader should pay careful attention to our definition in the next paragraph below.

Definition of a Product

A product has been defined as "A set of tangible and intangible attributes, including packaging, colour, price, manufacturer's and retailer's service, which the buyer may accept as offering want satisfaction." (Stanton).

Classification of Industrial Products

They can be classified into raw materials, fabricating and parts, installations, accessory equipment, and operating supplies.

Raw materials

These are industrial goods that become part of another physical product. They are not processed and they include: natural resources-e.g. minerals, products such as wheat, cotton, coffee, tobacco, fruits, vegetables, livestock or animal products like eggs and milk.

Features

- They are limited in supply and cannot be substantially increased
- A few large-scale producers are involved
- Products are highly standardised and graded
- They are bulky and have low unit value
- Their location (where they are situated) is sometimes far away from the location of the industrial user
- In agriculture, raw materials are supplied by many small producers located far away from the markets
- Supply in agricultural products used as raw materials is controlled by people, however, it cannot be increased or decreased quickly.
- Agricultural products are perishable and not uniformly throughout the year.

Marketing strategies

Short channels of distribution are required e.g. from the producer to the industrial user directly. One intermediary agent my be used.Because of limited supply, the industrial goods users assure themselves by signing contracts in advance to buy the goods for a whole season.Little branding and other product differentiation are applied by marketers Competition is based on price and certainty of specified supply by producerMany small producers supply agricultural products used as industrial raw materials, transport consideration is essential because of the distance between the producer and the user.Small and numerous producers lead to many intermediaries. Hence long distant channels of distribution are used to acquire the raw materials for agricultural products

Fabricating Materials and Parts

These are industrial goods which eventually become part of the finished product. They are already processed, but require further processing. This means that they are inputs which are bought in a processed form and will normally be subjected to further processing before they are incorporated into the final product.

Features

- Fabricating materials are those processed inputs which will be incorporated with the final product without any further processing, e.g. rubber for Bata Shoe Co., iron for steel manufacturing, cement for building, etc.
- Fabricating parts will be assembled with no further change in form, e.g. spark plugs, battery and many car parts not manufactured by motor vehicle manufacturers.

Marketing strategies

- They are purchased in large quantities
- Buyers place their orders a year or more to secure adequate and timely supply
- Selling is direct from the producer to the user in most cases (except in some industries like textile firms).
- Buying decisions are based on the existing prices and the services provided by the sellers
- Branding is not important in many cases, but some firms succeed by branding their products.

(c) Installations

The installations are manufactured industrial products or assets that set the scale of production for the firm. Their main features or characteristics are that they directly affect the

scale of production in the firm. For example, if you give Kenya Airways new typewriters, the change in production will no be altered very much. But if you give the same airline 15 new jet planes, e.g. Jumbo 767 planes, their scale of production will drastically change. Examples of installations are furnaces for steel mills, building in a factory, or diesel engines for a railway. Marketing of installations provides a big challenge to the marketers because each sale is important. No intermediary agents are used for sales are made directly from the producer to the user.

Marketing challenges include the following:-

- The unit sale is large
- The product is made to the required buyer's specifications
- Presale and after-sale services are essential
- The sales force must be of high caliber
- Sales engineers are used for selling
- Personal selling is used for promoting the product (limited advertising can also be applied)

Accessory equipment

Features

- The accessory equipment can be defined as those small installations which cost very little money, but are very essential for the operation of the firm.
- They do no set the scale of operation for the firm like the other bigger installations previously mentioned. Examples include fork-lifts, typewriters, fixtures, etc.
- Accessory equipment does not become an actual part of the finished product
- The life of the accessory parts are shorter than the one of the major installations

Examples are:- office equipment, cash register, etc

Marketing strategies

- It is difficult to generalize the method of distribution
- If a product is of relatively high unit value e.g. a forklift, direct selling is preferred
- For others the manufacturers of accessory equipment use intermediary agents because of the geographical dispersal of the market. This is necessary where there are many different types of potential buyers with relatively small individual orders.

(e) Operating Supplies

Features

The operating supplies are the convenience goods of the industrial markets.

- They are demanded on day to day basis in the process of production
- Examples:- lubricating oils, pencils and stationeries, etc
- They are short-lived, low priced and are purchased without careful analysis of the purchasing decision
- Although they help in the firm's production process, they do no become part of the finished products

Marketing strategies

- They are distributed widely by using wholesaling intermediaries because:-
- They have low unit value
- They are bought in small quantities
- They go to many users,
- The price competition is heavy
- The products are standardised and

There is insignificant brand insistence

Characteristics of Industrial Products

Introduction

Industrial products market is characterised by four distinct features:-

- demand is derived
- demand is generally inelastic
- demand fluctuates widely
- the producers and the users have full knowledge of the market which is well informed

Derived demand

Demand for an industrial product is a derived demand because it is based on the ultimate demand for the consumer product in which that industrial product is used. Thus the demand for the grinding mills in Kenya depends on the consumer demands for maize, millet or wimbi used for making porridge or bread (ugali)
If an industrial products marketer wants to estimate the demand for his products, he or she must be familiar with how they are used. The producer/manufacturer of the industrial products can sometimes decided to encourage the sale of the buyer's products. For example, Pembe Flour Mills Ltd. may advertise to urge the consumers to buy their brand called Pembe from Ongata Rongai Supermarket. The increase in consumer demand for Pembe flour at the supermarket will trigger an increase in the derived demand for the grinding mills used by Pembe Mills Ltd.

Inelastic Demand

By demand elasticity we refer to how responsive the demand is to a change in the product price. The demand for many industrial products tend to be relatively inelastic because a product responds very little to changes in its price. For example, if the price of Pembe is a small part of the flour brands, the change in it will be inelastic for the demand of the mills for grinding flour.
But if the demand for all other brands like Jogoo increases substantially, there is likely to be an eventually increased demand for the mills or machines for grinding the flour.

Some Marketing Factors Affecting Demand Elasticity

- If a change occurs throughout an entire industry, not in a single firm, the industry-wide cut in price will affect the price of the industrial product. For example, if the prices of all the flour brands like Pembe, Jogoo, etc. are decreased for a long time, there will be a decrease in the derived demand for the grinding mills or machines.
- Time is another factor. Over the long-run situations, the demand for any given industrial product will become elastic. If the prices of maize, millet, wimbi, etc, increase for a long time, the price of flour will go up and this will affect the demand elasticity of the grinding mills. The mills will be elastic in the long run.
- Finally, if the cost of an industrial product has a greater percentage of the total price of the finished good, then there is a greater elasticity of demand for this industrial product.

Demand Fluctuations

Generally, demand for the industrial products does not change very much in response to price changes. However, the demand fluctuations are more than the demand fluctuations in the consumer goods. Why do such wide fluctuations occur?

Individual firms in the industries fear shortages of inventory when the consumer demand is high
Individual firms fear being caught with excess inventory when the consumer demand declines
Because of the above reasons the firms over react to the economy signals by:-

- Building their inventories when they anticipate growth in the economy and
- Reducing their inventories when they see signs of stagnation

When you combine all the actions of the individual firms, there are fluctuating demand effects on their suppliers. This is known as the acceleration principle.

Agricultural products intended for processing functions are exception to the above generalisation.
Examples of widely fluctuating demand are common among the following:-

- In product planning, a firm may decide to diversify into other products in order to solve the production and marketing problems.
- Distribution strategies may be changed when a manufacturer/producer discovers that selling to some re-sellers is unprofitable. He/she may drop them.
  Prices may be reduced to stem a decline in sales. This strategy may attract customers away from competitors.
- The buyers and the producers are well informed about the market.
- The industrial goods producers/manufacturers are well informed about the industrial market. They know where to sell their producer goods.
- The industrial goods buyers tend to be better informed about the goods they want to buy than the ultimate consumers. For example, they know the relative merits of sources of supply and competitive products. This essential for the following reasons:-

They are relatively few alternatives for them to consider

- The responsibility of a buyer in a firm is usually limited to a few industrial products. He must have knowledge about a narrow set of products.
- In consumer purchases an error could be a minor inconvenience. This is not so in industrial purchasing. The cost of a mistake can lead to heavy losses of thousands of shillings or even a loss of decision maker's job.
- Sellers of industrial products put greater emphasis on personal selling than firms marketing consumer products. They carefully select business sales people, train them well, and compensate them adequately. They (sales people), are in a position to give effective sales presentations. They must furnish satisfactory services before and after each sale is made. Hence business buyers are dealing with highly professional sales people with a great deal of knowledge about the industrial products.

How to Determine Industrial Market Demand

(Analysis of the Industrial Market)

The consumer market is studied by analyzing population distribution, demographic factors, economic and political considerations, and consumers' motives and behaviour. The same kind of analysis is done for the industrial users. The main factors affecting the industrial are outlined below:-

- The number or potential number of business users.
- The type of potential business users
- The purchasing power of the users
- Their buying motives and buying behaviour
- The size of their purchases
- Regional concentration of business users
- Vertical and horizontal business markets

- Manufacturing activity
- Mining activity
- Agriculture activity
- Construction activity
- Innovation (technology) activities.

The size of Industrial Market

The industrial market contains fewer buyers then the consumer market. One way of organising required information for the market analysis is to use the standard industrial classification (SIC) system. It enables a firm to identify small segments of its business market. The system divides all types of businesses into groups. Then the subgroups are developed with the SIC sub-code numbers following the main SIC range of two-digit category. The diversity of a conglomerate is hidden. Four digit detail cannot be made available to an industry in a geographical location where the information would identify a particular firm. Sometimes the industrial market may be limited in size regarding the total number of buyers. However, it may have a big purchasing power. Few firms in the country can account for the greatest share of the value added which is defined as the shillings value of a company's output minus the value of the inputs it purchases from other companies. The buying power in many industrial markets is highly concentrated in the hands of a relatively few firms. A high percentage of industry sales is done by a small number of companies.

Regional Concentration of Industrial Users

In Kenya at Thika, Ruaraka, Industrial area of Nairobi, there is a substantial concentration of many major industries and industrial users as a whole. They have vertical and horizontal markets.

Vertical and Horizontal Industrial Markets

It is useful for an industrial marketer to know whether his/her market is vertical or horizontal. This is necessary for effective marketing planning. A vertical business market applies if a firm's product is virtually usable by all firms in only one or two industries. For example, a precision instrument may be intended only for the marine market although the boat builder and ship builder are potential market segments.

A horizontal business market applies if the product is usable by many industries. Products such as lubricating oils and electric wires can be sold to a variety of industries.
The marketer normally tailor makes his product to meet the specific needs of one industry. The industry is expected to buy enough in order to support this king of specialisation.

The Purchasing Power of Industrial Customers

The way to measure the purchasing power of the industrial goods customers is to look into the expenditure of the industrial users or through their sales volume. But this method is difficult to estimate because the information is difficult to obtain. Purchasing power can only be estimated indirectly.
By using an activity indicator of buying power, some market factor is applied in relation to sales and expenditures.
The purchasing power and the number of industrial users can be combined. Various methods of measurement are outlined below.

Mining Activity

To measure the purchasing power of the industrial customers in the mining activity means a reference to output and value. How many mines are operating? What is their output? What is

the shilling value of the output as it leaves the mine? The answers to these questions can help determine the purchasing power of the mining firms.

Construction Activity

If a firm markets brick, lumber, gypsum products, builder's hardware and other building materials, its market depends on construction activity. Consideration is based on the number of value of building permits issued by a local authority.
Another way is to consider the number of construction work started and the type of structures, eg. single houses for residence, commercial houses, flats (apartment) and maisonettes. Local data are available from the local government offices.

Agricultural Activity

The buying power of the farm market can be estimated by studying such indicators as cash from farm income, acreage planted and crop yields. If a firm markets agricultural products or equipment, the above estimates are essential for its effective marketing. For example, if you are a chemical producer selling to a fertilizer manufacturer, you need to study the same indices. Why? Because the demand for chemicals is derived from the demand for fertilizer.

Manufacturing Activity

If a firm sells to manufacturer's it can use the following activity indicators:-

- The number of employees
- The number of plants
- The shilling value added by manufacturing.

Industrial Buying Behaviour

Introduction

As in the case of consumer buying behaviour, industrial buying behaviour follows the usual pattern outlined below.

- An aroused need (motive) is recognised
- The aroused need leads to goal-oriented activity meant to satisfy the recognised need.
- The need motivator must be determined by marketers who understand the buying processes and patterns of industrial firms in the markets.

Industrial purchasing has become an important part of overall strategy because tope management is interested in it. It cannot be left to the purchasing department alone. The overall purchasing strategy has become, important because:-

- Many companies make less and buy more product contents for the finished products. For example, motor vehicles manufacturers buy parts form independent suppliers and use the parts to build the vehicles.
- Firms want to reduce costs and improve efficiency, and they are under intense quality and time pressures. They no longer buy and hold inventories of parts and supplies. They want the raw materials and the components that meet their specifications to be delivered promptly to go into the production process.
- Firms concentrate their purchases in fewer suppliers and develop long-term partnering relationships. This is essential for them to get what they need. This high level of involvement goes beyond a purchase. It includes other things such as working together in order to develop new products and providing financial support.

Buying Motives of Industrial users

There are two views about the buying motives of the industrial purchases. They are based on the individual interests and the organisational interests.

Individual Interests

Buyers in business have their attitudes, perceptions, and values. Therefore they are motivated more towards personal goals than organisational interests.

Organisational Interests

Buyers conduct purchases in a methodical and structured manner. The business buying motives are expected to be practical and unemotional. They are motivated to achieve the optimal combination of price, quality, and service in the products which they buy. The two are in conflict.

Individual and Organisational Interests

Buyers usually have two goals. They want to further their company's position in profits and acceptance by society. They want also to protect or improve their position in their firms. This is about self-interest. These goals can be mutually consistent. For example, if the firm's goal is to save money, the buyer may negotiate a low price from a supplier and he knows that his organisation will reward him for good performance.
The buying decisions are made easier if the individual and organisational goals are consistent. But in some significant areas the buyer's goals are not consistent with those of the firm. The firm may insist in dealing with the lowest price so the buyer does not want to change. In this situation the seller must stress to the buyer (I) What is good for the firm and (ii) What is in it for the buyer.

Promotional appeals should be directed to the buyer's self-interest if two or more competing firms offer the same products, prices and post sale services.
Buyers purchases range from routine to complex buying decisions. This means that the buying situations in industrial organisations vary widely in their complexity, the people involved, and the time required. A great deal of research has been carried out about organisational buying behaviour. Three classes have been identified. They are discussed below.

New Task Buying Situation

The new task buying situation is both difficult and complex. It is a first time purchase of a major product. More people are involved in the process of buying because there is a great risk. Information need is high and it is difficult to evaluate the alternatives since the decision makers have little experience concerning the product.
The sellers/marketers have the challenge to identify what the buyer needs and communicate the ability of the product to satisfy the identified need.

Straight Re-buy Situation

The straight re-buy situation refers to a routine and low-involvement purchase. It has a minimum information need without great consideration of alternatives. Here the buyer has had experience with the seller and there is no incentive to search. It is a repeat purchase.
The buying decisions are made in the purchasing department. There is a predetermined list of acceptable suppliers. If some suppliers are not in this predetermined list they will find it difficult to sell their products to the buyer.

Modified Re-buy Situation

Considering time and people involved, information needed, and the alternatives available, the modified rebuy situation lies between the first and the second type. However, each purchase is evaluated on regular basis because new designs of products are introduced frequently.

Buying Decision Process in Business

The buying – decision process in business markets commonly involves five stages as the ones in consumer purchasing. Straight rebuy purchases skips some stages because they are routine. However, a new-task purchase of an expensive good or service is usually an involving purchase decision.
The main buying-decision process stages in business include the following:-

- Need recognition
- Identification of alternatives
- Evaluation of alternatives
- Purchasing decision
- Post-purchase behaviour

a) Need Recognition

The marketing staff must recognise that there is a need for buying. For example, when the Chief Executive of Express Kenya Ltd. was promoted form General Manager to Managing Director, an appropriate car was found. A BMW was bought for the CEO while the middle managers used Toyota Corolla cars.

b) Identification of Alternatives

The marketers draw up a list of product performance specification, then the purchasing agent or department identifies various alternative brands and supply sources of the product that can meet the specifications. In the case of Express Kenya Ltd. a decision was made later to buy a Mercedese Benz to replace a BMW when the time came for vehicle replacement.

c) Evaluation of Alternatives

In a manufacturing organisation the production research and purchasing people join hands together. They evaluate products and sources of supply to help purchasing department to identify the right product. The evaluation is done for such factors as product performance, price and supplier's ability to meet delivery schedules. The supplier must provide a consistency in quality.

d) Purchasing Decision

The buyer bases his decision on evaluation outcome. He decides on a particular brand and supplier before he negotiates the contract. The contract is bound to have many details because the large sums are usually involved. Also many people are involved before the final contract is signed.

e) Post – Purchase Behaviour

The buyer continues to evaluate the performance of the product and the selected supplier. This is done to ensure that the buyer's expectations are adequately met. Any future dealings with the supplier will be affected by the results of post-purchase evaluation. In the case of Express Kenya Ltd., Mercedes benz proved to be better than a BMW in terms of product reliability and better performance.

Buying Influences: Multiple buying factors

Business-to-business marketing is complex for it is difficult to determine which individuals play various roles. It is challenging for the buyer to know

- Who makes the buying decision?
- Who influences the buying decision?
- Who determines products specifications?

The above activities involve several people in an organisation, especially in large organisations. Medium-sized and small firms are equally affected. The owner manager may make all the decisions alone, but he consults knowledgeable employees and relatives or friends.

The Central Buying Office

The Central buying office is defined as the total of the individuals or groups of people involve in the process of decision to purchase a product. They include (i) users, (ii) influencers (iii) deciders (iv) gate-keepers and (v) ultimate buyers.

i) Product Users: They actually use the industrial products. Examples are: (a) a secretary (b) an executive (c) a product-line or (d) truck driver. They are very important because their views are a source of feedback regarding product performance or general utility.

ii) Decisions Influencers: Some people set the product specifications plus aspects of buying decisions. Such people are influential because of their technical expert knowledge, organisational position, or some political power in the firm.

iii) Deciders: The deciders make actual buying decisions in respect of the product plus the supplier. In some cases a purchasing agent/department is a decider in a straight – rebuy situation. If the item to purchase is
expensive, the top management becomes involved.

iv) Gate-keepers: Some people control the flow of the purchasing information.
These gate-keepers carry out their control activities within the organisation and between the firm and its potential vendors. They may be purchasing agents, secretaries, receptionists, and technical personnel.

v) The Ultimate buyers: They interact with the suppliers and arrange the final terms of sale. They process the actual purchase orders. The ultimate buyers are the employees of the purchasing department. Where the value of the purchase is high, the top management becomes involved.

Multiple roles in purchasing

The same person can play more than one role. For example, a secretary can be a user, an influencer, and a gatekeeper if the purchase is about a word-processing equipment. On the other hand, there could be several users of the same product.
The size and composition of the central buying office depend on the requirements of various business organisations. The requirements will depend on the cost of the product, the complexity of the decision, plus the stage of the buying process.
Sales representatives usually waste time by talking to the wrong people in business buying. This happens because of many people involved in the buying process, differences among companies and other factors. The decision makers are usually busy people. It is not easy to reach them. This means that selling activities in the organisation must be organisationally co-ordinated. The business marketer's activities should be matched with the buying needs of the purchasing organisation.

Buying characteristics of business users

The buying characteristics of the industrial users markets, buyer-seller relationships in business marketers, and the total buying behaviour are different.
Direct purchase occurs when the business user buys products from the producer. This happens if there are large orders that make it necessary for the purchaser to need technical assistance. Direct sale in the business market is convenient for the seller because there are relatively few potential buyers. The buyers are big and geographically concentrated.
The nature of the relationship in the business market is unique. The business marketers consider the roles of producers, manufacturers, suppliers, distributors and end users. The marketers see how each of the participants adds value to the final products.
Emphasis and efforts are made on building and maintaining relationships with all parties. They (the parties) are actually responsible for successfully bringing the products to the business markets.
Frequency of purchase is another characteristic different from the pattern in consumer purchase. Certain products are bought in frequently. Examples include (a) large installations (b) small parts and materials used in the product manufacture and (c) standard operating supplies (e.g. cleaning items).
Personal selling programmes of business sellers will have to call on their potential customers as often as possible to keep track of company's products. The seller will know when the customer wants to make the next purchase.
Size of order is considerably larger in the business purchase than it is in the consumer market. Hence each sale in the business market is important for the seller because it is unique.
Time for negotiations tend to be longer than in the consumer transaction. The reasons for extended negotiations are many eg.
many executives are involved in the buying decision
one single sale involves a large amount of money
the product is made specifically as ordered by the business customer. Hence considerable discussion is necessary for establishing the specifications.
Reciprocity arrangements used to be common among firms selling homogenous and basic products such as oil, steel, rubber, paper products and chemicals. The arrangements here is: "I will buy from you if you will buy from me." Reciprocity has some drawbacks. For example, (I) the price and quality of the product offered by seller may not be competitive and (ii) the morale of the sales force and the purchasing personnel may suffer if their company fails to pursue the profit maximisation objectives. In some countries reciprocity is illegal (eg in the USA).
Excellent service counts very much as a business buying motive and it determines the business buying patterns. The industrial users demand it. In many cases a firm's main differentiating feature is its service. This happens if the product is standardised and can be purchased from a number of competing companies. The sellers will be ready to offer excellent service before and after sale. The firm must serve its business-to-business customers.
Dependability is important because the industrial user wants (a) and adequate quantity, (b) uniformity and (c) good quality products. Variation in quality of materials for finished products can harm manufacturing process. This can happen if the imperfections exceed the allowed quality limits. Costly disruptions in the production process will follow and this will obviously lower overall productivity. Adequate quantity is equally important because work stoppage caused by insufficient supply of materials is costly and detrimental to the producer because the sellers may fail to deliver the products on schedules.

Companies put emphasis on total quality management (TQM) in order to show how important dependability is to their manufacturing processes.

Leasing Replacing Buying

In many business markets, leasing business goods instead of buying them has become common. Industrial firms are expanding leasing arrangements to include machinery, tools, vehicles, etc. Leasing method has advantages for both the lessor and the lessee.

Advantages for the Lessor

- Total net income is higher than the income which could be received if the equipment was sold.
- Market expansion is possible for the lessor. Industrial users who could not afford to buy the equipment may rent it.
- Leasing is a way of getting industrial users to try a new product. It is possible that they will be more willing to rent it than to buy it, especially if the price is high.

Advantages for the Lessee

- Industrial users retain their investment capital to use other purposes;
- Firms will require less capital outlay to get into a new business than they would otherwise need if they had to buy the initial equipment.
- An added advantage is that the leased products are serviced regularly by the lessors. This eliminates the problems of equipment ownership
- One attraction in leasing is that if a firm wants to use the equipment seasonally, it can hire it during the high-season. Vehicles used in tours business are an example in Kenya.

Market segmentation: industrial market

The industrial users make up the industrial market. If supermarkets, hospitals, paper manufacturers, etc, purchases were for future use in their industries, we consider them as the industrial users which constitute the industrial market.
The broad, diversified industrial market must be segmented further for a firm to develop effective marketing plans which will enable the marketers to satisfy the industrial needs by supplying the right products and services. We define industrial marketing as the marketing of the producer goods and services for industrial, or producer, good user.
The following classification of the industrial market is useful for the segmentation of the producer goods, market:-

- agriculture, forestry and fishing
- mining and quarrying
- contract construction
- communication, transport and other public utilities
- wholesale and retail trade;
- finance, insurance and real estate
- services
- Government Central Local

This is regarding the number of firms, their sizes, locations, etc.
Size of customer: The size of customer is measured by some factors eg. sales volume, number of employees, number of production facilities, and number of sales offices. Many marketers divide their customers into large and small accounts. They use distribution channels to reach the segments. For example the firms, sales persons handle their large accounts while the small accounts are left for the firm's agents or intermediaries.
Type of buying situation: A business or industrial buyer modifies his market segments into (i) new buy, (ii) straight rebuy and (iii) modified rebuy. These have been discussed previously under section 10 (i, ii and iii) above.

Other bases of segmentation: Many bases which were discussed in chapter 6 under consumer market segmentation are also relevant to segmenting the industrial or business markets.

Geographical Segmentation

Geographical segmentation of the industrial goods applies if the industries are geographically concentrated. For example firms which process natural resources are located close to the source. This minimises the transport or shipping costs. In Kenya most of the manufacturing companies are located in the industrial area of Nairobi.

Demographical Segmentation

This is like in the case of consumer market segmentation. The industrial firms can be segmentation according to their sizes (e.g. based on sales volumes or number of employees). The type of business can also be used, eg. firms which sell to other industrial firms can be considered. The segmentation can be based on type of customer, size of customer and type of buying situation.

- **Type of customer**: customer types can be identified by using the standard industrial classification called SIC. The SIC codes have two-digits, three-digits and four-digits which help to identify industries plus sub-classes of each industry. The information is available for the industrial or business targeted markets.

This is regarding the number of firms, their sizes, locations, etc.

- **Size of customer:** The size of customer is measured by some factors eg. sales volume, number of employees, number of production facilities and number of sales offices. Many marketers divide their customers into large and small accounts. They use distribution channels to reach the segments. For example, the firm's salesperson handle their large accounts while the small accounts are left for the firm's agents or intermediaries.
- **Type of buying situation**: A business or industrial buyer modifies his market segments into (I) new buy, (ii) straight rebuy and (iii) modified rebuy. These have been discussed previously under section 10 (I,ii,iii) above.
- **Other bases of segmentation**: Many bases which were discussed in chapter 6 under consumer market segmentation are also relevant to segmenting the industrial or business markets.

Target- Market Strategies

First, a firm will segment its total market. Then the second strategy is to select one or more segments as the target markets. Thirdly a decision is made to follow one of the three strategies: (I) market aggregation, (ii) single-market concentration, or multiple-segment targeting. The market potential of each segment is assessed and evaluated before management determines which segment it has identified. The segment is then chosen.
There are four guidelines in selecting a target market.
Target markets should be relevant to the firm's goals, objectives and image.
Company's resources must be matched strategically with the market opportunities identified in the target segments. This is necessary for earning profits in the long run.
An organisation must select those market segments which will generate enough sales volume at a low cost to ensure the firm's profits. Profitability sales volume is essential
Selection must be made regarding market segments which have the least and smallest competitors. With these guidelines a seller is expected to decide how many market segments he/she wants to pursue as his/her target markets. Three strategies commonly used by marketers include the following:-

Aggregate Strategy

A market aggregate strategy is called a mass-market or an undifferentiated-market strategy. Here a marketer treats his/her total market as a single segment. Market members are considered to be alike. The marketing programme mix is for one mass, undifferentiated market. Products such as salt and sugar are suitable for this strategy because they are undifferentiated.

Advantages:

- Cost minimisation. A firm produces distributes and promotes its products very efficiently
- One product is produced for the entire market. This leads to a longer production run at a lower cost
- Inventory cost is minimised because of lack of variety of colours and sizes of products
- Warehousing and transportation are efficient because one product goes to one market.

Product Differentiation Strategy

Product differentiation strategy goes together with market aggregate strategy. Customers perceive the product as differentiated and distinguished from the competitors' brands in the same aggregate market. Hence the firm creates the perception that its products are better than the competitors' brands.
A marketer differentiates his/her products in the following ways:-

- By changing the appearance of some features of the product, eg. colour, package, etc
- By using promotional appeal which stresses some differentiating features or claims, eg. claiming that the brand is the most effective product in market.

Single-segment Strategy

A single-segment strategy is called a concentration strategy because it means selection of one segment as the target from the total market. Here a company wants to concentrate only on one single market but not on the whole market.
The company's marketing mix is directed at one segment of the total market.

Advantages

- A seller will penetrate a market in depth
- The seller will acquire a reputation for a specialist or an expert in the limited market.
- Limited resources can be used to imitate a single-segment strategy.
- Large competitors are likely to leave it alone if it remains small. If it becomes big, then the large competitors will come in

Limitations

- The drawbacks of a single-segment strategy include the following risks and limitations:-
- The seller puts all his/her eggs in one basket. If the market declines the seller will suffer heavy losses
- A seller with a strong name and reputation in one market-segment will sometimes fail to expand into another market-segment.

Multiple-segment Strategy

In a multiple-segment strategy, two or more groups of potential customers are identified as the target markets. Then the marketer develops a marketing mix to reach market-segment. A marketer usually develops a different version of his/her basic product for each market-segment. But the market segmentation can be established even if the product is not changed. It may be accomplished by either separate distribution channels or promotional appeals each tailored to the particular market-segment.

Advantages

- A multiple-segment strategy tends to a greater sales volume than a single-segment strategy
- It is beneficial for a company, if it faces seasonal demand.
- If a company has excess production capacity, it may look for additional market-segments to absorb its excess production capacity.

Limitations

- High costs exist. Marketing to multiple-segments is expensive in respect of production and marketing of products.
- Producing mass quantities of one model and one colour is less expensive than producing many varieties with many models, colours and sizes.
- Multiple-segment strategy increases marketing expenses in many ways e.g.
- inventory cost increases because each style, colour etc, require adequate inventory
- advertising costs increase because each market segment requires different advertisement.
- Promotional activities other than advertising, become expensive
- Distribution costs will also go up if sustained efforts are made to make products reach market-segment
- Administration expenses will also increase because managers will plan, organise, direct and control or implement various different marketing programmes

9.5 INTERNATIONAL MARKETING

(A) Universality Of Marketing Process

Marketing is a universal economic activity that is found in all societies. Through marketing, individuals and organizations obtain what they need and want. When conditions allow some marketers can sell goods and services outside their national boundaries. When business people or entrepreneurs see opportunities to make profits by serving the needs of users of a product in other parts of the world then international trade takes place. The principles of marketing are universal but their application is affected by the environmental conditions that each country faces. The goal of any marketer whether local or international is the same: "to execute exchanges with the market".

The key element in international marketing or exchange is the ability to recognise foreign opportunities, to interpret the external uncontrollable environment and to understand how the company's resources fit the requirements for a profitable exchange.

(B) Universal Marketing Strategy Development Process

Whether marketers are developing marketing strategies for local or foreign markets, the process remains the same. This process will follow the following steps:

Step 1: Recognition of market opportunities
nvolves mainly looking out for unmet needs in the market.

Step 2: Analysis of the firm's environment
Here the marketer analyses both the internal and external environments of the firm. The internal analysis mainly involves an appraisal of the firm and its resources and capabilities. The external analysis covers, political, legal, cultural, economic, technological, physical and competitive factors.

Step 3: Setting the marketing objectives
Here the objectives that the organization wants to meet are set or selected in the light of Step 2.

Step 4: Development of market strategy
This covers the entry strategy into the market including the products/services to be offered, pricing objectives and tactics, distribution logistics and communication strategies.

Step 5: Evaluation of market strategies
Involves an attempt to select the best possible strategy.

Step 6: Implementation.
Matching strategy with the objectives developed in the initial stages and with the firm's resources.

(C) The International Marketing Environment

The most difficult part of planning for international markets is environmental analysis. Marketing internationally means entering other cultures and there is need to understand these cultures. The marketer must understand all the possible trends and how they are likely to affect demand. Environmental analysis is actually the heart of international marketing. The environmental factors that the marketer must understand include:

(a) Political environment: Includes such issues as:

- the effects of type of government
- level of political stability
- political vulnerability
- forces of nationalism

(b) Legal environment: Covers the following:

- type of legal system
- effects of regulations
- possibilities of regulatory changes
- protection for properties and
- preferences for local products

(c) Social/Cultural environments: Includes:

Languages, religious beliefs, levels of education, people's values and attitudes and social roles which all affect buyer behaviour.

(d) Business/Technological environments: This covers:

Types and sizes of businesses

- rules for business conduct
- role of business in society
- level of technology used and ability to absorb technological changes.

(e) Competitive environment: Includes the strengths and actions of:

- local and international competitors
- intensity of competition
- nature of competition and relationships and interactions with competitors.

(f) Economic environment: Includes:

- Balance of payments trends
- Strengths/weakness of currency

- Trade barriers
- Interest rates and levels of inflation
- Financial risks
- Barriers to market entry and local economic trends

(g) Physical/demographic environments: Includes such factors as:

- population trends
- climatic conditions
- physical infrastructures e.g. transportation
- demographic profiles of population etc.

All these environmental factors greatly affect the market structure e.g. size of retailers, buyer tastes and preferences, buyer responsiveness to marketing variables, ease of starting business, product availability and communication with the market. Without a clear understanding of these environmental variables international marketing becomes a very difficult if not impossible task.

(D) The Concept Of Comparative Marketing

Because the environment for Marketing decision making vary from society to society, marketing strategies should be tailored to fit each different environment, if they are to achieve optimum results. But it would be extremely costly to design a strategy for each market entered. Comparative marketing, by providing for comparison between markets gives marketers a basis for grouping nations with respect to common characteristics. So nations may be grouped into either capitalist, socialist or communist and further according to levels of development. Marketers for instance may find that groups of nations with similar economic characteristics may be penetrated with generally similar marketing strategies.
The multinational corporations for example minimise the importance of national boundaries whenever it is legally and culturally possible by developing their strategies on economic terms. These corporations remain generally apolitical with their loyalties to their shareholders wherever they are located rather than to any one country.

9.5.1 SALES FORECASTING

(A) TERMS DEFINED

(a) Market Potential (S.L) This is an estimate of the maximum possible sales opportunities in a particular segment and open to all sellers of a good or service during a stated future period. A market potential indicates how much of a particular product can be sold to a particular market segment over some future period, assuming the application of appropriate marketing methods.

(b) Sales PotentialA sales potential is an estimate of the maximum possible sales opportunities present in a particular market.Segment open to specified company selling a good or service during a stated future period. A sales potential represents sales opportunities available to a particular manufacturer.

(c) Sales ForecastA sales forecast is an estimate of sales, in monetary terms or physical units for a specified future period under a proposed marketing plan or programme and under assumed set of economic and other forces outside the unit for which the forecast is made. The forecast could be for a single product, or for an entire product-line. It could also be for a manufacturer's entire marketing area, or for any sub-division of it. Such forecasts are short-term (operating) sales forecast. Long-range forecasts are used for planning production capacity and for long-run financial planning. It is the short-term (operating) sales forecasts that are of importance to the sales executive.

Note
The purpose of an operating sales forecast is to predict how much of a company's particular product can be sold during a specified future period in certain markets under a given marketing plan or programme and under an assumed set of economic and other outside forces.

(B) SALES POTENTIAL VS SALES FORECASTING

We have already said that sales potential are estimates of the maximum possible sales open to a specified company selling a good/service. Sales potential are derived from market potentials after analysis of historical market-share relationships and adjustments for recent or impending changes in company's and competitors selling strategies.

A company's sales potential and sales forecast are not always identifiable and in most instances the sales potential is larger than the sales forecast. There are several possible reasons for this:

(a) Some companies do not have sufficient production capacity to capitalize on the full sales potential.
(b) Others have not developed distributive networks capable of reaching every potential customer.
(c) Others are limited financially and therefore do not attempt to realize their total sales potential.

Others are more profit oriented than sales oriented so they seek to maximize profitable sales and not possible sales.

Note
estimate for sales potential indicates how much a company could sell if it had all the necessary resources, and desired to use them for this purpose. On the other hand the sales forecast is a related but different estimate. It indicates how much a company with a given amount of resources can sell if it implements a given marketing programme.

(C) SALES FORECASTING METHODS

A sales forecasting method is a procedure for estimating how much of a given product (product line) can be sold if a given marketing programme is implemented. No method is full-proof and each is subject to some degree of error. In well managed companies the practice is not to rely upon one method but to combine many methods to minimize the chances of errors.

ERRORS

- Forecasting means estimating the unknown. It is like gazing into the future.
- Rarely can anyone predict the future accurately.
- Forecasting then only reduces the forecasting error.
- The two errors common are the random error. i.e. predicts a certain percentage say 4% of actual, plus or minus without consistently overestimating or consistently under-estimating sales. Systematic error (the tendency to consistently over-estimate or under-estimate sales).

A good forecasting method reduces random error as far as possible and eliminates systematic error.

METHODS AVAILABLE

The methods are either: I. Qualitative (subjective or judgemental)
II. Quantitative.

I.QUALITATIVE METHODS

There are three main qualitative methods:

(a) Expert opinions
(b) Historical analogy
(c) Chain ratio

(a)Expert Opinions

An expert is someone whom the decision maker considers to be such—(they have specialized knowledge in certain fields).
Expert opinions can be under the following methods:

i. Jury or executive opinion

There are two steps in this method:

- Certain high ranking executives estimate the likely future level of sales.
- A rough average of their estimates is taken. The executive used should be well informed about both the industry and the company.

Advantages

- It is quick and easy
- It is a way to prove the experience and judgement of well informed people
- This may be the only feasible approach to forecasting if the company is so young that it has not yet accumulated the experience necessary to use other methods.
- This method may have to be used when adequate sales and market statistics are missing or unless future figures have not yet been put into the form required for more sophisticated forecasting methods.

Weaknesses

- Its findings are based primarily on opinions.
- It adds to the work of key executives requiring them to spend time they would otherwise spend on managerial duties.
- A forecast by the method is hard to breakdown into forecasts by products, by time, by customers or by markets.

ii. Sales Force Composite

ere the salesmen are considered as experts on their territories. They are asked to project sales volume to their own territories and their estimates are reviewed at a higher management level. The forecasting rule assigned to sales people is assigned to those who must later produce results.

Advantages

- This method has the merit of utilizing the specialized knowledge of those company personnel who are in the closest touch with market conditions.
- Because the salespeople help to develop the forecast, they should have greater confidence in quotas based upon it.
- Forecasts developed by this method are easy to breakdown according to products, territories, customers, middlemen and sales force.

Weaknesses

- It is not free of bias
- Sales people are not trained in forecasting and many tend to be even optimistic or over-pessimistic about their prospects for making future sales (many predict either too much or much more than they can deliver).
- A salesperson might also be unaware of larger economic developments in the country or of company marketing plans that will shape future sales in his territory.

iii. Percent of sales growth

The percent growth method, too is based on opinions, with past data serving as a bench-mark. So the sales forecast for the coming year are set at the same figure for the current years actual sales or by adding a set % to last years sales.

$$\text{Next years sales} = \text{This years sales} \times \frac{\text{This years sales}}{\text{Last years sales}}$$

$$\frac{YI}{SI} \quad \frac{Yo}{So} \quad \frac{Y2}{S2} = \frac{S2}{} = So \times \frac{So}{S1}$$

The assumption here is that this years sales are inevitably related to last years while next years are related to this years sales.

iv. Intentions-to-buy survey (survey of customers buying plans)

Here customers are asked about their future buying plans.
Commonly used by industrial markets more than consumer goods marketers.

Advantages

It is easiest to use where:

- Potential market consists of small numbers of customers and prospects.
- Substantial sales are made to individual buyers.
- The manufacturer sells direct to users.
- Customers are concentrated in a few geographical areas.
- Buyers are asked questions like: Do you intend to buy a cooker in the next 3 months?
  Answers may be the following:

0 No Chance	0.25 Slight possibility	0.5 Fairly good chance	0.75 Very likely	1.0 Certain

The answers are aggregated and estimates of total demand for each product prepared and forecast are then derived from total demand using share estimates.

Weaknesses

- Usually time consuming
- Assumes that customers actually know what they are going to do (not always)
- Assumes that buyers will actually carry out their plans. Some may not actually buy.
- Customers do not always have well formulated buying plans.
- Possibilities of non sampling errors are high depending on how the sample is selected.

(v) The delphi method

The aim of this method is to gain the consensus of a group of experts on a certain matter. This is accomplished by questioning them individually and providing them with anonymous feedback from other people in the group until they agree on a common line.
Any set of information available to some expert is passed on to all other experts enabling them to have access to all the information for forecasting.

The questioning is handled impersonally by a co-ordinator. The method is commonly used in technological forecasting. The Delphi method eliminates:

- Committee activity
- Bandwagon effect of majority opinion
- Possibility of one strong person dominating the decision making

Note
The above form expert opinion methods. Seeking opinions from experts has certain advantages and disadvantages.

Advantages

- Different points of view are brought out and balanced in the forecasting process.
- Forecasting using expert—opinions can be done quickly and inexpensively.
- In many cases, the management has no choice but to use expert opinions, when basic data are sparse or lacking.

Weaknesses

- Opinions are less satisfactory than hard facts.
- Responsibility for the final figure of the forecast is (too) dispersed
- The methods are usually more reliable for aggregate forecasting rather than developing reliable breakdowns for territory, customer or product.

(b) HISTORICAL ANALOGY

It is a comparative analysis of the introduction and growth of a new product with other products that have similar characteristics. Efforts are made to:

(i) Quantify the degree of similarity by rating, ranking or other expert opinion approaches.
(ii) Determine what the dissimilarities will do to the basic pattern.

The accuracy of this method depends on the ability to find analogous products or situations. It is a reasonably good range forecasting depending on the analyst's skill at interpreting or estimating the effects of differences in product and market factors. Major applications are for forecasts of new product sales and profitability.

II. QUANTITATIVE FORECASTING

Quantitative forecasts are based on assumptions. The common methods are:

Regression analysis:
Using the least squares method. This method has the following advantages:
It guarantees the best fit, i.e. the best sales prediction with the data available.
It is a statistical method: Therefore we have the advantage of probability distributions to make probabilistic forecasts and to reach conclusions about the relative magnitudes of forces that affect sales.

On the other hand:

(a) It works only with data that can be quantified. With the qualitative forecasts discussed, assumptions and judgements were made about important marketing factors. The regression forecast will suffer to the extent that these factors are not in the equation.
(b) It is easy to be deceived by the apparent accuracy of results when in fact the regression equation may perform rather poorly.

Conclusion:

- The only thing certain about the future, as far as the marketing manager is concerned is the inevitability of change.
- The organization must constantly exert an effort to know its customers and their needs and to provide them with the right product at the right time.
- Demand analysis forms the foundation for understanding sales potentials and forecasts. The determinants of demand include the elements in the marketing mix of the firm and of its competitors, the characteristics of the buyers and environmental factors.
- For estimating future demand, the company may use qualitative and/or quantitative methods. The forecasting techniques discussed include expert opinions, chain ratio, historical analogy and regression analysis. These techniques vary in appropriateness with the purpose of the forecast, the type of product and availability of data.

REINFORCING QUESTIONS

Q1. What are the major functions of a marketing department in a large manufacturing firm?

Q2. Briefly evaluate the different approaches to sales forecasting.

Q3. What do you understand by the term product life cycle?

What advantages can be achieved by applying the PLC concept in making marketing decisions?

Check your answers with those given in Lesson 12 of the Study Pack

COMPREHENSIVE ASSIGNMENT No.4

TO BE SUBMITTED AFTER LESSON 9

To be carried out under examination conditions and sent to the Distance Learning Administrator for marking by the University.

EXAMINATION PAPER. TIME ALLOWED: THREE HOURS. ANSWER ALL QUESTIONS

Q1. a. Why is communication such an important feature of management policy.
b. Discuss the advantages and disadvantages of written communication.

Q2. "A budget is both a plan and a control device"
Critically evaluate this statement.

Q3. Leaders are born and not made. Discuss.

Q4. Critically examine the elements of work study.

Q5. What are the advantages and disadvantages of a small business.

Q6. How can mangers improve their personal time management so that they can focus on the pressing demands of the day and create space in which to plan strategically for the future?

END OF COMPREHENSIVE ASSIGNMENT No.4

NOW SEND YOUR ANSWERS TO THE DISTANCE LEARNING CENTRE FOR MARKING

LESSON TEN

MANAGING CREATIVITY, CHANGE AND INNOVATION

INSTRUCTIONS

1. Carefully read the Chapter 25 of Cole
2. Attempt the Reinforcing Questions at the end of the Lesson.
3. Check your answers with those given in Lesson 12 of the Study Pack.
4. If your answers are significantly different from the model answers read the lesson again and supplement your reading with the text book.

CONTENTS

Management of Change
Organisational development and change
Stimulating Innovation

10.1 MANAGEMENT OF CHANGE

Meaning of Organizational Change

Change generally implies innovation, the basic sense of introducing something new into organizational environment.
Organizational change in the sense of improvement therefore refers to activities aimed at strengthening and developing organization, performance as well as sustaining its existence. It refers to any alteration of activities in the organization. The alteration of activities may involve changes in the structure of the organization, modification of the work tasks, introduction of new product introducing of new technology or a change in attitude among employees.

10.1.2 Forms Of Organizational Change

Organizational change may take any of the following forms:-

1) Reactive change
This is a type of change largely introduce in response to external pressure from the environment.

2) Proactive change
Change introduced because of its usefulness and because an organization feels the change is necessary.

Note
It should be noted that some organizations are conservative in outlook seeking little by way of change. Others are entrepreneurial in outlook always on the look out for new opportunities and challenges.

Once an organization senior management begins to think strategically it follows that some changes will be made because of changes in external environment and are hence reactive. Other changes will be introduced proactively because they are seen to be useful in their own right and not because they have been dictated as a result of external pressure.

Forces for organizational change

External Environmental forces

- Competition i.e. activities of competitors
- Political – legal i.e. government laws and regulations
- Economic environment i.e. interest reates, GNP cost reduction measures, buyer purchasing power
- Socio-cultural environment
- Technological
- Physical environment

Internal Environmental forces

i) The personnel

Change in work attitude and commitment – ways to improve relationship, recruitment techniques.
This refers to changes occurring in workers attitudes, values and levels of motivation. An organization may for example have inappropriate/ineffective people in key posts, employees unwilling to accept change introduced, key individuals using their power against the corporate interest etc.

ii) Organisational structure

Existing structure may not be meeting pressure of implementation of a strategy.
There may be too many organization layers leading to stifling of managerial initiative and slow decision making process. The head office may be exercising too much power over branches and other operational decisions. (i.e. decentralisational).

iii) Systems

There may be inadequate procedures for tracking progress of organizational activities eg ineffective control systems.

iv) Technology

Changes may be introduce in the organizations manufacturing system because the existing technology may be obsolete.

v) Financial

The company may be facing cash flow problems or increase in the cost of capital budgets hence the need for a change on the budgeting activities of the company.

vi) Marketing and sales

Marketing research may fail to give early notice of key development in consumer tastes/competitors behaviours. Sales personnel may also fail to meet agreed targets.

vii) Products/services

This is where new products are introduced which would require different production, marketing and accounting methods.

Process of Introducing change in an organization

Organisations managers must learn to respond to both external and internal forces for change. Pressures for change come froms so many factors that many managers spend most of their time planning or reacting to change.

1 Planned Change:-

Occurs when managers develop and implement a program that serves to alter organization activities in a timely and orderly way. In many instances planned change is instigated because the managers anticipate the development of a force for change and therefore seek to prepare the organization to adjust activities with minimal disruption.
Planned change is generally regarded as the superior approach to change. It is often used when the change process in the organization is to be extensive and lengthy. Hence it requires a greater commitment of time and resources and requires additional expertise in formulating and implementing the change.

2. Reactive change

Occurs when managers simply respond to pressure for change when that pressure comes to their attention. Usually this involves a piece-meal approach to change as managers only alter activities in a way that provides for immediate solution of problems.

Reactive change is usually hurried and less expensive than planned changed. It is most effective when applied to small or day to day problems in the organization.

STEPS IN THE CHANGE PROCESS

1. LEWIN-SCHEIN MODEL

One of the first efforts to identify appropriate steps in a change process was made by Kurt-Lewin and Edgar Schein. They elaborated on what is known as Lewin-Schein model identifying 3 general steps to the change process: -

- **Unfreezing:**- This is the first step of the change process in which Lewin & Schein observed that most individuals found it difficult to alter attitudes and behaviours that have been practiced for a long time. Most individuals for instance when told that their attitude or behaviour is inadequate or inappropriate are likely to deny or reject the information. This resistance according to Lewin & Schein can be countered by unfreezing the attitude or behaviour pattern by making the need for change so obvious that the individual will be willing to accept the change. This can be accomplished by making the individual recognize that some sort of change is better than the status quo (current state).
- **Changing** occurs when the individual accepts and internalizes the changes in behaviour and attitude that are necessary.
- **Refreezing** occurs when the changed attitude or behaviour are supported or reinforced in a way that they are rewarded by the organization. As a result the new attitude and behaviour become the accepted way of doing things in the organization.

2. CHANGE PROCESS BY RICHARD DAFT

Richard Daft suggested that inorder for a new idea or behaviour to be successful adopted in an organization the following steps should be followed:-

Need:- a need for change occurs when organization members become dissatisfied with current activities. Goals may not be met, product quality is low or market share is shrinking. Dissatisfaction serves to unfreeze acceptance of current activity on the part of managers.
Idea:- an idea is a new way of doing things. An idea may be a new product, new technique or new machine. Ideas must be matched with a need.
Proposal:- a proposal is a request by someone in an organization to adopt a new idea. Proposal may take the form of a memo, a formal written document, a suggestion made during a conversation or a recommendation of an official committee of an organization.
Decision to adopt:- A decision occurs when a choice is made to adopt the proposed ideas. This decision may be made by the Board of Directors if the change is rather large or may be made by first line managers if the change is small.
Implementation:- implementation occurs when organization members actually use the new idea. This may be a change in attitudes, behaviour, equipment or products. Without implementation change cannot take place.
Resources:- adopting and implementing a new idea requires information, financial and material and human resources. Without resources change will not take place and members will return to their previous ways of doing things in the organization.

10.1.5 Resistance to change

Not all change is greeted warmly by members of an organization. The implementation of a new idea or technique quite often results in resistance by those who will be affected most. Resistance is common and it is important for managers to understand and overcome resistance to change. Managers should first identify major reasons for resistance to change and develop methods for overcoming resistance to a change.

Causes of resistance to change

- **Self interest:-** it is not unusual for managers or workers in an organization to have interest in benefiting themselves directly. Economic gain, power, prestige, status, job security or promotion opportunities are all self interest that many employees have as

members of an organization. Resistance is likely to occur if the proposed change in the organization threatens those interest.

- **Uncertainty:-** with change often comes uncertainty. Organisation members may resist the change because they are worried and nervous about the way a change will affect their work lives. Many times when change is accompanied by uncertainty individuals and groups think the worst will result from the change. Hence the tendency to resist changes.
- **Lack of understanding and trust:-** many proposed changes are not explained in their entirety to those affected by the change. This may be due to the inability of the initiators of change to communicate effectively or of those affected to totally understand the change. Failure to understand the change increases the probability that members or departments will resist the change.
- **Different perceptions:-** differences of opinions about the need for change and what the change will accomplish once implemented can be a cause for resistance. Individuals or groups tend to perceive situations and events differently. Often this is as a result of prior experiences and training thus an engineer is likely to view a change in the production process differently from the way an accountant will view it. The engineer may view the change as increasing the task efficiency in production. The accountant may view the change in terms of cost increase that will be reflected on the price of the product thus resistance would result from legitimate disagreement over outcome of change based on different perception based of managers and workers.
- **Lack of tolerance to change:-** some organization members may resist changes even when members are shown that the change will not threaten their self interest, the outcomes are certain, a full understanding and trust exist and perceptions are in agreement for example some people prefer to drive the same route to work even when they agree that a different route is quicker, safer and less crowded. However, they like the familiarity of the route they presently drive and therefore are unwilling to make the change.

REDUCING RESISTANCE TO CHANGE

- Education and communication
- Participation and involvement
- Facilitation and support
- Negotiation and agreement
- Manipulation and co-optation

Explicit and implicit coercion

- Managers may overcome resistance to change through:-
- Educating and communicating to employees on need to change. This enables them to have a better understanding on need to change and reduce level of resistance.
- Participation and involvement:- by involving employees in planning changes to be introduced into organization their level of uncertainty is reduced. They become more willing and accept a change which they participated in planning.
- Facilitation and supported change may be gradually introduced into an organization so that a major impact is not felt at once which may cause resistance. Support in the form of training programes, time off during the transition period and emotional support should be provided to those directly affected by change inorder to reduce their level of resistance.
- Managers may negotiate change with potential resistors eg individuals or departments so that they accept change and avoiding disruption of change process.
- Managers may also demand that the change be accepted by employees particularly where the change must be introduced very fast and there is no time for educating

employees. Threats in the form of withdrawal of rewards and punishments may be used.

- Manipulation and co-optation:- managers may select a strategy of steering individuals or groups away from resistance to change through selective resistors to a desired position in the change process.
- Cooptation means getting the main resistors to change involved in decision making.
- Management of change through changing organizational culture.

Effective management of change may require a change in organizational culture.

10.2 ORGANIZATIONAL DEVELOPMENT

a. Introduction

Organizations today are faced with tremendous forces for change, mainly stemming from competitiveness, the economy, and internationalization. A systematic planned way of managing this change is through the process of organizational development (OD).

Organizational development acknowledges that change cannot take place in a vacuum but change in structure, technology and people will interact. It also acknowledges that change is inevitable, that change is a fundamental aspect of historical revolution. Nature of organizations change over time and organizations today are not the same as they used to be and future organizations are likely to be different from those of the present.
In general terms, planned change can be described as consisting of three stages: Unfreezing, changing (moving), and refreezing.

1. Unfreezing creates the awareness of the need to change. The status quo is disturbed by reducing the strength of the current values, attitudes and behaviour.
2. Changing (moving) is the action oriented stage. Specific changes are brought about through the development of new values, attitudes and behaviours.
3. Refreezing stabilizes the change that has been brought about. The new state becomes the status quo and must be sustained.

Efforts to bring about change will frequently meet resistance as portrayed in the saying that "most people do not like change unless it will benefit them". People dislike uncertainty, yet change increases uncertainty. Individuals are required to trade in the known for the unknown. Employees in organizations want to know how a different work assignment, a transfer or new co-worker will affect them. Individuals and groups fear that change may adversely impact on their self interest. As a result, employees will frequently create significant barriers to block change, even if change may later prove to be beneficial to them.

It is probably safe to say that the environment within which an organization develops imposes certain characteristics on its structure. Organizations and individuals, if they are to function effectively, must be capable of diagnosing situations, possess the ability to act and be adaptable to change.

b. Literature Review—OD

Organizational development (OD) is viewed as a systematic, integrated and planned approach to improve the effectiveness of people and groups in an enterprise. OD is a long-range effort to improve an organization's problem solving and renewal processes, particularly through a more effective and collaborative management of organization culture of formal work teams, with the assistance of a change agent or catalyst, and the use of the theory and technology of applied behavioral science, including action research.

In the above definition, problem-solving process refers to the organization's methods of dealing with the threats and opportunities in its environment, e.g. managers might choose to solve the organizational problems on their own, or they might participate with subordinates in problem solving and decision making.

Through a renewal process, the organization's managers can adopt their problem solving style and goals to suit the changing demands of the organization's environment. Thus one aim of OD is to improve an organization's self renewal process so that managers can more quickly adopt management style that will be appropriate for the new problems they face.

Collaborative management means through subordinate participation and power sharing rather than through the hierarchical imposition of authority. Organizational culture refers to the prevalent patterns of activities, interactions, norms, values, attitudes and feelings. Culture includes the informal aspects of organizational life as well as the formal aspect.

Organizational development's main direction is toward improving interaction processes among groups and individuals, by using a resource person called consultant or a change agent, to facilitate change. The background of OD was that it joined two basic movements: research and theory in the behavioral sciences and laboratory training (sensitivity training). The result of this merger was an action oriented effort that is humanistically inclined toward bettering the organizational climate.

Employees expect more from an organization's climate today than they did a generation ago and there is little doubt that the next generation will make even greater demands than does the present one. Organizations must respond to these demands not only for the good of the employees but also for their own sakes. The viability of an organization depends on how well its managers cope with change.

The repressiveness of traditional organization is no longer justifiable. The truly responsive organization maximises individual freedom and responsibility, thus fulfilling rising employee expectations.

Organizational development (OD) is an attempt to change the total system and restructure it in relation to the individuals within the system. Its objective is to seek to alter the nature of the organization itself. OD methods look at the organization as a whole. It tries to find out what can be done to make the organization operate more effectively and efficiently and how the major organizational units can be integrated more effectively. OD focuses on organization and its relationship with other organizations in the environment e.g. an organization may need to improve its relationship with its dealers or suppliers in order to become more effective or efficient or an organization needs to deal better with shareholders, government agencies or major customers. Here, OD efforts should be focused on bringing about the change to improve this relationship.

Organizational development practitioners typically emphasize that the endeavour for planned change efforts includes the total system and is managed from the top. The OD approach is based on humanistic values and its thrust is to improve both the organization's competence and the quality of people's work life.

The assumptions of the basic OD concept is the conscious desire on the part of managers to integrate the goals of individuals and the organization's objectives so as to provide a mutually reinforcing relationship and a recognition that organizations have objectives: making profits, surviving, growing in their fields etc. It is also assumed that individuals have a desire to achieve, have unsatisfied needs and can find at least some satisfaction of their needs in organizations. OD also accepts the idea that organizations as well as individuals can be changed so that the desires and aspirations of each can be fulfilled. It is also assumed that personal growth and accomplishment of organizational goals are better attained by shifting the emphasis of a

conflict resolution from smoothing to open confrontation and that the many so-called personality clashes result from problems of incorrect organizational design.

OD programs are directed also toward both the health and growth of the organization and the head and growth of the individual workers.

A way to conceptualise the general orientation of OD researchers is to use Theory X and Theory Y models proposed by Douglas McGregor placed in an organizational climate they will behave in a particular manner, based either on the assumptions of Theory X or those of Theory Y.

That a manager who fits into the Theory X groups leans toward an organizational climate of close control, centralized authority, automatic leadership and minimum participation in decision making. This manager accepts this combination of characteristics because of certain assumptions about behaviour.

Theory X assumptions, according to McGregor are as follows:

1. Average people dislike work and will avoid it as much as possible.
2. Most people must be threatened or forced to make the effort necessary to accomplish organizational goals.
3. Average individual is basically passive and prefers to be directed rather than to assume any risk or responsibility. Above all else, people prefer security.

A Theory Y manager operates on the basis of vastly different assumptions, believing that effective organizational climate has looser, more general supervision, greater decentralization of authority, less reliance on coercion and control, a democratic style of leadership, and greater participation in decision making. The assumptions on which this type of organizational climate is based are:

1. Work is as natural as play or rest and therefore not avoided.
2. Self motivation and inherent satisfaction in work will be forthcoming in situations where the individual is committed to organizational goals. That coercion is not the only form of influence that can be used to motivate.
3. Commitment is a crucial factor in motivation and is a function of the rewards coming from it.
4. Average individuals learn to accept and even to seek responsibility, given the proper environment.
5. Contrary to stereotypes, ability to be creative and innovative in the solution of an organization's problems is widely, not narrowly, distributed in the population.
6. In modern organizations, human intellectual potentialities are just partially realized.

McGregor presented these two theories as alternatives and pretended to impartiality. Yet undoubtedly, McGregor himself believed whole heartedly in Theory Y.

There is impressive evidence for Theory Y. In most jobs, most workers, even those hostile to boss and organization, want to like their work and look for achievement. In most jobs even the most alienated workers manage to find something that gives them satisfaction. Studies which were later undertaken on the two theories found out that Theory Y is not by itself adequate. This brought a lot of criticism of Abraham Maslow and Waren Bennis.

C. OD Techniques

These are techniques which provide the means to adequately transfer the learned techniques to the job situation and to provide participants with the desire and qualifications to deviate from

the expected patterns of behaviour. These techniques are various, and any particular change agent may rely on one or a combination of approaches. The objective, regardless of the technique selected, is to work from the perspective of the overall organization, and increase the ability of the whole to respond to change and develop in line with demands of the future. Some of the techniques are sensitivity training, organization task laboratory, survey feedback, transactional analysis, confrontation meetings, management by objectives (MBO), Team building, job enrichment and managerial grid.

1. Sensitivity Training (T-group Training)

An OD technique that uses leaderless discussion groups. The general goal of sensitivity training is to develop awareness of and sensitivity to oneself and others. More specifically, the goals of sensitivity training include:
increased openness with others, greater concern for needs of others, increased tolerance for individual differences, less ethnic prejudice, awareness and understanding of group processes, enhanced listening skills, greater appreciation of the realistic personal standards of behaviour.

Research investigations into sensitivity training indicate that it can effectively change individual behaviour. Its impact on performance is inconclusive and the technique is not devoid of psychological risks. Sensitivity training is not widely used in business today as an OD technique. Leaders of T-groups have been criticized as having an insufficient background in psychology. Detractors have suggested that in business organizations, managers frequently must make unpleasant decisions that work to the detriment of particular individuals and groups. Excessive empathy and sympathy will not necessarily lead to a better decision and may exact an excessively high emotional cost for the decision maker. Many business organizations have commanding and autocratic leadership. The power structure may not be compatible with openness and trust. In some instances, effective managers may practice diplomacy by telling only part of the truth or perhaps even telling different stories to two different persons or groups. Truth is not always conducive to effective interpersonal and group relations. Sensitivity training would also tend to ignore organizational values that are derived from aggressiveness, initiative and charismatic appeals of a particular leader.

2. Organizational Task Laboratory (OTL)

This is a laboratory technique like sensitivity training. The basic component of the technique is a small group composed of between 5 to 15 people. In the OTL, representative management situations and decisions are created with the hope of allowing managers and the work group to experience and learn about:

(a) recognition of conflict: the emphasis here is placed on how management can work more effectively with their groups and with other managers so as to increase individual and goal accomplishment.
(b) reconsideration of established practices: the participants are encouraged to examine their own behavioral styles and those of others.
(c) Formulation of explicit goals: the OTL stresses importance of explicit, clear objectives and their advantages over vague guidelines.
(d) experimentation groups are designed to encourage participants to experiment and innovate and to develop means of evaluating the consequences of creative action.

Compared to sensitivity training, organization task laboratory places more emphasis on task-oriented team experience and less on self-awareness and sensitivity in interpersonal relations. OTL emphasizes on group problem solving. Members of various units come together to utilize group processes in formulating goals and experimenting with innovative ways of accomplishing them. Groups are often capable of stimulating individual behaviour in positive or functional directions.

3. Survey Feedback

The method of basing organizational change efforts on the systematic collection and measurement of subordinate attitudes by anonymous questionnaires. The three basic steps in the process are: data collection, feedback to organizational units and action decisions. Surveys are typically either the objective multiple choice type or disagreement with a particular question. Normally, anonymously answered questionnaires are used. If truthful information concerning attitudes is to be obtained, the employee must feel comfortable, secure and confident in responding.

In the second step, the results of the study are presented to concerned organizational units. In the final step, the data are analyzed and decisions are made. Means by which the data may be compared and analyzed include: scores by organizational level, scores by seniority, relative scores on each question and scores for each question.
The decisions are directed at improving relationships in the organization. This is accomplished by revealing problem areas and dealing with them through straight forward discussions.

4. Transactional Analysis (T.A)

An OD technique used as a means of improving relationships between individuals. Attempt is made to analyze the social interchange (transaction) among people with the objective of understanding and eventually improving interpersonal relations. When a person through transactional analysis learns to perceive his state or that of others, relations can be better understood and the transaction improved.

As an OD technique, transaction analysis encourages organizational members to act more as adults and less as children or parents, thus making them more receptive to change and capable of responding in a mature manner.

5. Confrontation Meetings:

Organizational confrontation meetings is an OD technique designed to mobilize the resources of the organization towards problem identification, the establishment of priorities and goals, and an action plan for accomplishing them. This technique is frequently used when an organization experiences significant personnel changes. The process is well defined.

- A group is informed of the situation and assigned the task of identifying the problems facing the organization. Individuals are then assigned to heterogeneous groups and asked in an honest and open way to identify organizational problems. The groups then come back together as a larger group and each segment reports each list of problems and may propose solutions:
- The leader (change agent) then classifies the problems and the larger group is broken down into homogeneous segments e.g. marketing personnel are assigned marketing problems, financial managers assigned financial problems, etc. The groups then establish priorities and suggest solutions of plans of action.
- The groups periodically report their progress and receive feedback from other units. Periodic meetings are scheduled to keep all areas of the organization informed about the progress being made. Confrontation meeting technique appears particularly valuable in bringing total resources of an organization to bear on the solution of common problems. It provides employees with a feeling of participation in the problem solving operation.

6. Management by Objectives (MBO)

MBO is an OD technique which is a systematic approach that facilitates achievement of results of directing effort toward attainable goals. MBO is a philosophy of management that encourages managers to plan for the future. Because MBO emphasizes participative management approaches, it has been called a philosophy of management. Within this broader context, MBO becomes an important method of OD. The participation of individuals in setting goals and the emphasis on self-control, promotes not only individual development but also development for the entire organization.

7. Team Building

One of the major techniques in the arsenal of organizational development consultancy is team building. Team building is a conscious effort to develop effective work groups through out the organization. The focus of team building is the development of effective management teams. These work groups focus on solving actual problems in building efficient management teams. The team building process begins when the team leader defines a problem that requires organizational change. Next, the group analyses the problem to determine the underlying causes. These factors may be related to such areas as communication, role clarifications, leadership styles, organizational structure and interpersonal frictions. The next step is to propose alternative solutions and then select the most appropriate one. Through this process the participants are likely to be committed to the solution. Interpersonal support and trust develops. The overall improvement is the interpersonal support and trust of group members and enhances the implementation of the change. The concept of the quality circle, imported from Japan, is a modern example of team building.

8. Job Enrichment

The deliberate restructuring of a job to make it more challenging, meaningful and interesting is referred to as job enrichment. The individual is provided with an opportunity to derive greater achievement, recognition, responsibility and personal growth in performing the job.

Job enrichment is vertical expansion of jobs so that employees take on additional responsibilities to plan, execute and inspect their work. Successful job enrichment also increases freedom and independence of employees, organize tasks so as to allow workers to do a complete activity and provide feedback so that individuals can be able to correct their own performance. A successful job enrichment program should ideally increase employee satisfaction but organizations do not exist to create employee satisfaction as an end, there must be also direct benefits to the organization.

9. Managerial Grid

One of the best known redesigned OD programs is the management grid by Robert Blake and Jane Mouton. Blake and Mouton suggest that the most effective leadership style is that which stresses maximum concern for both output and people. The managerial grid provides a systematic approach for analyzing managerial styles and assisting the organization in moving to the best style.

The parameters of organizational development are not clearly defined. Instead, OD is eclectic in the sense that it chooses from a variety of tools, methods and techniques that are suitable to facilitate the solving of particular enterprise problems.

Evaluating OD Program

Evaluation of OD programs is hard because of their complexity. Even limited activities, like a team development project may be difficult to evaluate because of inability to prevent changes in membership and to control related organizational activities. In addition , a variety of approaches to team development may not tell much about how a different approach will work. The existence of organizational politics can also make objective assessment difficult. The individuals with the greatest commitment to the program may also have to play a leading role in the evaluation. As in any change in organization, the results following an OD program may

be due to other factors (causes) e.g. when changes in the economy lead to changes in the turnover rate. For these reasons efforts to evaluate OD programs frequently yield ambiguous results. Although the evaluation of OD programs that have clearly failed has provided some insights into just what conditions are necessary for an OD program to succeed, it is important to remember that the conditions influencing failure may be adequately different from those conducive to success. i.e. the conditions for success are by no means necessarily the opposite of the conditions for failure.

D. Criticisms of OD Programs

Organizational development has been criticized on several grounds. One of the criticisms concern its vagueness. It is claimed that OD involves such a wide variety of approaches that it is difficult to evaluate the success of OD programs and to single out the most useful techniques. Secondly, since OD places so much emphasis on participation, it can lead to lack of adequate discipline. Thirdly, OD involves so much catering to individual differences that it is difficult to set standard ways of measuring performance and to compare one manager with another. Thus the task of manager evaluation may become more difficult.

E. Future Directions in Organizational Development

The field of OD is growing rapidly; new approaches are being developed, more complex and vigorous research is being conducted and OD is being applied across a diversity of areas and settings. Because so much has happened in a relatively brief period (since late 1950's), predicting the future of OD is difficult. However, major trends emerged in 1980's which may be used to speculate about the future directions in OD. e.g. diverse perspectives, bottom-line results, multiple stakeholders, different settings, comprehensive long-term change and outward/inward focus.

Successful organizational development tends to be a total system effort, a process of planned improvement—not a program with a temporary quality; it is aimed at developing the organization's internal resources for effective change in the future. Its real thrust are for the organizational members to draw out and help develop the resources of each other and increase the range of behavioral options open to individuals and teams.

F.Conclusion

In early 1960's, the term organizational development (OD) became increasingly popular to describe the facilitating of system-wide change in an organization. Today, the term is used for a variety of change-oriented activities which are planned. OD has been described as a complex network of events that enhances the ability of organization members to manage the culture of their organization, to be creative when solving problems and to assist their organization when adapting to the external environment.
OD is characterized by focusing on organization as a whole or on major units, within them rather than dealing with individuals. A rapidly growing technology facilitates work in this area. Outside specialists (change agents) usually work with organization members to help them, understand and analyze their own problems and devise and carry out their own solutions.

10.2.1 Meaning of Organizational Culture

As it relates to organizations, culture is the general pattern of behaviour shared beliefs and values that members have in common culture can be inferred from what people say do and think within an organization setting.

Determinants of Organizational Culture

- Values held by top management
- History of organization
- Top management vision

1. Values held by top management

Managers especially top mangers create the climate for the enterprise. Their values influence the direction of the firm. Although the term value is used differently with reference to organizational culture it can be defined as a fairly permanent belief about what is appropriate and what is not that guides the actions and behaviour of employees in fulfilling the organizational goals and objectives.
In many successful companies value driven corporate leaders serve as role models, set the standards for performance motivate employees, make the company special and are a symbol to the external environment.

2. History of the organization

A company founded by a strong personality that leaves his mark on the firm will follow the original model.

3. Top management vision
This refers to aspirations and desires of the organization set by the top managers. If the company decides that the company needs to undertake significant new ventures and aim for rapid growth and expansion this view will prevail in the entire organization and strong positive culture will be developed.

Organisational change and corporate culture

Successful implementation of change require a strong positive corporate culture. The top management should have a vision of strong values for the growth of the organization and how the intended change would help organizations to grow and achieve its goals. They should guide employees actions and behaviour towards goal achievement. They should cultivate in employees a culture of commitment to change for betterment of organization and employees themselves.
The culture that is prevailing within an organization determines the success with which a change is introduced and implemented. If members of an organization strongly believe that their organization should grow and achieve its goals they will accept changes. On the other hand employees in an organization whose managers lack vision and who are not able to develop in them a culture of hardwork and commitment are generally reluctant to accept and implement a change.
Hence a change can be effectively introduced into an organization through positive organizational culture.

10.3 MANAGING CREATIVITY AND INNOVATION

Introduction

Creativity has become an important aspect of organizational life. It enables the organization to find new and better ways and more creative ways of and accomplishing the work. In this age of tough competition resource scarcity and high labour and equipment cost anything that leads to more efficient and effective operations increases organizations chances to survive and succeed creativity also enables the organization to anticipate change. This has become very important as technology, products, methods of operations make old ones obsolete. To encourage creativity mangers must understand the creative process, be able to stimulate creative behaviour and provide original climate that encourage creativity.

Definition of Creativity and Innovation

Some management writers distinguish between creativity and innovation. They define creativity as generation of new ideas and innovation as the translation of that idea to a new product, service, or method of production.
According to Lawrence B. Morh, "Determinants of innovation in organizations session review no. 63 creativity implies bringing something new into being; innovation means bringing something new into use.
Such a distinction can be meaningful in organizational life. The skills required to generate new ideas are not the same s those required to make these ideas a reality. To make full use of its ideas organizations need both creative and innovative personnel. Creativity alone contributes little or nothing to organizations effectiveness unless the creative ideas can in some way be used or implemented. Thus in organizations the creative process must include both creative and innovative elements.
A new idea must indeed be created but it must also be capable of implementation and must actually be implemented for the organization to benefit from it.

Creativity Process

Creative process may be divided into the following steps:-

- **Problem sensing –** the individual selects a problem to work on or becomes aware that a problem or disturbance existing eg I am getting bogged down by this monthly report isn't there a better way of doing this?
- **Immersion:-** the individual concentrates on the problem and becomes immersed in it, recalling and collecting information that seems relevant and dreaming up hypothesis without evaluating them.
- **Incubation:** during the incubation stage, the mind is not consciously focused on the problem. After assembling the available information the individual relaxes and lets his subconscience go through the material. In this little understood but crucial step, the individual often appears to be idle, day dreaming or asleep but his subconscience is infact trying to arrange the facts into a new pattern.
- **Insight:** this is the discovery stage often when least expected i.e. while eating, falling asleep or walking the new integrative idea will flash into the individuals mind. Such inspirations must be recorded quickly because the conscious mind may forget them in the course of other activities.
- **Verification**: the individual then sets out to prove by logic or experiment that the idea can solve the problem and can be implemented.

Stimulating creativity and innovation

The following methods are used to stimulate creativity and innovation in organizations:-

- Brainstorming
- Nominal group process
- Synectics – (Gordon's Technique)
- Retroduction

- **Brainstorming**

Encourages the free flow of ideas without inhibition by pre-judgement or criticism. Group members are assembled, presented with the problem and urged to generate as many ideas or solutions as possible. Even impractical suggestions are well received and recorded since they may stimulate more useful recommendations.

- **Nominal Group Process**

In this technique group members work alone but in the same room developing ideas. They then share their list of ideas one at a time.

Stages in Nominal group technique:-

Members of the group (target group) are selected are brought together.
The group leader presents a new question for example the question might be "what are some of the ways to improve creativity in our new product development department."
Individual members silently and independently write down their ideas. This is the nominal non interactive stage.
Each individual presents his idea to the group without discussion. The ideas are summarized and written on a blackboard or a sheet of paper on the wall.
After all individuals have presented their ideas there's a discussion of the recorded ideas for the purpose of verification or evaluation (interaction stage).
The meeting ends with a voting of priorities by individuals through a rank ordering or rating procedure.

- **Synectics**

This technique was developed by Willian J. Gordon when he was a member of Arthur D. Little, a well known research and consulting firm in USA. It was designed to help the firm invent new products for its clients. While the object of a brainstorming session and nominal group process is to generate as many ideas as possible synectics aim for only one radically new idea focused on a specific problem area. Only the group leader knows the exact nature of the problem. In this way quick easy ideas/solutions are avoided and participants do not have a chance to become occupied thinking of their own ideas.
Group discussion is organized around a subject that is related to the problem. Example if the problem is to produce a new toy the group leader may suggest play or enjoyment as the discussion area. The session may open with give and take on the meaning of play and what types of play leads to the greatest enjoyment. Eventually under the careful direction of the leader the discussion might start to focus on what kind of new toys children would find most enjoyable.

- **Retroduction**

Involves changing an assumption. By changing an assumption individuals might gain a valuable new perspective of looking at things from a different angle. Einstein revised Newtons' assumption that space is flat to the assumption that space is curved and developed new perspective on time and space. One such technique could be say suppose X were Y suppose secretaries were accountants. Another way of asking what if eg. What if space had only two dimensions. By asking such questions individuals can develop innovative ideas which can help an organization introduce a new change on the products or procedures.

REINFORCEMENT QUESTIONS

1. Distinguish creativity form innovation and development.
2. List the techniques that could be used in organizational change
3. Give four ways of stimulating innovation
4. List the steps involved in the creativity process.
5. Why do employees resist change and how can management overcome this resistance.

Check your answers with those given in Lesson 12 of the Study Pack

LESSON ELEVEN

EMERGING ISSUES IN MANAGEMENT

INSTRUCTIONS

1. Carefully study the lesson and Chapter 87of Cole.
2. Attempt the reinforcing questions at the end of the lesson
3. Compare your answers with those provided in Lesson 12.
4. If your answers are significantly different from those provided, please read the lesson again carefully and with understanding

CONTENTS

Social and ethical responsibilities of management
Managing in a multicultural environment
Management and the future
Total quality management (TQM)
The Small Business

SOCIAL AND ETHICAL RESPONSIBILITIES OF MANGEMENT

11.1.1 Definition of Ethics

As noted in lesson one managers carry out different functions and play different roles in the organisation. By implication managers pursue multiple objectives and multiple sets of priorities. Often managers must juggle goals and priorities and make choices between these goals. The choices they make affect the ability of employees, customers, suppliers, stockholders and anyone with interests in the organisation. Mangers must often decide "who has the right to what and when". No matter what they do, the actions of managers allocate benefits and detriments to people.

- Ethics as applied to management refers to the concept of interactive responsibility: who is? who should be? Benefited or harmed by an action. It is also a study of "who has a or should have rights of any kind in the organisation".
- Ethics is the discipline dealing with what is good or bad, or what is right or wrong or specifically with moral duty and obligation.
-
- Ethics could also be described as the study of how our decisions affect other people or as the study of people's rights and duties and the rules that people apply in making decisions. In business we cannot avoid ethical issues just like in other areas of our lives.

11.1.2 Levels of Ethics

In business most of the ethical issues will fall into one of the following four levels.

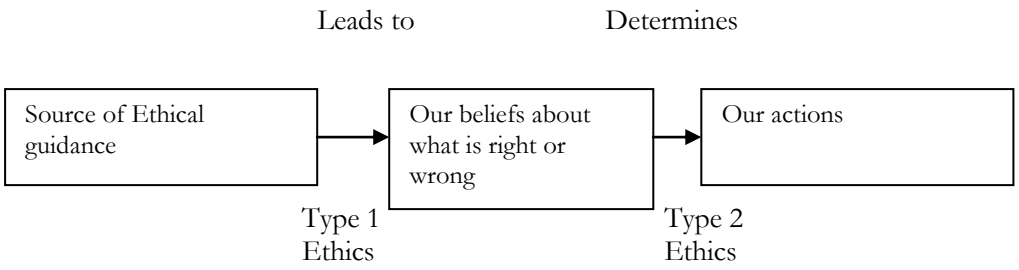
i. **Social Level**
This level deals with the basic institutions in society eg. Issues on the role of the government in the market place, merits or demerits of political parties or ideologies. Managers of organisations have an obligation to shape debates on social welfare.

ii. **Stakeholders Level**
Employees, suppliers, customers shareholders, etc. Certain ethical considerations affect this group of people. A company must deal with the issue of how its decisions affect all those groups of people eg. What obligations does a company have to its suppliers, to its customers, or even to its owners?

iii. **Internal Policy Level**
At this level the question of interest is the nature of a company's relationship with its employees and mangers. "What kind of contract is fair? What rights should employees have?"

iv. **Personal Level**
How do people treat one another within a corporation? Should they be honest with one another? What obligations do employees have to their bosses, to subordinates or to peers. These questions deal with the day-to-day issues of life in any organisation. Ethical questions are everywhere, at all levels of business activity. Ethical issues concern the ground rules of individuals, companies and social behaviour. Being ethical calls for people to examine their actions and be critical of the ground rules they apply in their activities. A seller for example should ask such questions as "should I tell the customer the product is harmful?" A buyer should ask "should I tell the clerk he gave me too much change?"

Below is a model of Ethics



It can be seen that ethics consist of two relationships, indicated by arrows in the figure. A person or organization is ethical if these relationships are strong and positive There are a number of sources that one might use to determine what is right or wrong, good or bad, immoral or moral behaviour. These include the Bible, the Koran and a number of other holy books. They also include that "still small voice" referred to as the conscience. Another source of guidance is the behaviour of what psychologist call the "significant" others – our parents, friends, role models, associates, peers etc. The laws of the country prohibit any acts that are sufficiently hurtful to others and therefore laws offer guides to ethical behaviour. But distinction must be made between what is illegal and what is unethical. Not everything that is unethical is illegal. For example the law has limits regarding honesty. If one picks a lost item and keeps it, he probably has not done anything illegal but his act is unethical. If a clerk steals from his company in order to feed the poor, he has done an illegal thing but for ethical reasons. Decisions of ethics are quite difficult but all mangers need to know is that ethics goes beyond the minimum requirements by law and by market economy. There are so many unethical things that can be done in business, yet there is no law against them!

Simply having strong beliefs about what is right and wrong and basing them on the proper sources does not make one ethical. Behaviour should conform with what we believe about right and wrong. Type II ethics is the strength of the relationship between what one believes and how one behaves. To do what one believes is wrong is unethical. But to be ethical one must have both types of ethics. Type I ethics refers to the strength of the relationship between what an individual or organization believes and what the sources of guidance suggest is morally correct.

Business Ethics (Managerial)

Business ethics also called managerial ethics is the application of ethical principles to business relationships and activities. Managers who run business are human beings who despite the laws set cannot behave the same regardless of the circumstances. Managers face many ethical dilemmas (two or more situations) where both seem right but which are conflicting.

Managerial ethics could apply in these areas.

- a) relationships of the firm to the employees:
    - how they are to be treated
    - what are fair wages, fair dismissals etc.

- relationship of the employee to the firm
    - how should they behave vis a vis the firm e.g. issues of competing loyalties, accepting incentives from suppliers, cases of moonlighting, secrecy or espionage and honesty in small items; pens, paper, telephone etc
- relationship of the firm to the environment

- ethical issues arise in how the firm relates to the various elements of the environment eg. customers competitors, stockholders dealers and the community.

Many industries and organizations companies have formal, written codes of ethics that provide specific guideline for managers and other employees. But the question is whether when individuals violate the code of conduct, the organization enforces it.
Many companies in an attempt to manage ethics have developed specific codes of ethics. These establish guidelines for ethical decision making in business. Areas covered may be truthfulness in advertising, improper use of company assets political contributions, payments in connection with business transactions, conflict of interest, trade secrets etc. There are advantages for organizations to form industry associations to develop and promote improved codes of ethics. It is difficult for a single firm to pioneer ethical practices if its competitors undercut them by taking advantage of unethical shortcuts. If ethics are to be improved, it is very important for top executives to support and emphasize ethical behaviour by adhering to ethic themselves and also train their staff in ethics.

The Tools of Ethics

Ethical Language

The key terms of the ethical language are values, rights, duties and rules.
Values are permanent desires that seem to be good in themselves like peace. Values are the answers of questions of "why" "why for example should managers behave ethically?".
Rights and duties; a right is a claim that entitles a person to something . A duty is an obligation to take specific steps; eg to pay taxes.
Moral rules are the rules that guide us through situations where competing interests collide.

Common Morality

Which is the body of rules covering ordinary ethical problems i.e. rules that we live by most of the time. Examples include:

- promise keeping
- non malevolence
- mutual aid
- respect for persons and
- respect for property

Below is a list of twelve questions for examining the ethics of a business decision.

- Have you defined the problem accurately?
- How would you define the problem if you stood on the other side of the fence?
- How did this situation arise in the first place?
- To who/what do you give your loyalty as an individual member of the organization?
- What is your intention in making this decision?
- How does this intention compare with the probable results?
- Whom could your decision harm?
- Can you discuss the problem with the affected party before you make your decision?
- Will the decision remain valid for a long time?
- Could you disclose your decision without fear to your superiors, family, board of Directors and society?
- What is the symbolic potential of your action if understood or misunderstood?
- Under what conditions would you allow exceptions to your stand?

Source: James A.F, Stoner, R. Edward Freeman

Management Fourth Edition

Companies should try their utmost to institutionalize the process of ethical decision making, so that each decision builds upon the decision that preceded it. There are several ways of doing this,

- Having codes of conduct
- Forming ethical committees.
- Using ombudsmen
- Using ethics training or judicial boards and using social audits.

Social Responsibility and Management

Introduction

During this century there has been much change in what society expects of its institutions and in what managers regard as the proper roles in organization. This change has gradually developed into a new concept of corporate social responsibility. Increasingly many managers are adopting the view that besides the obligations they have to their organizations, they have a personal responsibility to the society. Managers are increasingly being held accountable for the social effects of their actions. The questions however remain of where such social responsibility begins and where it ends. For example:

- should managers place the interest of stockholders before those of society or environment?
- should a company be responsible for the social consequences of its operations e.g. When drunken husbands assault their wives should Kenya Breweries be held accountable?
- what does the company owe to its employees, suppliers, customers and the community?
- should a company contribute to the welfare of society? E.g. pay fees for destitute children or repair roads?

Such are the questions that arise when corporate social responsibility is considered.

Corporate Social Responsibility

The issue of corporate social responsibility has been debated for many years and yet it has not yet clearly been defined. But from the various arguments certain things can be said about social responsibility. "It deals with corporate conduct in respect to the broader societal values". "It questions the responsibilities of business to the entire society." Despite the lack of an accepted theory or corporate social responsibility it is obvious that CSR draws on the fields of ethics and morals which are basic to most cultures.
Ethics is the discipline dealing with what is right or wrong or what is good or bad.
Morals imply the practice of right conduct.
Corporate social responsibility may therefore refer to the moral and ethical content of managerial and corporate decisions. i.e the values used in business decision making over and above the requirement of the law and market economy.

Closely related to social responsibility is the concept of social responsiveness which simply means the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the economy and the society. The difference between social responsibility and social responsiveness is that the latter implies actions and the 'how' of enterprise responses.
Business organizations do not operate in a vacuum but have to constantly interact with society. A business organization is a part of society. It interacts at a primary level with groups

such as employees, distributors, consumers, stockholders, banks, suppliers and competitors. At a secondary level it interacts with such institutions as governments, local communities, media social pressure groups, business support groups and the general public.
With all these interactions business cannot afford to go on with their businesses without responding to issues affecting these groups. Some people argue that there is no such thing as corporate social responsibility, others argue that CSR must and will eventually result in long run profits, while others feel that modern organizations must undertake social responsibility regardless of the profit. Whatever the argument the question of accountability arises!

To Who Or To What

The question arises to who should corporations be accountable: Two areas of corporate accountability exist:

a) Conventionally

- Management is professional responsible to the board of directors
- The directors run the corporation for the shareholders.
- The shareholders provide the capital to their corporation and for their investment they expect a fair financial return.
- But through separation of ownership and control shareholders do not run the company.
- By implication therefore management has the responsibility to ensure that the shareholders receive an adequate return.

b) Broadly and more modern view

Corporations should be accountable to employees, customers, suppliers, the state etc. (i.e. to forces external to it but which are of value to it).
From these external forces, the corporation draws its existence how then can it operate regardless of them. CSR involves decisions – the corporation world is decision oriented and corporations have an impact on society through these decisions. CSR therefore raises the question of rightfulness of decisions and further of which decisions are more right. So social responsibility goes beyond short run profitability, merely meeting minimum legal and market directives does not constitute social responsibility. CSR is very subjective in nature and is influenced by the economic and social system within which it operates. For example benefits from social responsibility do not directly accrue to the firm making he expenditure on social responsibility. CSR is hence a system holding that the corporation should respond to the moral and ethical values of society within which it is licensed and which it serves. A given corporation will draw from and shape the values of the society form which it draws its existence. CSR tries to fuse social values with profit maximization goals.

Arguments for and against social responsibility

The debate on the proper role of business organizations in society is far from over, some argue for and others against SR.

FOR

- Like individuals corporations are citizens so they should contribute to society.
- Since businesses create some problems they should solve them.
- Organisations have enough resources to help society.
- Businesses, government and the general public are partners in society.
- Businesses owes society for supply of resources.
- Benefits from SR will finally accrue to the business.

AGAINST

- SR will decrease profits thus contradicting the real reason for firms' existence
- Social responsibility gives corporations too much power.
- Corporations are not accountable for the results of their actions.
- Corporations may lack the necessary expertise to be socially responsible.
- Conflicts of how money set aside for social responsibility should be used, could arise.

Areas of Social Responsibility

a) Business giving

- giving gifts and donations
- supporting artistic activities

b) Ecology and environmental quality

- clean up existing pollution
- start process to reduce pollution
- noise control
- aesthetic improvements
- recycling etc.

c) Consumerism

- truth in advertising pricing lending guarantees and warranties
- control of harmful products
- truth in quantities and quality
- response to consumer complaints.

d) Community needs

- reduction of poverty
- improvement of health care and education
- social amenities eg. roads, schools , etc.

e) Government relations

- restrictions on lobbying
- control of business political action
- restrictions on international relations
- tax remittances

f) Minorities/Disadvantaged persons

- vocational training
- equal employment rights
- programs for alcoholics and drug addicts
- employment of physically handicapped
- start of industries in marginal areas
- equal pay for equal work
- promotion on merit

g) Labour relations

- improvement of health and safety at work
- expansion of employee rights
- freedom of participations in company affairs
- care for employee families

h) Stockholder relations

- full financial disclosures
- disclosure on activities affecting environment
- selection of board members from various interest groups
- non-participation in apartheid regimes or states
- full disclosure on business health
- protection of investments

Patterns of Response to Social Demands

There are three strategic approaches that organizations may take to respond to social demand

- Adoptive strategy
- Pro-active strategy and
- Interactive strategy

i. Adoptive Strategy

This involves changing only when you are forced to do so by the society. This is, complying with the law. The law gives business a general guideline of what is expected by a society. Legal compliance is the minimum that is expected by a society.
Organisations that use this strategy adopt or react to the environment only when there is strong outside pressure, eg. producers of body perfumes have to be ozone friendly.

ii. Pro-active/Voluntary Strategy

Involves an attempt at shaping the environment. The company using this strategy tries to manipulate the environment in ways that will be to their advantage. The steps they take may or may not be to the interest of the society in the long run, eg. paying off politicians to avoid scrutiny.

iii. Interactive Strategy

When a company is able to anticipate environmental changes and blend its own goals with those of the society, then it is said to have taken an interactive strategy. This involves reducing the gap between public expectations and business performance. This calls for knowhow and skills on how to manage the company's social relations with external forces which may affect the company. That is the firm tries to interact with the surrounding social environment in ways that will be mutually beneficial.

Proposed Areas of Social Involvement by Business

Assistance to disadvantaged members of the society eg. to the disabled. Some organizations have special programs for the disadvantaged eg. special telephone booths by KP&T, Barclays Bank the street children account.

MANAGING IN A MULTICULTURAL ENVIRONMENT

International Management

It involves managing across national boundaries. It is concerned with management of resources that operate in more than one country. The term implies the extension of the management process across national boundaries. In the international environment the basic functions of management while retaining their essential characteristics have an added complexity as they plan, organize, direct, control and make decisions managers must deal with new and different situations, characteristics and cultural perspectives.
International business is business activity that takes place across national boundaries. It involves buying or selling products between countries.
When a company's international involvement is high it becomes a multinational company (MNC).

FORMS OF INTERNATIONAL BUSINESS

Multinational Corporations (MNC)

They operate in many countries through foreign direct investment strategies (FDI). They build manufacturing plants in other countries and develop their distribution and marketing networks in those countries.

- **Licensing:-** Refers to contractual arrangement where the licensor (MNC) gives a license to a Licensee (domestic firm) to manufacture a product on behalf of the MNC. The MNC provides the technology, management skills and the brand name for a fee called royalty.
- **Franchising:-** Is a contractual arrangement where a MNC sells its goods through a franchise sales agent. The product may be produced in different country and brought for sale in the domestic market.
- **Exporting:** Involves selling goods or services in foreign countries through the government, private agents or companies.
- **Joint Ventures:** - Is a contractual arrangement between a foreign and domestic firm. The company involved jointly manufacture goods/services. The foreign company provides technical development while the local company provides for local development and adaptability.

Applications of Management principles in MNC

PLANNING

It requires setting objectives and then formulating programs and procedures to achieving objectives. The MNC must assess the external environment for opportunities and threats and then match them with internal strengths and weaknesses.
A poor educational system may make it difficult to find qualified personnel and this could affect the company's recruitment activities.
Cultural orientation towards time will also affect planning, cultural attitudes that emphasis a short time perspective will not be conducive for long-range planning.
Political or economic instability may affect the forecasting ability of the company and also may discourage long-term commitment of resources.

2. ORGANIZING

Organisational structures established to achieve objectives of MNC. Various structures could be used depending on the type of company among other factors.
A divisional structure is most popular and could be based on either product lines, geographical areas or customer type. Other structures include holding company structure and matrix structure.

3. STAFFING

The positions identified in a MNC must be filled with qualified persons. Managers of MNC can be classified in 3 ways:-

a) National i.e. selected from the country in which headquarters are located. (from country of origin).
These are expatriates chosen to represent and manage divisions abroad. These managers because of their experience are familiar with the parent company's policies and operations.

b) Selecting managers who are from the host country. These managers are familiar with the country's environment, educational system, culture, legal and political processes and its economic environment.

Managers who have a nationality that is different from the parent company and the host country. Such managers have gained experience by working at the company's headquarters as well as in different countries thus they have developed behavioral flexibility that eases their adaptation in different cultures. They are truly trans-cultural. Eg. The former Barclays (K) Ltd Managing Director Issac Takawira from Zimbabwe a third country national.

4. DIRECTING

Involves motivating, communicating with foreign country nationals. It requires effective leadership by inducing workers to contribute to enterprise objectives. This will mean that managers understand employee cultural environment for example participative management may flourish in one country but may cause confusion in another where there is a tradition of autocratic rule. Due to technological development communication has been enhanced and the transmission of information improved.

5. CONTROLLING

It is the measurement and correction of performance to ensure that events conform to plans as an essential managerial function that is influenced by various environmental factors unique to an international enterprise.

- Revenues and costs are measured in different countries
- The exchange rates are subject to fluctuations
- Accounting practices and policies often differ from country to country. The company must satisfy the tax demands of host countries.

Developing procedures that meet this demand at the same time is extremely difficult owing to the complex nature of measurement. Time delays may also slow the process of detecting and initiating corrective actions. With computers however, this process can be speeded up.

Problems faced by managers in international environments

1. Language barriers (semantic barriers
   Some articles may need to be translated and this could hamper communication.
2. Cultural attitudes towards such factors as time and productivity in some parts of the world may be different. For example the swiss are known to be good time keepers.
3. Lack of the technical skills required to run the machinery.
4. Scarcity or differences in the standards of raw materials parts of equipment and other facilities. It may be difficult for the MNC to obtain raw materials locally.
5. Hostile or unstable political climate:- Frequent changes of government authority and policies can cause unpredictable environment to MNC's in some cases the government may be unable to protect its own nationals.

6. Fluctuations in the international economy:- Inflation and currency devaluation have major effects on the cost and profit of MNC
7. Unfamiliar legal system:- Laws concerned with banking, taxes differ from country to country.
8. Differences in the accounting systems and this introduces a problem with reporting and comparing operations in different countries.
9. Custom duties (tariffs and health and safety practices imposed by different government make international corporations more difficult.

11.3 MANAGEMENT AND THE FUTURE

11.3.1 Corporate Governance

It is a new discipline of management which evolved in the last quarter of the 20th century. Though relatively new in the management circle, the issue of corporate governance is one of the leading issues in leadership and management. Corporate governance is equited to corporate management.
The emphasis is laid on the role that the board plays in guiding management towards corporate success on the other hand, emphasis is placed on the role of independent directors or similar bodies in ensuring that corporate executives or directors are themselves made accountable and supervised.
Corporate governance can also be understood by defining it in terms of organizational outcomes. Corporations are created to achieve the desired outcomes of their "creators" it therefore follows that if these objectives are met then the corporation is well governed. From this perspective it can be defined as the process whereby organizations are led towards achievement of objectives for which they were founded.

Corporations are governed and managed not by their owners but through the process of agency. These agents might be governors, managers and other employees they have entrusted to govern the corporation on behalf of the owners.

Elements of good corporate governance

Since agents are custodian trustees and stewards of the organization they are answerable and accountable to the owners.
For successful corporate governance the role of shareholders directors and other employees must be clearly defined. The directors must be made accountable to somebody. They must be clearly aware of the fact that failure to give a good account will not go unpunished.

Good corporate governance should ensure the following:-

1) Enterprise prosperity and survival:-
Corporations must be managed efficiently and effectively to ensure prosperity and survival. When they prosper they generate wealth and promote well-being of both the stakeholders and the society.
2) Ethics, integrity and responsibility
Organizations must be lead on the premise that the highest standards of integrity and ethics be maintained. Abuse of powers, corruption, laziness, conflict of interest and other such vices can all ruin organizations. The people appointed to new organizations must be fair, transparent and responsive.
3) Employee participation in decision making i.e. employee empowerment. Quality circles suggest that workers have increasing influence on what occurs in the work place.
4) Administration of justice on employees and other stakeholders through the application of rules and regulations.
5) Protection of employees right to employment by providing job security to employees

6) Establishment of positive corporate culture.

11.3.2 Business Process Reengineering (BPR)

The fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical contemporary measures of performance such as cost quality, service and speed.
It is a new management approach reflecting the practices, experiences of managers and providing a source of practical feedback to management science. It represents a response to: -

- Failure of business processes to meet customer needs and deliver customer satisfaction.
- The challenge to organizational politics.
- The gap between the strategic decision made in the boardroom and the day-to-day practice of the business.
- The disappointment following the application of information technology to businesses during the 1980's. This resulted in failure of businesses because senior managers failed to align its strategy with corporate objectives.

BPR is not confined to manufacturing process and has been applied to a wide range of administrative and operational activities.

There are a number of principles that have been identified for BPR.

1) Processes should be designed to achieve desired outcomes rather than focus on tasks. Removal of job demarcation and emphasize multi-skilling.
2) People who use the output should perform the process themselves. For example a company could set up a database of approved suppliers. This would allow personnel who actually require supplies to order them themselves, using line technology and thereby eliminate the need for using a separate purchasing department
3) Incorporate information processing into the real work that produces the information- avoid separate data gathering processes or operations.
4) Geographically dispersed resources should be treated as if they were centralized for example economies of scale through central negotiation of supply contracts, without losing the benefits of decentralization eg. flexibility and responsiveness.
5) Link parallel activities rather than integrate the results. This would involve for example, co-ordination between teams working on different aspects of a single process.
6) Empowerment:- 'Doers' should be allowed to be self managing. Put the decision point where the work is performed.
7) Capture information only once. Ideally only at its source.

Advantages

1) BPR revolves around customer need and helps to give appropriate focus to the business.
2) Provides cost advantages that assists the organization's competitive position.
3) Encourages a long-term strategic view of operational processes by asking radical questions about how things are done and how they could be improved.
4) It focuses on the entire processes and therefore the exercise can streamline activities throughout the organization.
5) It can help eliminate unnecessary activities therefore help reduce organizational complexities.

Disadvantages

1. It requires far-reaching and long term commitment by management and staff. Securing this is not an easy task.
2. Sometimes it is incorrectly seen as a single once for all cost cutting exercise. Primarily the aim is not cost cutting and it should be an ongoing process. This view could create hostility as employees see it as a threat to security.
3. Sometimes it is also seen as a tool to make small changes yet in the real sense it should be used to make radical changes.

11.3.3 Benchmarking

The establishment through data gathering of targets and comparators, through whose use relative levels of
performance and particularly areas of underperformance can be identified.
It can either be:-

a) Internal benchmarking: comparing one operating unit or function with another within the same organisation.
b) Functional: Compares functions with those of the best external practitioners regardless of the industry they are in. They are also called generic benchmarking.
c) Competitive:- gather information about direct competitors.

Advantages

- Position audit:- It can assess the firm's existing position.
- The comparisons are carried out by the managers who have to live with any changes implemented as a result of the exercise.
- It focuses on improvement in key areas and sets targets that are challenging yet achievable. What is really achievable is discovered by what others have achieved.
- It assists firms to set high standards of quality and therefore making it a source of competitive advantage

Dangers

- Implies there is one best way of doing business. It boils down to differences between effectiveness and efficiency.
- It may be yesterday's solution to tomorrow's problem as performance is measured against targets set on historical data.
- It is a catching up exercise rather than developing distinctive competences. After the benchmarking exercise the competitor may improve performance in a different way.
- It heavily depends on the accuracy of information used to set targets.

QUALITY CONTROL/MANAGEMENT METHODS

Product quality has become a major competitive factor in determining the survival of a firm. With the proliferation of goods and services available, customers are demanding products that work properly the first time and every time during the expected product life. Service industries also are highly competitive. Banks must provide more accurate bank statements, faster delivery of documents and friendlier, more efficient and helpful service in face-to-face situations. Organizations are learning that higher quality does not mean higher costs. In fact the opposite is true. Most importantly, managers are moving from the concept of quality control to the broader concept of quality management. Quality is now becoming part of the strategic focus of successful companies.
To better understand quality in the production process, we must determine what quality is and what it is not. We should also understand that quality has strong legal and social implications as well. If such things as vehicles and drugs are of poor quality, lives may be lost.

QUALITY DEFINED

Quality is a characteristic that determines a products value in the market and how well it will perform the function for which it was designed. The quality of a product is measured in terms of the degree of conformance with a particular product standard.

In manufacturing a product, the following elements of control must be applied to the quality dimensions of the product.

(a) Measure the quality characteristics
(b) Compare actual results to the standard
(c) Take corrective action when the deviation between actual results and the standard exceeds tolerable limits.

Dimensions Of Quality

Quality is not a single characteristic but multi-dimensional. The dimensions of quality are:

1. **Functionality—**This refers to whether the product performs its function at the end of the manufacturing process or when it is first put to use.
2. **Reliability—**How long will the product function under normal conditions? A product should perform perfectly from the first time to the completion of its life span.
3. **Durability**—How well and how long will the product function under adverse conditions? e.g heat, cold, dust and other conditions that it reasonably might be expected to encounter?
4. **Aesthetics Characteristics**—This refers to the appearance of the product and is not necessarily related to its function. The smoothness of the surfaces, the symmetry of decorative design and the absence of dents, or scratches illustrate this dimension.
5. **Safety—**Will the product perform its function without endangering the user? A high quality product can not be produced unless all these aspects have been considered.

Quality is a matter of concern for every organisation involved in the production of goods and services. Cheap or inferior goods or services ruins the competitiveness of the organisation. Hence many organisations are setting up quality improvement standards (ISO 9000 certification) ISO – International Standards Organisation.
Quality certification has gained momentum in Kenya in the last decade hence most organisations are going for

ISO 9000 certification.

ISO 9000 certification is a quality system certification which is recognised worldwide as the ultimate yardstick for testing organisations and business commitments to excellence. It is issued under stringent measurement that are recognised and documented internationally. It considers quality across designs, product, procedures and the entire institutional chains.

The following are the quality control methods:

1) Inspection:

Involves comparing products to the standards, approving those that meet them and rejecting those that do not. Inspection serves as a check on the quality of incoming materials and finished goods.

2) Statistical quality control:

The assumption behind this is that most quality problems perhaps as many as 85% are as a result of flaws in manufacturing system and not errors by production workers. The goal of this

is to determine whether something has gone wrong with the manufacturing system. It relies on the law of probability to do this by checking a sample of the output and applying the right statistics it is possible to tell variation or whether the system is out of control.

3) Quality Circles

This is a quality control technique which originated in Japan. It involves the use of committee of workers that analyses and solves quality problems of various departments in the organisation. The quality groups are established in every department and trained on problem solving by use of statistical quality control and other group process. They are encouraged to make important inputs to key decisions affecting their activities. They regularly meet to review the quality of goods or
services offered. The quality circle is not a permanent committee. It may comprise of between 5 –1 2 members and membership is rotated between members of the department/production units.

4) Monitoring the quality of supplies

Quality problems in production are often the result of poor quality inputs. Organisations should have strong programs for ensuring that they have the right quality of incoming materials and supplies.

Supplies can be monitored through:-

involving the suppliers in writing specifications for production materials and components ensuring that suppliers understand the specifications before supply orders are place.

5) Total quality Management (TQM)

Meaning and definition

TQM is an intensive long-term approach directed at the creation and maintenance of high standards of product quality and services expected by customers. International Standard Organisation (ISO) defines TQM as a "management approach centred on quality based on the participation of all its members and aiming at a long-term success through customer satisfaction and benefits to the members of the organisation to the society."

TQM therefore involves active participation of all members of the organisation at all levels to meet and exceed customers expectations.

Characteristics of TQM

1. Quality i.e. <u>everybody's responsibility</u>
2. It requires the <u>commitment</u> and active participation of all the individuals in the organisation
3. Improvement in quality is a <u>continuous process</u>
4. TQM should aim at <u>customer satisfaction</u>
5. Quality is neither a technical function nor a departmental activity but a <u>systematic approach</u> cutting across an organisation. The emphasis in improved quality must take place throughout all phases of the business and not just in the operations process.
   All departments, sections and units must be involved in quality improvement effort.
6. Quality achievement must be externally/customer driven and not internally/organisation driven.

PROCEDURE OF INTRODUCING TQM PROGRAMME

1. Analysis of customers' needs
   Customers needs may be high quality products, efficient services etc. Need assessment may be carried
   out through market survey which involves the use of interview or questionnaire methods.
2. Assessment of the degree to which these needs are currently being met.
3. Establishment of the gap between the current and desired situation i.e. the extent to which the needs are
   being met or the extent to which customers are dissatisfied with current services.
4. Establishment of the quality standards capable of satisfying customers needs.

5. Putting in place programmes necessary to meet the standards (needs of the customers)
   The following programmes should be introduced:-
   a) Incorporating quality objectives into strategic plans
   b) Building TQM into accountability of every job and into all related systems eg. performance appraisal.
   c) Forming quality teams eg quality circles
   d) Building skills through training and development programmes
   e) Commitment from top management to provide a vision to reinforce values emphasising quality, set quality goals and deploy resources for quality programmes.
   f) Recognising and rewarding quality improvements.

BENEFITS OF TQM PROGRAMMES

1) Enables the organisation to meet their customers needs hence achievement of goals and objectives.
2) Improves competitive strengths of the organisations.
3) Promotes interpersonal relations and team spirit among employees
4) Improves communication between managers and subordinates
5) Improves employee motivation through better terms and conditions of services eg. improved salaries
6) Strengthens long-term operations of the organisation.

11.5 THE SMALL BUSINESSES

Business management begins after a business has been started—therefore identification of business opportunities is the foundation for starting a business. The question of what business opportunities are available is very important. Many people would like to be their own bosses and therefore may start their own small businesses. But owning one's business has some risks especially because the income is not guaranteed unlike salaried employment.

When is a business small

In general a small business has few employees, limited capital, low investment and low sales. A small business will be a business that has the following characteristics:-

(a) Management is independent, generally the managers are also the owners.
(b) The capital is contributed by one person or a small group.
(c) The area of operation is local—the owners and employees reside in one home community.
(d) The size within the industry is small.

From the above we see that a small business is self-initiated, largely self-financed and closely self managed and is of relatively small size when considered as part of the industry. Small businesses service big ones as many products produced by big companies are distributed by small companies. Apart from the matter of size small businesses have three other distinguishing characteristics.

- Management
- Capital requirements
- Local operations

Management: The management is relatively independent since usually the managers are also the owners. They make their own decisions, the owner is both the investor and the employer. This

gives him complete freedom of action, and most small business are either sole proprietorships or partnerships.
Capital requirements: The capital requirements are usually small and can be provided by one person.
Local operation: Both employees and owners come from the local community and location of the business.

SOLE PROPRIETORSHIP

The simplest and oldest form of business organization. It is a business owned and operated by one person. This single owner takes all the business risks and all the profits. He is also the manager of the business. A large part of Kenyan businesses is of this form, however they do not account for the larger amount of business activity. Examples are hardware, matatu, bus, kiosks, shoeshops, shopkeeping, hairdressing, beauty shops, etc. The business has few employees usually four or less.

Advantages of Sole Proprietorship

(a) Ease of starting

A sole proprietorship is easy to start since there is no need to make a contract with others. There are few legal requirements except a licence from the government. The owner is free to choose the name of the business without much consultation.

(b) Low cost of organization

The licence fee is small. One only needs money for equipment and merchandise. The profits of the business are not taxed. The owners pay tax as an individuals.

(c) Freedom to manage

The owner has maximum freedom in decision making as he is the boss and is the only one involved. He can also adjust quickly and take advantage of any business opportunities that may occur.

(d) Profit incentive

After all expenses are paid, all the profits belong to the owner and this serves as a strong incentive and gives the owner maximum satisfaction and encouragement to improve on his business.

Weaknesses of sole proprietorship

(a) Limited size

The size of sole proprietorship is limited by the amount of capital the owner can raise, the sum of money already on hand plus what he can borrow. As the amount of capital needed increases, the owner may find it necessary to change to a partnership or even corporation.

(b) Unlimited liability of debts

The claims of creditors against a business may exceed the value of its assets. In this case the personal property of the proprietor may be taken to pay business debts—this often discourages people from starting their own businesses.

(c) Limited life

The business may and usually dies if the owner dies or becomes disabled especially when family members do not want to take over. Sometimes family members may take over but are unable to run it well and bankruptcy results. A sole proprietorship has no legal life beyond that of its founder.

(d) Limited management ability

Every business has many basic functions that must be performed in order for it to be successful.Depending on the type of the business these may include buying, selling, advertising, accounting and bookkeeping, insurance, credit personnel management. The fact that few people are expert in all these areas is the chief cause of most small business failures, yet the sole owner is responsible for carrying out even those functions for which he or she has no real competence.

Note

The success and viability of the sole proprietorship then will depend on whether the owner can overcome the weaknesses. Where the owner can overcome the weaknesses then the sole proprietorship has special appeal as he shares his profits with nobody else.

PARTNERSHIP

In some respects the partnership is the extension of the sole proprietorship but designed to include more than one person. It is defined in law as "an association of two or more persons who are the co-owners of the business". The authority for its creation rests in the common law "right of voluntary association".

There can be no partnership without the expressed intention of all partners. The legal basis for the partnership is usually a written document called the Articles of Association. The law in most countries recognises two forms of partnerships: The general and unlimited partnerships.

Forming the partnership

Basic to all partnerships is an agreement of intent which may be oral, implied by actions or written down.

Partnership Agreement—the provisions agreed upon by partners are written down and form a partnership agreement. A common partnership agreement will have the following elements:

(a) Name of the partnership
(b) Names of the partners
(c) Location of business
(d) Addresses of partners
(e) Nature of business
(f) Intended duration of business
(g) Amount of contribution, either cash or otherwise made by each partner
(h) Amount of time each partner will devote to the business
(i) Provisions for salaries or drawing account for partners
(j) Dissolution of profits and losses
(k) Duties/responsibilities of each partner
(l) Procedure regarding the way in which the books are to be closed upon death or withdrawn by one of the partners.

(m) Special dissolution procedures
(n) Methods of resolving disagreements
(o) Use of life insurance to purchase protection for surviving partners.

Advantages of partnerships

In some respects the partnership is like the sole proprietorship therefore enjoys similar advantages for example few legal restrictions.

Others:

(a) Partners are able to raise more capital as each chips in.
(b) It has the advantage of management skills as each partner has special competence.
(c) Each partner brings different ideas into the partnership so they can complement each other.

Disadvantages of partnerships

The partnership has the following disadvantages:

(a) The chief weaknesses of the partnership is personal liability of each partner. If for instance one partner enters a contract that forces the firm to be bankrupt, all the partners are liable to cover the debts, i.e. each one of them can be followed regardless of whether he/she is the one who entered into the contract. The decisions made by any partner are binding to the others.

(b) Lack of continuity:
The death of a partner dissolves the business—also the disability of a partner may force an end to the business. The acceptance of a partner to buy the interest of the dead partner is not always easy.

(c) Frozen investments:
In case of one partner wanting to leave, it may be difficult for him to withdraw his funds from a going concern. The remaining partners may not have enough money to purchase the shares of the departing partner, or they may be unable to agree on taking on a new partner who could supply the funds. It may also be difficult to agree on a fair price for each partner's shares. Therefore before entering a partnership one must realise that withdrawal of money could be a problem.

Advantages of Being Small

1. Freedom of action and decision making for owner, manager
2. The owner, manager can take quick decisions/actions where situations change. (No need to consult with others).
3. Little working capital—so many Kenyans can start small businesses.
4. Better supervision and control.
5. Since owners are members of local community they can assess market needs better.

Disadvantages of Being Small

1. Lack of specialisation—the owner manager does all activities, buying, store-keeping, personnel, accounting, marketing, etc.
2. Difficulties in raising additional capital either for expansion or renovations.
3. Cannot attract qualified employees as it does not offer job security.
4. Lack of continuity.

Small Business Failures

In Kenya for instance the rate at which small businesses fail is quite alarming. There are multitudes of reasons why small businesses fail. Usually the problem stems from the start of the business:

(a) Inappropriate initial skills of the owners/managers. (Most people once they save a little money just start a business in the line which others have succeeded without a full knowledge of the industry, the risks involved and the activities required. A case in point is the matatu business, hairdressing, dressmaking etc.
(b) There is general lack of entrepreneurship culture in respect to managers/investors. They may not draw the line between themselves and their business.
(c) Lack of financial and technological resources to sustain a small scale business—a business must be able to respond to market changes very fast. Small businesses may be unable to cope.

Expanded these three points will bring the following reasons for small business failure:

1. Management reasons:

Owner/manager lacks management skills so he makes poor decisions e.g. inappropriate business structure where it is not clear who is actually in charge of what. Family businesses do suffer this weakness very much. The owner/manager lacks knowledge of the business especially of the whole industry so he makes uniformed decisions.
He may have poor personality, e.g he may fail to get along with employees or clients or he may actually be lazy and since he is the boss, there are no controls on him. A poor personality will also mean he cannot attract customers.

2. Money problems:

i. Lack of enough capital to buy stocks.
ii. Giving too much credit.
iii. Owner and/or family take too much money out of the business.
iv. Difficulty in obtaining financing especially from banks because he cannot raise collateral.

3. Poor planning:

i. Poor choice of business location.
ii. Inability to understand market changes and projections into the future.
iii. Failure to understand effects of changing economic activities e.g. interest rates, pricing, distribution and currency fluctuations.
iv. Failure to plan future needs, i.e. lack of budgets or forecasts.

4. Poor marketing reasons:

i. Failure to stock the right products.
ii. Failure to establish lasting relationships with the market i.e. cannot acquire "Loyal customers".
iii. Poor advertising—or failure to do any promotion at all e.g. no directions to his business place. People are therefore unaware of his existence.
iv. Failure to take part in community affairs. So customers develop negative attitudes towards the owner and his business (common in Kenya especially with Asian owned businesses).
v. Unacceptable business practices e.g hoarding, overcharging and tied selling.
vi. Failure to meet competition either through competitive pricing or promotion.

5. Accounting reasons:

i. Poor book-keeping. Therefore no records of credits, debts, or stocks.
ii. Inadequate tax records.

6. Other reasons outside the control of owner manager

i. Accidents
ii. Government intervention
iii. Political instability
iv. Natural disasters

Note
In Kenya these reasons for business failure arise from our environmental factors e.g. the socio-cultural factors (the greater population is illiterate. They cannot read or write).

- Some failure can be traced to lack of necessary training in the critical areas of business.
- The political legal factors e.g general lack of support from the government, and poor knowledge of the legal requirements.
- The seasonal nature of demand levels as demand is directly tied to earnings which are tied to sale of agricultural products.

So some causes of failure among small businesses are not under the control of owners and this makes it difficult for the owner managers to incorporate such factors in their business management.

What Is Meant By Business Failure?
When a business fails most people say it is broke or it has gone bankrupt. However, these statements may mean several things so we may say a business fails when:-

(a) The firm goes out of business.
(b) The firm closes down. Here owners shut down their business willingly.
(c) The firm fails to meet its obligations:

i. Pay salaries
ii. Pay debts
iii. Pay expenses
iv. Make profits

These failures will be shown by the following:-

- High operating costs
- Falling profits
- Increasing debts
- High employee turnover
- Unserviced equipment
- Falling stocks

Note
all businesses that go out of business actually fail, some just stop operating mostly for such reasons as retirement or death of the owner.

What Makes A Business Succeed

(a) Good management on part of the owners. This goes along with total commitment and willingness to work long and odd hours.
(b) Good leadership which means responsibility, honesty and willingness to work with others.
(c) In case of partnerships, partners should have good interpersonal relationships, i.e. they should be able to get along and to agree over decision making.
(d) Proper use and application of business funds. Owners should avoid giving too much credit or using business funds for other purposes especially prematurely.
(e) Good planning especially on the products, location, organization and promotion of the business.
(f) Constant checks by independent parties will help pinpoint any problem areas.
(g) Owners/managers seek help especially technical help from experts.
(h) They should ensure continuity by training somebody to take over.

Business Financing

Before entering into a business, the owner manager should be able to determine the capital needs of his business.
Capital includes both money used to start the business and other credits from manufacturers, wholesalers and others. The two types of capital are working capital (operating) or (day to day running) and fixed capital, the owner must be able to raise enough of both if the business is to succeed.
Capital needs will however vary according to size and business objectives. All in all successful businesses must have enough working capital, enough managerial competence and they must meet a need that exists in the community.

Sources Of Business Funds

In operating the business, one needs sufficient finance for the following:

1. Purchases
2. Pay salaries
3. Buy premises
4. Buy equipment
5. Pay expenses e.g. bills
6. Incidental costs

The sources of these finances may be:

1. Funds (savings)
2. Family members
3. Friends/associates

Equity money

If the funds required are more than can be realised through equity, money is then borrowed. This additional fund is called DEBT-MONEY. There are many forms of debts money depending on.

- The source (lender)
- Maturity of the debt
- How much and mode of repayment.

In Kenya debt money could either be from commercial banks, financial institutions, or from employees, cooperative societies or companies with such facilities e.g. K.I.E. and ICDC.

Debt money is either short-term (credits given for short periods by suppliers, wholesalers or bank overdrafts) or long-term (given by commercial lenders on production of security and to be bonded for some reasonably long period.

Sourcing For Funds

Not all the sources of funds are good for all types of business. Before one can select a source of fund, there are certain areas that one must be very clear about.

(a) The conditions for borrowing imposed by the lender (Bank).

i. Whether the bank needs security and what type of security. Does the business have the necessary security?
ii. Re-payment period. How long is the term of credit and how are the monthly instalments. Can the business comfortably meet these repayments?
iii. The interest rates (cost of money) and how they are likely to change and how they would affect the business if they did change.

(b) Know all the factors both internal and external that would affect the success of your business and how these factors are likely to change in the present and in the future.
(c) Must know about the environment of the business and especially of the lenders business and the movements that are likely to take place in the banking industry.
(d) The businessman must be able to evaluate his business competence to see whether it is in a position to meet the conditions and requirements of the lender.
(e) He must be able to evaluate and compare the amount of risk and the financing obligations taken on when the loan is given.

Note

sourcing for funds the businessman may make the following mistakes:

1. Asking too many sources for funds
2. Failing to state obvious shortcomings
3. Overlooking serious defects in the business or debt source
4. Defining the business too narrowly.

Note

The credibility of the borrower is very important in getting funds so one should be able to be honest, reliable and of high integrity.

Importance Of Small Business To The Economy

(a) Make significant contributions towards employment. In Kenya the rate at which Jua Kali sector is creating employment is encouraging.
(b) Small business provides the economy with financial vitality. Overhead costs are low and can respond to external changes faster than big ones. They are quick to adapt to changing demands.
(c) Small businesses are also a main source of innovation e.g. the Jua Kali sector with things like energy saving stoves.

Reasons For Small Business

(a) Becoming one's boss. The desire to be one's own boss is a powerful motive for people to venture into small businesses.
(b) Providing job opportunities through self employment. Few chances in white collar employment is forcing many into small businesses.
(c) Realizing enterpreneural dreams. Some people have entrepreneural desire to want to make more money than in regular employment.

Critical Success Factors In Small Business

(a) Learning the trade. An overriding reason for failure is lack of knowledge about the business. No knowledge of the market and their competitive strength and what is actually involved in running the company.
One can learn the trade by working for others or start as a Franchisee (right or licence owner using the product or the production or selling method of a product or service developed by another company known as the Franchiser).

(b) Gaining a competitive edge. i.e delivering better than competitors. May be by low pricing, differential product, through better quality, or by finding a niche in the market by serving a limited segment of the market.

(c) Getting the most from employees. Employees can break or make a business as they are the ones who carry out the firms business plans. Adequate compensation and provision for development and responsibility are important.

Note

Small businesses succeed or fail for the same reasons that large companies succeed or fail. The critical success factors that apply to large corporations also apply to small businesses. The (CSFS) are:

- Business Expertise
- Operational Efficiency
- People Management.

Of the three CSFS business expertise stands out as the most critical factor for the success of small businesses. Unlike large companies which rely on the expertise of many people, small companies often depend on the expertise of one-owner manager or a few partners.

REINFORCING QUESTIONS

Q1. The concept of social responsibility requires organizations to respond to societal goals. Could you outline these goals of society?

Q2. Briefly outline the pros and cons of social responsibility.

Q3. Could you propose areas of social involvement by business that you think are relevant to Kenya.

Q4 (a) What are ethics?

(b) Why should managers behave ethically?

(c) Why do some managers behave unethically?

(d) What suggestions do you suggest to curb unethical behaviour?

(e) Outline the barriers to exposing unethical behaviours.

Check your answers with those given in Lesson 12 of the Study Pack

LESSON TWELVE

REVISION AID

INDEX

CONTENTS

MODEL ANSWERS TO REINFORCEMENT QUESTIONS IN

SELECTED CPA PAST PAPERS

REINFORCING QUESTIONS

ANSWERS TO PAST PAPERS

ANSWERS TO REINFORCING QUESTIONS

MOCK EXAMINATION PAPER

Note: All Model Answers Have Been Provided By The Staff Of The Distance Learning Centre.

MODEL ANSWERS TO REINFORCEMENT QUESTIONS

LESSON 1

Q1. Several definitions of management have been given by different scholars.
Mary Follet defined management as "having work done through others."
Another popular definition is that "management is a set of activities directed at the efficient utilization of resources in pursuit of one or more goals. (Therefore according to this definition management is a process of achieving goals). This process involves four major activities; planning, organizing, directing and controlling.
The key characteristics of management are that:

a) Management is systematic i.e. it is a process that follows certain activities.
b) Management is pervasive i.e. it is practised in all organizations, private and public, small and big, social and business and at all levels in these organizations. In other words management is universal.
c) Management is complex i.e. it involves several different activities that managers must engage in and which keep varying or changing frequently.

Q2 The process of management involves four basic functions:

a)Planning: which is the process of formulating future courses of action (i.e. deciding in advance what needs to be done, how it is to be done, when it is to be done and by who. When they plan, managers

i. determine the goals of the organization and its units
ii. decide on the means of achieving the goals and
iii. formulate action planning.

Planning is necessary since organizations are started with a purpose(s) (goals) and planning serves as a tool for identifying these goals.

Planning is important as it gives the employees a sense of direction. Planning is also a prerequisite to other managerial functions, unless managers know what they want to accomplish in advance, they would not be able to organize activities, co-ordinate them or even measure performance.

b)Organizing: which is the process of grouping resources and activities in a logical fashion. The function of organizing involves:

i. grouping similar activities together (departmentation)
ii. assigning people to the various activities and
iii. determining and defining working relationships between various groups.

When organizational activities are divided into various sub-units its configuration is called organizational structure. The organizing function is basically concerned with who is responsible for doing what and it is a prerequisite to the directing function.

c)Directing (leading): this is the function concerned with influencing organizational members to carry out their assigned roles and activities. This function includes motivation, leadership, communication and co-ordination. Motivation involves finding the incentives that satisfy the needs of employees and cause them to enthusiastically pursue organizational goals.

- Leadership means the ability to influence the behaviour of other people to follow certain directions.
- Communications is the process of gathering and transmitting information from and to all levels of the organization.
- Coordination is the process by which the activities of organizational members are integrated to achieve goals most efficiently.

d) Control Function: this is the final function in the process of managing. Controlling involves ensuring that the organizational activities are carried out according to the laid down plans.

It involves:

i. establishing performance goals or standards.
ii. measuring actual performance
iii. comparing actual performance with the set goals and
iv. taking corrective action.

The controlling function is closely tied to the planning function in that it provides information about how well the initial planning was done. The results of controlling sometimes even involve changes in original plans.

Q3. The question of whether management is a science or an art has been debated for a long time and scholars have not reached a consensus on how to categorise management. What is however clear to us is that management has both elements of art and science.

Management like most other arts involves some degree of skill and talent, but management makes use of underlying knowledge (science) and applies it in the light of the realities to achieve results. Most of the work of managing involves dealing with people, their actions and reactions, there has yet to be developed a science to deal with such issues.

The most productive art however is always based on an understanding of the science underlying, and management is a science to the extent that it utilizes well systematised theories. Managers who attempt to manage without theories and without knowledge structured by theory must trust their luck, intuition or past actions. But with organized knowledge they have a far better chance of succeeding. Art and science are therefore not mutually exclusive but complementary and as science improves so too should art.

Although a lot of science and scientific methods are being used in management e.g. computers and electronic data processing, there is yet no complete and universally accepted science of managing. A lot of the areas of managing still remain poorly understood, for instance a lot needs to be learned about people and therefore it is difficult to categorise management as science. Until complete knowledge is gained and developed into well systematised and tested theories management must still remain in the arts. But the improvements made to management by science must not be ignored.

Q4. Management roles mainly describe how managers spend their time as they go through the process of managing.
Management roles have been grouped into three major groups:

a) Interpersonal roles: which involves the manager collecting and disseminating information to the members of his organization.

b) Informational roles: involve the monitor role, spokesman role and the disseminator role.

c) Decisional role: involves managers spending time selecting certain causes of action, or making decisions that affect the organization. The decisions centre around utilization of resources. Decisional roles include the entrepreneur, problem solver, resource allocator and negotiator.

Q5. Successful management is mainly measures through efficiency and effectiveness. Efficiency means that resources are being used with minimal waste. It therefore concerns itself with whether the outputs got justify the inputs used.

Effectiveness on the other hand measures whether the right things are being done. It involves the selection of the right objective to be pursued. If there is no effectiveness (i.e wrong objectives have been selected) then it does not help even if there is efficiency. So efficiency is essential but effectiveness is critical.

LESSON 2

Q1. Strategic planning also referred to as corporate planning is the broad planning done mainly by top management and aimed at guiding the general direction of the organization.

Strategy has four basic components:

i. Scope: which refers to the position the firm wants to have in relation to its environment.
ii. Resource deployment indicates how the organization intends to allocate resources.
iii. Competitive advantage is the specification of what advantage(s) the firm holds relative to competitors and
iv. Synergy is the extent to which various businesses within the firm can expect to draw on one another.

There are three levels of strategy:

i. Corporate strategy is the overall (grand) strategy for the organization as a whole.
ii. Business strategy refers to strategy for each individual business within a company, while
iii. Functional strategy deals with the basic functional areas within the firm.

Strategy formulation is the set of processes involved in creating or developing strategic plans. These processes mainly are concerned with understanding the environment and how it affects the organization, and how the organization can in turn affect the environment. The manager must understand the effects of such forces as new entrants and the threats they pose to the business, suppliers and their powers, competitors and their attempts to out manoeuvre one another, power of buyers on whom the organization relies for its sales and lastly the threat of substitute products. Strategy implementation is the process involved with the executing of the strategic plans. Incorporating the selected strategy into the daily operations of the organisation.

Q2. A goal is a statement of where the organization wants to be at a specified time in the future. The purpose of goals is to provide direction to the organization. The steps in goal setting process are:

i. to scan the environment for opportunities and threats.
ii. to assess organizational strengths and weaknesses.
iii. to establish general organizational goals.
iv. to establish unit goals.
v. to establish sub-unit goals.
vi. to monitor progress towards goal attainment and provide feedback as the cycle repeats.

This goal setting process takes place with the general and task environment of the organization.

The general environment is the set of forces that characterize the setting of the organization. There are five such forces: political-legal, economic, international, socio-cultural and technological.

The task environment consists of those specific organizations in that environment that affect the target organization specifically. There are also five of these; customers, competitors, unions, regulations, and suppliers. The environment is important not only because it affects goal setting but because it affects on going activities (in the organization) which are aimed at goal attainment. The impact of dimensions of the general environment on goals is likely to be slow, but the tasks environment shifts rapidly and the organization must respond through flexibility.

Q3. Organizations do not have single goals. All organization pursue many diverse goals in order to survive. The goals may be differentiated by level, area of function or by time frame. For example the top management goals are different from those of middle and lower managements, while marketing goals are different from financial or human resource goals. Still the long range medium range and short range goals are different. To worsen matters, if not properly set these goals could even be contradictory. But because the organization is "one whole" all the different goals must be compatible if the firm is to succeed. This means there must be balancing and trading off between these different goals for the sake of organizational effectiveness. This process of balancing and trading off between goals is known as goal optimization.

Q4. MBO is the process of collaborative goal setting between the manager and his or her subordinates. It assumes that goals are consistent or compatible from the highest level through the lowest level and that commitment increases through collaboration. If MBO is kept relatively informal (to hold back paperwork) focused on the long run and used with periodic reviews and proper rewards, it appears reasonably effective.

The basic steps in the MBO process are:

i. to establish organizational goals
ii. to set goals collaboratively throughout the organization
iii. to employ periodic reviews
iv. to evaluate and provide feedback (all steps have been summarised, check the elaborated steps in the main text of the study pack).

Q5. A plan is a blueprint or framework used to describe how an organization expects to achieve its goals. Planning is the process of developing plans or determining how best to approach a particular goal. When managers plan they map out courses of action for their organizations in advance. Planning therefore describes the direction or the path that the organizational process must follow in order to achieve goals most efficiently and effectively.

Planning is thus of primary importance to every organization, and each manager must plan for his or her job. However overall planning must begin at the top of the organization.

The three major types of plans are:

i. strategic
ii. tactical
iii. operational

Strategic plans are the broad, long range plans developed by top management to guide the general direction of the organization. Tactical plans are designed to implement strategic plans and hence have a moderate scope and intermediate time frame (associated more with middle management). Operational plans have the narrowest focus and the shortest time frame and are executed by firstline managers. They include standing plans and single use plans.

Planning is important for several reasons:

i. It gives direction and purpose to organizational activities.
ii. Aids in the utilization of resources.
iii. It gives good measures against which performance can be judged.
iv. Reduces waste especially of time and often vital resources.
v. Helps organizational members remain within focus and it gives boundaries of the extent of organizational activities.
vi. It is a basis for all other functions of management, without plans for example organization and control are impossible.

Q6 (a) Contingency planning is the part of the planning process that identifies alternative courses of action that an organization might follow if various different conditions arise. It means having a separate plan for each of the several critical contingency events. Critical contingency events relate either to the extent to which the ongoing plan is being accomplished or to the environmental events that might change things in the future.

(b) Managing the planning process mainly concerns itself with how to avoid the roadblocks to effective planning.

The roadblocks include environment, resistance to change, poor goal setting and time and expense constraints. Avoiding these constraints is not easy but there are certain guidelines that could be followed.

They include:

- starting at the top to assure the commitment of top management
- recognising the limits to planning
- communicating plans up and down the organization to assure consistency, participating and integrating the plans of various time frames and lastly developing contingency plans.

Q7. Distinguish between policies, procedures and rules showing what role each plays in the planning process.
Policies, procedures and rules are all parts of planning. They are standing plans in that unless changed or replaced, they apply for several periods during which other aspects of plans like budgets would be expected to vary. There are however fundamental differences arising mainly from definition and roles.

Policies:

- are general statements to guide subordinate thinking in the decision making process.
- policies define the area within which a subordinate may make a decision. In this respect, policies tend to predecide issues within that defined bracket.

Advantages of Policies as Plans

i. Ensure consistency in decision making.
ii. Avoid repeated analysis and therefore save time.
iii. Provide uniformity in actions in various units and in different periods of time.

iv. Enable superior managers to delegate authority without much loss of control.
v. Minimize mistakes in decision making in as much as they provide guidelines.
vi. Train subordinates to handle responsibility.

Problems associated with policies

i. Policies are liable to different interpretations since they allow discretion and are usually broad. If made specific they become rules and therefore lose their application as instruments of delegation and manager training.
ii. Delegation through policies allow widespread participation in decision making. As more and more subordinates participate in the decision making process, uniformity is lost and inconsistencies emerge.
iii. It is seldom possible to fully control through policy. In many instances, differences exist between actual policy, intended policy and pronounced policy. A political party might state that its policy is to achieve equitable income distribution when in fact the intention is to win elections and stay in office. Meanwhile government functionaries who do not subscribe to the concept of income distribution with their own vested economic or professional interest. In these circumstances, the control of policy becomes a very difficult task indeed.

Procedures

Procedures are guidelines to action. They define specific steps which must be taken to achieve a particular task. They are a kind of a plan in that they establish a customary way of handling future activities in advance of their occurrence.

Advantages of Procedures

i. Procedures enhance efficiency. The sequence of steps for any operation have been laid out in advance and one only needs to follow the analysis to proceed towards a required goal.
ii. Procedures constitute a simplified methodology for training operation-level personnel. Once the trainee has grasped the steps necessary in the activity, the organization has created a suitable worker.
iii. Procedures are useful as devices for handling emergencies. In such situations, people affected only need to follow the procedure and in that way manage the emergency.

Disadvantages of Procedures

i. Procedures tend to inhibit rational and logical thinking. The assumptions in the basis of which a procedure was designed might not obtain in all circumstances. In that instance, the subordinate could devise a more suitable approach in solving a given problem. Procedures encourage a robot approach to problem solving and this is not consistent with the need for thought and creativity.

ii. Procedures frustrate clients sometimes. In the large organization, procedures even for minor activities like interviews with an executive are seen by those affected as obstacles. In this way, procedures defeat the very purpose of time-saving, economy and improvement of the image of the organization.
iii. In circumstances requiring prompt action, adherence to procedure can have a negative effect on the organization's objective. Situations might arise when an

advantageous purchase of inputs has to be made to relieve a shortage. If the standard tender procedure is to be insisted on, the opportunity might be lost.

Rules

Rules are prescriptions for how members of a group ought to or not to behave. They are specific and allow no discretion. In any group situation, and more so in the formal organization, rules become necessary "laws" for the benefit of the group as a whole, the individual within it, and the society in which the group operates. The behaviour of any one individual has profound effects on the welfare of others. The group therefore has a right, if for self interest alone, to influence individual behaviour through rules and laws.

Advantages of Rules

In addition to the general societal advantage of rules referred to above, the organization and its employees can derive the following benefits from the institution and observation of rules.

i. Rules standardize behaviour and provides the organization the uniqueness which projects its mission and identity. The rule requiring soldiers to salute any senior officer portrays the regimental nature of the military establishment. Similarly, the rule requiring that members of a religious order (e.g. a convent) must always wear robes emphasizes the moral ethic of the order.

ii Rules provide the member of the group with a sense of security. One knows in advance what one is expected to do or not to do. One can also predict how others are likely to behave towards you in the workplace. A rule prohibiting rough play gives the weaker members of the group a measure of safety and institutional protection.

Rules also save time as the manager knows in advance what course of action to take in the event of breaches and infractions. A rule usually provides the punitive measure applicable when broken. The manager need not think and weigh in search of a course of action.

iv. Rules related to asset use minimize costs of breakage and insurance compensation claims. A rule would specify, for example, that some particular employee is the only person authorized to operate a particular machine. This ensures the safety of the machine and the other workers who might not be quite conversant with the mechanics of the machine but would have nevertheless tried to operate it.

LESSON 3

Q1. Organizing is the process of grouping activities and resources in a logical and appropriate manner.
Because of the changes that take place within the environment in which an organization operates, it is impossible for any organization to remain in the form in which it was started.
Through the process of organizing management shapes the organization in order to respond to any new opportunities, threats of challenges. The process of organizing therefore ensures the appropriateness of an organization's structure and of its processes (appropriateness as measured by ability to attain the goals of the organization.

Key components and concepts in organizing include designing jobs, grouping jobs, managing authority and responsibility, the span of management, and line and staff positions.

Designing jobs involves determining the degree or extent of specialization in each job. Grouping jobs involves developing categories for jobs a process known as departmentalization. Authority and responsibility mainly concerns the issues of how power and control are spread in the organization through the process of delegation. Span of management concerns itself with establishing the optimum number of subordinates that one superior can supervise effectively. Line and staff issues deal with determining what positions in the organization fall under the direct chain of command and which are advisory.

Q2. Span of management refers to the number of subordinates who directly report to one superior. If a manager has too many subordinates then his span is wide and in such cases a manager maintains loose supervision. A manager with few subordinates is said to have narrow span and closer supervision.

A wide span results in fewer levels of management resulting in what is known as a flat organization structure. A flat organization is generally characterised by better communication because of shorter lines of communication.

A narrow span means more levels of management resulting into a tall organization. A tall organization has longer lines of communication which means that the chances of information getting distorted as it passes from level to level are much higher. Besides the overall costs of management are much higher than in flat structures. The close supervision resulting from narrow spans may make subordinates feel overcontrolled, while the loose supervision due to wide spans may mean that the manager could lose touch with his subordinates and this may lead to reduced productivity especially if the subordinates are not adequately self motivated. The span of management is influenced by certain factors some of which are listed below:

They include the competence of the manager and his subordinates. If both are competent, then a wide span is possible, where either or both are not competent, then a narrow span is preferable. The physical dispersion of workers also affects span of management, if employees are scattered in different places, then only a narrow span is possible. The amount of other non supervisory work that the manager has, the more, the less the number of people he can supervise effectively. The degree of task similarity, if tasks are similar and if jobs are simple and routine, then a wide span is possible. The frequency with which new problems and circumstances keep arising also affects the span. If too many then a narrower span is preferable.

Q3. Organization design refers to the overall configuration of positions and interrelationships among positions within the organization. Design therefore mainly refers to how an organization is structured i.e. how tasks, power and control are distributed within the organization, and how communication is effected. An organization's design is usually represented through the organizational chart. A chart can show several things at a glance. For example, the levels of management, the reporting relationships and existence of any staff positions. Charts however cannot capture the complex dynamics of many organizations especially the large ones.

An organization's design can be affected by several contingencies, these include size, technology and environment.

Relative to larger organizations smaller organizations tend to be less specialized, less standardized, and more centralized.

Technology refers to the set of conversion processes used by an organization to transform inputs into outputs. Unit or small batch technology seem to be more effective for system 4 organization designs, whereas large batch and mass production technologies seem to be more effective when system 1 designs are used. Environmental uncertainty is accounted for by the rate of change and the degree of complexity. When they are high, uncertainty is high and when they are low uncertainty is reduced.

System 1 organizations seem to work relatively well when environmental uncertainties are low and system 4 designs seem to work better when environmental uncertainty is high.

LESSON 4

Q1. Organizations are started for a purpose(s) and to accomplish these purposes, organizations employ both human and non human resources. The human resources in an organization can be refered in other words as manpower. These organizations do not operate in a vacuum but in very complex and dynamic environments with changes in many aspects. For example changes in technology, or growth of organizations, sometimes organizations experience decline in their markets, sometimes employee requirements change, other times an organization may experience high rates of employee turnover. All these changes have enormous impact on human resource requirements. Due to these changes organizations need to identify appropriate reservoirs of labour. This can be done by implementing a manpower plan. So manpower planning can be defined as the ongoing analysis of human resource requirements in the organization. It includes the analysis of manpower requirements arising from vacancies due to transfers, promotions, retirements, discharges etc. It also includes an appraisal of future manpower needs as a result of anticipated (forecasted) levels of activity in the organization. Manpower planning spreads through most of the activities of the personnel function. The manpower plan also determines recruitment and selection policies such as whether positions will be filled from within or without the organization. The process of manpower planning represents an integrated perspective of the organization's human resources requirements with emphasis on achieving efficient decision making in personnel matters both in the short and long run.

- The first step in manpower planning is job analysis which is concerned with determining the requirements of jobs in terms of tasks and responsibilities. So it involves job description and job specification .
- The second step in manpower planning is that of forecasting demand and supply of labour which is concerned with estimating the future quantity and quality of people required based on the corporate plan estimating the quality and quantity of people likely to be available from within and without the organization.
- The last step in manpower planning is that of matching demand and supply of labour and deciding as a result of this match whether to increase or reduce labour.

Q2. In recruiting and, selecting employees an organization may decide to recruit either from outside or promote staff who are already in the organization. Whatever method is chosen, there are both demerits and merits.

Promotion from within has the following merits:

- it provides motivation for employees to strive towards better performance if they see that promotional positions are to be filled from within the organization.
- it may lead to greater job satisfaction as employees acquire more responsibility on appointment to senior positions.
- It may lead to better qualified employees as insiders have acquired knowledge or skills which may be specific to the organization.
- An internal recruitment policy is likely to be acceptable to existing employees and their trade unions.

- It is likely to be less expensive in terms of both recruitment expenses and orientation time.

It however has certain demerits which include:

- It could lead to inbreeding as people share the same views and experiences.
- It may create disharmony especially where more than one person is qualified for promotion.

External recruitment has certain merits:

- The selection of staff can be made from a much greater number of people.
- It brings individuals into the organization who have different exposures.
- It can be used to give a firm a totally new direction.

The demerits of external recruitment include:

- The people selected take longer to get oriented with the internal function of the firm.
- Costs of recruitment and selection are high.
- The interviews used for selection may not review all the adverse characteristics of the person e.g. a short temper or tendency for dishonesty.

Q3. Personnel Management refers to the process of procurement and management of the human resource that is needed to accomplish organization objectives. It is therefore concerned with ensuring that the organization is staffed with the right quantity and quality of employees and that these employees are adequately compensated and motivated towards goal attainment.

The steps or activities in the process of personnel management include:

- Manpower planning which involves the long-term planning of the manpower requirements of an organization, with the aim of obtaining and retaining the "right" staff.
- The second step in personnel management is that of recruitment of employees. Recruitment starts when a company finds it needs to hire more employees. The step includes two distinct activities i.e. recruitment (or soliciting for applicants) and actual selection mainly through interviews.
- The recruitment and selection of employees is followed by placement and orientation of the new employees. Placement involves posting the employees to the relevant positions and supplying them with job descriptions. Orientation involves socialising or inducting the employee into the organizational processes. The new employee is supplied with information he or she needs in order to function comfortably and effectively in the organization.
- Training and development is the other activity or step in the personnel management process. Training and development programs are concerned with ensuring that employees have the necessary skills to perform their jobs. Training is mainly for employees while development is mainly for managerial staff.
- Performance appraisal is the other activity in personnel management and it is the process of measuring human performance in the organization. Performance appraisal indicates how well employees are functioning in their positions, the deficient skills in the employees and where employees have

sufficient skills or even areas of over qualifications. Appraisals are therefore good basis for training, development or even promotion of staff.

The last activity in the staffing process is that of compensation. Compensation refers to any payments or rewards that employees receive in return for performing organizational tasks. The rewards may either be financial like salaries or non financial like vacations, holidays etc.

Q4. When an organization finds that it needs to hire additional staff, it starts a recruitment process. Recruitment is aimed at developing a pool of possible candidates who are qualified for the job. Once the organization has the list of the qualified people then it must engage in selection to pick out the most qualified. The actual selection is usually completed through interview.
In the interview the candidate meets face to face with the members of the organizations who have been charged with the recruitment.
Care must be taken that the interview is properly conducted because a poorly conducted interview may lead to selection of the "wrong" candidate or they may even discourage and frighten an otherwise qualified person. There are therefore certain principles that if observed by both the interviewers and the interviewees could lead to better selection.

i. The interviewers must be trained to know what to look for in the interviews because not all information about the candidate is relevant.
ii. The interviewer should be prepared to ask the right questions, mainly questions that can be given specific answers. Questions that have no useful answers should be avoided e.g. "tell me about yourself".
iii. Multiple interviews utilizing several different interviewers could be used to facilitate a comparison of evaluation.
iv. The interview should be supplemented by data from an application form, results from various tests and information obtained from references.
v. The interviewers should strive to put the interviewee at ease and get them to talk about achievement and not irrelevant general issues.
vi. The interviewers should allow the interviewee a chance to ask questions.
vii. The same questions should be asked of all candidates for the same position.

Q5. Trade unions are formed by interested employees who get enough signatures from co-workers to hold an election. Trade unions are mainly started to deal with labour relations for unionisable employees.
In Kenya the formation and management of trade unions is regulated by the government through the registrar of trade unions to whom they are required to submit annual returns.

Trade unions are formed with certain objectives:

- presenting the problems of workers to management
- improving the working conditions of workers through bargaining
- protection of workers against victimization
- ensuring workers job security
- regulating working conditions between workers and management and
- maintaining industrial calm and peace, stopping wild cat strikes.

Trade unions have certain advantages and disadvantages.
The advantages include:

- they make negotiations easier because it would be costly to negotiate with individual workers.
- they make enforcing discipline easier since the procedures to be followed are clearly established.
- they help confine workers on equal terms.
- they help build a spirit of self reliance and self respect among the workers.
- they help maintain wages and salaries at a uniform level in terms of the actual economic value.
- they help to curb misuse and abuse of labour by inconsiderate management.
- they are beneficial to the organization in that they remove the worries of job security from employees who can then work assured that they have somebody guarding their interests.

But they also have certain disadvantages:

- they sometimes encourage inefficiency by forcing employers to employ or retain unnecessarily large numbers of employees.
- through force, trade unions can coerce the workers to support the "unions" opinion by joining strikes which affect production.
- a powerful union of workers in a particular industry can through unreasonable demand for wages not only secure higher wages but may induce workers in other industries to make similar demands though unreasonable.
- through political leanings, the workers can be misguided to achieve the trade unionists political motives.

LESSON 5

Q1.

(a) Communication is the process of transmitting information from one person to another. Simple communication is the mere transmission of information. Communication is good when the receiver correctly understands the sender's message. Effective communication occurs when there is a meeting of minds between the sender and the receiver i.e they agree with each other's point of view. Effective communication is much harder to achieve than good communication. Poor communication occurs when the receiver cannot understand the sender's message because it was sent incorrectly or the meaning of the message was not understood. The purpose of communication in each organization is to influence action towards the welfare of the organization. Communication is important to managers because it is the process by which they accomplish the functions of management. Communication is also important because managers devote the greater part of their time as it is the only way of making known the policies, rules, regulations and instructions. It is also through communication that managers get feedback on both employees and from the environment. Virtually everything that a manager does involves communication in one form or another. Communication support all the other functions of management i.e. planning, organizing, staffing, control, directing and decision making.

(b) Managerial communication is communication that occurs as part of the formal organizational hierarchy. Vertical communication occurs between superiors and subordinates and flows either downwards or upwards through the chain of command. Horizontal communication takes place between two or more colleagues or peers at the same level in the organization. Horizontal communication is critical when there is a high need for integration and coordination between departments in the organization.

The person who is in charge of information technology in organizations is known as the Chief Information Officer. This information officer performs the functions related to gathering, processing and storing information e.g. overseeing all aspects of information technology.

(c) Managing communication involves understanding the communication process and the barriers that affect communication and how they can be overcome. There are numerous barriers to effective communication. The sender may be inconsistent, lack of credibility or be reluctant to send the message. There may be noise e.g. lost mail, sounds, interruptions and distractions in the channel or even an overburden of messages. The receiver may not be listening or may have predispositions that interfere with the accurate reception of the message. There may be problems between the receiver and the sender. These could be semantics, perception, status or power differences or even poor habits.

Overcoming the barriers involve a recognition of the fact that they exist and recognising the responsibilities of both the senders and receivers of the communication. For example it is the responsibility of the sender to send a clearly written or spoken message, to know the receiver including his circumstances and to word his message in such a way that it recognises the position and situation of the receiver. The receiver has the responsibility to listen clearly to the message and to provide feedback to the sender. Both

sender and receiver have the responsibility to follow up the process of communication to see that it is working.

Q2. Leadership is an influence process directed at shaping the behaviour of others. When they lead managers seek to make (influence) their subordinates to willingly follow a certain course of action or follow the manager's ideas and propositions.

Management and leadership although similar in some aspects are quite different. Whereas managers are able to make subordinates obey by use of formal authority and power, leaders do not always rely on such power of the official position with because a leader need not be a person with formal authority. More than managers, leaders are called upon to use their human skills to get group members to follow. Unlike a manager a leader needs to identify himself with the group he is leading and he also needs their approval.

Although leadership just like management is contingent upon the situation, there are some inborn traits that are useful in setting leaders apart from non leaders. These include energy, stamina, intelligence, self confidence, tact and sociability.

To fulfil others' expectations of them, leaders must confront numerous challenges, the two main ones being multiple constituents and unpopular decisions. Multiple constituents means that a leader must attempt to deal with several different people and groups at the same time in a way that is relatively acceptable to each of them.

The leader must balance the variety of interests among those whom he/she is striving to lead. Leaders also have to make decisions that are unpopular. The mark of a good leader is the ability to recognize that such unpopular decisions must be made, when they must be made and the perseverance to see them through. E.g. retrenchment

Q3. The foundation of leadership is power. A leader must have power of his followers. The leader wields this power so as to be able to influence his followers. It is difficult for a leader with a weak power base to gain control of his group.

There are five basic types of power that leaders can use to gain compliance from the group members. These include legitimate power which is power created and conveyed by the formal organization or authority, reward power which is the ability to grant and withold various types of rewards, coercive power which is the ability to force compliance with psychological, emotional or physical threats, expert power which is based on knowledge and expertise and referent power which is based on personal identification, imitation and charisma. Leaders may use one or a combination of these powers to influence people to pursue the leaders goals, however, the effects and impact of these powers on group members are not identical.

When confronted with attempts to influence them, people react in various ways. People may show either commitment, compliance or resistance. Commitment is active acceptance, compliance is passive acceptance and resistance is revolt against the leader.

Use of coercive power, is likely to result into resistance, use of legitimate power and reward is likely to lead to compliance. Committment will probably occur when expert and referent power is used.

A leader's success also depends on other factors other than power, the characteristics of the people being lead is of paramount importance. For example a

group with little regard for authority may be difficult to lead no matter what qualities the leader may have. The situation or the circumstances under which the group is being led. A group that is under threat may prove quite easy to lead. Leadership is not easy and for a leader to succeed a lot of personal effort and will are required.

Q4. Motivation is the set of processes that determine behavioural choices. Motivation tries to answer the "why?" of human behaviour i.e. what causes people to behave the way they do. The aim of motivation in the work setting is to make people to willingly and enthusiastically pursue the goals of the organization.

The process of motivation begins with human needs - drives or forces that initiate behaviour. The existence of needs leads to efforts to satisfy those needs. The extent to which the needs are satisfied leads in turn to the levels of satisfaction that people experience, which in turn influences their future efforts to satisfy the needs.

Important human needs include such things as biological cravings for food, water and shelter, emotional longings for companionship, feelings of achievement and power.

One of the the theories that has attempted to explain human needs is the hierarchy of needs theory of Abraham Maslow. Maslow established five categories of human needs which is said were arranged in a hierarchy from the most basic to the most complex. He said that the needs were satisfied in succession according to their importance. The categories included physiological needs, security needs, belongingness needs, esteem needs and self actualization. Maslow's hierarchy is a convenient framework for managers but it lacks empirical support and is difficult to use in a clear-cut and straight forward manner.

The two factor theory of motivation is another early theory that attempted to explain human needs. This theory suggests that one set of factors influences satisfaction and a different set of factors influences dissatisfaction. The factors that influence employee dissatisfaction include such factors as pay, security, supervision, working conditions, interpersonal relationships and company policies. The factors that influence satisfaction include achievement, recognition, the work itself, responsibility advancement, status and growth. This theory provides useful and practical information for managers but just like the hierarchy of needs, it also lacks support from research. The applicability of these theories must be looked upon from the light of the environment in which they are being used. In developing countries for example where majority of the workers face hard economic conditions and are still struggling with basic things like food and shelter, money remains the most important motivator.

Q5.

The expectancy model is the most comprehensive model of employee motivation. It holds that motivation is a function of how much we want something and how likely we think we are of getting it. In using the expectancy model, managers must recognise that employees have different needs and preferences, try to understand the key needs of each employee, and help employees determine how to satisfy their needs through performance. According to this theory, if an employee wants a good pay, and feels that good pay depends on good performance, then the employee will be motivated to improve his performance as a gateway to better pay. But if the employee feels that good pay depends on other things than good performance, then he will not be motivated to perform better.

Many early writers felt that if managers could satisfy the needs of employees, those employees would perform better. However, research has shown that satisfaction

does not cause performance. It is more accurate to say that performance leads to satisfaction, a key element of which is equity.

Whenever people perceive an inequity in their situation they will try to do something about it. That is they will be motivated to reduce the perceived inequity. For equity to exist, people must perceive that everyone's relative proportion of rewards and contributions is equal. If equity exists, people will try to keep everything as it is. People should be rewarded according to their contributions; efforts should be made to ensure that feelings of inequity do not occur, and when such feelings do occur managers should strive either to correct the problem, if it is real, or to help people recognise that things are not as inequitable as they seem if it is not real.

Motivation, it must be noted, is a complex subject and must be approached in the light of the fact that human needs are numerous, diverse and relate a lot to the circumstances of the day. What motivates workers one time is likely not to be a motivator at another situation. As the conditions and expectations of workers change so should managers approach to the subject of motivation.

Q6. A group is two or more people who interact regularly to accomplish a common goal. Thus a group must consist of at least two people, these people must interact regularly and they must have a common purpose. There are many kinds of groups which can either be described as functional or informal. A functional group is created by the organization to accomplish a range of goals with an indefinite time horizon e.g. a department in a company.

A task group is created by the organization to accomplish a limited number of goals within a stated or implied time. An informal group is created by the members of the organization for purposes that may or may not be related to the organization. They have no specific time horizon.
Sometimes people have no choice as to whether or not to join a group. However, when they do have a choice, there are four common reasons for joining groups: Interpersonal attraction, group activities, group goals and instrumental benefits. Regardless of why a group is formed, it normally goes through four stages of development.

- The first stage is the forming, when members come together to create the group.
- The second stage is called storming and is characterized by conflict and hostility as people disagree over what should be done and how it should be done.
- The third stage, is norming when conflicts are resolved and rules are developed. Finally the group begins to perform, as every one accepts his/her role and moves toward goal attainment.

Q7. Because of the fact that groups are made up of many individuals who are different in many aspects e.g. interests, opinions, aspirations, biological makeup etc. management of groups is not easy. In managing formal groups, a manager must be aware of the importance of role dynamics and the potential problems of role ambiguity and conflict. The manager should strive to develop and maintain high performance norms and highly cohesive groups.

In managing task groups, task forces, composition is important. Members should be line managers with legitimate power. The task groups should be properly integrated with the relevant functional groups. In managing committees the goals and authority of the committee should at the outset have a specific agenda from which they work and clear definitions of what their final outcome is to be. Committee members should also be carefully selected with the chairperson being a person of authority and well knowledgeable in the working of the committees.

Group decision making is common in most organizations, for example most companies do have a board of Directors which is a group.
Advantages of group decision making are that more information is available, more alternatives are generated, better decisions are frequently made and acceptance of decisions is generally more probable. Disadvantages are that, groups spend more time making the decision, one or a few individuals may dominate decision making, the group may place too much emphasis on compromise and group thinking could occur. Managers must balance the advantages against the advantages in determining whether or not to use group decision making.

Techniques have been developed to reduce the disadvantages. One is the Delph technique which uses experts to make predictions about future events. Another is the nominal group technique, in which ideas and rankings are obtained from individuals and then put on a board or chart for discussion. The devils advocate approach involves assigning someone the role of challenging, taking issue with and arguing against the views of others. This ensures that all the sides of an issue will be heard.

Q8. Organizational conflict is disagreement within the context of an organizational setting, between individual employees, group or whole departments. Some conflict is apparently necessary to obtain high level of performance, but too little or too much causes problems.

Organizational conflict can be caused by several things. One common cause is interdependency between people or groups within the organization, so that one unit cannot do its work properly if others have not done theirs. Competition for resources or power is another cause. Difference in goals and activities also does cause conflict. Consequences of conflict include hostility, withdrawal, resentment, increased motivation for some and higher performance in some cases.

Managing conflict can either be by encouraging it where its consequences are positive or preventing it when its consequences are likely to be negative. Conflict can be encouraged by increasing competition, changing procedures or bringing in outsiders to key positions. Conflict can be prevented by increasing resources, managing interpersonal dynamics, reducing interdependencies and setting generally motivating goals and activities.

LESSON 6

Q1

a) Controlling is the process of monitoring and adjusting organizational processes towards goal attainment. It is needed in all organizations to ensure that plans are being carried out and desired results are achieved.

The process involves three major steps:
- setting the standards
- measuring performance against the standards
- taking corrective action

The process of control is only useful if it leads to corrective action.
Controlling can be applied to all the activities of an organization and most of these activities will be covered under one of the following areas of control:
- human resources control
- Financial resources control
- Information resources control and
- Physical resources control

b) There are three basic reasons why controlling is necessary in any organization:

i. **The environment—**Contemporary environments change rapidly and organizations need to respond to these changes as they affect the use and application of resources and hence by extension they affect organizational plans, processes and procedures. For example environmental changes can render plans inappropriate and since these plans are used as standards against which performance is evaluated, they must be adjusted to reflect environmental changes.

ii. **Organizational Complexity**—Another reason for controls is the complex nature of modern organizations. A single manager cannot hope to grasp all the inner workings of the organization.
A proper control system can provide instant data on inventories of all resources, raw materials, work in progress and finished goods.
Without such a system the manager would not know the inventory standing of the company.

iii. **Compounding Effect**—A small error that is not detected early enough can become a bigger error afflicting the whole firm e.g. a small deviation in costs may be compounded to affect all the operations.
Faulty raw materials will result in faulty products which will in effect result into poor sales.
Control procedures help to detect errors in good time.

c) By nature most people misunderstand control systems and therefore usually resist them. Sometimes organizations make the mistakes of overcontrol yet employees want some degree of freedom.

Another problem that may complicate management of a control system is inappropriate focus—the control system may be too narrowly focused or fail to balance essential factors.
The problem of accountability may also make employees to resist controls. Employees who are not doing a good job may fear that since control is going to show who is accountable for what, their weaknesses will be discovered.

Resistance to control can be overcome by:

- allowing employees to participate in designing the control system
- management ensuring that the control system is well designed
- use of management by objectives (MBO) which ensures that employees know exactly what is expected of them
- explain the main objective of a control system to employees i.e. it is not meant to punish workers but to improve the firm's performance.

d) An effective control system should have the following attributes:

i. Integration—control system must be integrated into the overall organizational system
ii. Objectivity -to the extent possible a control system should provide objective information
iii. Accuracy—it must be accurate to be effective—erroneous information will lead to wrong 'corrective' action and therefore more mistakes in the organization.
iv. Timeliness—the information must be timely i.e. the manager must have the information when he/she needs it most.
v. Flexibility—the control system must be flexible i.e. able to accommodate adjustments and change.

Q2. Computers represent one of the biggest changes in the control process and have the potential of vastly improving managerial control. Computers include mainframe. Computers which are very large and very expensive used only by very large organizations. Minicomputers are the ones that most organizations are likely to use. They can handle large amounts of information very efficiently. Micro computers are also known as personal or desk top computers and can handle the information processing needs of most individual managers. They can also be used to link with and utilize the capabilities of mainframe and minicomputers.

The primary contribution of computers to control lies in their ability to handle a lot of information accurately and speedily. A manager can obtain information, including ratios and other analyses, quickly and accurately. Perpetual inventories can be maintained by having the computer read codes as each sale is made.

The computers' advantages, then, are its storage capacity, speed and accuracy. Its disadvantages are cost, complexity and the fact that some people tend to rely on computers too much. The primary weakness of the computer arises from the fact that a greater extent of the managers work remains largely judgemental and cannot be captured by sophisticated machines. For example interpersonal relationships, peoples' feelings, desired interests etc. all which greatly affect performance cannot be handled by computers but require the personality of the manager. All in all the computer is becoming an increasingly important device to the manager but it cannot replace him—at least not as yet!

LESSON 7

Q1. Decision making is most closely linked with the managerial function of planning. Decision making is the process of choosing one alternative from among a set of alternatives. It recognises that there can be several ways to approach a problem and there is need to make a choice. Decisions that are made are made under three conditions:

- Certainty: when the manager knows exactly what the alternatives are, and the probabilities associated with each alternative,
- isk: when the manager has a basic understanding of the alternatives but the probabilities associated with them are less certain.
- Uncertainty: the probabilities are difficult to assess and the alternatives are also difficult to assess.

Problem solving occurs when a manager must determine the one and only alternative that fits a particular situation.

Q2 (a) The decision making process involves six steps.

i. Defining the situation: the first step calls for the manager to recognize the need for a decision and define its parameters.
ii. The second step involves the identification of alternatives from which to choose.
iii. Step three involves evaluation of the alternatives by asking three questions:

- is the alternative feasible?
- is it satisfactory? and
- what are the consequences of the alternative?

iv. Fourth step is selection of the best alternative from those available
v. Implementing the alternative
vi. Evaluation of the results of the decision and of the decision making process, to make final adjustments and to assure that the process will work smoothly.

(b) There are three general approaches to decision making:

- the rational model
- the behavioral model and the
- the irrational model

The rational model assumes perfect information, an exhaustive list of alternatives, managers capable of assessing the alternatives, and who will always work in the best interest of the organization.
The behavioural model is a modification of the rational model. It assumes imperfect information, an incomplete list of alternatives, constraints on managers and satisfying behaviour.
The irrational model suggest that managers make decisions quickly and then shape the process so as to confirm this early decision.

Q3.

(a) A management information system is a system of providing and communicating information which will enable managers in an organization to perform their roles effectively—such persons must have information. An information system should be effective in providing good quality information at an acceptable cost, and at no time should the costs of providing the system exceed the potential benefits of using the information for information to be useful (`good'). It must be communicated to the right people at the right time as clearly and accurately as possible.

(b) The main stages of developing a management information system are as follows:

i.Preliminary Survey and Problem Definition

At this stage, the organization establishes a task force to:

- assess the organization capabilities
- assess the organizations strategic goals
- define the operational and functional objectives that need to be accomplished
- the tasks of individuals and their areas of responsibility in achieving company objectives are defined.

Also defined are the levels of management or status of persons requiring information and the frequency with which they need the information.

ii.Conceptual Design

Through an analysis of the current information system, alternative MIS designs with specific performance requirements can be developed. These alternatives are then weighed against organizational objectives, capabilities and needs. This examination leads to an initial selected project plan. At this point tasks are delegated and information from stage one is communicated to the employees.

iii. Detailed Design

Once the conceptual plan is decided upon performance specifications of the new MIS can be established. Components programming, flow charting and data bases (including specifications for personal interaction with the system) can be designed. A model of the system is created, tested, refined and reviewed until it meets the specific level of performance.

iv. Implementation

The formal requirements of the new MIS are determined. The logistics of space, allocation, equipment are worked out and enacted. The training programmes commences while the design and testing of software for the MIS are completed and the organization data bases entered into the system. After a series of final checks the MIS is then made operational.

(c) There are several guidelines to the effective design of MIS:

i. Include users in the design team

There should be cooperation between the users of information and those designing the system. The users know what information is needed, when it is needed and how it will be used for managerial decision making. Unless operating managers have a decisive role in the design of the MIS, the information system may fail to provide useful information.

ii. Economy and Timeliness

Any management tool must be economically justifiable. In developing the MIS, time schedules for the different steps and milestones must be specified. The information must reach designated points at the right time. The cost of installation needs to be estimated in advance as a basis for cost-benefit evaluation.

iii. Relevance and Quality

A manager needs enough information for decision making. More information is however not necessarily better although a manager may prefer too much rather than too little information. A properly designed MIS does not supply top level managers with the routine details of an organization's activities. The MIS filters or evaluates information such that only the most relevant and necessary information is supplied to the appropriate manager.

iv. Testing

It is important to pretest the MIS before installation. Even with the cooperation of managers and systems designers, important factors may be overlooked. Omissions and bugs will show up during the test period. The pretest avoids costly changes which would have to be made if mistakes became apparent after installation.

LESSON 8

Q1. Strategic management is the process directed by top management to determine fundamental aims and goals of the organisation to ensure a range of decisions which allow the achievement of those goals in the long term.

Q2. Steps in strategy formulation

- Mission statement
- Defining aims and goals
- Objectives setting
- External environmental scanning
- Industry analysis
- Environmental forecasting
- Actual formulation

Q3. Examples of objectives are:-

- Profitability
- Survival
- Customer satisfaction
- Innovation
- Financial/physical resources
- Manager performance

Q4 Work study entails analyzing present and preferred work systems in order to develop an optimal transformation of resources into desired production. So it involves finding the most effective way to doing a job.

Work study comprises two aspects:

- Method study and work measurement.
- Method study involves study of different ways of doing work in order to develop easier and more effective methods and hence reduce costs.

Method study is achieved through the following:

- selection of work to be studied
- the recording of all facts about the work chosen
- examining of facts critically to eliminate those not necessary
- the development of the most effective methods taking only the necessary facts
- the installation of the most effective method found
- maintenance of the method by regular review in order to determine the degree of success

Work measurement is the application of techniques to establish the time required for a qualified worker to carry out a specified job at a defined level of performance. Work measurement has four stages:

i. Selection of the work to be measured
ii. Definition of the technique to be used
iii. Breaking down of the jobs into elements
iv. The measurement of the work content in each element

Work measurement achieves the following objectives:

- enables comparison between different methods of performing a job
- it enables the measurement of operator and machine performance efficiency
- it facilitates planning and scheduling of production
- it enables use of machines and workers efficiently
- provides information for tendering and price fixing
- forms the basis for a sound incentive scheme
- it enables future labour and machine requirements to be estimated

Work study has the following advantages:

- increased productivity for some resources
- more efficient methods of operation resulting from detailed analysis
- better and safer working conditions for employees
- establishes performance standards to facilitate planning, scheduling and labour remuneration
- standardizes materials thus reducing capital requirements
- simplifies designs and procedures thus reducing waste and cost
- provides accurate information to management

Q5. In order to achieve their objectives organizations use resources. These resources go through a transformation process that produces outputs for the firm. The efficiency of the operations of any organization is measured by the amount of outputs it is able to get from its inputs. Productivity may be defined as the relationship between inputs (resources employed) and output (the results got such as finished good). A lot of efforts are directed at productivity improvements so that the firm seeks to get increased outputs from the same inputs. In determining levels of productivity improvement it is necessary to be able to measure the relationship between inputs and outputs. Where there is a consistent repetition of a particular type of work and where there is an adequate and continuing workload it is possible to achieve a quantitative result in terms of physical units standards units, or production expressed in comparable prices, working time or in terms of constant wages. For example, in a service industry such as a domestic or international airline an appropriate measurement of productivity might be average tonne kilometres and unambiguous measure of productivity. The following are examples of circumstances which might be quoted where productivity measurement may be problematic.

- in case of clerical work of a considerative or discretionary nature
  work of a support nature such as that of certain indirect production workers (e.g drivers)
  skilled service work, because of its variety and variability
- where there is excessive waiting for work, or work scheduling is irregular
- where operating units are many and heterogenous
- where management consideration is on expenditure rather than on costs
- where management is appointed on the basis of a specialised technical competence and wherefore general management skills may be deficient

- where there is too much emphasis on centralised control of activities with consequent deficiency of control over activities at lower level
- where there is constant re-organization and change, probably as a result of continuing technological developments
- where management information is inadequate particularly on the resources cost of certain work activities
- where existing data and techniques do not fully account for quality changes in goods and services being produced

LESSON 9

Q1. Any large scale manufacturing firm will have a well organized marketing department to handle the marketing aspect of the company's activities. The main objective of any marketing department is to promote the acceptance of the firms products by the market. To achieve this the marketing department must perform certain specialized functions which include:

i. Development and maintenance of a marketing information system which will provide all the relevant marketing data required by the company. This data is collected from both external and internal sources and may include information of customers, the environment, competitors and internal data on sales, costs, prices, waste, rejects etc.
ii. The development of a marketing strategy that will achieve the firms objectives most efficiently i.e. coming up with the optimal `marketing mix' for the firm.
iii. Organizing and managing the day to day marketing activities of planning, decision making and research as regards the product, price, promotion and distribution.
iv. Controlling the marketing activities of the company through sales and cost analysis.

All these functions centre on making the key decisions of the marketing mix:

(a) Product decisions - what product should the company offer and how should this product be modelled, packaged and labelled.
(b) Price decisions - what prices should the company charge, should it be only one price for the whole market or is there need for differentiation.
(c) Promotion decisions - how will the company communicate its product to the market. How should the promotional elements of advertising, personnel selling, sales promotion and publicity be combined.

Place decisions - how will the company distribute its products, direct selling, middlemen or agents and what kind of contracts should exist with the channels of distribution.

Q2. The sales forecast for a product or service is a critical element in an organization's framework as it becomes the key prediction of future revenue, cashflow and profit. Because the demand for most products is volatile most businesses require a sound and elaborate sales forecasting system. Several approaches to sales forecasting may be used depending on the demand for products or services. Some of these methods include:

(a) Survey of users buying intentions: here the firms forecast of sales is based on a survey of buyers intentions. Buyers are surveyed as to their intentions regarding pricing, delivery, quality conditions, quantity required, likely purchase periods etc. This method is most useful where there is a small number of potential users such as with industrial products, or where the producing organization is small with limited resources.

(b) Jury of executive opinion: with this method the sales forecast is derived from consideration of expert opinion; senior executive and possibly external agencies, such as distributors or dealers, will be surveyed as to their views of future sales potential. An aggregate expert view is then formulated and becomes the basis of the sales forecast. It is an advantageous system in that it is clear, quick and takes account of past experience.

(c) Sales force composite method: here the various sales executives are asked to record their estimates of future sales potential. Usually these estimates will be reviewed at

various points in the sales management hierarchy and eventually a composite forecast is derived. This is a useful method in that it is based on the views of those closest to the sales activity and allows for a breakdown by product type, territory or customer.

(d) Statistical methods: here an organization may employ one or more of several statistical/mathematical techniques in developing the sales forecast. One may analyze past trends or cycles so as to scrutinize for indications of likely future behaviour. Also, one may undertake correlation analysis to determine relationships between sales of the product and other variables such as consumer's disposable income or sales of related products. These methods are said to be reasonably reliable, but are usually employed in combination with other methods.

Q3. The product life cycle is a curve that describes an attempt to trace or recognise distinct stages in the sales history of a product. The concept argues that just like plants and animals products too are born, they mature and finally they die. The PLC recognizes four stages through which a product moves in its sales history.

(a) Introduction
- period during which the product is introduced into the market
- market by slow sales growth
- profits may be non existent due to heavy expenses of introducing the product
- prices are set high to recover development costs or low to penetrate large markets
- promotion is heavy with the main emphasis focused on product benefits

(b) Growth
- stage when competitors start entering the market
- price is high as possible because demand is high as sales increase rapidly
- its a period of rapid market acceptance and heavy profits
- promotion is high with emphasis on brand names in order to win loyalty
- product changes are introduced in form of new sizes, new packages, new styles and service extras

(c) Maturity
- Stage of stabilisation both in profits and sales (stable maturity).
- Lower prices used to attract new customers
- Heave promotion with emphasis on product superiority
- Stage two of this maturity involves slow down in sales growth while profits decrease or decline because of increased marketing activity to defend products against competition (decaying maturity).

(d) Decline
- Sales show a strong downward drift and profits erode
- Prices are low so as to liquidate inventory quickly
- Promotion is kept moderate and outlets are reduced
- Products may be withdrawn from completely unprofitable markets while products are modified for areas where they are not going to be withdrawn in the foreseeable future

Advantages

PLC can be a key marketing planning tool because the relative importance of the marketing mix will shift during the stages of the PLC.
PLC concept also emphasizes the need for a company to develop new products to replace the ageing products in order to continue expanding sales and profits over the long run.
It can be a key financial planning tool because it shows when profitability is highest or lowest and therefore helps guide company expenditures.

4. The PLC can be used by marketers to interpret product and market movements.
As a planning tool PLC concept characterises the main marketing challenges in each stage and poses major alternative marketing strategies.
As a control tool the PLC allows the company to measure product performance against similar products in the market.

Problems of using the PLC

(a) Time period - it does not tell the length of the product life cycle. Some products stay for decades, others for a few years and others for months!
(b) Sometimes you cannot tell which stage the product is in because for example not every decline in sales means a maturity - it can be temporary
(c) Products can show other curves besides the S-curve
The concept of PLC does not clearly define what it is that is being referred to, yet in marketing the term product may refer to a product item, product line or product mix.

It seems that when marketers talk about a product in the PLC concept they are usually referring to product items or brands! It is logical for instance to argue that individual brands of cigarettes come and go than to say that all cigarettes will one day disappear from the Kenyan market.

LESSON 10

Q1. Creativity is the generation of a new idea whereas innovation is the translation of that idea to a new product. Service or method of production.

Creativity implies bringing something new into being whereas innovation implies bringing something into new use.

Q2. Techniques include:-

- Sensitivity training (T – group training)
- Organisational task laboratory
- Survey feedback
- Transactional analysis
- Confrontation meeting
- Management by objectives
- Team building
- Job enrichment
- Managerial grid

Q3. Three ways of stimulating innovation:-

- Brainstorming
- Nominal group process
- Synectics (Gordon's technique)
- Retroduction

Q4. Steps involved in creativity process

- Problem sensing
- Immersion – concentrating on the problem
- Incubation
- Insight
- Verification

Q5. Change is simply an alteration, deviation or modification in the way things are. People, communication, technology and competition are all reasons that organizations change. Because these are everywhere organizations should plan for change. When unplanned change takes place, it is often met with resistance from employees. Employees resist change for a variety of reasons. Included among these reasons are fear of the unknown, feelings of loss e.g. loss of income, loss of working colleagues or loss of positions of influence, fear that change threatens their self interest, and poor perception of the process and consequences of the change.

A key to overcoming resistance to change is having the employees participate in the planning and implementation of the change. Communication especially giving clear reasons why the change is necessary can also reduce resistance.
Facilitation that is introducing the change slowly and gradually also helps and finally educating employees on the inevitability of change so long as an organization is operating in todays complex and dynamic environment.

LESSON 11

Q1. Any society has multiple goals that it pursues for its survival. These goals include:

(a) Economic goals
Every society of every individual has the primary goal of obtaining ample materials for physically sustaining life. Economic goals have to do with a society's standard of living.

(b) Political goals
Each independent society requires a system of government which can deal with internal problems as well as sustaining some degree of order or political stability.

(c) Spiritual goals
These are motivated by religious beliefs and convictions. The nature of religious beliefs has tremendous effect on other social goals.

(d) Ethical goals
Justice and equity are persistent goals in many societies although their interpretation may differ. Society may also pursue goals such as truth, goodness, virtue etc.

(e) Physical goals
These relate to the maintenance of health and freedom from pain, and the ubordinate goals of leisure and recreation.

(f) Intellectual and aesthetic goals
The level of intellectual and aesthetic sophistication of a society is a rough measure of the level of civilization that a society has reached.

Q2. If social responsibility involves the firm responding to the society's goals then conflicts are likely to occur. By implication then social responsibility has both pros and cons.

PROS:

1. Since the society gives the business the charter to exist, the business must live up to the society's expectations. All institutions are tools of society and they can only exist if the society deems fit.
2. The creation of a better social environment benefits both society and business. Society gains through better neighbourhoods and employment opportunities, business benefits from a better community, since the community is the source of its workforce and the consumer of its goods and services.
3. Social involvement discourages additional government regulation and intervention. The result is greater freedom and more flexibility in decision making for business.
4. Business has a great deal of power which, it is reasoned should be accompanied by an equal amount of responsibility.
5. Modern society is an independent system and the internal activities of the enterprise have an impact on the external environment.
6. ocial involvement may be in the interest of stockholders.
7. Problems can become profits i.e items that may have been considered waste can profitably be used again.
8. Social involvement creates a favourable public image. Thus a firm may attract customers, employees and investors.

9. Business should try to solve the problems which other institutions have not been able to solve.
10. Business has the resources. Specifically business should use its talented managers and specialists as well as its capital resources, to solve some of the society's problems.
11. It is better to prevent social problems through business involvement than to cure them. It is better (easier) to help the hardcore unemployed than to cope with social unrest.

CONS:

1. The primary task of business is to maximise profit by focusing strictly on economic activities. Social involvement could reduce economic efficiency.
2. In the final analysis, society must pay for the social involvement of business through higher prices. Social involvement could create excessive costs for business, which cannot commit its resources to social action.
3. Social involvement can create a weakened international balance of payments situation. The cost of social programmes, would have to be added to the price of the product.
4. Business has enough power, additional powers through social involvement would further increase its powers and influence.
5. Business people lack the social skills to deal with the problems of society. Their training and experience is with economic matters and their skills may not be pertinent to social problems. It is therefore difficult to choose what projects to sponsor.
6. There is general lack of accountability of business to society. Unless accountability can be established, business executives are not elected and as such they are not accountable to society.
7. There is no complete support for involvement in social actions, consequently disagreements among groups with different view points will cause friction.
8. It is socialistic rather than capitalistic.

Q3. Proposed areas of business social involvement in Kenya could include,

i. Assistance to disadvantaged members of society e.g. disabled - KPTC has responded by having special telephone booths for the disabled.
ii. Safeguarding of employee privacy organizations collect a lot of information to facilitate hiring - this should be safeguarded.
iii. Development of facilities to meet employees social needs e.g. clubs
iv. Assistance to families of employees e.g. day-care nurseries, subsidised shops, welfare buses holidays etc.
v. Support of minority groups e.g. women and children.
vi. Conservation and protection of natural resources - our rivers, forests, mountains, minerals etc.
vii. Control of pollution, through better disposal of wastes.
viii. Support for community activities e.g. farming, shelter, roads, schools, hospitals etc.
ix. Protection of consumers by offering safe products, fair pricing and even better quality.
Any activity that will involve the firm going beyond the minimum legal requirements.

Q4 (a) Ethics is the discipline with what is good/bad or what is wrong/right.
Ethics touch on moral duty and obligation.
Managerial ethics deal with the managers moral duty and obligation in his interaction with the various elements of society e.g. employees, owners, suppliers, trade unions, pressure groups and the society at large.

Business ethics are concerned with truth and justice in business dealings and have such aspects as fair competition, full information disclosure, fair advertising, pricing, safe products etc.
It is difficult to determine ethical behaviour because rights and wrongs keep changing as moral standards change. Besides different people, societies and groups may hold conflicting ideas about right and wrong.

(b) Managers should behave ethically because of various reasons:

i. It is fair to the players in the business field.
ii. They should act as role models for others in the organization.
iii. Unethical behaviour has negative consequences e.g. loss of trust from those who deal with you.

There are laws and regulations that are laid down by the government and which should guide managers.
They are the strategists in the organizations and their decisions and style have a lot of impact on the rest of the organization and the society in general.

(c) Why some managers behave unethically

i. Lack of agreement on what really constitutes ethical behaviour.
ii. Because of lack of ethical climate in the organization.
iii. Because the superiors have set the trend.
iv. Personal financial gains.
v. Culture in the society - Clients/Customers seeking favours.
vi. Lack of company policy on ethics e.g. no code of conduct.
vii. Pressure to make higher profits.

(d) Solutions

i. Use of codes of conduct.
ii. Training in ethics.
iii. Use of ethics committees.
iv. Top management support and recognition of ethical behaviour.
v. Companies have a mechanism of "whistle blowing" as a matter of policy i.e. encourage employees to report unethical behaviour.
vi. Strict discipline for unethical behaviour.
vii. Open communication and discussion on ethics.

(e) Barriers to exposing unethical behaviour

- Chain of command - an employee may be aware of unethical behaviour on the part of a colleague or superior but cannot expose it because of violation of the chain of command.
- Lack of top management support - they do not encourage employees to report unethical behaviour.
- Group membership - a group of individuals who work together develop their own codes of behaviour, and feelings of loyalty so that they cannot report a member who is behaving unethically due to pressure for conformity with group norms.
- Ambiguous priorities - executives are faced with unclear or contradictory policies within their organization. The employees are left wondering what actually is the right thing to do.
- Poor communication in the organization or over-reliance on written communication; employees may not report issues if they are to be documented and recorded.

PAST CPA EXAMINATION PAPERS

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATION BOARD

CPA PART III

PRINCIPLES AND PRACTICE OF MANAGEMENT

CPS III

MANAGEMENT

MONDAY, 10 JUNE 1991 **Time Allowed: 3 hours**
Answer any FIVE questions. ALL questions carry equal marks.

1. Compare and contrast Maslow's Hierarchy of needs theory of Motivation and Aldefer's Existence—Relatedness Growth Theory.

2. (a) Is leadership synonymous with management?
   (b) Briefly discuss the major elements of any two theories of leadership and explain whether they are applicable to business organisations in Kenya.

3. Citing examples where appropriate discuss the different ways by which change can be effectively introduced in an organisation.

4. Critically explain the main features of the three "Schools of Management" under the classical theory.

5. Using the Human Resources management Model as a frame of reference, critically discuss the major challenges that Kenyan managers are currently facing in trying to procure, develop and retain a productive work-force.

6. Discuss the extent to which management by objectives is a solution to all management problems.

7. It is asserted that managers in general, spend at least seventy-five percent of their working hours communicating. Briefly show how effective performance of managerial functions largely depends on effective communication.

8. Write brief notes on the following management concepts.
   (a) Corporate mission and objectives.
   (b) The Informal Organisation.

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATION BOARD

CPA PART III

PRINCIPLES AND PRACTICE OF MANAGEMENT

CPS III

MANAGEMENT

Tuesday 1 December 1992 **Time Allowed: 3 hours**

Answer any FIVE questions. ALL questions carry equal marks.

1. Briefly discuss the major steps of an ideal decision making process.

2. (a) What is an organisational goal?
   (b) Critically discuss the principal barriers to effective goal setting and suggest how the barriers can be overcome.

3. Citing examples, where appropriate, discuss the various relationships that can be determined from an organisation chart.

4. (a) Define the term "Supervision".
   (b) Outline the major characteristics of an effective supervisor.

5. (a) What is conflict?
   (b) Briefly discuss the advantages and disadvantages of different strategies for resolving interpersonal conflict.

6. Describe the major steps of effectively implementing delegation of authority in an organisation with which you are familiar.

7. (a) What is organisation change?
   (b) Briefly discuss the principle reasons why an organisation might find it necessary to change.

8. Write brief notes on the following management concepts:

   (a) Effective managerial communication.
   (b) Sources of Power.

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATION BOARD

CPA PART III

PRINCIPLES AND PRACTICE OF MANAGEMENT

CPS III

MANAGEMENT

WEDNESDAY 8 DECEMBER 1993 **Time Allowed: 3 hours**

Answer any FIVE questions. ALL questions carry equal marks.

QUESTION ONE

Critically discuss the main elements of management roles propounded by Henry A. Mintzberg.

QUESTION TWO

Certain characteristics must be incorporated into the design of control systems in order to make them effective. Briefly, describe those characteristics.

QUESTION THREE

(a) What is Mission Statement?
(b) Clearly discuss the principal components of a good Mission Statement.

QUESTION FOUR

(a) Define the term "Organisational Design".
(b) Compare and contrast Mechanistic with Organic organisational design.

QUESTION FIVE

(a) What is group design-making?
(b) Briefly discuss the major merits and demerits of group decision-making.

QUESTION SIX

What are the various actions that managers can undertake in order to make their communication more effective?

QUESTION SEVEN

Discuss the principal methods of evaluating managers of an organisation with which you are familiar.

QUESTION EIGHT

Write detailed notes on the following managerial concepts:
(a) Policies
(b) Criteria used by customers to judge quality of service.

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATION BOARD

CPA PART III

PRINCIPLES AND PRACTICE OF MANAGEMENT

CPS III

MANAGEMENT

July 2000 (PILOT PAPER) **Time Allowed: 3 hours**

Answer any FIVE questions. **ALL questions carry equal marks**

QUESTION ONE

Organizations are becoming increasingly influenced by their external environment. In what ways does the understanding of the external environment factors enable managers to make better decisions?

(Total: 20 marks)

QUESTION TWO

Explain how the ideas of scientific management thinkers contribute to the development of concepts and principles of modern work management in organizations.

(Total: 20 marks)

QUESTION THREE

To manage organizations effectively, managers require effective control system. Identify and explain the control systems which may be used by a manager to monitor and accomplish tasks in an organization.

(15 marks)

What are the drawbacks of control systems? (5 marks)

(Total: 20 marks)

QUESTION FOUR

Managers spend over eighty percent of their time communicating. Why is there need for effective communication in an organization and what steps should be taken to ensure that organizational communication is improved?

(Total:20 marks)

QUESTION FIVE

PQR Ltd. operates a chain of supermarkets. Its strategy has been to adjust product prices to accommodate differences in customers, products, locations and other variables. The market has become increasingly competitive and PQR Ltd. has decided to change its strategy. In future, it will provide a high quality service by introducing Total Quality Management (TQM) techniques in every supermarket.

Explain the relevance of a programme of TQM for PQR Ltd. in the implementation of its new strategy.

(Total: 20 marks)

QUESTION SIX

In what ways does the introduction of computers contribute to efficient operations and management of an organization? (10 marks)
Discuss how organizations have been affected by computerization problems (10 marks)

(Total: 20 marks)

QUESTION SEVEN

Managers must live in two time dimensions at once: the present and the future and this inevitably causes a conflict between focusing on the present demands of the day and creating space in which to plan strategically for the opportunities for tomorrow.

How can managers improve their personal time management so that both these activities can be achieved effectively?

(Total: 20 marks)

QUESTION EIGHT

Organizations are going through a period of major technological change, which is obviously a great challenge to management particularly in the area of employee resistance to change.

Give reasons for employee resistance to change and the techniques which may be used to overcome the resistance.

(Total: 20 marks)

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATION BOARD

CPA PART III

PRINCIPLES AND PRACTICE OF MANAGEMENT

CPS III

MANAGEMENT

TUESDAY: 5 June 2001 **Time Allowed: 3 hours**

Answer any FIVE questions. **ALL questions carry equal marks.**

QUESTION ONE

The art of successful delegation does not come easily to managers, and many have often performed some tasks themselves instead of delegating.

(i) Outline the factors that would influence a manager's decision to delegate authority and assign duties to subordinates. (10marks)

(ii) Identify the major barriers to effective delegation (10 marks)

(Total: 20 marks)

QUESTION TWO

Describe the traditional functions of channel intermediaries and comment on their applicability to services marketing.

(Total: 20 marks)

QUESTION THREE

Objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business. Discuss this statement and identify those key objectives considered to be most important to a business.

(Total: 20 marks)

QUESTION FOUR

Outline the role of committees and examine their importance as part of an organisation's management structure.

(Total: 20 marks)

QUESTION FIVE

The jobbing, batch and mass types of production have their own distinctive systems of operation and their own problems of production, planning and control.

Examine the circumstances which would justify the adoption of:

(a) jobbing production; (7 marks)
(b) batch production; (6 marks)
(c) flow/mass production. (7 marks)

(Total: 20 marks)

QUESTION SIX

(a) What are the key characteristics of charismatic leaders? (10 marks)
(b) How is visionary leadership different from charismatic leadership? (10 marks)

(Total: 20 marks)

QUESTION SEVEN

What steps would you advise management to take to prepare themselves to negotiate over a trade union's claim for an increase in remuneration at a time of economic downturn?

(Total: 20 marks)

QUESTION EIGHT

How might the concept of Business Process Re-engineering (BPR) be distinguished from other approaches to work design?

(Total: 20 marks)

REINFORCING QUESTIONS

Answer any five questions

QUESTION ONE

Explain the ideas underlying effective work management in modern organisations as given by Fredrick Taylor and Henry Gantt.

(12, 8 marks)

QUESTION TWO

(a) Why is productivity a major concern for managers in modern organizations? (6 marks)

(b) What factors are responsible for Low productivity in modern organisations and how are managers addressing this problem? (6 marks)

QUESTION THREE

Managers must live in two time dimensions at once: the present and future and this inevitably cause a conflict between focusing on the pressing demands of the day and creating space in which to plan strategically for the opportunities of tomorrow. How can managers improve their personal time management so that both these activities can be achieved effectively?

(20 marks)

QUESTION FOUR

(a) Distinguish between procedures, policies and rules (8 marks)

(b) What are the principle characteristics of sound and effective procedures? (14 marks)

QUESTION FIVE

Strategic planning is essential for the growth of the organisation. Many managers believe in a formal strategic planning process, other managers argue that the strategic plan of their organizations is in the "head" and in any case, the world keeps changing everyday.

Required:

(a) Why is it essential for an organisation to have a strategic plan? (5 marks)
(b) Who should be involved in strategic planning and why? (7 marks)
(c) In respect to a strategic plan, describe Mission Statement and the Nature of Objectives using appropriate examples. (4, 4 marks)

QUESTION SIX

Explain how a manager of a modern organisation should spend his time according to Henry Mintzberg **(20 marks**)

MODEL ANSWERS TO PAST CPA EXAMINATION PAPERS

MODEL ANSWERS TO THE PAST PAPER SET IN JUNE 1991

Introduction

Q1. The question requires the student to show where the two theories of motivation agree and on what issues they differ.
The student must start with showing the two categories into which motivation theories can be divided.

Solution

Motivational theories can be divided into two main categories. That is:

- process theories
- content theories

Both Maslow's Need hierarchy and Alderfer's ERG theories are content theories.

Maslow's Need Hierarchy

According to Maslow human needs can be grouped into five categories in order of importance. These include:

(a) Physiological (Biological) Needs
These are the most basic of all human needs. They include need for food, clothing, sex, shelter, rest. These needs are related with specific parts of our bodies and they must be satisfied before a person can think of higher needs.

(b) Safety/Security Needs
These are the desires to feel safe and free from danger or any form of deprivation.

(c) Social (Love) Needs
These are the needs for belonging and acceptance. They represent expressions of love, affection and affiliation. When people join social groups like sports club or other clubs they are catering for these needs.

(d) Esteem (ego) Needs
These are needs that build the ego. They include desire to be esteemed by others and to be respected. They also include need for independence, dignity and autonomy. Items that enhance status cater for these needs.

(e) Self Actualization
The highest level of needs. These are the desire to realize one's full potential through competence, creativity and achievement.

Note:
According to Maslow's theory three things come out clearly.

i. People satisfy these needs in this order of importance i.e. from the most basic through the hierarchy to the most complex.
ii. A satisfied need ceases to be a motivator of behaviour. When people lack something, they seek it and crave for it. But once their need is met they seek to satisfy a higher need.
iii. Satisfaction of lower needs reduces their importance as motivators, but satisfaction of higher needs does not diminish their importance.

THE ERG THEORY

Alderfer unlike Maslow classifies human needs into three categories:

existence, relatedness, and growth needs.

(a) **Existence Needs**
These cover Maslow's two lower level needs i.e biological and safety needs. They must be satisfied for human survival.

(b) **Relatedness Needs**
These needs are those that can be satisfied by interacting with other people. Include need for affection, love, cooperation, unity etc.

(c) **Growth Needs**
Refers to needs that are associated with personal growth and development. They include competence, independence and achievement.

Note:

i. The ERG theory agrees with Maslow's theory that lower needs must be satisfied before higher needs emerge as motivators. However whereas Maslow says they are satisfied in order of importance Alderfers contends that they need not be satisfied according to the hierarchical order of Maslow.

ii. According to ERG theory once existence needs are satisfied, relatedness and growth needs can emerge as motivators either independently or simultaneously but not necessarily in order.

iii. Only existence needs have physiological content but relatedness and growth both have psychological bases. What is different is the way they are satisfied.

Q2. (a) Introduction

This question requires the student to answer the question of whether leadership and management are one and the same. The student needs to clearly describe both terms and show their scope.

Solution

Leadership has been defined as "the ability to shape the behaviour of others through influence!" So it involves a process through which the leader influences his followers to follow his ideas in order to achieve mutual goals. To do this the leader must inspire followers to willingly and enthusiastically perform their duties. A leader shapes the behaviour of others through example and talent. He usually does not depend on legitimate formal authority. His power rests on his being accepted by his followers.

Management is the `art of getting work done through people mainly by planning for them what is to be done, directing them, organizing activities and controlling activities towards goal attainment.
Managers can force compliance from employees by use of formal authority. A manager need not be liked or accepted by his employees because he has formal power given by his position of authority. Leadership is much narrower than management but usually a good manager is usually a good leader.

(b) Introduction

The student has been asked to deal with any two theories of leadership. To answer such a question the student needs to be familiar with all the theories of leadership.

Solution

There are three major theories of leadership:

- trait theories
- behavioural theories
- situational theories

i. **Trait theories**
According to trait theories, leaders possessed certain inborn traits that distinguished them from non leaders.
These traits were either physical, interpersonal or intellectual which enabled them to deal with the complexities inherent in organizations. These traits include persistence, intelligence, initiative, sociability, height assertiveness, tolerance and clarity of mind.

ii. **Behavioural theories**
These emerged mainly due to the shortcomings of trait theories. These theories contend that good leaders have certain behavioural attributes lacking in non leaders. The Ohio state studies and the Moulton and Blake Managerial Grid are the two main contributors to behavioural theories.

iii. **Situational theories**
The situational theories contend that a leader style will be affected by the situational factors that he is facing. So that within certain circumstances different leadership approaches will be selected. The main theories here are—Fielder's Contingency theory, House's path-goal theory and Hersey-Blanchard's situational theory.

Notes:

- Situational theories provide managers with a set of leadership match principles. Appropriate leadership styles can be selected for particular situations.
- Situational theories have great applicability in Kenya where the situations managers face keep changing.
- Traits theories are also relevant to some extent but we have many good leaders who differ a lot in their traits.

Q3. Change refers to any substantial adjustment to any of the organizational processes. Change can either be people induced, technically induced, technologically induced or even environmental change. Change occurs when people and organizations become dissatisfied with current conditions.

Management can introduce what is known as plannned change in an organization. Here management makes a deliberate and conscious effort to change the organization or certain aspects of it.

Planned change follows the following steps: i.e. Richard Daft process.

(a) Recognizing the need for change
Involves management accepting the inevitability of change and accepting it, then starting to prepare for it.

(b) Identifying the change methods
Once management has accepted the need for change, they must go ahead and select the most appropriate method of change in the light of the organization goals and needs.

(c) Unfreezing the status quo
Involves attempts to alter current beliefs and attitudes in preparation for new ones.

(d) Moving to a new condition

This involves initiating the change either through order or recommendation.

(e) Refreezing to create new status quo
Ensuring that once new work habits have been adopted they remain in place.

Change can be implemented by any of the following techniques.

(a) The survey feedback method
Here organizational change is based on the systematic collection and measurement of subordinates' attitudes by anonymous questionnaires.

(b) Team building
Involves a conscious effort to develop effective work groups throughout the organization.

(c) Sensitivity training
Uses leaderless discussion groups to develop awareness of and sensitivity to oneself and others.

(d) Management by objectives.

(e) Job enrichment
Involves deliberate restructuring of a job to make it more challenging, meaningful and interesting.

(f) Grid Approach
Stresses maximum concern for people and output.

Q4. The main features of the School of Management Thought under the Classical Theory
The classical theory recognizes three schools of management thought namely:

- scientific management
- administrative theory
- Weber's bureaucracy

(a) Scientific management

This theory was developed by several management theories among them Taylor Gantt and the Gilbreths. However Taylor is the one regarded as the father of scientific management.Scientific management arose in part from the need to increase productivity.

Taylor tried to find answers to the following questions:

- could some element of work be eliminated or some operations combined?
- could the sequence of these tasks be improved?
- was there one best way of doing a job?

Taylor conducted a wide variety of studies mainly time and motion and in the process he slowly built the body of principles that constitute the essence of scientific management. These principles include:

i. The development of a true science of management so that for example the method for performing each task could be determined.
ii. The scientific selection and training of workers so that each worker could be given responsibility for the task for which he/she was best suited.
iii. The scientific education and development of the worker.
iv. Division and labour and intimate/friendly cooperation between management and labour.

To embrace scientific management Taylor recommended a complete mental revolution on the part of both management and labour so that they both concentrated on increasing productivity rather than sharing surplus.

(b) Administrative theory

This theory is mainly credited to Henry Fayol.
Fayol developed the fourteen principles of management which are even in use today:

- division of labour
- discipline
- unity of command
- unity of direction
- authority and responsibility
- remuneration
- subordination of individual interests
- centralization
- scalar chain
- order
- stability of tenure
- initiative and
- espirit de corps

Under administrative theory and developed by Fayol are the basic functions of management and activities that are undertaken by industrial firms.
Fayol contended that management was universal and that people could learn to be good managers by acquiring general knowledge in managerial functions and principles.
These managerial functions according to Fayol include planning, organizing, commanding, coordination and controlling, while the basic activities of an industrial undertaking include, technical, commercial, financial, security accounting and managerial.

(c) Bureacracy

Coined by a German sociologist known as Max Weber.Weber's main concern was the abuse of power by those in managerial positions.
Weber contended that abuses of power could be reduced if organizations were run by a system of rules and regulations.Such an organization according to Weber would have a hierarchical structure based on formal authority.With such an organization people would be guided by impersonal/rational rules rather than arbitrary actions of power holders.
Because of these rules, behaviour would be consistent and predictable.

Weber's bureacracy was based on the following principles:

i. a division of labour by functional specialisation
ii. a well defined hierarchy of authority
iii. a cadre of impersonal rules and procedures
iv. autonomous decisions by office holders
v. merit based employee selection

Q5. Human resource management, also known as personnel management concerns itself with managing the firms human resource in order to best achieve the goals and objectives of the organization.

In managing human resources managers do the following activities:

(a) Manpower planning
(b) Recruitment and selection
(c) Training and development
(d) Compensation and benefits
(e) Safety and health (employee maintenance)
(f) Labour relations and
(g) Human resource research

All these functions touch on people who are complex and unpredictable but managers must procure, develop and maintain a productive workforce for their organizations. This presents many challenges to Kenyan managers. The following are some of these challenges:

(a) Rigid employment policies that make firms continue to retain unproductive labour even when the economy is doing badly.
(b) Strong trade unions that stop appropriate management actions and declaration of redundancies.
(c) Difficulties in motivating workers mainly due to low levels of income in Kenya.
(d) Lack of loyalty on part of employees—this leads to high turnover as employees are always looking for `greener pastures'.
(e) Financially weak organizations are unable to compete for the highly qualified with multinational employers.
(f) Political pressures and interference which forces firms to sometimes employ ill trained employees.
(g) The multi-ethnicity nature of Kenyan society brings a lot of racism and nepotism in employment. For example the government seems to advocate for ethnic balance in employment at the expense of skills.
(h) Oversupply of unskilled labour.
(i) Undersupply of skilled labour in some fields.

Q6. MBO as a solution to management problems

Management by objectives (MBO) also known as management by results is a collaborative system of management where managers and employees work together in identifying goals and developing ways to achieve them.

It works as follows:

- Top managers set the overall organization goals.
- These are communicated to each level in the organization.
- Each manager explains the rationale of MBO to his subordinates.
- Then the supervisor and subordinates meet to set objectives for the coming planning period.
- The supervisor advises the subordinates on how to tackle the objectives and gives him the necessary resources.
- Periodic reviews are made to gauge progress and at the end of the stipulated planning period a final review is done and the process starts all over again.

Advantages of MBO

i. Because it is results oriented energies in the organization are focused on organizational goals.
ii. Because employees are involved morale is elevated.
iii. MBO can help correct underemployment of resources.
iv. Because of participation of employees MBO helps in personnel development.
v. As an evaluation tool MBO which is results oriented is superior to traits evaluation.
vi. MBO can lead to better managing, the objectives set for example serve as a good control device.

If MBO is clearly understood and properly implemented, it can contribute a lot to better management and help organizations reduce problems of morale, productivity and waste.
MBO however has certain limitations that make its application a little difficult.

- it's time consuming
- involves a lot of paperwork
- conditions usually change too frequently for it to be useful
- it has a short run focus

Q7. Effective communication and management performance

- Communication is the process of transmitting information from one person to another.
- Effective communication takes place when the receiver of the message understands its meaning as intended by the sender.

The process of communication has five elements.

1. Sender: the person with something to communicate.

   Encoding: the process by which the sender puts the ideas he has in a format understood by the receiver.
2. Message: what the sender wants to communicate.
3. Channel: the vehicle of transmitting or carrying the message.
4. Receiver: the person who is targeted by the sender as the recipient of the message.
5. Decoding: the process by which the receiver attaches meaning to message.
6. Feedback: this is the reaction or response given by the receiver after receiving the message.
7. Noise: Any interference at any point of the process that affects the transmission and reception of the message.

- To be able to perform any activity or make any decisions, organizational members need information.
- Communication is therefore important because it is the means by which members of an organization collect, disseminate and receive relevant information for decision making.
- The organizations policies, programmes, rules and regulations need to be made known to employees, this can only be done through communication.

- Once plans have been developed, they remain useless unless they are received and understood by those who are affected by them.
- Through communication managers are able to achieve co-ordination and co-operation.
- It is through communication that people are able to come together and cooperate together to overcome individual limitations.
- Communication in organizations takes place in meetings, telephone conversations, writing reports, manuals and memos reading and face to face oral communication.
- Without communication nothing would be achieved in an organization because people would not know what activities they need to perform and how to perform them.
- Effective managerial performance is therefore dependent on communication.

Infact research has shown that most of the waste mistakes and accidents that occur in firms can be traced to poor communication or even lack of communication. Therefore to perform the managerial functions of planning, organizing, directing and controlling, communication is not only essential but it is critical.

Q8. (a) Coorporate mission and objectives

The mission of any organization defines the fundamental business that the firm is in i.e. it answers the question of "what business are we in?"
The mission statement therefore defines the basic reason for the existence of that organization.

A mission statement has the following elements:

i. a clear definition of the current future expected business scope in terms of products, services, major customers and the geographical coverage.
ii. definition of the position the firm wants to take in the industry and in relation to other firms of its type.
iii. description of how goals might be attained.
iv. specification of the means for financing operations.

A mission is persistent and remains the same even when objectives change. It is visionary—it states where the firm is conceived to be perpetually.

Objectives

- Objectives are the specific goals that translate the mission into action. They are targets that the organization aims to achieve under a specified time period and resources. The objectives are either short-run, medium term or long-term and they can either be quantitative or qualitative.
- Normally organizations will pursue several objectives at the same time.

Objectives are established for the following reasons:

- to help define the organization in its environment
- help in co-ordinating and integrating decisions
- they provide useful standards for assessing performance
- they help to keep activities in focus as they are more tangible than mission statements

(b) The informal organization

- Informal organization arises from the interpersonal interaction between organization members.
- As people work together, they interact and form into groups that are not officially prescribed.
- Usually the membership is instantaneous.
- The informal organization has no official leader and it depends on informal communication.
- The membership can be at very different levels within the organization and the informal organization is continously changing.
- people form into informal groups to satisfy diverse individual needs or common group needs.

Informal organizations arise from peoples natural tendencies to belong and to be accepted by peers and colleagues.

The informal group caters for employees needs that are not covered by the formal organization but which if ignored can adversely affect performance.

The informal organization has the following benefits to an organizations effectiveness.

- helps to elevate morale
- provides an additional channel of communication
- provides emotional support for employees
- compensates for violations of formal organization principles and
- helps to remove the weaknesses in the formal structure.

But sometimes the informal organization can become too strong and counter the effectiveness of the formal organization. It can for example increase the time required to complete activities, can lead to reduction in the perceived power of superiors, or it may reduce the degree of predictability and control.

MODEL ANSWERS TO THE PAST PAPER SET IN DECEMBER 1992

Q1. Decision making is the process by which management choose a specific course of action. It is designed to cause things to happen or not to happen. It is affected by feelings and interpersonal relationships and other situational factors but generally it is a rational process that follows the following steps:

(a) Defining the situation
Involves a recognition of the need for a decision and a definition of its parameters.

(b) Generating alternatives
The manager comes up with different alternative ways of dealing with the problem at hand.

(c) Evaluating alternatives
The alternatives are evaluated in terms of their cost-benefit. Such qualities as feasibility, consistency, appropriatness and resultant consequences.

(d) Choosing the best alternatives
From the evaluation the manager selects that alternative that has the highest overall levels of feasibility satisfactoriness and the fewest undesirable consequences.

(e) Implementing the alternatives
This is the actual action where the alternative selected is put into effect.

(f) Evaluating the results
Every decision is taken to solve a problem. So once the alternative is put into effect, the manager needs to judge how well it is dealing with the problem. The end results of the decision are checked for their appropriateness.

Q2. (a) A goal is a target or a state that the organization wants and aims to achieve. The goal gives direction to the activities in the organization.

(b) Barriers to effective goal setting involve the following:

- setting inappropriate goals
- setting unattainable goals
- overemphasizing qualitative goals
- overemphasizing quantitative goals
- rewarding ineffective goal setting
- not rewarding effective goal setting

These barriers to goal setting can be overcome by:

i. management understanding that goals are not absolute limits but just targets.
ii. stating goals properly and clearly
iii. by communicating goals to employees
iv. ensuring goal consistency
v. rewarding effective goal setting

Q3. An organization chart is a pictoral representation of the positions in an organization and the relationship between these positions. The boxes in the chart represent positions while the lines show the flow of authority and communication.
A look at the chart can tell one the following:

(a) division of labour—the boxes will show the activities in each position
(b) authority of each position: usually the higher the box the more the authority vested on that position
(c) chain of command: one can tell who reports to who
(d) span of control: it is able to see how many employees report to each authority position
(e) departmentation
(f) levels of management
(g) co-ordination centres: one can tell who would most likely be expected to coordinate the activities of various organizational units.
(h) channels of communication
(i) decision making responsibility
(j) staff relationships
(k) functional violation of chain of command

Q4. (a) Organizations and individuals have goals and objectives they need to accomplish. When left on their own employees sometimes lose focus of the goals. Supervision therefore is essentially aimed at ensuring that activities in the organization remain in focus. So it will involve facilitating, directing and coordinating the work of employees to ensure achievement of objectives. A supervisor is in other words an overseer. Usually supervisors are the first line managers who are in day to day contact with the operatives.

(b) Because his work involves overseeing the work of others, the supervisor needs to have the following characteristics:

i. needs to have good human skills—he must have the ability to establish and maintain good interpersonal relations with his employees.
ii. must be a good communicator—he needs to understand and be understood by his employees.
iii. must be able to balance his interest, those of the workers, those of management and those of the organizations and with those of the organization taking prominence.
iv. must be fair.
v. must be able to lead by example.
vi. has the required technical knowledge and skill.
vii. has a good personality and is able to command respect.
viii. has conceptual skills.
ix. has imagination and initiative.
x. has a sense of humour and is pleasant.
xi. has a strong value system.

Q5. (a) Organizations are made up of people who are different in several aspects e.g. backgrounds, values, attitudes, ambitions knowledge and experience.

These differences occasionally results into conflicts. Conflict therefore refers to disagreement or antagonism or opposition between people. Organizational conflict is disagreement within the context of an organizational setting between individual employees groups or whole departments.

Conflict can be caused by interdependence, competition, differences in goals/activities or by differences in personalities.

(b) There are several methods or strategies that can be employed to resolve conflicts:

i. Compromise

Involves reaching a point of agreement between each of the conflicting parties. However compromise is not a permanent way of resolving conflict. It only leads to appeasement and both parties are likely to be left feeling they have lost. However, it is better than destructive bickering, and it leads to some committment.

ii. Collaborating (win-win situation)

This method has the following advantages:

- it is mutually satisfying
- encourages co-operation and committment
- gives a permanent solution
- develops problem solving ability

Disadvantages

- time consuming
- it is costly
- participation is required

iii. Dominating (win-lose)

One party loses while the stronger party wins.

Advantages

- It is expedient
- protects against exploitation

Disadvantages

- results into resentment
- temporary solution
- no co-operating

iv. Avoidance

Means ignoring the problem and hoping it will go away. It is only appropriate for minimal problems.

v. Smoothing

The manager acknowledges the existence of the conflict while downplaying its importance. It gives a false solution and the basic issues remain unresolved.

Q6. Delegation is the process of assigning work with the necessary authority and responsibility to subordinates and fully holding them accountable for the effective accomplishment of this work.

Delegation of authority is good in that it gives the manager extra time to deal with other issues while at the same time developing employees. It is also a way of integrating employees into management.

The process follows certain distinct steps:

i. Preparation
The manager decides what to delegate to the employee and how.

ii. Clarification
Ensuring that the work to be delegated is understood.

iii. Agreement
When the subordinate and superior reach an agreement and the subordinate accepts the assignment and they both concur on how the work should be carried out.

iv. Assignment
Here the assignment is explicitly activated with the key issues of affirmation, conscious event confidence and explicit instructions.

v. Follow-up
The delegator evaluates the work delegated and takes any necessary corrective action.

Q7. (a) Organizational change refers to any fundamental adjustment to one or more aspects of the organization for example redesigning the overall structure or changed mode of production, or even replacing employees with technology or changing from one level of technology to another.

(b) The major reasons for change are as follows:

i. People: change can be forced by people. When the demographic profile of the population shifts for example to younger less loyal workers who need higher salaries, flashy cars, organizations find they have to respond to these changes.

ii. Technology: technological innovations are a powerful force in causing change. Dramatic changes in communication distribution and production force firms to adjust.

iii. Communication: communication innovations prompt change. Most companies have adopted electronic mail systems, mobile telephones, video conferencing, word processors etc.

iv. Competition: change may be imposed on organizations by competitors. When a competitor introduces a new product a company may need to follow suit to hold its position in the market place.

v. Environment: environmental factors both within and without the organization. These may include political-legal forces, economic forces, international forces, sociocultural factors.
The organization's internal (task) environment may also result in change. These include suppliers, customers, unions, regulators, owners and even partners.

Q8.

(a) Effective managerial communication
Communication is the transfer of information, ideas or feelings between people. To be effective, there must be exchange of understanding between the sender and receiver of the message. That is the receiver must attach the same meaning to communication as intended by the sender.

The process of communication has the following elements: sender, message, vehicle, receiver, feedback and knowledge. Both the sender and the receiver as responsibilities for the effectiveness of communication.
The sender must ensure that the message is kept brief, he uses appropriate vocabulary that the message is accurate and complete, that it is selective, that he is empathic and gets peoples attention.
The sender must compliment oral messages with visual devices, and that there is an effective feedback system.It is the receiver's responsibility to listen actively, eliminate any barriers to the process and to respond to the communication once received.

(b) Sources of power

Power is the ability to influence behaviour.
In an organization power could come from any of these sources:

i. Legitimate power: results from the position the person occupies in the organization.
ii. Reward power: when a person has at his disposal rewards which he uses to get compliance from others.
iii. Coercive power: the use of either physical or psychological threat of punishment. Usually its forced.
iv. Expert power: results from a person's possession of specialised and rare knowledge/skill in a certain area.
v. Referent power: this is the power based on identification with another person. One holds the desire to be like the power holder—it is therefore imitative.

MODEL ANSWERS TO THE PAST PAPER SET IN DECEMBER 1993

Q1. Mintzberg after his study of top managers came up with three major categories of management roles:

i. interpersonal roles
ii. decisional roles
iii. informational roles

i. Interpersonal roles
These include:

(a) Figure head role—where the manager acts as a representative of his organization.
(b) Leader role—where the manager motivates and directs subordinates towards goal attainment.
(c) Liaison role—the manager maintains contacts with outside parties e.g. bankers, economists and the international world.

ii. Informational roles
These include:

(a) Monitor—the manager scans the environment for any information that is relevant to his organization.
(b) Disseminator—the manager transmits information gathered to the people and departments that need it for decision making.
(c) Spokesman—the manager speaks on behalf of the organization and sends out information that is of meaningful content to the outside world. He also answers questions and issues on behalf of his organization.

iii. Decisional roles
These include:

(a) Entrepreneur—the manager looks for opportunities that his organization can exploit advantageously.
(b) Disturbance handler—the manager resolves any conflicts that may arise in his organization.
(c) Resource allocator—he decides on how resources are to be shared between the various departments in the organization.
(d) Negotiators—the manager works out contracts that are in favour of his organization; they may be labour contracts, purchasing contracts or even major sales.

Q2. Effective control system
The essence of control is to ensure that plans are being adhered to and where they are not, that corrective action is being taken.
An effective control system must have the following characteristics:

i. They must reflect the plans they are intended to follow. There should be control measures at each level of the planning process.
ii. Flexibility: because organizations operate within a dynamic environment, controls should be such that they can be adjusted when conditions change.

iii. Controls should be accurate—a control system must show exemptions at the positions where corrective action is needed.
iv. Timeliness—the system must provide information at the most opportune time to make decisions. Not too late or too early.
v. Cost effective—the benefits from a control system must justify its costs.
vi. Understandability—the employees charged with the control effort and the person being controlled must understand the control system.
vii. Acceptability by those who will enforce them.
viii. Integration—a control system must be properly integrated into the total organizational setting.
ix. Objectivity—the control system must be applied objectively i.e. fairly and uniformly throughout the whole organization.

Q3. (a) A mission statement is an enduring statement of the reason why a certain firm is in business. It answers the question of "what business are we in?" It shows the purpose that distinguishes one business from other similar businesses. In essence it gives the scope of operation of an organization and broadly charts the future direction of that organization. It is from the mission that objectives, strategies and procedures are drawn.

(b) Components of a good mission statement

A mission statement should show the firm's:

i. major customers: it must indicate who the firm targets its products at i.e the firm's market.
ii. products/services: it must indicate the firm's major products or services.
iii. technology (mode of production) must show whether technology is of major concern to the organization.
iv. it must show the firms major concerns or philosophies e.g.

- committment to quality
- concern for growth/profitability
- self concept
- concern for public image
- concern for employees

Q4. **(a)** **Organizational design**
The design of an organization mainly shows how the overall organization is structured and how this structure incorporates the organization's major sub-components. It therefore shows the overall arrangement of departments and positions in the organization and the nature of inter-relationships between the various departments and positions.

(b) **Mechanistic design**

- As the name indicates this design is very mechanical.
- There are rigid rules and regulations.
- There are also hierarchical positions with rigid lines of control.
- The work and tasks in mechanical designs tends to be static or rigidly defined and routine.
- methods and procedures of doing work are pre-determined.
- there are also rigid pre-defined rights and obligations of each position.
- emphasis is on the position and not on who occupies it.

- authority, communication and control are hierarchical and impersonal.
- there exists predefined and formal stated forms of sanctions and punishment.
- information is vested in the chief executive and communication is predominantly vertical mainly taking the form of instructions from superiors.
- there is also overemphasis on loyalty and strict obedience to superiors.

In a nutshell mechanistic organizations emphasize the principles of classic bureacracy.

Organic Designs

- Here tasks are interdependent and emphasis is on the relevance of these tasks.
- Tasks are flexible and adjusted whenever need arises.
- Roles here are generally defined i.e. not rigid and specific.
- Control is not hierarchy but rather there is a network structure of control, authority and communication.
- Information is more open and leaders are not assumed to have monopoly of knowledge.
- Communication is also more open and both vertical and horizontal and communication mainly takes the form of information and advice.
- More emphasis is laid on committment to organizational goals and tasks rather than on loyalty and strict obedience to rules.
- Importance and prestige are attached to amicable relationships with the external environment.

Q5. (a) A group can be defined as two or more people who interact regularly to accomplish a common goal. A group therefore must have at least two people, the members must interact regularly and they must have a common objective. The group can be a functional group created by the organization to accomplish a range of goals, a task group created by the organization to accomplish a limited number of goals within a stated period, or an informal group created by members of the organization as they interact with each other and for purposes that may or may not be related to the organization.

(b) Advantages of group decision making

i. Provides more information for decision making, because there are many people with different knowledge and experience, a higher quality decision may be aimed at.
ii. The group generates more alternatives.
iii. There is increased acceptance of the decision because most of the interacted parties are represented.
iv. Increased legitimacy: the process is consistent with demographic ideals.
v. Reduces chances of abuse of power by a single decision maker.
vi. Aid in employee development, those involved in decision making may grow as a result of their experiences.

Disadvantages

i. Time consuming.
ii. Minority domination.
iii. Pressure to conform leading to group think.
iv. Ambigous responsibility: no one person can be held responsible for the outcome.

v. Higher chances of compromise decisions. Compromises may be sought to the exclusion of a superior decision.

Q6. Making communication more effective

The process of communication involves transmission of information within the organization. It is the process by which goals, objectives, strategies and policies are made known to organizational members. Advice, instructions and even reprimands are given through communication. The better the communication in an organization, the better the organizational performance. In fact most of the mistakes in an organization can be traced to poor communication.

It is the responsibility of every manager to keep improving the process of making it more effective.

Some ways of making communication more effective include:

(a) Brevity—the sender of the message should try to make the message as brief and simple as possible. The more wordy a message is the higher the chances of distortion.

(b) Appropriate vocabularly—the words and statements used by the sender should be those known and understood by the receiver.

(c) Accuracy—the sender should be very concise and to the point. Irrelevant issues must be avoided.

(d) Completeness—the message should be such that it contains all the information needed. Sentences used should be complete, nothing must be left for the receiver to guess.

(e) Selectivity—managers should send out and receive only that information they require. Information overload can be confusing.

(f) Use of visual devices—oral communication becomes more effective if it is complemented with visual aids.

(g) Timeliness—information must be given at the time when it is required. Untimely information is as bad as no information at all.

(h) Attention—the sender should try as much as possible to gain the interest of his audience.

(i) Empathy—the sender of the message should try as much as possible to identify with the position and situation of the receiver.

(j) Effective feedback system—there should be a mechanism of sending feedback within the organization.

(k) Economy—the benefits of communication should justify the costs.

Q7. Evaluating Managers

Just like other employees, managers also need to be evaluated, however the methods differ from those of evaluating employees. Manager evaluation methods include: traits evaluation, results evaluation, behaviour evaluation, functional performance evaluation and observation (informal).

i. Results evaluation

The manager is evaluated on the basis of what he has actually achieved over a specified period. Quantifiable units of measuring output are used. It must be used with care because the results achieved could be due to other factors other than the manager.

ii. Traits evaluation

Here personal characteristics are used as the yardsticks to evaluate the manager. Such traits as loyalty, dependability, co-operativeness, reliability,

trustworthiness etc. The manager is rated on alternative ratings i.e. very good, good, fair, poor, and very poor.
This method is simple and can be used for different levels of management.

iii. The Behavioural evaluation
This appraises the manager on how he or she went about achieving the results i.e. it focuses on the process and techniques the manager used to achieve goals.
This evaluation shows what the manager is doing right and what he is doing wrong.It is objective, provides a learning experience and indicates where training is needed. It also concentrates on performance under the individuals control.It is costly and only feasible in large organizations.

iv. Functional evaluation
Managers are evaluated on their ability to perform the basic management functions of planning, organizing, directing and controlling.
Questions are asked which help pinpoint the strengths and weaknesses of the manager in each area of function.

v. Informal evaluation
This evaluation is based solely on observation of a manager's performance. No structured instruments are used only subjective judgements are made. It is a continous process with no formal design.

Q8. (a) Policy
A policy is a broadly stated guideline that governs relatively important action within the organization. Major decisions within the organization are easier to make if there is a broadly stated course of action. Decision making is much easier if there is a policy, they save time, help prevent mistakes and they given consistency and predicability to decision making. Sound policies should have the following characteristics:

- they should be consistent with objectives and strategies
- they should be formal
- they should limit a manager's discretion
- they should be reviewed constantly

(b) Judging quality of a service
The quality of a service is judged on the basis of how well it meets the needs of the customer. Some of the factors that could be used to evaluate services include:

i. Reliability—answers the question of how well the service is consistent in performance and dependability.
ii. Responsiveness—how willing are employees in giving the service.
iii. Promptness.
iv. Competence—do the service givers have the needed skills.
v. Access—how easily can the service be obtained or got.
vi. Courtesy on the part of the service givers.
vii. Informative—how well are the customers kept informed and are they listened to?
viii. Credibility—are the service givers trustworthy, honest and dependable.
ix. Tangibility—is there any physical evidence of the service e.g. reliable and appropriate equipment and tools.
x. Security—freedom from danger, risk or even doubt.

MODEL ANSWERS TO THE PAST PAPER SET IN JULY 2000 (PILOT PAPER)

Q1 This question is looking for your understanding about the external environmental factors. The business environment can either be influenced by internal or external factors. The external factors should be related to the decisions that managers make:;- (*Refer to lesson 1 for further explanation*)

The external environment comprises

(i) Social factors:- Four aspects are relevant:-

- Power, Leadership, culture and risk
- Social environment covers the study of population trends. These trends affect sizes type and location of market. Culture affects tastes and preferences.
- It also looks at the life style of the people.
- These factors affect the demand of certain products. It will influence the products and services the organisation supplies.

(ii) Legal factors:- concerned with how an organisation does business

- Law of contract
- Sale of goods Act
- Health and safety legislation
- Employment Act
- Law of Tort
- Environment legislation
- Tax Act Cap. 470
- Companies Act cap 486.

(iii) Economic factors:- The rate of growth of the economy is an indicator of how demand for goods and services change. Influences are:

- Taxation level
- Inflation rate
- Balance of trade and exchange rates
- Level of unemployment
- Interest rates
- Government subsidies

Also international economic issues such as

- Freedom of capital movement
- Protectionist measures
- Relative exchange rates

(iv) Political environment

- The attitude of the government of the day
- Economic forecasts are prepared based on the existing government policies
- Stability of the state affects investment.

(v) Technological factors

- Influence: production techniques
- products/services made
- identification of markets i.e. creation of customer databases.
- Communication mode
- Distribution of goods and services.

(vi) Competitors:

- Entry barriers eg. capital expenditure, economies of scale.
- Bargaining power of customers
- Bargaining power of suppliers
- Availability of substitute products
- The intensity of rivalry among current firms.

Q2. The question requires that you know the main scientific management thinkers and the main principles of work management proposed by each.

The main thinkers

- Fredrick W. Taylor
- Lillian and Frank Gilberth
- Henry Gantt

Taylor

- Determination of the best method of performing a task by using time motion studies.
- Scientific selection of workers
- Financial incentive of piece-rate system
- Factory foremanship – division of responsibility between worker and manager

Gantt

- Bonus: as a mode of payment so as to motivate
- Gantt chart: to schedule work

Gilberths

The three position plan of promotion:- doer, learner and teacher.

- Job rotation
- Training and development of workers.

Q3. Types of control systems

This question requires that you know the mechanisms that help to achieve desired performance

There are three categories of controls:-

- Managerial discretion: Degree of freedom to make decisions
- Timing: whether control is used before, during or after an activity
- Information: Type of information handled by control system

Managerial discretion

- Cybernetic: Self regulatory are automatic self correcting. Little discretion.
- Non-cybernetic: managers use their own discretion

Timing

Steering/feed forward/preliminary

- Control before activity. These anticipate results and guide activities before operation begins.
- Yes-no control: Assess activity while still in progress
- Post- Action control: Evaluate after activity has been completed.

Information

- Financial resources:- budgets, capital expenditures
- Operations: quality control, production schedules
- Human resources.

Drawbacks of control systems

- Game playing within procedures of the control system eg budgets.
- Sabotage: damage so that they do not work in future.
- Inaccurate information: controls heavily rely on accuracy and timeliness of information

NB: There are alternative ways of classifying types of control.

Q4 This question can be divided into 2 parts:-

- Importance of communication
- Guidelines to improve communication

Importance

- To establish and disseminate goals of an enterprise
- Develop plans for their achievement
- Organise human and non-human resources
- Select develop and appraise staff
- Control performance
- Direct lead and motivate employees

How to improve

- Brief message
- Appropriate vocabulary
- Accuracy and completeness
- Selective communication
- Use visual devices
- Use combined media
- Good listening

Q5. Importance of TQM

- First define TQM and briefly explain how it works.
- Give the importance of the programme in relation to the company.

TQ is an intensive long term approach directed at the creation and maintenance of high standard of product quality and services expected by customers.
ISO defines it as a management approach centred on quality base on the participation of all its members and aiming at long term success through customer satisfaction and benefits to the members of the organisation and society.

Importance/Benefits

- Enables the organisation to meet their customers need hence the achievement of goals and objectives.
- Improves competitive strengths of the organisation
- Promotes interpersonal relations in the organisation.
- Improves communication both vertical and horizontal
- Boosts the morale of employees.
- Strengths long-term operations of the firm.

Q6. (a) The contribution of computers to efficient operations.
Companies seems to be finding new ways of achieving competitive advantage . Information technology can be broadly defined as the convergence of computer and communications technology.

Efficiencies are:-

- Improved accuracy of information
- Increase processed volumes of information
- Speed of processing is higher
- Access to information for more people
- Management information: accurate, reliable and up-to-date planning through use of models like spreadsheets for budgeting.
- Control is also enhanced – Just in time (JIT), material requirements planning etc.
- Customer service is enhanced.

Effect of computerisation problems:-

- Staff issues: They need to acquire new skills. Managers may redefine their roles in organisation
- Resistance to change
- Security of data
- Secrecy-hacking
- Technological change
- Organisational structure is changed due to delaying.
- Organisational culture
- Health issues e.g. eye problems, back problems.
- Capital outlay

Q7. The time management techniques so as to improve personal time management

- Time budgeting
- Deadlines – realistic, challenging
- Time logs
- Use of telephone: faster and two-way response
- Order and simple filing system for easy retrieval
- Delegate – do not try to do everything
- Daily goals
- Action oriented
- Work plan

Q8. Organisations must at one time or other undergo changes. These changes could relate to

- The environment: internal/external
- Products or services due to demand patterns or competition
- Production methods
- Management and working relationships e.g. leadership
- Organisational structure

Changes can either be small, gradual or on a significant scale i.e. (transformational)

Sources of resistance

- Insecurity: - uncertainty
- Possible social loss
- Economic losses e.g. where there are fewer personnel
- Inconvenience
- Resentment of control
- Unanticipated repercussions
- Union opposition
- Loss of power

To reduce resistance

- Provide information in advance
- Encourage participation
- Guarantee against loss
- Make only the necessary changes
- Allow for negotiation
- Offer training
- Provide counselling
- Build trust

MODEL ANSWERS TO THE PAST PAPER SET IN JUNE 2001

Q1 (a) Factors that influence the manager's decision to delegate authority and assign duties to subordinates

- Competence training and experience of subordinates
- The geographical dispersion of subordinates
- The attitudes and willingness of subordinates towards the assumptions of respective and taking reasonable risk
- Complexity of tasks
- Communication techniques
- Rate of change in the organisation

(b) Barriers to effective delegation

- Negative personal attitudes
- Unwillingness to let go of power
- Unwillingness to let others make mistakes
- Perceive threat
- Feeling of inadequacy if one delegates

Q2. Role of channel of distribution members

- Minimisation of transaction costs
- Provision of customers services
- Facilitation smooth-flow of goods and services through generation of form utility, place and possession utilities
- Buying function
- Selling function
- Sorting out or breaking down
- Demand generation
- Transportation
- Conducting marketing research
- Facilitating payments: credit lines etc.
- Physical distribution
- Services due to their unique characteristics do not have physical channels of distribution strictly speaking

(Refer to the Study Pack Lesson 9 for specific examples)

Q3. The question is looking for advantages and disadvantages of objectives. The second part seeks the types of objectives

Importance

- Orientate the activities of the organisation towards the mission.
- Control purposes.
- Indicate specific performance targets for functional units.
- Address conflicting concerns hence there is co-ordination.
- If tied to the reward structure they are a powerful motivator.
- Encourage efficient and effective use of resources.

Disadvantages

- A lot of time is spent in formulation
- May become obsolete in a short while
- Involves employment of huge amounts of financial and human resources
- May just remain on paper and may not be implemented at all
-

Types of Objectives (Check in the chapter of strategic management)

- Profitability
- Survival
- Efficiency
- Growth
- Market share increase/dominance

Q4. **Role of committees**

- Avoid conflict of interest
- They could decide on key financial matters
- Sometimes they give broad direction to the enterprise
- Sometimes like in the case of BOD they obey the provision of the Corporate charter

Importance

- Pooling knowledge and experience
- Distribution of authority
- Improved communication
- Facilitate co-ordination
- Faster support for decisions
- Training ground for participants especially junior managers.
- Boost morale
- Representation of interest

Q5. **(a)** **Jobbing production**

- Used where the value of the individual job is very high and job is fairly standard.

Circumstances

- If most of the work is done specifically for each order
- If most of the part and materials cannot be stocked in advance
- Where no regular rhythm of each job each requires individual planning and production
- Where high level skills are required
- Where supply of materials needs to be maintained with early warning systems

(b) Batch production
Production in "one go".

Circumstances

- When production is done at regular intervals in specific quantities and prices
- Each batch passes from one machine/process to the next as work is completed
- Groups of general purpose machines are needed to cope with the variety of work
- Expensive tooling arrangements required
- Greater division of labour is required.

c) Mass/flow production

- It is a continuous process technology. It represents the most mechanised and automated transformation process
- Machines handle the production process entirely
- Output is highly predictable
- Storage of output for future sales

Q6. (a) Characteristics of a charismatic leader

- It is derived from the feeling of identity or oneness that one person has with another or the desire for suchidentity
- Acquire power by force of personality
- Exercised in difficult situations

(b) Difference between a charismatic leader and a visionary leader

- Visionary leaders have a charisma
- They create a new vision for the organisation
- Ensure that the new vision gains acceptance
- They carry out change and refreeze the organisation

Q7. How management can negotiate with the trade union:-

- Preparation: data on wages, work conditions, rights of management and workers
- Initial demands from either party
- Continuing negotiation:- Aim to reach a compromise, the best bargain possible
- Bargaining impasse: A deadlock may be reached regardless of the process preparation it could result in strikes etc.
- Settlement and contract: ratification and formalisation

Q8. BPR the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed. BPR has a number of principles:-

- Processes designed to achieve desired outcomes rather than focus on tasks.
- People who use the output should perform the process themselves
- Incorporation of information processing into the real work
- Geographically dispersed resources are treated as if centralised
- Link parallel activities rather than integrate results
- Empowerment of the doers
- Capture information only once at the source.

MODEL ANSWERS TO REINFORCING QUESTIONS

Q1. Principles of effective work and management

Taylor's contributions

Fredrick W. Taylor contributed the following principles of managing work in Modern organisations.

- Scientific study of jobs to determine one best way of performing them
- Scientific selection of workers
- Financial incentives to motivate workers to higher productivity – suggested piece rate instead of time rate systems
- Functional foremanship – clear division of labour between managers and subordinates managers to plan, organise, direct and control. Worker to carry out actual activities.

Gantt's Contributions

Henry L. Gantt contributed the following work management principles.

- Bonus System. Bonus to be paid to employees who meet them.
- Gantt chart for production planning control

Q2. (a) Why productivity is a major concern in modern organisations

- Productivity measure efficiency of all resources inputs in the organisation
- Leads to maximization of outputs from scarce resources
- Measure effectiveness of an organisation in achieving its goals and objectives
- Determines profitability of organisations
- Determines organisations level of competitiveness
- Responsible for consumer's satisfaction i.e. ability of an organisation to meet its customer needs and wants
- A major indicator of performance of managers and subordinates.

(b) (i) Factors responsible for low productivity in modern organizations

- High energy cost
- Inadequate investment in modern plants and machinery i.e use of outdated technology
- Low investment in research and development
- Less qualified workforce
- Lack of employee motivation
- Poor management and leadership
- Use of drugs and alcohol
- Poor health status of employees due to diseases eg. HIV/AIDS
- Poor working environment
- Inflationary situation – affects cost of materials

(ii) Measure for improving productivity

- Investment in modern production methods i.e. use of modern technology
- Investment in research and development
- Strengthening management/Leadership
- Executive health programmes for employees
- Motivating employees through better term and conditions of services
- Job-re-engineering/job re-designs/restructuring
- Job enrichment
- Employment counselling

Q3. Techniques of effective time management

- Use of time budgeting
- Use of daily planners
- Use of time logs

Other methods

- Develop respect for time as valuable resources not to be wasted
- Avoid time wasting eg. unplanned visits or telephone calls
- Combine and simplify tasks
- Make good use of time saved
- Delegate tasks.

Q4. Procedures

Detail the way in which certain activities are to be accomplished. They indicate a chronological sequence, usually step by step, showing how to handle an event.

Policies: Detail guideline for implementation. They provide the general framework of reference.

Rules: Precisely define what should be done or not in the sae way all the times.

b) Principle characteristics of sound and effective procedures.

- Procedures should be in writing eg. in procedure manuals for them to be effectively followed.
- Should be simple and clear
- Must be backed up strong rules in order to restrict deviations from intended actions and to ensure compliance with the organisation's procedures.
- Should be flexible to accommodate changes
- Require organizational commitment and support by top management
- Should be complete
- Should result in prompt and accurate results i.e they should be goal oriented
- Procedures should be consistent in the short run but may be changed in the long run.
- Should be capable of being accepted by employees
- Timeliness. Should lead to implementation within a very short time possible to meet deadlines

Q5. (a) Need/Importance of strategic plans to organizations

- Provides consistent guidelines for organisations activities i.e. they provide clear purpose and direction toward achieving organisation goals.
- Lower uncertainty about future consequences of decisions
- Can help clarify everyone's responsibility
- Employees gain a better understanding of their organisation strategies and may become more committed to them
- Managers are at a position to detect problems and how best to solve them i.e. they minimize chances of mistakes and unpleasant surprises

b) Who to be involved in strategic planning

The practice of strategic planning varies from one organisation to the other.
Top managers of organisations are exclusively involved in strategic planning in most organisations. They define the mission and path which the organisations should follow to achieve its objectives
Middle level managers/head of department may also be involved in developing strategic plans of their respective departments. They may subsequently involve supervisors and subordinates in technical aspects of strategic planning eg. forecasting and environmental analysis. This is becoming a common practice in many organisations.
Planning staff who are majorly senior subordinate staff may be appointed to be solely responsible for strategic planning. This may be a practice in other organisation

c) Mission statement

The basics mission statement describes an organisations basic purpose. It is from the expression of an organisations Mission that the planning process assumes structure. They are broad statements which serves to define for the management the markets, products and environmental domains in which the organisation seeks to be successful.

Mission statements focus on:

- What business are we in?
- Who is to be served?
- What benefits are to be delivered
- How are our customers to be satisfied?

Example – British Airways Mission statement

"To be the best and most successful company in the airline industry"

Objectives

- State precisely what the organisations wants to achieve
- They define specific targets for various operational units of the organisation. Eg marketing objectives of the organisation would indicate specific sales targets and percentage of sales growth to be achieved.

Q6. How managers of modern organisations spend their time according to Henry Mintzberg

Managers spend their time carrying out the following roles.

- Interpersonal roles
- Figurehead role
- Leader role
- Liaison role
- Information roles
- Monitor role
- Disseminator role
- Spokesperson role
- Decisional roles
- Entrepreneur role
- Disturbance handler role
- Resource allocator role
- Negotiator role

The student to give explanation for all these.

MOCK EXAMINATION
STRATHMORE UNIVERSITY
PRINCIPLES AND PRACTICES OF MANAGEMENT
MOCK EXAMINATION

To be carried out under examination conditions and sent to the Distance Learning Administrator for marking by the University.

Examination Paper. Time Allowed: Three Hours. Answer All Questions

Q1. Committees are set up by the unwilling to do the unnecessary. Discuss.

Q2. (a) Clearly delineate the importance of planning to an organization.
(b) To what extent is planning "backward looking"?

Q3. (a) What are organizational objectives and how do they relate to individual employee objectives?
(b) Discuss the guidelines for setting sound organizational objectives.

Q4. The growth of Trade Unions in Kenya has not seriously eroded the powers of management. Discuss.

Q5. (a) Define the term "coordination".
(b) What are the different techniques of achieving co-ordination in an organization?

Q6. (a) What is information?
(b) What factors are used to assess the value of information?
(c) Briefly discuss the major steps involved in processing information.

Q7. Briefly discuss the major elements of strategic management.

Q8. (a) Clearly define the term `group decision making'.
(b) What are the advantages and disadvantages of group decision making.

END OF MOCK EXAMINATION

NOW SEND YOUR ANSWERS TO THE DISTANCE LEARNING CENTRE