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Fundamentals of MANAGEMENT

CONCEPTS AND PRINCIPLES

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To my dear wife, Leni, with all my heart.
Yongqing

To my supportive and loving wife, Esther.
Thank you for all your
patience, understanding and encouragement.
Kamal

PREFACE

You cannot direct the wind,
but you can adjust the sails.

—Author unknown

There is no doubt that the world has changed dramatically in the 21st century. In today's high technology powered, knowledge driven, customer-centric and globalised world, professionals, managers, executives and technicians cannot expect to succeed in their career without some basic knowledge of management and managerial skills. The dynamic nature of today's organisations and corporations – from small-medium enterprises to government organisations and transnational corporations – requires that all graduates, irrespective of their field of study, are able to appreciate how organisations and corporations are managed for efficiency and effectiveness in achieving organisational excellence.

People from all walks of life now recognise the importance that good management plays in the success of an organisation. For those who aspire to managerial positions, the study of management provides the body of knowledge that will help them to become effective managers. For those who do not plan a career as managers, the study of management can give considerable insight into the way their managers behave and the internal working of the organisations. It also gives them an appreciation of how organisations interact with the immediate environment of various stakeholders, such as customers and suppliers, and wider forces in the business environment, such as economics, market forces, demographics and technology.

With the above points in mind, we wrote *Fundamentals of Management: Concepts and Principles* as a textbook for an introductory course to management. Especially designed for non-business undergraduates, the book maintains academic rigour while focusing on practical day-to-day managerial concepts, principles and issues. The book is also intended for the newly promoted manager who needs to pick up the basics of management in the new role and grasp key managerial competencies.

Management is about people working efficiently and effectively in their contribution to the development and growth of organisations, and eventually benefitting all stakeholders – employees, customers, shareholders and the society at large. The study of management inculcates an appreciation what management is and the role of managers. This study requires a good grasp of the four 'pillars' of management – planning, organising, controlling and leading – and how these pillars support the pursuit towards organisational performance. In addition, as organisations are populated by people, each of them different from the other, an understanding of individual differences is important. The focus therefore in *Fundamentals of Management: Concepts and Principles* is on people-related issues.

Also, as organisations do not exist in isolation but within a real world environment, *Fundamentals of Management* also addresses topics such as ethics, globalisation and diversity management, the impact of organisational structure and culture on company performance, and leadership models and organisational politics. We have also included concepts and principles associated with competencies that employers are seeking in today's professionals and managers, including communication skills, an ability to work in teams and to assume a leadership position quickly, customer service skills, an ability to manage diversity and deal proactively with the challenges of globalisation and competition.

Navigating the organisational world is challenging. It is like navigating a yacht or a sailing ship. You can never anticipate when the next squall or storm will come. You cannot control the forces sweeping the organisational world. The SARS and HINI outbreaks, and the Asian Financial Crisis of 1997 and the Global Financial Crisis of 2008/2009 are examples of instances when the business climate changed so rapidly. Consequently, many businesses experienced some form of distress, some due to poor overall management, others due to a variety of reasons including poor planning or control. Governments and global organisations had to respond at breakneck speed to avoid disasters and crises on each occasion. It is in managing such challenges that knowledge of management would really facilitate managers to weather such storms.

The quote at the beginning of the Preface states "You cannot direct the wind, but you can adjust the sails". Navigating the oceans of the business world requires the presence of astute managers, who need to understand and operate the 'sails' of planning, organising, controlling and leading well. The effective and efficient manager will use management concepts and principles to achieve excellent performance for the organisation to fulfil the organisational mission and achieve the organisation's goals.

Fundamentals of Management: Concepts and Principles is aimed at bringing alive the various key concepts, principles and theories in management which drives today's work world. This will help readers to become effective resource managers and excellent facilitators of people. Each chapter includes descriptions of basic theories, principles and key concepts; as well as summaries of key findings or research from texts and journal articles. Some chapters also include experiential exercises and discussion questions. These are intended to help students to pause and reflect on what they have learnt.

The book also includes a chapter of case studies to enable students to creatively think and solve typical problems that organisations, management and others face in their daily work. It is important to emphasise that there are no correct answers to these questions. The main purpose of all the exercises and discussion in this book is to stimulate analytical thinking, critical reasoning and creative thinking.

We wish you a pleasant and enjoyable learning journey as you embark on your voyage to learn and understand management, and the concepts and principles that drives today's organisations.

Dr. Yongqing Fang
Mr. Kamal Kant
1 August 2010

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Finally, this book would not have been possible without the understanding and loving support of our respective wives, Leni and Esther, who unreservedly tolerated our occasional 'absence' from family life and social activities with friends while we worked to complete this book. This book is dedicated to them.

Yongqing and Kamal

ABOUT THE AUTHORS

Dr. Yongqing Fang is a faculty member of the University of Canberra. He has previously taught in universities in Australia, Canada, China, and Singapore. Dr. Fang has authored and coauthored ten books, and has published widely in leading international journals and conferences. He has been a recipient of awards from The Academy of Management (USA) and The Administrative Science Association of Canada conferences. He has served as an advisor for organizations in both private and public sectors in China, North America, and Southeast Asia. He has been an invited speaker to business and professional associations including HR Asia Congress, Singapore National Employers Federation, and Singapore Chinese Chamber of Commerce and Industry. He has also appeared in national and international television and radio programs.

Kamal Kant currently lectures in Management and Career-related courses at the Nanyang Technological University, Singapore. He has previously lectured on Management and Organisational Behavior, Human Resource Management, Human Relationships in the Workplace and career-related programs and workshops for other tertiary institutions in Singapore including Singapore Management University (SMU), Singapore Institute of Management (SIM), and the Singapore campuses of James Cook University, Royal Melbourne Institute of Technology (RMIT) and University of Buffalo (State University of New York). He also facilitates corporate workshops, seminars and retreats.

His articles have been widely published in the print and digital media. He has also hosted a series of regular weekly radio programme on careers. Prior to his career in conducting workshops and lecturing, he spent more than 25 years in executive and managerial appointments in operations and administration with several organisations including the Economic Development Board and the Public Utilities Board. He holds a Bachelor of Science in Mechanical Engineering (Honours) from the University of London and a Master of Science in Organisational Behaviour from the University of London.

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PART ONE

INTRODUCTION

CHAPTER 1

MANAGEMENT AND MANAGERS

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Describe what management is and its purpose.
2. Explain the four key processes and functions of management: planning, organising, leading and controlling.
3. Distinguish between efficiency and effectiveness in the context of organisational performance.
4. Differentiate the different levels of management and understand the responsibilities of managers at different levels in the organisational hierarchy.
5. Describe the roles, competencies and skills needed by managers in the 21st century organisation.
6. Describe the main challenges managers face in today's increasingly competitive global environment and why some organisations fail.

What Is Management?

Management is the process of getting things done, efficiently and effectively, through and with other people – by optimising the resources available. The term 'process' in the definition of management represents the primary activities that managers perform. Management sometimes also refers to the managers in an organisation, who are given the responsibility to acquire, allocate and supervise the use of the organisation's resources to meet its goals.

1 LEARNING OBJECTIVE
Describe what management is and its purpose.

An **organisation** is a group of people working together and coordinating their actions to achieve specific goals. For most organisations, providing goods or services that customers desire is one of the most important goals.

Mission and Goals

Management must, at the outset, determine what it wants to achieve. The first step is therefore determining the organisation's mission and goals. A mission statement is a broad declaration of an organisation's purpose that identifies the organisation's products and customers and distinguishes the organisation from its competitors. This is defined by addressing three questions:

1. Who are our customers?
2. What customer needs will be satisfied?
3. How are we going to satisfy customer needs?

Goals are more specific. It defines what exactly is to be achieved by the organisation. Embedded within these goals are well defined targets.

Management Processes and Functions

Management is a process involving planning, organising, leading and controlling human and other resources to achieve organisational goals. Figure 1.1 summarises this process.

2 LEARNING OBJECTIVE
Explain the four key processes and functions of management: planning, organising, leading and controlling.

Planning

Planning is a process for identifying and selecting appropriate goals and courses of action for an organisation. It needs to decide on three

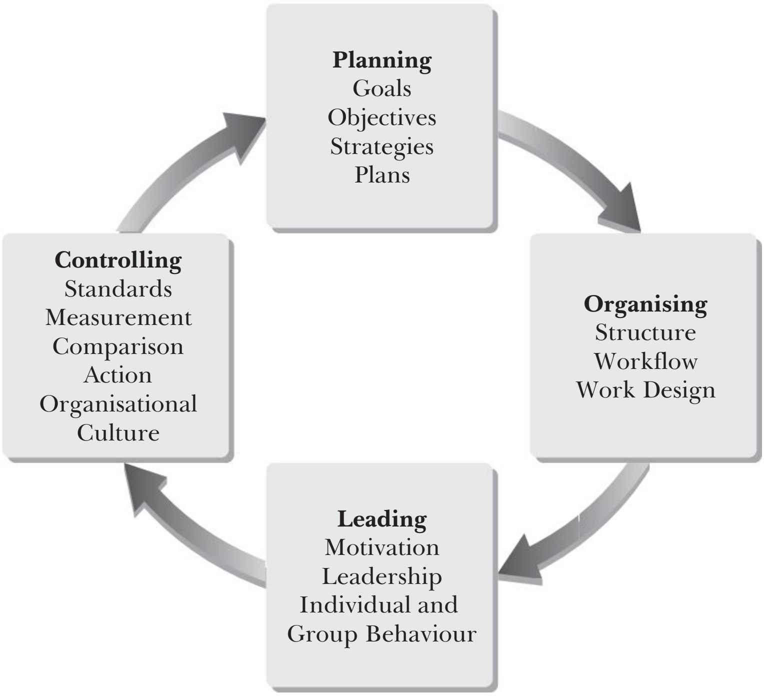

Figure 1.1 The Management Process

important matters listed as follows:

1. **Goals and objectives.** The organisation needs to determine its direction, desired states and future condition to pursue.
2. **Strategy.** The organisation needs to decide what major course of action to take and how to use resources to achieve goals.
3. **Plans.** The organisation needs to decide how to best allocate its resources, including assets such as people, machinery, raw materials, information, skills and financial capital.

Organising

Organising is a process for structuring working relationships in such a way that organisational members get to work together to achieve organisational goals. It works at three levels:

1. **The design of an organisational structure.** This involves a process in grouping employees into departments according to the tasks to be performed and laying out lines of authority and responsibility for all organisational members. The outcome of this process is the creation of a formal system of

task and reporting relationships that coordinates the effort of organisational members.

2. **The design of workflow systems.** This involves a process in examining how work 'moves' from the starting point (e.g. a customer initiates the need for work) through the organisation (where employees add value to the work in a series of value-creating steps) to the point where the work leaves the organisation (e.g. as a product or service for the customer). Managers need to do workflow analysis to examine how work creates or adds value to the ongoing business processes and how the flow can be improved to enhance efficiency and effectiveness.

   Business Process Reengineering (BPR) uses workflow analysis to identify jobs that can be eliminated or recombined to improve company performance (Hammer & Champy, 1993). It is a fundamental rethinking and radical redesigning of business processes to achieve dramatic improvements in cost, quality, service and response speed. Reengineering examines the way a company does its business by closely analysing core processes involved in producing a product or delivering service to its customers.
3. **The design of jobs.** Job design is a process for organising work into the tasks to be performed for a specific job. For each job, three elements require attention:
   i. The content of the job, i.e. what tasks the job needs to perform.
   ii. The method and equipments the job performance requires, i.e. it answers the how-to-do-it question.
   iii. The job-related relationships, i.e. how the job is connected to other jobs (input, output and other influencing jobs) in the work system.

Leading

Leading is a process for articulating a clear vision to organisational members, inspiring them to strive to attain the vision.

1. Leadership involves the use of power, influence, vision, persuasion and communication skills.
2. The leading function also involves activities to motivate, build effective teams and resolve conflict.
3. The outcome of leadership is the presence of a highly motivated and committed workforce.

Controlling

Controlling is a process for evaluating how well an organisation is achieving its goals and taking action to maintain or improve its performance.

1. Monitoring individuals, departments and the organisation to determine if desired performance standards have been reached.
2. Taking action to increase performance as required.
3. The outcome of control is the accurate measurement of performance, and organisational efficiency and effectiveness.

Planning, organising, controlling and leading are discussed in greater detail in Chapters 6, 7, 9 and 11 respectively.

Efficiency and Effectiveness

3 LEARNING OBJECTIVE
Distinguish between efficiency and effectiveness in the context of organisational performance.

Organisational performance is a measure of how efficiently and effectively resources are used while working towards goal attainment. Organisational performance improves in direct proportion to improvements in efficiency and effectiveness.

Efficiency

Efficiency is a measure of how well or productively resources are used to achieve a goal, i.e. doing things right and getting the most output for least input.

Efficiency is attained through efficient use of resources. Efficient managers and managements aim to get the most output for the least input of resources. Resources among other things principally include materials, manpower, money, time and effort. In essence, efficiency is about getting work done with minimum effort, expense and waste.

Effectiveness

Effectiveness is a measure of the appropriateness of the goals being pursued and the degree to which these goals are achieved, i.e. doing the right things and attaining organisational goals. Good managers and management do their utmost to maximise efficiency and ensure they attain the highest effectiveness in their respective work processes.

Effectiveness means ensuring the correct tasks are done to achieve the goals set by the manager or management. Effectiveness includes ensuring

Effectiveness	Low Efficiency	High Efficiency
High	Though right goals are pursued but poor use of resources results in a product or service that customer may want but may be too expensive or uncompetitively priced.	Right goals are pursued and good use of resources results in a product or service that customer wants and that is competitively priced.
Low	Wrong goals are pursued and there is poor use of resources resulting in a product or service that customer does not want and may even be both expensive or uncompetitively priced and of poor quality.	Wrong goals have been chosen but there is good use of resources to pursue these goals. A typical example is a product or service that customer does not want even though competitively priced.

Figure 1.2 Efficiency and Effectiveness

goals like employee satisfaction are achieved and meeting national or even international standards of production or service. Effectiveness is about accomplishing tasks that fulfil the organisation's objectives, goals and targets.

The quality of planning, organising, staffing, leading and controlling functions determines how effective and efficient an organisation is. Figure 1.2 shows the four dimensions of efficiency and effectiveness. Efficiency and effectiveness issues also need to be reviewed with consideration for the interests of various stakeholder groups. Stakeholders include not only the business owners, managers and management but also customers, suppliers, distributors, the community within which the business operates.

Levels of Management

Organisations generally have three levels of managers. Managers at each level have different but related responsibilities. This is illustrated in Figure 1.3 on the following page.

4 LEARNING OBJECTIVE
Differentiate the different levels of management and understand the responsibilities of managers at different levels in the organisational hierarchy.

First-line Managers

First-line managers are usually called supervisors. First-line managers may also be referred as **front-line managers** in some organisations. First-line managers are responsible for the daily supervision of the non-managerial employees in the organisation. They are also responsible

Figure 1.3 Three Levels of Managers

for the specific activities and production of goods and services produced or provided by the non-managerial employees of the organisation. Well performing organisations have first-line managers, i.e. supervisors and even senior and experienced front-line employees, who perform excellent work and service with due dedication and diligence.

Middle Managers

Middle managers engage in resource management, coordination and strategy implementation. They supervise the first-line managers and are responsible for finding the best way to use resources to achieve organisational goals. Middle managers also provide the leadership, coaching and guidance to first-line managers to attain efficiency and effectiveness in their respective work areas. In successful organisations, the middle managers are often forward-looking, innovative and creative in meeting unexpected challenges as they bring the organisation to higher levels of performance and excellence.

While the middle managers may be involved in all the four management functions, i.e. planning, organising, leading and controlling, their level of involvement may vary depending on their position and status within their organisation, their experience and expertise and, of course, their capabilities and potential in terms of work performance as viewed by senior management.

Top Managers

Top managers establish organisational goals, decide how departments should interact and monitor the performance of middle managers.

They are also responsible for making decisions about the direction of the organisation and making policies that affect all organisational members.

Most progressive organisations have a top management team often comprising the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Information Officer (CIO) and heads of the most important departments in the organisation. Collectively, this team is the key driver of the overall organisational performance, efficiency and effectiveness.

Top managers often make up the top-management team and they are responsible for the optimal and successful running of all departments and, more specifically, their own department. Consequently, they have cross-departmental responsibilities besides heading or being part of teams that straddle several departments or undertake special projects. Top managers establish and set organisational goals and targets, monitor performance of middle managers besides coaching them and ensure things are being done efficiently and resources used optimally and effectively. Top managers are ultimately responsible for success or failure of the organisation. They are also subject to much scrutiny by media, stakeholders, especially shareholders and other investors, besides being answerable to government and regulatory authorities in ensuring compliance to legal and other requirements.

The effort and time invested in planning and organising to maintain, improve or enhance organisational performance, i.e. efficiency and effectiveness, increases commensurately as a manager rises in the hierarchy. In fact, the top managers like CEO and CFO spend a substantial amount of time and expend a greater deal of effort in planning and organising tasks to ensure the long-term survival and performance of the organisation. Top managers are often actively involved in issues pertaining to organisational change, organisational culture, developing commitment among members of the organisations, and the business environment of the organisation.

The senior and long-serving middle managers are often engaged in assisting and supporting top managers, besides being actively involved in the four functions of management – planning, organising, leading and controlling – of their respective department or division. In fact, the middle managers are often tasked to improve or enhance productivity, performance, efficiency and effectiveness in specific areas under their charge. They may also be involved in initiating, executing, managing change or improvements in production, service provision, data gathering, or even enhancing or building new expertise among their subordinates and other employees. With globalisation, increasing diversity and demand for increasing ethical business practices, they may also be involved in special projects and assignment associated with these, too.

Lower levels of middle managers and first-line managers spend more time in controlling and leading related tasks. In fact, first-line managers put in considerable effort in leading to ensure customers have an excellent experience with the organisation's products and services. First-line managers are often at the heart of any initiative by the company to put customers first and 'delighting' the customer! However, to lead and control effectively, first-line managers need to invest effort and time to do efficient and effective planning and organising too. Many fresh university and polytechnic graduates often start off as assistants to first-line managers or even as first-line managers, if they have relevant experience. This gives a clear insight into the core of the organisation, the nature of the business, the customers it serves, the needs of the customers that the organisation is satisfying and what enables the organisation to function successfully to not only survive but thrive.

Managerial Competencies

5 LEARNING OBJECTIVE
Describe the roles, competencies and skills needed by managers in the 21st century organisation.

The most recent approach to defining the manager's job focuses on management competencies, defined as a cluster of knowledge, skills and attitudes related to effective managerial performance. Competencies are general descriptions of the abilities needed to perform a role in the organisation. Managers generally believe that competencies give clear messages to subordinates about the behaviours required by the organisation.

A competency is a personal characteristic, comprising skills, knowledge, traits and motivation, that drives behaviour leading to outstanding performance. In every job, some people perform more effectively and efficiently than others. Superior performers do their jobs differently and possess different characteristics, or 'competencies', from average performers. The best way to identify the characteristics that predict superior performance is to study the top performers.

A job competency model is a description of those competencies possessed by the top performers in a specific job or job family. In effect, a competency model is a 'blueprint for outstanding performance'. Models usually contain up to about a dozen competencies with definitions, often grouped into 'clusters' along with behavioural descriptors. The key areas in which competencies are needed include:

- Managing self and personal skills.
- Working harmoniously with people.
- Using resources optimally.
- Achieving organisationally desired result.
- Providing direction.
- Facilitating organisational change.

In order for managers to be competent in their three key roles – interpersonal, informational and decisional – they need to have appropriate competencies (Mintzberg, 1975). This is why organisations seek out differing combinations of interpersonal, political, technical, human and conceptual skills, and motivation to manage (Katz, 1974). In fact, not having the proper competencies can lead to ineffectiveness and inefficiencies in the manager's performance. According to a study on managerial mistakes (McCall & Lombardo, 1983), the top 10 mistakes managers often make include:

- Being insensitive to others through abrasive, intimidating and bullying style of behaviour.
- Behaviour that is cold, aloof and arrogant can put off peers, subordinates, customers and suppliers.
- Betraying the trust of others can lead to undesirable outcomes.
- Managers who are overly ambitious, pushy and engaging in office politics can find themselves being disliked by others.
- Managers who have inherent problems related to the work are often disliked and may not get the cooperation of colleagues and subordinates.
- Employees who note that their managers are overmanaging and unwilling to delegate or to develop team spirit among subordinates will find it increasingly challenging to work efficiently and effectively.
- Managers who fail to adequately staff the section, division or department under their charge will find not only unhappiness among subordinates but also from others who find it takes increasingly longer to get a response.
- Managers who do not think strategically will clearly hurt the performance of both the department and the organisation.
- Managers who are unable to adapt or adjust to superiors with different styles of management will find it increasingly challenging to the work in the organisation.

- Overdependence on a mentor or a senior colleague clearly demonstrates that the manager lacks effective managerial skills and competencies.

In summary, managers need to have effective interpersonal skills and competencies to deal with people at various levels. Managers also need good interpersonal skills and competencies to have self-awareness of their strengths and shortcomings. To remedy the shortcomings, they need to take corrective action through training and attendance at self-development workshops.

Managerial Skills

A number of studies have shown that education, training, attendance at developmental programmes and experience help managers acquire three managerial skills that let them perform their jobs effectively. They are:

- **Conceptual skills** include the ability to analyse a situation and distinguish between cause and effect. Conceptual skills also include an ability to see the organisation in a big picture context. These skills includes an understanding of how different parts of the organisation affect each other and how they are affected by external factors like political events, social trends, economic forces and technological shifts. More specifically, individuals with well-developed conceptual skills will be able to recognise, understand, relate to and reconcile different aspects and facets of challenges faced by the organisation. Top managers require the strongest conceptual skills because their primary responsibilities are planning and organising. Conceptual skills are often gained through formal education and exposure to experience of successful and unsuccessful organisations. Top managers also attend international conferences and seminars to learn about new developments besides honing their conceptual skills. Conceptual skills are not solely dependent on a high level of intelligence but require well developed tacit and experiential knowledge. Top managers and more senior middle managers generally need more of these skills.
- **Human skills** include the ability to understand, alter, lead and control the behaviour of people and groups. Managers with well developed human skills are not only able to work well with others but have a high level of well developed emotional and social intelligences. Managers with very good to excellent

human and people skills have the ability to encourage others to express their thoughts, emotions, moods and feelings, and are sensitive to others' needs, opinions, viewpoints and thoughts. The ability to communicate with, coordinate and motivate people is the principal difference between effective and ineffective managers. Middle managers need to have strong human skills to be effective as well as efficient. First-line managers find human skills invaluable in achieving efficiency and effectiveness in their respective work areas. As first-line managers have to constantly deal with people issues when they lead their subordinates and meet customers daily, they need very well-developed human skills. Organisations spend large amounts of money sending managers to training and developmental courses to help them constantly develop, upgrade and update their human skills. Middle managers and top managers also need well developed human skills because in their work they need to engage in considerable human interaction. For example, managers who are involved in negotiations or discussions frequently, need to have a good understanding of people behaviour, body language and a high ability to interpret written and verbal communication to succeed. All these capabilities are integral components of human skills. In fact, managers at all levels need a good mastery of human skills. Human skills are a cornerstone of good managers and provide an excellent foundation for successful organisations.

- **Technical skills** are job-specific knowledge and techniques. The specific kinds of technical skills depend up on the manager's position in the organisation. Technical skills are best described as an ability to carry out specialised procedures and tasks. This may involve a good understanding of operating specific machinery or equipment; capability to carry out a specific task in the correct sequential order or dictated by standard operating procedures. First-line managers need generally more technical skills, although human skills are also useful as they need to supervise, guide, train and coach their subordinates as well as deal with suppliers and customers.

In the 21st century of world of work, there is a growing need for other skills too which are relevant to specific industries and tasks. Management professionals and consultants and many CEOs and COOs are beginning to see that besides the three skills described earlier – conceptual, human and technical skills – there is a growing need for managers to develop skills specially focused on team effort, motivation to perform and becoming more customer-centric. In short, as the world of work evolves, managers may need to develop very specific skills associated with their work and contribute to organisation success through becoming more efficient and effective.

Managerial Competence

In order to perform competently, managers need to clearly not only understand the business and technical issues but the role played by managers. Mintzberg's classic work in the 1970s continues to be definitive in describing the managerial role (1971, 1973 and 1975). Drawing on Mintzberg's work, Table 1.1 illustrates managerial roles and activities.

From the description of the abilities and activities in Table 1.1, it would be evident that managers need varying combinations of conceptual, human and technical skills and knowledge to perform well in different categories of work and to perform different roles.

All managers also need to be skilled and competent in the four management functions. As described earlier, top managers generally spend more time in planning and organising. Middle and first-line managers need to be 'strong' in the leading function, although they must also be sufficiently skilled and competent in the other three management functions, i.e. planning, organising and controlling, depending on the tasks they are engaged in. In essence, managers need to be competent in varying degrees for the different skills to be able to function in different roles at varying times.

Managerial Competencies for the 21st Century

Increasingly, managers are moving away from command and control mindsets to managerial competencies that focus on collaborative approaches, such as team building to ensure effective outcomes, coaching and providing guidance rather than direction to their subordinates. With many organisations and industries becoming more knowledge-intensive, employees and lower level managers with higher levels of intelligence and reasoning abilities are required to perform well.

Therefore, a command and control approach by a manager will hinder effectiveness and efficiency in the organisation. Increasingly, managers

Category	Role	Managerial Abilities and Activities
Informational	Monitor	An ability to collect various data relevant to work performance and then track the performance to ensure goals and targets are achieved.
	Disseminator	An ability to communicate, share or transmit information obtained from external sources and employees to interested people within the department or other relevant persons or groups within the organisation.
	Spokesperson	An ability to communicate or transmit information on the department's plans, current situation and achievements of the divisions to outsiders, the media or other interested parties outside the organisation, e.g. regulatory authority or government.
Interpersonal	Figurehead	An ability to be a symbolic leader of the department, performing duties of social and legal character or nature, e.g. officiating at organisational events on behalf of a higher level manager or as a representative of the organisation.
	Leader	An ability to motivate subordinates, interact with them and participating in recruitment, selection, training and development of employees. This includes providing direction and leadership to subordinates.
	Liaison	An ability to establish contacts with managers, representatives and specialists of other departments within and outside the organisation, informing subordinates of these contacts and remaining in contact with these individuals from time to time.
Decisional	Entrepreneur	An ability to seek opportunities to develop processes both inside the department and in the systems of interaction with other divisions and structures, and to initiate implementation of innovations to improve the department's situation and employee well-being
	Disturbance Handler	An ability to take care of the department by correcting ongoing activities, assuming responsibility when factors threaten normal work of the department emerge and resolving conflicts within the department or with parties outside the department. The manager needs to exhibit good qualities of a fair negotiator and one who can see the situation from a wider perspective of all interested parties.
	Resource Allocator	An ability to decide who within the department and even in other departments within the organisation will get resources, set schedules and priorities and manage the priorities. In essence, in this role, the manager must exhibit fairness and equitability.
	Negotiator	An ability to represent the department in all negotiations and discussion with others. This needs good communication skills in diverse situations.

Table 1.1 Managerial Abilities and Activities

are realising that today's organisation needs to be fast, flexible, innovative and relationship oriented. Consequently, good and effective managers need to empower their subordinates and help them to be self-driven, develop their creativity and encourage self-motivated behaviour and attitudes. Further, organisations are increasingly encouraging the growth of organisational cultures which include learning organisation approaches to work that require managers to develop an organisational climate that values experimentation and risk taking. This organisational culture and climate also demands openness and agreeableness from the Big Five. Later chapters will elaborate on terms like intelligence and Big Five (Chapter 2), organisational culture (Chapter 8) and the learning organisation (Chapter 9).

With globalisation and increasing diversity in the workplace (described in Chapter 4), managerial concepts and principles, while generally generic and universal, need adaptation to suit national culture and cultures of the employees. Management concepts and principles may also need modification or adaptation to economic, social, political and cultural conditions prevailing in specific countries. For example, the People's Republic of China (PRC) and the United States of America (USA) may practise the same concepts and processes but have provisions in the application and practice arising from differing economic, social, political and cultural conditions. There are other countries, such as Singapore, with a unique blend of influence from both Asian and Western values and culture. Being a former British colony with migrants from China, India, the Malay peninsula, the Indonesian archipelago and further afield, Singapore has developed its own unique blend of business and management practices. Further, the presence of many international corporations has necessitated that Singaporean managers adapt to some eastern management concepts and practices to their western management style. For example, it is not unusual for western businesses in Singapore to accommodate Chinese 'feng shui' practices in their office layout or to have the traditional lion dance at the opening of a new factory or the launch of a new branch. On the other hand, Middle Eastern countries, with their strong Islamic influences, have adapted some management practices to suit their cultures.

In essence, while basic managers' roles, abilities and activities and management functions may remain similar, there must be room for accommodating cultural, religious and ethnic differences without losing sight of the intent to achieve the highest level of organisational performance by maximising efficiency and implementing effectiveness at the optimum level. However, harmony and balance must always be maintained within organisations and its members to ensure that activities are consistent with their missions and they achieve their goals. These adaptations and adjustments have contributed to the growth of some of the most highly successful multinationals and transnational organisations such as Unilever, IBM and Exxon-Mobil, which led to the growth of globalisation in the 21st century. This is elaborated in Chapter 4 when we discuss globalisation and diversity management.

While some management competencies have changed little, research shows that e-managers, i.e. managers who use computers, the Internet, information-communication technologies, widely in their job, need to develop new or stronger competencies in six key areas. These are: (1) developing their competency in fast decision making; (2) partnering others with whom they may not even have close contact initially; (3) knowing the technology; (4) staying focused in spite of information overload; (5) making sense of the future; and (6) attracting and retaining talent (Harris, DeLong & Donnellon, 2001).

Managerial Roles in Small and Large Organisations

The roles played by managers are often dictated by the size of the organisation, the nature of the organisation's business and organisational culture, the responsibility and authority of the manager concerned as well as the level of competencies of the employees and numerous other factors. Figure 1.4 shows an example of the roles played by managers in small and large firms.

Managers in small organisations tend to be more generalist while those in larger organisations are more specialists. Smaller organisations often have few managers compared to larger and more established organisations. For example, in a small company, the Administrative Manager not only does administration but may also engage in human resources issues,

Importance of Roles	Managerial Roles in Small Firms	Managerial Roles in Large Firms
High	Spokesperson	Allocating of Resource
Medium	Entrepreneur Figurehead Leader Organiser	Liaison Monitor Disturbance Handler Negotiator
Low	Disseminator	Entrepreneur

Figure 1.4 Managerial Roles in Small and Large Firms

planning and budgeting work besides part of the accounting pertaining to employee remuneration and payment of allowances and petty cash management. In larger organisations, managers may be more focused and have specific portfolios of work. An Administration Manager in a larger organisation purely and solely engages in administration matters. Top managers and the more senior middle managers should therefore design the organisational structure to address the functional needs of the organisation. This will be elaborated in Chapter 7 when we discuss organisational structure and design.

Challenges for Managers Today

6 LEARNING OBJECTIVE
Describe the main challenges managers face in today's increasingly competitive global environment and why some organisations fail.

The rise of global organisations that operate and compete in more than one country has put pressure on many organisations to raise their level of performance and identify better ways to use their resources. Inability to adapt to changes in the global environment can lead to failure.

Four major challenges stand out for managers in today's world: (1) building a competitive advantage; (2) maintaining ethical standards; (3) managing a diverse workforce; and (4) utilising new information technology and e-commerce.

Managers at all levels are therefore forced to engage in continuous learning, developing a learning organisation, recruiting and selecting intrinsically motivated employees, encouraging teams that exhibit cohesion and work in unison; and exhibiting leadership skills that match the demands of the workplace. Being a manager in the 21st century world of work is a highly demanding task that requires individuals to make quantum leaps in their managerial expertise and performance. It is not surprising that an increasing number of executives and managers are enrolling in a variety of management and managerial courses from the ubiquitous Masters in Business Administration (MBA) to specialised courses in Human Resource Management, Organisational Behaviour, Material and Resources Management and many others. Others are honing their skills and competencies through participation at specialised training or developmental workshops specific to their work scope or enhancing their capabilities to achieve effectiveness and efficiency at work.

Building Competitive Advantage

A competitive advantage is the ability of one organisation to outperform other organisations because it produces desired goods or services more effectively than its competitors. Managers must build and maintain a competitive advantage for their company to ensure that its competitors do not overtake it. These are the four building blocks of competitive advantage.

1. **Increasing Efficiency:** Organisations increase efficiency as they reduce the amount of resources used to produce goods and services. Many organisations seek to increase productivity by training their workforce in new skills, operating computerised assembly plants, cross-training workers in a variety of tasks and organising employees in new ways, such as self-managed teams. Managers must increase efficiency if they are to compete successfully against companies operating in countries where employees are paid relatively low wages for similar if not identical skills and competencies. Often the focus is on manpower productivity to enhance efficiency.
2. **Increasing Quality:** Global competition has increased the pressure on organisations to increase the quality of their goods and services. This has led to organisations engaging in Total Quality Management (TQM), which is a management technique used to increase quality. Workers are organised into quality control teams that continuously seek better ways to do their jobs by giving them responsibility for monitoring the quality of goods they produce. An increasing number of companies are encouraging the formation of Work Improvement Teams (WITs) to deal with quality issues. Some of these WITs also address productivity issues as part of efforts to improve quality.
3. **Increasing Speed, Flexibility and Innovation:** Speed, which is how fast a company can bring new products to the market, often impacts its ability to effectively compete. More companies are investing in Research and Development (R&D) activities to enhance or improve the current version of their products or services. Employees no longer rely purely on suggestions from other employees or feedback from customers before initiating changes or improvements.

   With customer-centricity taking centre stage and customers demanding minor tweaking of products and services, flexibility is a word often heard in managerial circles. Flexibility is the ease with which a company can change or alter the way they perform activities and respond to the actions of their competitors, and often affects its ability to effectively compete. The cost of the flexibility may be minuscule but the benefits to be harvested in terms of bottom line can be immense. This, in turn, contributes to organisational performance through improvement in efficiency.

Customers today are demanding better features and variations in goods and services. There is therefore a constant demand for innovation. Innovation is the process of creating new goods and services that customers want or developing better ways to produce those goods and services. Because innovation often affects an organisation's ability to effectively compete, managers must create an organisational setting that encourages it. In fact, effective managers can be the catalyst for innovation.

4. **Increasing Responsiveness to Customers:** With the growing need to secure increasing market share to improve the bottom line, organisations are paying more attention to satisfying needs. Because companies compete with each other for customers, training their employees to be responsive to the needs of customers is vital, especially for service companies. Service organisations are especially dependent on their employees to provide high quality customer service at a reasonable cost in order to remain competitive. Many organisations achieve high levels of customer service by empowering customer service employees with more authority and decision-making power. Effective managers are now focused on ensuring that responsibility is matched with sufficient authority so that employees can respond promptly to customers to achieve customer satisfaction and fulfil customer needs.

Maintaining Ethical Standards

Pressure to increase performance exists at all levels of management. Usually, such pressure is healthy. However, too much pressure can be harmful, if it induces managers to behave unethically towards others. When managers act unethically, some people may obtain short-term gains, but in the long run the organisation is hurt. Chapter 3 on Managerial Ethics includes a discussion on how managers can maintain ethical standards.

Managing a Diverse Workforce

Another challenge for managers is to recognise the need to treat human resources in a fair and equitable manner. Managers must also recognise the performance enhancing possibilities of a diverse workforce. With increasing globalisation and migration across borders becoming flexible, workforces are becoming more diverse. Managers therefore need intercultural competencies to deal with a diverse workforce if they aim to achieve efficiency and effectiveness in their organisation. Teams in the workplace often have members with different backgrounds and from different parts of the world. Chapter 4 addresses issues pertaining to diversity management.

Utilising New Information Technology and E-Commerce

Another important challenge for managers is the efficient utilisation of new information technology (IT) and e-commerce. Many companies make efficient use of information systems such as email, the Internet and videoconferencing, accessible by means of personal computers (PC), to build competitive advantage. The importance of IT is mentioned throughout the text and discussed in detail in Chapter 14.

Why Organisations Fail

Chief Executive Officers often attempt to explain poor corporate performance with external environmental factors that are beyond their control, such as bad economy, market turbulence or competitive subterfuge. A close study of corporate failure, however, suggests that most companies flounder because of managerial error. Often these failures are years in the making and are unique to the company's own industry and culture. Some of the mistakes made by corporate leaders that often lead to the downfall of their organisations may be attributable to the following reasons or a combination of them:

- Softened by success: A number of studies show that people are less likely to make optimal decisions after prolonged periods of success.
- See no evil: Author Jim Collins observes that a litmus test of greatness within a company is its willingness to confront brutal facts head-on instead of trying to explain them away.
- Fearing the boss more than the competition: Sometimes CEOs and top managers do not get the information they need because their subordinates are afraid to tell them the truth. Although it may not be their intent, sometimes a subtle signal, such as a sour expression or a curt response, can signal that bad news is not welcome.
- Listening to the stock market more than to employees: CEOs sometimes pay more attention to the stock market and market talk rather than research, feedback and data gathered by middle managers and other employees.

- Strategy *du jour*: When companies run into trouble, the desire for a quick fix can become overwhelming.

There are other reasons why organisations fail. Articles in newspapers and business magazines often analyse success and failure 'stories' of organisations. Astute managers will read them critically and often note similarities and dissimilarities with their respective organisations. This helps them make more wise and informed decisions. In summary, most organisations fail because they fail to practise the key principles of good management, resulting in lack of effectiveness and efficiency in planning, organising, leading and controlling.

EXPERIENTIAL EXERCISE 1

The Business in your Heart

Conducting the Experiential Exercise

Pre-class preparation: Read the scenario and write down your answers to the questions. To achieve maximum learning results, you need to put yourself into the mood and roles of the scenario. The harder you try this, the more you will learn.

In-class

Step 1: Create teams of five students.
Step 2: Get team members to share their answers to the questions.
Step 3: In a large class discussion, each team must contribute.

Scenario

Suppose you and four other university students from different specialisations are very good friends. After a few months of discussion, you decide to form a partnership and start a business instead of going down the traditional route of applying for jobs upon graduation.

One of the partners, the student who specialises in actuarial science, has a passion for baking and strongly believes that this is just the right time to put his talent to good and profitable use. In the end, the five of you complete a joint business plan project for a strategic management course which identifies the presence of a very profitable market niche for healthy bakery products that are transfat free and low in salt, sugar and cholesterol.

You come up with the capital needed to start the business in Paragon, an elite shopping centre along Orchard Road, downtown Singapore. The shop, The Good Bread Bakehouse, is strategically located within the vicinity of designer names like Gucci, Salvatore Ferragamo, Escada, Lanvin, Fendi and Prada.

The partners will meet tonight to discuss some management issues. You decide to ponder over the following issues first before the meeting. Please write down your thoughts.

Questions for Discussion

1. What do you want to achieve (what should be the performance objectives)? How should they be measured in terms of efficiency and effectiveness? How should the two sets of criteria be positioned?
2. What resources do you need for your new business?
3. How would you design the four management functions, namely, planning, organising, leading and controlling?
4. What are the managerial positions to be created for this business (e.g. top, middle-level and first-line)? What roles should these position holders play to ensure the achievement of organisational efficiency and effectiveness?
5. What knowledge, skills and competencies do they need?

Critical Thinking Questions

1. What competencies are needed by engineers (or a profession you anticipate you will seek when you graduate) and managers of an engineering department (or a department you are likely to work in)?
2. Assess your own characteristics as an engineer (or a profession you anticipate you will seek when you graduate) and as a manager.

EXPERIENTIAL EXERCISE 2

What Do Managers Do?

This experiential exercise is aimed at assisting you in appreciating the role of managers in an organisation and learning what management is about in the real world. Interview three managers that you know personally. Ask them the same questions listed below. Be sure to choose managers with different levels of experience. Choose managers with at least two, five and 10 years' experience. Ensure you take down all the key points in their respective answers. Ask them the following questions:

1. Briefly describe your current position and responsibilities.
2. What do your subordinates expect from you on the job?
3. What are the major challenges you experience on the job?
4. What do you dislike most about the job and why?
5. What do you like best about the job and why?
6. What are the skills and knowledge that you need to be efficient and effective in your job? How did you acquire them?
7. How do you measure your performance to know that you are performing efficiently and effectively in the direction of the mission statement and fulfilling the organisation's mission, as well as achieving both the organisational and your goals?

Analyse your findings and prepare to discuss either in a small group or in a class and write a report (if you are assigned by the instructor) of your findings and evaluation. What conclusions can you draw from your findings about what management is and why the study of management is important to you?

In preparing for discussion or writing the report (if required by your instructor), bear in mind these issues:

a. Can management be 'compartmentalised' as planning, organising, leading and controlling?
b. What are the critical skills; knowledge and experience that managers need to succeed?
c. What makes the job of the manager attractive or unattractive?
d. Do years of experience make a difference in the performance of managers?

The following articles in the *Harvard Business Review* [HBR] will help you gain a better understanding of the subject and enable you to effectively interview your resource persons for this assignment.

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CHAPTER 2

UNDERSTANDING INDIVIDUAL DIFFERENCES

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Describe what organisational behaviour is.
2. Describe the various personality traits exhibited by managers and how they affect managers' behaviour, needs, creativity and performance.
3. Describe the Big Five personality framework and the Myers-Briggs Type Indicator (MBTI) personality framework.
4. Describe organisational commitment (OC), organisational citizenship behaviour (OCB) and locus of control, self-esteem and self-awareness.
5. Describe creativity, blocks to creativity and how to nurture creativity.
6. Explain what values and attitudes are, their importance and how they influence managers' action.
7. Explain cultural values using the framework proposed by Hoftstede.
8. Describe the nature of emotional intelligence and its role in management.

Organisational Behaviour

1 LEARNING OBJECTIVE
Describe what organisational behaviour is.

Managers who are efficient and effective clearly have a good understanding of human behaviour. 'Managing' behaviour of self and others is integral to organisational performance. The understanding of human behaviour in an organisational context draws extensively from a specialised field of study called organisational behaviour (OB). OB is concerned specifically with actions of people at work. One of the challenges of understanding OB is that it addresses some issues that are not obvious. Like an iceberg, a lot of OB is not visible to the naked eye.

Visible Aspects of an Organisation (Formal Elements)

Visible aspects of an organisation include strategies, mission statement; objectives; policies and procedures; organisational structure; technologies used; formal authority; and the chain of command. In fact the visible aspects of an organisation are often documented and much is available in the public domain through the Internet or media (e.g. organisation's website, business magazines, newspapers, books). If these are not explicitly stated, they are often discussed and anyone with a good understanding of business or management can make an educated guess what they are.

Hidden Aspects Within an Organisation (Informal Elements)

On the other hand, there are 'hidden aspects' of an organisation's character and characteristics. These can only be deciphered through keen observation and critical analysis. It may even include drawing inferences from observations and analysis. These include characteristics like attitudes and personalities of individuals within an organisation; perceptions of individuals within an organisation; group norms; informal interaction among members of an organisation; and interpersonal and group alliances and conflicts. In essence, 'hidden aspects' pertain to behaviours and attitudes and how they affect organisational performance through individual and collective approaches, as well as individual and collective efforts and responses to situations and circumstances that the organisation and its members face in the course of work.

Managers therefore not only need to be aware about the visible aspects of the organisation but what lies under the surface and the informal elements. OB provides managers with considerable insights into these important but hidden aspects of the organisation. OB focuses on individual and group behaviours. This chapter provides the foundation for understanding individual behaviour. Aspects of concepts related to group behaviours is included in other chapters and linked to the four management functions—planning, organising, leading and controlling.

Attitudes

Understanding the attitudes of people in the workplace are important to managers because this enables them to understand why people behave in a certain manner. **Attitudes** are evaluative statements about objects, people, events and concepts. They reflect how an individual feels about something. Attitudes also have its origin in beliefs that individuals hold. An understanding of a person's attitude can offer much insight about a person's behaviour and conduct in a workplace. This can greatly help managers in their work. Similarly, managers having a better understanding of their own attitudes can respond better to various situations and circumstances. A good understanding of attitudes can help the manager identify bias, prejudices and preferences which may be hindering efficiency or effectiveness. Research in understanding attitudes is continuously ongoing in behavioural psychology to facilitate managers' improvement of organisational performance. Attitudes are greatly influenced by values described later in this chapter. To better understand attitude, we need to be aware of its three key components: cognitive, affective and behavioural.

Cognitive

The beliefs, opinions, knowledge and information held by people are reflected in their attitudes. These often have their origins in the values held by the individual. Attitudes emanating from **cognitive** consideration is absolutely invisible as they are in the mind of the manager or employee.

Affective

The emotional or feeling segment of an attitude is called **affective** attitude. This aspect of attitude is influenced by passion and love or dislike or hatred often emanating from the heart of the manager or employee.

Behavioural

An intention to behave in a certain way towards someone or something is called **behavioural** attitude. This is often demonstrated by action and the words used accompanied by appropriate facial expression or body gestures to reflect the attitude. All managers are specifically interested in job-related attitudes. It gives them useful clues to address issue of efficiency and effectiveness appropriately.

The three most important and most studied attitudes are of managers and employees include job satisfaction, job involvement and organisational commitment (see page 35).

- **Job satisfaction** is a manager's or the employee's general attitude towards his or her job. This is influenced by a number of factors besides the job itself. These factors include the manager's and employee's predisposition or preference for the work, general level of satisfaction with one's personal life, whether job expectations are being met at work, ability to fit into the organisational structure and organisational culture, the perception of fairness in various aspects of treatment at work, relationship with co-workers and ultimately the stress experienced at work. Job satisfaction plays an important role in work performance of the individual and has considerable influence on organisational performance. A workforce with a substantial number of employees not experiencing job satisfaction can easily affect both efficiency and effectiveness negatively. Job satisfaction will also trigger the manager or employee to work more efficiently.
- **Job involvement** is the degree to which an employee identifies with his or her job, actively participates in it and considers his or her job performance important for self-worth. Engagement with the job has considerable impact especially on effectiveness while a manager or employee involved with his or her job is more likely to exhibit due diligence particularly over the quality of the product or service.

Personality

2 LEARNING OBJECTIVE
Describe the various personality traits exhibited by managers and how they affect managers' behaviour, needs, creativity and performance.

Managers often categorise employees by their **personality traits**. Understanding personality traits can help managers understand how people interact with one another and how they solve problems and deal with different challenges and problems. Through years of research, two widely accepted personality profiling tools that have gained recognition in the workplace are Big Five Personality framework attributed mainly to the work of McCrae and Costa (1985, 1987 and 1997) and Myers-Briggs Type Indicator (MBTI). However, there are other personality profiling tools which are popular with certain employers.

Personality is a combination of an individual's psychological characteristics. Psychologist Allport (1937) defines personality as "the dynamic organisation within the individual of those psychophysical systems that determine his unique adjustments to his environment". An individual's personality is associated with his or her behaviour pattern. Personality traits are particularly enduring tendencies to feel, think and act in certain ways both on and off the job. Therefore, although personality is not directly observable, it can be inferred from a person's behaviour. Of course, such inference processes are prone to perceptual and judgemental errors.

Certain personality traits predict certain work-related behaviours, stress reactions and emotions. Personality is also related to job preferences. It is important to understand a manager's personality because it influences his or her behaviour, approach and style to management. It is also important to understand the employees' personality too. Research suggests that the way people react to different conditions depends, in part, on their personalities. An individual's personality is a combination of the psychological traits that characterise the person.

The Big Five

3 LEARNING OBJECTIVE
Describe the Big Five personality framework and the Myers-Briggs Type Indicator (MBTI) personality framework.

The Big Five Personality framework consists of five clusters, representing most personality traits. They are conscientiousness, emotional stability, openness to experience, agreeableness and extroversion.

Conscientiousness

Conscientiousness characterises people who are caring, dependable and self-disciplined. They are also careful, scrupulous and persevering. If managers are low on conscientiousness, they may appear to lack direction, seem unorganised and short on self-discipline. Good managers show signs of being high on conscientiousness through working long hours, attention to detail, an ability to handle multiple tasks and responsibilities in an organised and systematic manner, and are good time managers. Generally, it can be concluded that people high in conscientiousness usually work hard and complete the tasks they say they will perform.

Emotional Stability

Also referred to as **emotional adjustment**, this depicts the extent to which people are poised, secure, calm and enthusiastic. Those low on this scale tend to be pessimistic, unpleasant to work with, prone to frequent bouts of anger even for small matters, and generally critical of themselves. They also exhibit hostility and depression. Managers therefore need to be high on emotional stability.

Openness to Experience

This trait characterises people who are sensitive, flexible, creative and intellectual. **Openness to experience** is a tendency to be original, have broad interests, be open to a broad range of stimuli, be daring and take risks. Managers who exhibit high openness traits tend to take higher risks and are innovative in their planning and decision making. Those low on openness to experience tend to be conservative. Managers therefore need to exhibit openness to experience that is appropriate to their work scope and the industry they are engaged in.

Agreeableness

This aspect includes traits of being courteous, good-tempered, trusting, cooperative, empathic and caring. Managers high on agreeableness exhibit likeability and tend to be affectionate and care about their subordinates. Managers who are low on this trait tend to be distrustful of others. Managers high on agreeableness generally exhibit compassion and concern for their subordinates.

Extroversion

The extroversion cluster refers to the extent to which people are outgoing, talkative, sociable and assertive. Managers high on this trait are called **extroverts**: they experience positive emotions and moods and feel good about themselves and the world. They are also more inclined to social interactions. Managers who are low on this trait are called **introverts**, though they may nevertheless be efficient and effective in their 'quiet' way and can accomplish a lot of work in limited time.

Among the five personality dimensions, conscientiousness is probably one of the most valuable characteristics. People who are measured high on this tend to be characterised as follows (McCrae & Costa, 1985, 1987 and 1997):

- Set higher personal goals for themselves.
- Engage in higher levels of organisational citizenship.
- Be more adaptive to empowerment.
- Provide better customer service (along with agreeableness and emotional stability).

Conscientiousness predicts job performance in almost every job group (McCrae & Costa, 1985, 1987 and 1997). By way of illustration, the personality dimensions of extroversion, agreeableness and conscientiousness of the Big Five model relate to the job performance of flight attendants and many of those working in the service industries. Individuals who are sociable, good-natured and responsible perform well in serving the needs of passengers and customers.

There is no good or bad combination of personality traits. The combination of personality traits must match the situation and circumstances as well as what the job-holder or manager is expected to portray to those he or she is dealing with. Each of the traits can be viewed as a continuum along which every individual or manager falls (see Figure 2.1).

Figure 2.1 The Big Five Personality Traits

Myers-Briggs Type Indicator

The **Myers-Briggs Type Indicator (MBTI)** is a personality test instrument that measures traits based on the model constructed by Swiss psychiatrist Carl Jung. It identifies a person's preferences for perceiving the environment and obtaining or processing information. MBTI consists of four dimensions (Myers et al., 1998): Extroversion/Introversion, Sensing/iNtuiting, Thinking/Feeling, Judgement/Perception.

Extroversion/Introversion

The Extroversion/Introversion dimension refers to the direction in which people focus their attention and energy.

- **Extroverts (E)** are essentially stimulated by environment – the outer world of people and things. Words associated with extroverts include active, sociable, people, expressive and breadth.
- **Introverts (I)** are stimulated from within – one's own inner world of thoughts and reflections. Words associated with introverts include reflective, reserved, privacy, quiet and depth.

Sensing/iNtuiting

The Sensing/iNtuiting dimension refers to the way people look at the world and take in information.

- The **Sensing (S)** function takes in information largely through the five senses of sight, sound, touch, taste and smell. Words associated with the sensing type are details, practical, facts, sequential, directions, perspiration, conserve and literal.
- The **iNtuiting (N)** function processes information incorporating 'sixth sense' or insight. Words associated with the intuition type are patterns, imaginative, innovations, hunches, variety, inspiration, change and figurative.

Thinking/Feeling

This dimension refers to ways in which people make decisions.

- **Thinking (T)** is the mental process that decides on the basis of logical analysis. Words associated with thinking types are head, objective, justice, impersonal, critique, analyse and principles

- **Feeling (F)** is the mental process that decides on the basis of evaluating relative worth. Words associated with feeling types are heart, subjective, harmony, caring, personal, appreciate, empathise and values.

Judgement/Perception

The Judgement/Perception dimension refers to people's attitude towards the external world and how they orientate themselves to it.

- A **Judging (J)** type is characterised as decisive, planned and orderly. Organised, structure, control, decisive, deliberate, closure, deadlines and productivity are the words frequently associated with a judging type trait.
- A **Perceiving (P)** type is characterised as flexible, adaptable and spontaneous. Flow, experience, curious, spontaneous, openness, wait and discoveries are the words often associated with a perceiving type trait.

MBTI is widely used in career counselling and self-awareness and understanding oneself in the work context, but probably should not be used in employment selection. Many facilitators and trainers on managerial competencies development training programmes and leadership seminars often include an MBTI Profiling Exercise in their programme. This enables managers to better understand themselves and act appropriately at work.

Outgoing managers may exhibit traits associated with ENTJ reflecting frankness and decisiveness. They also enjoy long-term planning and goal setting; and are often forceful in presenting ideas. Conservative managers may exhibits traits associated with ISTJ – quiet, serious, dependable, practical and matter-of-fact. They value traditions and loyalty. Adaptable managers with empathy may exhibit traits associated with ENFP. They are enthusiastic and imaginative. They rely much on verbal fluency and ability to improve. Alternatively, they could be ISFP – quiet, friendly and sensitive. They value their own space and dislike disagreements and conflicts.

The Myers & Briggs Foundation's website at www.myersbriggs.org is a useful source to learn more about MBTI and the traits of the 16 personality types defined by MBTI dimensions.[1]

[1]see www.myersbriggs.org/my-mbti-personality-type/mbti-basics/the-16-mbti-types.asp, viewed on 27 June 2009.

Organisational Commitment

Organisational commitment (OC) represents an employee's orientation towards the organisation in terms of his or her loyalty to, identification with and involvement in the organisation. Managers with higher levels of organisational commitment exhibit loyalty and often speak with pride about their organisation. Committed managers and employees are often willing to go the extra mile (GEM), i.e. engage in work above and beyond what their job requires them to do. OC may also enable managers to perform better in their spokesperson and figurehead roles. Being organisationally committed enables managers to engage in these roles with more conviction as they share similar if not the same values as the organisation. OC is also influenced by the way the organisation treats managers and employees with regards to rewards, recognition and remuneration.

4 LEARNING OBJECTIVE
Describe organisational commitment (OC), organisational citizenship behaviour (OCB) and locus of control, self-esteem and self-awareness.

Organisational Citizenship Behaviour

There is a type of behaviour that is becoming increasingly important in determining employee performance. It is called **organisational citizenship behaviour** (OCB). OCB is behaviour that promotes the effective functioning of the organisation and its well-being. OCB is also behaviour that is not required of organisational members but that contributes to and is necessary for organisational efficiency and effectiveness and competitive advantage. Generally managers and employees with high levels of organisational commitment will exhibit OCB. Examples of positive organisational citizenship behaviour would include helping others in one's work team; volunteering for extra job activities; avoiding unnecessary conflicts; and making constructive statements about one's work group and the overall organisation. This means going above and beyond what is expected of them. It even means going the extra mile – an expression abbreviated to GEM and often heard in organisations to describe employees who give more in effort, energy and 'contribution' than what is expected from an average employee.

Managers exhibit OCB in a variety of ways. This may include working extra-long hours, coming up with truly creative and innovative ideas and overcoming insurmountable obstacles in tough economic times. OCB may sometimes even include considerable personal sacrifice to the manager.

Managers who exhibit OCB are also more likely to be satisfied with their jobs. Satisfied managers are less likely to voluntarily exit the organisation (Mobley, 1977). Turnover of managers and key employees can hurt an organisation's efficiency and effectiveness due to loss of experience and working knowledge that they may have gained about the company, industry and business environment. In today's workplace, there is growing dissatisfaction and resentment especially among mid-level and lower level managers as the threat of organisational restructuring to meet market demands and changes may often lead to increased workloads, redundancies and retrenchment. Some organisations are now experiencing lower levels of organisational commitment and OCB precisely because of hard economic times. This results from organisations having to engage in certain harshness in their staff relations due to the tough times.

With the rapid disappearance of lifetime employment and consequently declining organisational loyalty, management are increasingly seeking OCB from their managers and employees. During the 2008–2009 economic crisis, many organisations in Singapore, for example, had to appeal to their employees and unions to agree to remuneration reductions and enforced no-pay leave taking on a monthly basis. Employees and unions voluntarily agreed to such requests from management principally due to OCB.

OCB and OC in Different Countries

Levels of OCB and OC in different countries vary. National culture plays a major influencing role. Managers in different countries experience different levels of job satisfaction because of differing opportunities, rewards and remuneration, legal, economic, political, social and cultural forces within the organisation and in the general environment. Legislation and guidelines on employment related matters in different countries also vary and this leads to varying attitudes and behaviour by managers and employees to work and the organisation.

With globalisation, managers working outside their country or having to deal with business associates in other countries need to understand the business and employment culture of the other countries. This may explain why workers and managers may work extra hard and long hours in some countries; while in some other countries, workers and managers may put in minimal extra effort. Yet in other countries, managers and employees put in commitment and diligent effort during the designated work hours. This may also lead to organisations, especially those operating internationally, choosing managers and workers from certain ethnicity or nationality, because of their attitudes to work, instead of locals, even if suitably qualified locals are available.

Locus of Control

Locus of control captures an individual's beliefs concerning the amount of control they have over what happens to and around them. People with an internal locus of control believe that they are very much in charge of their own fate and destiny. They see their own actions and behaviours as being important and decisive determinants of future outcomes. Managers with internal locus of controls focus on how they can improve or avoid shortcomings in future. They take ownership of situations and look at ways to enhance their performance and outcomes.

People with an external locus of control believe that their life events are due mainly to fate or luck. They believe that outside forces are responsible for what happens to and around them and that their own actions don't make much of a difference. Managers with external locus of control blame poor performance evaluation on their boss's prejudices and biases, or on co-workers or events outside their control.

Self-esteem

Self-esteem is the degree to which individuals feel good about themselves and their capabilities. Self-esteem is also a good indicator of an ability to succeed. Those with low self-esteem are more susceptible to external influences. Managers with high self-esteem believe that they are competent, deserving and capable of handling most situations. Research also suggests that managers tend to choose activities and goals consistent with their level of self-esteem. Self-esteem has also been found to be related to job satisfaction. A number of studies confirm that managers with high self-esteem are more satisfied with their jobs than those with low self-esteem.

High self-esteem is desirable for managers because it facilitates their setting and keeping high standards for themselves and gives them the confidence they need to succeed. People with low self-esteem are unsure about their capabilities and question their ability to succeed. Research suggests that people tend to choose activities and goals that are consistent with their levels of self-esteem.

Self Monitoring

Self monitoring or self-awareness refers to people's level of sensitivity to situational cues and ability to adapt their behaviour to that situation. High self monitors are usually better conversationalists, better leaders and better boundary spanners. Self monitors also exhibit a high degree of self-control and self-management. They are able to control their behaviour by setting their own goals and monitoring their own progress. They also know how to self-reward or acknowledge themselves for goal achievement. In fact, they possess high levels of self-motivation or intrinsic motivation.

Those who are high in self monitoring can show considerable adaptability in adjusting their behaviour to external situational factors. Low self monitors cannot alter their behaviour. They tend to display their true disposition and attitude in every situation. They therefore exhibit high behavioural consistency between who they are and what they do. High monitors are therefore more successful in managerial positions that require individuals to play multiple and even contradictory roles.

Achievement, Affiliation and Power

Needs for **achievement**, **affiliation** and **power** have been extensively researched by psychologist David McClelland. In fact, a content theory on motivation is even named after him. The need for achievement is the extent to which an individual has a strong desire to perform challenging tasks well and to meet personal standards for excellence. People with high levels of this need often set clear goals for themselves and want feedback on their performance.

The need for affiliation is the extent to which an individual is concerned about establishing and maintaining good interpersonal relations, being liked and getting along with other people. The need for power is the extent to which an individual desires to control or influence others.

High needs for achievement and power are assets for first-line and middle managers, and a high need for power is especially important for upper level managers. A high need for affiliation is not always desirable within managers because it may cause them to try too hard to be liked by others, at the expense of ensuring a high level of organisational performance. Collectively, the need for the right level of achievement, affiliation and power at different stages of a manager's career path is ideal for organisational performance.

Creativity, Personality and Contextual Factors

5 LEARNING OBJECTIVE
Describe creativity, blocks to creativity and how to nurture creativity.

Creativity is the ability to combine ideas in a unique way or make unusual association between ideas. Creativity is increasingly important because the creative process leads to innovation. Innovation is the process of taking a creative idea and turning it into a useful product, service or work method (Henry, 1991). Henry (1991) identified a number of traits in creative individuals – tolerance for ambiguity, sensitivity, independent thinking, imagination and a reasonable level of intelligence.

Stimulating innovation in an organisation therefore needs creative managers and employees. But having creative people is not enough. Goodman (1995) suggests that 'actively creative people' have a talent for getting to the heart of the problem. They are not confused by detail and by the need to involve standard approaches. There is consensus in the literature that suggests such individuals have a desire for originality, non-conformity and the opportunity to experiment and express new ideas.

Goodman (1995) additionally suggests six common blocks to personal creativity, which can adversely affect the effort to creativity and innovation.

1. **Perceptual:** Habitual responses, stereotyping and reliance on past instructions and experiences can deter a manager from being creative and step beyond boundary markers.
2. **Emotional:** Fear, anxiety about looking foolish in front of others or making errors can be discouraging to managers to experiment or try something new.
3. **Process:** Managers who lack technique or skills in process improvement or enhancement and a quick grasp at a solution will feel challenged.
4. **Communication:** The style, methods or skills associated with communication may be unsuitable for dealing with problems and can adversely affect a manager's ability to communicate innovation, change and creativity.

5. **Environmental:** Environmental factors like facilities, stress factors, mindsets of others which inhibit responses can also affect a manager's attempt at innovation and creativity.
6. **Cultural:** The culture and attitudes in the organisation may not be facilitative, may be too risk averse and not sufficiently open-minded, thus restricting the manager from trying new things.

A distinction can be made in Goodman's (1995) list between the first four features that are aspects of a person's psyche (personality and attitude) and repertoire of skills; and the last two that are functions of culture and organisation.

It is evident from the discussion that understanding the personality of the manager and employees are important in creativity and innovation to occur. However, for creativity and innovation, there must be the 'right' environment and culture too. The keys to stimulating innovation in an organisation are structural, cultural and human resource variables, which must be adapted and adjusted to trigger innovation.

Structural Variables

a. Organic structures: Organisational structures that positively encourage innovation because they have less work specialisation and fewer rules and regulations; and are more decentralised;
b. Abundant resources: Availability of the right resources is the key integral building block to innovation;
c. High inter-unit communication: There must be frequent communication between interested parties to enable the breaking down of barriers and facilitate interaction across departmental lines.

Cultural Variables

- Acceptance of ambiguity: If there is too much objectivity and specificity, it will constrain creativity; there must be a ready acceptance that work associated with innovation and creativity is explorative and room must be given for experimentation.
- Tolerance of the impractical: If innovation and creativity is to be stimulated in an organisation, then ideas that seem impractical at first sight should not be stifled; there must be room to try out fresh and new ideas.

- Low external controls: To encourage innovation and creativity, rules, regulation, policies and similar controls are kept to a minimum. Otherwise, it will inhibit ideas and experimentation.
- An acceptance of tolerance of risk: The organisation must encourage employees to experiment without fear of consequences should they fail; mistakes are treated as learning opportunities.
- Managing and tolerance of conflict: The organisational culture must also be supportive of diversity of opinions besides encouraging such diversity.
- Focus on ends rather than means: Managers and employees must understand goals and end-results clearly, and individuals are encouraged to consider alternative routes towards their attainment.
- Open-system focus. The organisation must closely monitor the environment and respond rapidly to changes as they occur; the culture must adapt and adjust as situation and circumstance change.

Human Resources Variables

The human resource policies, practices and procedures need to:

- Encourage a high commitment to training and development.
- Provide a sufficiently high level of job security.
- Encourage and be supportive of creative people in the organisation.
- Encourage the growth of champions of change by being supportive of individuals who display characteristics associated with dynamic leadership, e.g. extremely high self-confidence, persistence, energy and the tendency to take risks. Inspire and energise others; personal conviction in the mission.

Developing efficiency and effectiveness within an organisation to increase organisational performance requires the organisation to be highly supportive of nurturing organisational culture, work processes and procedure, organisational structure, human resources policies and procedures and motivation that prompt innovation and creativity among employees and managers.

Values at Work

6 LEARNING OBJECTIVE
Explain what values and attitudes are, their importance and how they influence managers' action.

Values are stable, long-lasting beliefs about what is important. They define what is right or wrong, good or bad. Values are important in organisational behaviour, because they influence perceptions, decisions and actions. Values are at the heart of any organisation. Clearly-stated values provide a basis for setting strategy, clarifying objectives and establishing consistent priorities. They energise people by giving meaning to their work. They help people unite around a common purpose. In all these ways values help to raise performance. When values are not made explicit, external pressures will usually undermine them. Therefore managers need to know whether their personal values are congruent with organisational values. Incongruence will inevitably lead to conflict and dissatisfaction with what the organisation stands for.

The two types of personal values are terminal values and instrumental values.

1. **Terminal values** are desired states worth striving for. They are a personal conviction about lifelong goals or objectives. Examples of terminal values include the pursuit of a comfortable and prosperous life, seeking family security by taking care of financial matters, freedom and independence to make choices, ensuring a healthy life and achieving inner harmony.
2. **Instrumental values** are desirable modes of behaviour that help a person to reach the objectives of terminal values Examples of instrumental values include ambition, open-mindedness, being capable, competent and effective, courageous in standing up for your beliefs, compassionate by being helpful and forgiving, logical, loyal and respectful of others.

Milton Rokeach, a leading researcher in the area of human values, identified 18 terminal values and 18 instrumental values. When a person places them in rank orders, the ranking pattern will describe the person's value system. Some of the example values mentioned above would be especially important to managers, e.g. a sense of accomplishment, equality, ambitious, honest, broad-minded, capable, responsible, self-controlled and self-respect. In essence, in selecting or appointing managers it is important to ensure they have the right instrumental and terminal values.

In management literature, two terms that appear in the context of values are espoused and enacted values. They are interpreted as follows:

1. **Espoused values** are the ones a person wants others to believe he or she abides by. Often, these values are socially desirable, so people claim to hold the values that others expect them to embrace. Espoused values are usually defined by the organisation. These values are consistent with the organisation's mission and goals.
2. **Enacted values** are those a person actually relies on to guide his or her decisions and actions. Enacted values are also called values-in-use.

Understanding a manager's enacted values helps to identify the manager's attitude and behaviour at work. Consistency between the enacted values and espoused values is useful. If enacted values are consistent with the espoused values defined by the organisation, there would be congruence between what the manager does and what the organisation desires its managers to do. This would therefore contribute to organisational performance.

Differences in Cultural Values and Cultural Orientations

7 LEARNING OBJECTIVE
Explain cultural values using the framework proposed by Hoftstede.

Various cultural values have been identified and diverse frameworks of cultural orientations have been proposed by various researchers and academics.

The most well-known framework for analysing variations among cultures was proposed by Geert Hoftstede (Hoftstede, 1980, 1983 and 2001; Hoftstede et al., 1990) along five dimensions, as follows.

1. Individualism and collectivism are diametrically opposing values. They define the degree that people value their group goals (collectivists) versus individual goals (individualists). Collectivists tend to:
   - Identify themselves by group membership.
   - Give priority of group goals.
   - Put more emphasis on harmonious relationships.
   - Have more socially-based emotions (indebtedness).

   Individualists, on the other hand, believe in self-sufficiency. In individualist societies, managers and employees tend to put loyalty to themselves first and loyalty to their organisation and work group second.

2. Power distance refers to the extent that people accept unequal distribution of power in a society or a social organisation.
   - People with high power distance are comfortable receiving commands from their superiors and resolving conflicts through formal rules and authority.
   - Countries with higher power distances are more likely to have taller and more hierarchical organisational structures, making distinction through status and class.
3. Uncertainty avoidance refers to the degree to which people tolerate ambiguity (low uncertainty avoidance) or feel threatened by ambiguity and uncertainty (high uncertainty avoidance). In countries with high scores in uncertainty avoidance, people have an increased level of anxiety, which manifests itself in greater degree of nervousness, stress and aggressiveness.
4. Achievement-Nurturing Orientation *(*also known *as* masculinity-femininity, according to Hoftstede).
   - **Achievement orientation** values assertiveness, competitiveness, materialism. Hoftstede describes this as masculine culture.
   - **Nurturing** values relationships, affiliation and others' well-being. Hoftstede interpretes this as feminine culture.

   Some authors in recent years avoid the sexist nature of the term masculinity-femininity and describe this dimension as quantity of life versus quality of life. **Quantity of life** is the degree to which values such as assertiveness, the acquisition of money and material goods, and competition prevail. The **quality of life** is the degree to which people value relationships and show sensitivity and concern for the welfare of others.
5. Long- or short-term orientation refers to the framework of time.
   - Long-term orientation anchors thoughts more in the future than past and present. People with long time orientation also value thrift, savings and persistence.
   - Short-term orientation emphasises the past and present, such as respect for tradition and fulfilling social obligations. These sets of values are generally found to be strong in certain Asian cultures in traditional and rural settings.

Personal values, being individually held, are thus quite diverse in some countries. Care should be taken to avoid making sweeping statements in the context of cultural values. Managers should therefore assess carefully personal and organisation values in the context of personal and cultural values, as well as situations and circumstances. Generalisations of values, if any, should be made only after careful evaluation and deliberation.

Collectivistic Values

With the rise of many Asian economies, the study of **collectivist culture** has taken centre stage especially with the economic powerhouses like China and India and new economic 'tigers' like South Korea and Vietnam. Collectivists, compared to individualists, include at least some of the following characteristics (Triandis, 1995; Ungson, Steers & Park, 1997):

- Stronger attachment to their organisations.
- More likely to subordinate personal goals to group goals and emphasise in-group solidarity.
- Have longer-term relationships with their organisations.
- Value interpersonal skills and relationships more than job specific knowledge and skills.
- Identify more with the group and its common goals.
- Less motivated by self-interests and personal goals.
- Place lower priority on individual initiative and achievement.

National Cultures

Being aware of cultural values and cultural orientation, managers need to take cognisance of national cultures. National culture comprises the shared values and beliefs that affect the perceptions, decisions and behaviour of people from a particular country. Hoftstede's five cultural dimensions, i.e. power distance, individualism-collectivism orientation, masculinity-femininity orientation, uncertainty avoidance and short-term versus long-term term orientation, are useful in understanding national cultures.

Cultural differences affect perceptions, understanding and behaviour. We also need to understand that Hoftstede's dimensions are averages. So within a nation, there will be variations. In large countries with a wide geographical expanse, e.g. the People's Republic of China, the United States of America and the Republic of India, cultural dimensions may vary across the country as beliefs in different parts of the country may be significantly different.

Managers also need to recognise that cultural values are also changing slowly due to globalisation, migration, the influence of media and other forces. Therefore, managers in adapting management practices and procedures to suit cultural differences must ensure they are not basing it on outdated and incorrect assumptions about a country's culture. This too can affect efficiency and effectiveness.

Stereotyping

Stereotypes are generalisations about a group of people whereby we attribute a defined set of characteristics to this group based on their appearance or our assumptions. Different factors contribute to why we stereotype people. We stereotype people when we are unable or unwilling to obtain all of the information we need to make fair judgements about people or situations. Unfortunately, stereotyping can often lead to unfair discrimination and persecution especially when the person has been stereotyped unfavourably. If stereotyping is based on 'positives', we may inadvertently provide an advantage to an individual.

Generalisations have their roots in our own experiences in what we have read in books and magazines, in movies or television we have seen, or from stories related to us by friends and family. In many cases, these stereotypical generalisations are incomplete. Yet in virtually every case we are resorting to prejudice by ascribing characteristics about a person based on appearance or other assumptions without comprehensive knowledge of the total facts. By stereotyping, we assume that a person or a group has certain characteristics. Quite often, we have stereotyped a person who might be a member of a group that we have had no first-hand contact with.

Good managers should therefore exercise care and discretion before judging bosses, peers, subordinates, customers, clients, vendors and government officials. Open-mindedness and independent thinking are often perceived as positive qualities in outstanding managers. They can be expected to make fair and equitable decisions and judgements; and are not clouded by personal biases, prejudices and values.

Emotions and Moods

8 LEARNING OBJECTIVE
Describe the nature of emotional intelligence and its role in management.

In order to understand our emotional intelligence, we need to appreciate two affective states that all of us experience: emotions and moods. Emotions and moods can influence the attitudes and behaviour of individuals including managers. The terms emotions and moods are used interchangeably in much of the literature on management, often without distinguishing between them. Some of the confusion or lack of clarity may be a result of the overlap among the concepts. Some researchers have attempted to distinguish these concepts based on structural and functional differences.

Emotions and moods can be differentiated based on structural differences, i.e. the specificity of the targets. **Emotions** are specific and intense and are a reaction to a particular event, whereas **moods** are diffused and unfocused, and may depend on timing. Emotions are caused by something more immediate in time than moods. They can also be differentiated based on functional differences, like changes in beliefs about future affective states (mood) and the existence of a specific goal (emotion). In summary, emotions and moods can be broadly distinguished as follows:

- Emotions are more intense than moods, are more short-lived, and are usually linked to a specific cause.
- A mood is a feeling or state of mind. Personality traits and current circumstances often determine a person's mood.

Managers should distinguish the two clearly where it concerns their employees as it can affect productivity, efficiency and effectiveness at work.

Emotional Intelligence

Emotional intelligence (EI) refers to the ability to perceive, control and evaluate emotions. Some researchers suggest that emotional intelligence can be learned and strengthened, while others claim it is an inborn characteristic. Some authors and researchers use the term Emotional Quotient (EQ) to refer to EI, to make it consistent with the widely known term, Intelligence Quotient (IQ). The latter measures the intelligence score of individuals on an well-recognised standard test. For the authors of this textbook, the terms EQ and EI bear the same meaning.

Since 1990, Peter Salovey and John D. Mayer (1990) have been the leading researchers on emotional intelligence. In their influential 1990 article, 'Emotional Intelligence', the authors defined emotional intelligence as 'the subset of social intelligence that involves the ability to monitor one's own and others' feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions'. Salovey and Mayer proposed a model that identified four different factors of emotional intelligence – the perception of emotion, the ability to reason using emotions, the ability to understand emotion and the ability to manage emotions.

According to Salovey and Mayer (1990), the four branches of their model are arranged from more basic psychological processes to higher, more psychologically integrated processes. For example, the lowest level branch concerns the relatively simple abilities of perceiving and expressing emotion. In contrast, the highest level branch concerns the conscious, reflective regulation of emotion.

However, the concept of emotional intelligence was popularised after publication in 1995 of psychologist and *New York Times* science writer Daniel Goleman's book *Emotional Intelligence: Why It Can Matter More Than IQ*. According to Goleman, the essential premise of emotional intelligence (EI) is that to be successful requires effective awareness, control and management of one's own emotions, as well as the emotions of other people. EI embraces two aspects of intelligence:

- Understanding yourself, your goals, intentions, responses, behaviour; and
- Understanding others and their feelings.

Goleman identified the five 'domains' of EI as:

- Knowing your emotions.
- Managing your own emotions.
- Motivating yourself.
- Recognising and understanding other people's emotions.
- Managing relationships, i.e. managing the emotions of others.

EI embraces and draws from numerous other branches of behavioural, emotional and communications theories, such as NLP (Neuro-Linguistic Programming), transactional analysis and empathy. By developing EI in these areas and the five EI domains, individuals can become more productive and successful at what they do and help others to be more productive and successful too. The process and outcomes of EI development also contain many elements known to reduce stress for individuals and organisations, by decreasing conflict, improving relationships and understanding, and increasing stability, continuity and harmony. A generic EI competence framework produced by Daniel Goleman in summary identified two key competencies:

1. Personal competence: Self-awareness, self-regulation, self-motivation.
2. Social competence: Social awareness, social skills.

EI is also related to several personality traits, e.g. The Big Five: conscientiousness, emotional stability, openness to experience, agreeableness and extroversion. EI helps managers perform the interpersonal roles of figurehead, leader and liaison more efficiently and effectively. Higher EI also enables managers to prevent their emotions from getting in the way of making effective decisions. EI tends to increase with age, which is a part of maturity. However, conscientious effort could help one to better manage moods and emotions. Training programmes may also teach managers and employees to better control and display their emotions.

Why is Understanding Attitudes and Personality Important?

The major value of understanding attitudes and personality differences lies in the selection of employees and their development. Managers are likely to have better performing and more satisfied employees if the attitude and personality are matched to compatible jobs. In addition, compatibility leads to other benefits. Managers can then design training and development of employees to enhance work performance and job satisfaction. This leads to overall improvement in the efficiency and effectiveness of the employee. For example, awareness of the locus of control of an employee can help the manager to understand why those employees with internal locus of control are self-driven and readily willing to accept responsibility for their action. Those with external locus of control are more likely to blame others and are often less satisfied with their job. These employees may need more attention, guidance and counselling.

No single personality is dominant within the population of a given country. National cultures differ in the degree to which people believe they control the environment. Personality traits influence employees' behaviour. For global managers, understanding how personality traits differ can take on an added significance when they adopt the perspective of national culture. As the world increasingly becomes globalised and increasing numbers of individuals work beyond their home countries, understanding attitudes, behaviour, values and cultural traits and practices will distinguish outstanding, truly global managers. (See Chapter 4 for a discussion on globalisation and the global manager.)

EXPERIENTIAL EXERCISE 1

Does Personality Matter?

Drawing on your understanding of the Big Five, the Myers-Briggs Type Indicator (MBTI) and other personality traits reflected in your personality, describe what your own personality is.

Repeat this exercise with a friend or a family member who knows you intimately. Before you commence the exercise, explain to the person the Big Five, the MBTI and other personality traits. In doing so, you would have reinforced your understanding of these concepts.

Compare and contrast the interpretation of your personality by you and your friend or family member.

Prepare to discuss the two interpretations of your personality in the class or small group and write a report (if required by your instructor). Address the following in your discussion and report:

a. Why is there likely to be a difference in the interpretations of your personality?
b. How do you think your personality affects your creativity and emotional intelligence?
c. Will your personality, creativity, emotional intelligence and cultural values affect your role in management? Explain why or why not.

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PART TWO
ENVIRONMENT

CHAPTER 3

MANAGERIAL ETHICS

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Explain what is ethics and its nature in today's organisations, as well as the role it plays in managerial action.
2. Describe the ethical and social responsibilities of managers in today's organisations.
3. Describe the influence of cultural issues in ethics.
4. Explain what are ethical dilemmas, dealing with ethical dilemmas, the impact of the law and the passage of time on ethics.
5. Describe factors influencing ethical behaviour, how to encourage ethical behaviour in the workplace, and putting ethics into practice at work.
6. Explain ethical intensity and testing for ethical behaviour.

Management Ethics

1 LEARNING OBJECTIVE
Explain what is ethics and its nature in today's organisations, as well as the role it plays in managerial action.

Management ethics is a set of moral values that guide the actions, goals and strategies of managers and other employees within the company. Despite the strong emphasis on ethical behaviours, unethical acts can still arise easily due to a variety of reasons. The contributory factors leading to unethical behaviours have been studied extensively during the past few decades. With phenomenal growth in the globalisation of business and the complexity of today's business environment, there are increasing concerns over the role of ethics in the management of organisations.

The considerable attention on management ethical issues in the last two decades seemed to have stemmed from "the erosion of the integrity of the business community by flagrant abuses of trust and honesty as reported in the media" (Lysonski & Gaidis, 1991). Recent examples of ethical conflicts faced by large corporations include the infant food formula contamination in China during 2008, sweatshop conditions in factories, especially in Asian countries, in the 1990s and even into the 21st century, and exploitation of workers which consequently adversely affects their health. These have been magnified with growing emphasis on the ethics and morality of today's management and managers.

Ethics is the set of moral principles or values that define what's right or wrong for a group of people. In an organisational and managerial context, unethical acts can include poor corporate governance, cheating on expense accounts, engaging in discriminatory or deceptive practices, permitting unsafe work practices, mishandling of confidential or proprietary information, discriminating in employment of ethnic minorities, older or female workers or candidates with disabilities and paying kickbacks or offering bribes. In fact, the list is endless. Much needs to be done to make workplaces and the behaviour of managers and employees ethical. Ethicality needs to be actively promoted within the workplace if people are to be ethical.

Respect, honesty, fairness, responsibility and good manners are proverbial ethical values. However, implementing them could be a challenge especially with individuals and managers who unknowingly engage in practices which are unethical but not considered as unethical by them. There are several fundamental concepts that help clarify the study and understanding of ethical behaviour, which include:

1. Doing the right thing means one must adhere to a civil standard of conduct above the ordinary. This may be driven by culture or norms of the organisation or society
2. In order for employees to demonstrate ethical conduct, the organisation must remind, coach and train employees properly in ethical practices. The organisation should actively invest in ethical programmes for managers and employees.
3. Ethics and values go hand in hand. Therefore, not only should organisations employ ethical managers and employees but must also ensure that they actively practise ethicality at work. Similarly, the organisation must embody ethical values in every facet of its business including recruitment and selection of candidates who have ethical values and attributes.
4. A code of ethics reinforces an action plan directed at providing good service, fair dealing and courteous treatment.

The Nature of Ethics

1 LEARNING OBJECTIVE
Explain what is ethics and its nature in today's organisations, as well as the role it plays in managerial action.

An ethical dilemma is the quandary in which people find themselves when they have to decide whether they should act in a way that might help another person or group and that is the right thing to do, even though it might go against their own self-interest. An ethical dilemma may also arise when a person has to decide between two courses of action, knowing that whichever alternative they choose will result in harm to one person or group while possibly benefitting another. The dilemma here is to decide between the lesser of two evils.

Ethics are the inner-guiding moral principles, values and beliefs that people use to analyse or interpret a situation and then decide the appropriate way to behave. Ethics also dictates what inappropriate behaviour is and how a person should behave to avoid doing harm to another person.

The essential problem in dealing with ethical issues and thus solving moral dilemmas, is that there are no absolute or indisputable rules or principles that can be developed to decide if an action is ethical or unethical. Put simply, people and groups vary in their opinions of what is ethical and unethical, based upon personal self-interest, attitudes, beliefs and values. There are several interpretations of ethics, governed by rational and logical thought processes.

Utilitarianism

Utilitarianism is rooted in the fairness of a decision or action and usually can be determined by looking at its utilities or consequences. If the consequences of the decision are good, the decision or action is considered ethical. Likewise, if the consequences are bad, the decision or action is deemed unethical or immoral. Utilitarianism proposes a standard outside of self-interest by which to judge the ethicality of a decision. In principle, this reasoning can be described as the greatest good for the greatest number of people.

Deontological Ethics

Deontological Ethics is based on a principle concerned with the moral obligations, duties or responsibilities which are inherently necessary for morality to prevail, irrespective of the ends or consequences they produce. In essence, someone who subscribes to this principle of ethics will state stealing is wrong, irrespective of who benefits from it, e.g. stealing to feed a hungry or starving child is wrong.

Ethical Egoism

The ethical egoism theory states that one's self is, or should be, the motivation and goal of one's own actions. In essence, this means that egoists consider the 'self' above 'others', but it does not necessarily mean that they are narcissists. The defining test for the decision maker is therefore whether the considered action, decision or behaviour serves as means to promoting self-interest.

Ethics of Care

The ethics of care principle views that an individual has an obligation to exercise special care towards those persons with whom one has valuable close relations, particularly relations of dependency. In essence, it disagrees with the traditional approaches to ethics which assume that morality is impartial and that everyone's interests should be considered as equally worthy. It views the decision maker as essentially relational and not individualistic.

Virtue Ethics

Virtue ethics focuses more on being a good and virtuous person than merely doing good deeds. In its strongest form this view of morality implies that good deeds can only be performed by good and virtuous people. Virtue theory dates back to the classic Greeks who were concerned about the means by which individuals incorporate virtues such as honesty, fairness, truthfulness and benevolence into their characters.

Conventional Approach

The conventional approach recognises that an individual will compare a proposed decision or action against prevailing norms of acceptability in one's society before making a decision. The greatest danger of this approach lies in the subjective nature of the prevailing social norms. This opens the door to cultural relativism where 'good' means 'socially approved' in a given society or culture.

Emotivism

The emotivism approach views personal feelings as the most important determinants of right and wrong behaviour. Since feelings differ from person to person, morality quickly breaks down to a matter of personal preference and it is therefore very subjective.

As illustrated by the principles discussed above, ethics is a very hotly debated topic and can be subject to interpretations of convenience, when personal, societal, cultural, religious and many other considerations determine outcomes. The ethical responsibility of managers and its interpretation remain the subject of much debate.

Ethical Responsibilities of Managers

2 LEARNING OBJECTIVE
Describe the ethical and social responsibilities of managers in today's organisations.

Managers and leaders need to be aware of what constitutes ethical values. Being aware of approaches to deal with ethical dilemmas and how organisations can promote ethics is part of the leadership role. Though ethics are the standards of right and wrong that influence behaviour, many employees and managers remain unaware of acceptable and tolerable levels of ethicality.

Ethical dilemmas often take place because of ill- or poorly-defined value systems in organisations. Values are the relatively permanent and deeply held underlying beliefs and attitudes that help determine a person's behaviour or behaviour within a group context. Managers are often faced with ethical dilemmas practically on a daily basis in many workplace decisions.

In order to deal with these dilemmas, there are five key approaches, generally adopted and practised by most organisations.

Utilitarian Approach

The **utilitarian** rule defines an ethical decision as one that produces the greatest good for the greatest number of people. Therefore, managers should compare and contrast alternative courses of action based on the benefits and costs of those alternatives for different stakeholder groups. However, sometimes it is difficult for managers to determine the relative importance of each stakeholder group.

Individual Approach

Ethical behaviour is guided by what will result in the **individual**'s best long-term interests, which ultimately is in everyone's self-interest. This is a major assumption and may not necessarily be true in all instances.

Moral-rights Approach

The **moral rights** rule defines an ethical decision as one that best maintains and protects the fundamental rights and privileges of the people affected by it. Therefore, managers should compare and contrast alternative courses of action based on the effect of those alternatives on stakeholders' rights. However, it can be problematic for a manager to make a decision that will protect the rights of some stakeholders while hurting the rights of others.

Justice Approach

The **justice** rule defines an ethical decision as one that distributes benefits and 'harms' among stakeholders in a fair, equitable, or impartial way. Therefore, managers should compare and contrast alternative courses of action based on the degree to which the action will promote a fair distribution of outcomes. This model forces managers to create and utilise fair procedures that provide an equal or equitable amount of benefit and inflicts an equal or equitable amount of discomfort or harm upon all stakeholders, regardless of differences in race, gender, position, authority or power.

Practical Approach

The **practical** rule defines an ethical decision as one that a manager has no hesitation communicating to others both inside and outside of the company because they would find it acceptable. A manager can assume a decision is ethical if he or she can answer 'yes' to the following three questions:

1. Does my decision fall within the accepted values, norms, or standards that typically apply in the organisational environment?
2. Am I willing to see the decision communicated to all stakeholders affected by it, for example, by having it reported in the media, namely, newspapers, on television or posted on the organisation's website?
3. Would the people with whom I have a significant personal relationship, such as family members, friends, or even managers in other organisations, approve of the decision? What would be their reactions?

An overall positive or favourable response, especially judged from normal societal norms and standards, would indicate a fairly ethical decision.

Awareness of the different approaches may not be enough. Managements and managers need to be aware of the consequences of their actions when they are engaged in ethical decision making. Organisations and businesses have several stakeholders. These include shareholders, the management, the managers, the employees, suppliers and distributors, customers, the community, society and the nation. Each group of stakeholders has its priorities. In making an ethical decision, the manager may end up deciding ethically in favour of certain groups of stakeholders but not others. Also, some instances of ethical decisions are challenging due to the complexity of situations and circumstances, and the parties involved have differing agendas.

Before the financial meltdown of 2008, many financial products described as structured products were sold to unwary investors who were assured of 'good' returns. Following the financial debacle of 2008, it emerged that these products were often not satisfactorily backed by assets or were high risk assets. Consequently, many buyers of these products accused the sellers of unethical practices by not fully explaining to them the risks associated with the product being sold. Many of the buyers claimed to be lay persons who had no inkling of the 'workings' of the financial products and the associated risks.

The salespeople who sold the products claimed that they had been trained well or were adequately briefed but were enticed by their respective management and banks to sell the products in return for good commissions. On the other hand, managements and banks claimed they had promoted the products based on the competence of those who 'packaged' the products and who were considered financial 'wizards'. The financial 'wizards' blamed the debacle on the way the economy had 'behaved'. It was simply a case of pushing blame around.

In essence, nearly every stakeholder in the incident had been driven by some degree of greed and therefore threw caution to the wind. This resulted in some unethical behaviour by most, if not all, of the stakeholders. There have been similar incidents in other industries and professions. Often these 'misdeeds' are very complex, and proving unethical practices and conduct can be a challenging and daunting task.

Concerns about business ethics have led many colleges and universities to incorporate into their courses content about moral, social and professional responsibilities and issues pertaining to business ethics. To create awareness of moral development among students, we draw attention to the various published works of the late Professor Lawrence Kohlberg. According to Kohlberg, there are three levels of personal moral development (Crain, 1985): pre-conventional, conventional and post-conventional.

1. People at the **pre-conventional level** of moral development are those who tend to follow rules and obey authority; people at this level often decide on selfish reasons.
2. People at the **conventional level** of moral development are conformist, generally adhering to the expectations of others; people at this stage look outside for guidance on ethical issues; and
3. People at the **post-conventional level** of moral development are at the highest level of development and are guided by internal values.

Kohlberg's interpretation and arguments give some guidance and explanation on ethical behaviour of individuals and managers.

Organisation may also foster high ethical standards by encouraging their top managers to support a strong ethical climate within the organisation and be role models to encourage ethical behaviour in every facet of the organisation's activities. Further, the organisation should develop a code of ethics, which consists of a formal written set of ethical standards guiding the organisation's actions. The organisation can also reward ethical behaviour, for example, by encouraging whistleblowers, i.e. employees who report organisational misconduct or unethical practices to the relevant authorities. In fact, it could introduce a reward or incentive to be a whistleblower.

Social Responsibilities of Managers

2 LEARNING OBJECTIVE
Describe the ethical and social responsibilities of managers in today's organisations.

Managers also need to be aware of the viewpoints supporting and opposing social responsibility. The five key managerial approaches to ethical responsibility, described earlier, can also be helpful in defining the social responsibilities of managers. Managers should also take cognisance of whether being and doing good pays off financially for the organisation.

Social responsibility is a manager's duty to take actions that will benefit the interests of society as well as of the organisation. Examples of social responsibility include ensuring reduction of pollution to conform to national and international standards and recycling waste and waste products. Another example of social responsibility is philanthropy, i.e. donating money to worthwhile recipients and the disadvantaged in the community.

For-profit companies generally make a point of 'putting something back' into society besides taking something out. But the idea of social responsibility has opposing and supporting viewpoints. The opposing viewpoint is that the responsibility of business is to make profits and not engage in social work within the community. However, the other viewpoint is that since business creates some problems, such as pollution, it should help solve them, thereby taking social responsibility for managing pollution. Yet, another example is ensuring the prudent use of energy and other resources that are depleting at a rapid rate in present times.

There are four approaches to social responsibility: obstructionist, defensive, accommodative and proactive.

1. In the **obstructionist approach**, managers put economic gain first and resist social responsibility as being outside the organisation's self-interest.
2. In the **defensive approach**, managers make the minimum commitment to social responsibility – obeying the law but doing nothing more.

3. In the **accommodative approach**, managers will do more than the law requires, if asked, and will demonstrate moderate social responsibility.
4. In the **proactive approach**, managers actively lead the way in being socially responsible for all stakeholders, using the organisation's resources to identify and respond to social problems.

It has been proposed that business organisations should not be judged purely on profits alone. Instead, there should be a blended value, in which all investments are understood to operate simultaneously in both economic and social realms. Two types of social responsibility are sustainability and philanthropy.

1. **Sustainability**, defined as economic development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
2. **Philanthropy**, which is making charitable donations to benefit the community and the world at large.

Positive ethical behaviour and social responsibility can pay off in the form of customer goodwill, better quality of job applicants and retained employees, enhanced sales growth, less employee misconduct and fraud, better share price and enhanced profits. Also, an important safeguard against unethical and socially irresponsible behaviour is the loss of reputation. Reputation, the esteem or high repute that people or organisations gain when they behave ethically and socially responsibly, is an important asset (Jones & George, 2009).

Another by-product of ethical and socially responsible behaviour is trust earned from stakeholders. Trust is the willingness of one person or group to have faith or confidence in the goodwill of another person or group. When trust exists, stakeholders are more likely to signal their good intentions by cooperating and providing information that makes it easier to exchange and price goods and services. Also, when a person acts in a trustworthy way, it encourages others to act in the same way. Over time, as greater trust between stakeholders develops, they can work more efficiently and effectively and this in turn raises the organisation's performance. As people see the positive outcomes of acting in an honest, ethical and socially responsible manner, then behaving ethically and in a socially responsible manner will increasingly become a valued social norm within the community and society (Jones & George, 2009).

Cultural Issues in Ethical Behaviour

3 LEARNING OBJECTIVE
Describe the influence of cultural issues in ethics.

Researchers from many disciplines have examined individual and situational variables that influence managers when making ethical decisions (Loe, Ferrell & Mansfield, 2000). Inappropriate organisational culture is often a key contributory factor to unethical acts (Jones & Hiltebeitel, 1995). The cultures, norms and practices of the organisation can all lead to the erroneous impression to the employees that end-state is of more importance compared to the means of achieving the goals. Such outcomes may occur because leaders communicate to their subordinates their flawed beliefs and values through their daily acts, ways to solve problems and also during the development of organisation strategies (Trevino, 1990).

Focus on selfish gains or individualism often contributes to motivation of unethical acts (Victor & Cullen, 1988). Although there are several determinants which have been identified to influence ethical attitudes in business, recent studies found support which attributed culture to be the predominant factor influencing the differences in business ethics attitudes across countries (Ahmed, Chung & Wichenseher, 2003; Christie, Kwon & Raymond, 2003; Moore & Radloff, 1996; Sims & Gegez, 2004).

In comparative studies between the Western and Asian cultures (Ahmed, Chung & Wichenseher, 2003; Christie, Kwon & Raymond, 2003), the concept of *guanxi* is particularly relevant. Dunfee and Warren (2001) define *guanxi* as the social interactions within the network place and its members in the equivalent of an infinitely repeated game with a set of people they know. However, in some Asian cultures such as China, *guanxi* is synonymous with bureaucratic corruption or bribery (Su & Littlefield, 2001). As a result, *guanxi* may represent an ethical dilemma for many global managers. This is especially so for managers accustomed to Western management principles, who find it difficult to differentiate between the use of *guanxi* as 'a way to build long-term business relationship' or 'a conspiracy in corruption and bribery'.

Ethics is influenced by culture. This is termed as cultural relativism. Ethical behaviour is always determined by cultural context. On the other hand, there is the concept of cultural universalism. Under this principle, unacceptable behaviour in one's home environment should not be acceptable anywhere else. This may be described by some as ethical imperialism. Based on Donaldson's (1996) article, under extreme cultural relativism, no culture's ethics are superior. The values and practices of the local setting determine what is ethical. Effectively, when in 'Rome do as the Romans do'. Under the concept of ethical imperialism, certain absolute truths apply everywhere. Universal values often transcend cultures and boundaries. However, with globalisation, international businesses should respect core or universal values:

Respect for Human Dignity

a. Create an organisational culture that values employees, customers and suppliers.
b. Maintain a safe workplace in all the places of businesses of the organisation.
c. Produce safe products and services.

Respect for Basic Rights

a. Protect rights of employees, customers and communities.
b. Avoid anything that is threatening to safety, health, education and living standards.

Being Good Corporate Citizens

a. Support social institutions, including economic and educational systems.
b. Work with local government and institutions to protect the environment.

The practice of ethics and ethical behaviour therefore continues to remain a challenge for many managers. Issues of bribery, corruption, offering gifts to and receiving gifts from business associates and government officials; enforcing strict corporate governance, fair treatment of employees with human dignity and respect and other areas in safety, health, well-being, equitable recruitment and selection practices, and work-life balance remain areas of contention, disagreements and varying interpretation in ethics in many organisations even within the management team and between managers. Ethics remains a sensitive issue among and between the various stakeholders.

4 LEARNING OBJECTIVE
Explain what are ethical dilemmas, dealing with ethical dilemmas; the impact of the law and the passage of time on ethics.

Ethical Dilemmas

As a result of the sensitivity of ethics in many organisations, managers continue to face ethical dilemmas on a daily basis. Ethical dilemmas often complicate situations at the workplace on a daily basis. They occur when choices, usually with potential for personal and organisational benefit or subject to misinterpretation of the desired outcome, may be considered unethical. Ethical dilemmas may include instances of discrimination, sexual harassment, conflicts of interest, impact on customer confidence about services or goods provided by the organisation and sourcing or inappropriate use of organisational resources. It can also include preferential or discriminatory treatment of vendors and distributors, certain employees and managers, and customers or clients. The list of unethical practices is endless.

Managers and employees often tend to rationalise unethical behaviour, such as in the following ways:

- Unethical behaviour is not really illegal or wrong, as everyone is engaging in that behaviour.
- Unethical behaviour is really in everyone's best interests and the intended action or activity can actually be carried out without really 'hurting' or causing 'suffering' to anyone.
- Nobody will ever find out about the unethical behaviour.
- The organisation will 'protect' or 'defend' the manager or employee who has behaved unethically.

Consequently, employees and managers will constantly face ethical dilemmas. This therefore makes it imperative for the organisation's management and managers to ensure that everyone is well-versed with the organisation's principles, policies and procedures so that they can act, decide and behave ethically.

Ethics and the Law

Many different kinds of laws, backed by sanctions or punishments for violations, exist to govern business. Once a law is passed, decisions about appropriate behaviour is taken from the personal ethical realm to that determined by society. Laws and ethics are not fixed principles. Ethical beliefs change over time, and as they do so, laws also change to reflect the changing ethical beliefs of a society. Do unto others as you would have them do unto you is a commonly used ethical or moral rule that continues to be useful and guides lawmakers' action in many cases.

Changing Ethics over Time

There are many classes of extreme behaviour, such as murder, theft, and rape that people find totally unacceptable and should remain illegal. However, there are other actions and behaviours whose ethical nature is open to dispute. When ethical beliefs change, some may question whether certain laws banning specific actions or behaviours are still appropriate today. As society becomes progressively liberal in some beliefs, the definition of specific acts and activities currently being described as absolutely unethical may change to being unethical in certain contexts. A good example of how societal values and ethical attitudes have changed is the Yellow Ribbon Programme in Singapore. In the past, managers and employers were more reluctant to employ individuals with a criminal record. Launched in 2004, the Yellow Ribbon Programme's aim is to involve the community in giving ex-offenders – and, by extension, their families – a second chance. An increasing numbers of companies are doing this by joining the programme and helping these ex-offenders reintegrate into the mainstream workforce and society.

Factors Influencing Ethicality of Behaviour

Factors influencing ethical behaviour may include a combination of factors – individual, organisational and environmental:

5 LEARNING OBJECTIVE
Describe factors influencing ethical behaviour and how to encourage ethical behaviour in the workplace; and putting ethics into practice at work.

1. **The individual:** Family influences and upbringing, religious values and beliefs, personal standards, and personal needs and wants;
2. **The organisation:** The behaviour of the individual's superiors and senior management, peer group norms, pressures and behaviour, and policy statements and written rules of the organisation, besides the organisational culture and norms;
3. **The environment:** Government laws and regulations, societal norms and values, and competitive climate of the industry.

Encouraging Ethical Behaviour

Organisations, management and managers can develop and encourage ethical behaviour and conduct in the workplace through a variety of methods, including training and leading by example.

Training

Levels of ethicality in an organisation can be managed by implementing effective ethics training. This may include structured programmes that help participants to understand ethical aspects of decision making, behaviour, practices and conduct. The objective of the training is to help managers and employees incorporate high ethical standards into daily working life as well as deal with ethical issues under pressure. A successful training programme does not stop with one presentation. An ongoing approach to training employees on ethical decision making and the company's ethical culture is paramount. But ethics training is not enough (Banaji, Bazerman & Chugh, 2003).

Ethical Decision Trees

To help make ethical decisions, a decision tree – a graph of decisions and their possible consequences – may be helpful. Bagley (2003) proposed such an ethical decision-making tree.

Values-based Decision Making

Urbany, Reynolds and Philips (2008) have proposed a values-based decision-making approach to ethicality. Values-based decision making has in fact come to take on the exclusive meaning of socially responsible decision making. But while a greater emphasis on ethics is certainly praiseworthy, an important reality is being missed. All decisions – whether judged highly ethical, grossly unethical or anywhere in between – are values-based. That is, a decision necessarily involves an implicit or explicit trade-off of values. Because the values that underlie our decision making are often buried in the shortcuts we take, we need a means for revealing those values and expressly thinking through the trade-offs between them.

Encouraging Participation

An ethical decision maker must understand that everyday decisions all have some basis in values. It is therefore important to sort out the specific values involved in a given decision-making event and make the decision with full awareness of its ethical implications. Therefore, encouraging active participation in deciding an organisation's values would thus help eliminate unfavourable reasons contributing to unethical behaviour. Active participation must come from all levels of stakeholders.

Reporting Unethical Practices

Organisations should offer managers and employees the opportunity to report unethical practice and assure them that they will not be penalised, punished or victimised in any way. With that assurance, managers and employees will be encouraged to do the right thing as they trust the system to protect them. When there is a greater willingness by employees to report misdeeds, managers will think twice before acting in an unethical manner. Key leaders can also write a note of congratulations and thanks in a specific situation where ethical behaviour was demonstrated. Publicly acknowledging ethical behaviour will entrench ethical practices within the organisation.

Increasing Transparency

To reduce ethical misconduct, organisations can also increase transparency in their decision-making process. When encountering ethical dilemmas, managers can hold a group discussion with other managers to reach a general consensus on the issue to be decided. The decision can then be publicised. Group decision making can result in greater diversity of views and reduce bias in the final decision. Although decision making in a team might result in more friction because of conflicting views, standardised models like the ethical decision tree model can facilitate the achievement of a positive outcome.

Leading By Example

When managers possess ethics that are beyond reproach, employees will follow suit. Leading by example is the finest way to demonstrate ethical behaviour. Managers must demonstrate a high degree of professionalism and professional behaviour. More importantly, managers must adhere to a code of ethical conduct themselves. Good managers know the importance of leading by example. Organisations must build a solid reputation and all management personnel have a distinct role to play in this endeavour. Being ethical is more than being lawful. In reality, questionable business practices should be questioned. All organisations must demonstrate a high ethical regard for ethics if they are to be respected by all stakeholders as an ethical organisation.

Organisational Culture

Ethics in the workplace can be managed. This is not easy. However, progressive organisations manage ethics by establishing, publishing and promoting sound values that will act as a moral compass when navigating ethical challenges. Ethics must be incorporated into the organisation culture. By identifying ethical organisational values and then guiding individual and collective behaviours, an organisation can promote positive ethics and conduct of an exceptional nature.

Promoting Ethics Organisation-wide

Managing ethics requires organisations to develop ethics programmes. When these programmes are put into place, employee behaviour will become aligned with the organisation's values. Of course, this requires the organisation's leaders to mirror the ethical behaviour the organisation is promoting. Ethics programmes are not one-time events or effort. Ethics programmes are ongoing and constantly reinforce positive values. Ongoing attention to ethics and values creates an organisation where directness, integrity, and togetherness are promoted.

Ethical Consistency

When employees feel a strong alignment between their ethics and those of the organisation and its leaders, they are motivated to be productive. In addition, as employees become comfortable with the ethical consistency of the organisation, they will try hard to maximise their individual and collective talents.

This list of activities and action in encouraging ethical behaviour is neither complete nor exhaustive. Researchers and academics continue to identify sources of unethical behaviour and possible remedial action as well as propose appropriate steps to avoid any recurrence. With globalisation, technology and knowledge work, ensuring ethical behaviour in new domains will continue to be a challenge for managers and management.

Ethical Intensity

Ethical intensity is the degree of concern people have about ethical issue. Jones (1991) defines it by six factors: magnitude of consequence, social consensus, probability of effect, temporal immediacy, proximity of effect, and concentration of effect.

6 LEARNING OBJECTIVE
Explain ethical intensity and testing for ethical behaviour.

1. **Magnitude of Consequence:** The total 'harm' or benefit derived from ethical decision. The more people who are harmed or the greater the harm to those people, the larger the consequence.
2. **Social Consensus:** Agreement on whether behaviour is good or bad.
3. **Probability of Effect:** The chance that something will happen and then result in harm to others.
4. **Temporal Immediacy:** The time between the act and the consequences the act produces.
5. **Proximity of Effect:** The social, psychological, cultural or physical distance between a decision maker and those affected by the decisions.
6. **Concentration of Effect:** The total 'harm' or benefit that an act produces on the average person.

If we combine magnitude of consequences, social consensus and probability of effect, we can see the effect it has on ethical intensity. Morris and McDonald (1995) indicate that managers are much more likely to view decisions as unethical decisions when the consequences (total harm) are high and the social consensus (agreement) that a behaviour or action is bad.

Testing for Ethical Behaviour

Managers and management are constantly concerned whether ethicality is being practised in the organisation. Psychological and other behavioural tests are available to determine the ethical conduct of employees. Some of these tests include:

6 LEARNING OBJECTIVE
Explain ethical intensity and testing for ethical behaviour.

- **Overt integrity tests:** These tests estimate job applicants' honesty by directly asking them either verbally or in written tests what they feel about theft or about punishment of unethical behaviour (Cunningham, Wong & Barbee, 1994; Wanek, Sackett & Ones, 2003).

- **Personality-based integrity tests:** These tests indirectly estimate job applicants' honesty by measuring psychological traits like dependability and conscientiousness.

According to Nonis and Swift (2001), studies in the United States of America show that college students who cheat once are likely to cheat again. Students who cheat during exams are likely to cheat on assignments and projects. Students who cheated in school were much more likely to cheat on their taxes, in politics, in sports and on their jobs later in life. People who cheat and cheat again come to see their behaviour as normal and to rationalise it by telling themselves that cheating is not wrong. Therefore, employers who value ethicality in the organisation, often weave in questions and situations in the recruitment and selection process to determine the ethical standards of candidates especially if they are being recruited for any executive or managerial position.

Code of Ethics

In order to clearly define appropriate behaviour for everyone, an organisation should develop a written code of ethics. It outlines principles of conduct to be followed when making a decision. Every organisation is different, but there are a few general topics that are applicable to most organisations when considering behaviour and a code of ethics. A typical code of ethics should address these issues.

- Financial reporting
- Conflicts of interest
- Supplier relationships
- Employment practices
- Product safety and quality
- Protection of the environment
- Pricing, billing and contracting.
- Health and safety in the workplace.
- Disclosure and 'ownership' of intellectual property and proprietary information.
- Trading in securities using inside or privileged information.

The more developed and established organisations as well as government and international agencies, charities, non-profit organisations, multinational corporations and transnational organisations often display their code of ethics on their websites and provide a copy to all employees during orientation when they first join the organisation. This may be reinforced in corporate and employee communications as well as at events organised by the organisation from time to time.

Putting Ethics into Practice at Work

Decisions that impact employees are critical. If a decision is handled properly, it can inspire employees to maximise their inherent potential. In the context of ethics, good and well-managed organisations ensure that the element of ethics is considered in the decision-making process. Organisations that promote an environment of positive reinforcement and ethical behaviour will be leaders in their respective industries. Managers must deal with the following examples of employee-related ethical issues with utmost care.

- Always maintain confidentiality about matters pertaining to employees' personal issues, appraisals, terms of employment and remuneration.
- Apply disciplinary action consistently.
- Employ, train, reward and promote on merit, and not friendship.
- Never use non-performance factors in appraisals.
- Racial, religious, gender-related or any other form of discrimination should never be tolerated.
- Only share negative employee information with immediate superiors, on a need or requirement to disclose basis.
- Notify employee when conducting disciplinary-related or law enforcement checks.
- Long-term employees should never be harassed or ridiculed because of age or seniority.
- Be aware of laws that address personal/family illness and time off; and give time off or leave when it is appropriate to do so.
- Base favourable work assignments on objective evaluation of employee job performance.
- Practise acceptable norms determined by society as ethical, equitable and that accord due respect for individuals.

Managerial ethics remains a critical factor in the evaluation and assessment of a manager's performance. If efficiency and effectiveness is to be attained or achieved in an organisation, managerial ethics is a critical factor that will influence it.

Discussion and Exercises

1. How do the four management functions of planning, organising, control and leading create the possibilities of ethical abuse? How would you, as a manager, manage it? Use specific instances in a variety of businesses or industries to illustrate your point of view about application of good ethical practices.
2. Identify and describe the most common forms of workplace deviances and how as a manager you would deal with them. (Note that workplace deviance is unethical behaviour that violates organisational norms about right or wrong or 'infringes' respect for the individual.)
3. What influences ethical decision making? Describe how it would affect the hospitality and catering industries?
4. What steps can managers take to improve ethical decision making in the public services, i.e. services provided by government funded or controlled organisations?
5. Research the article by Bagley, C. E. (2003): "The Ethical Leader's Decision Tree" in *Harvard Business Review*, February, Volume 81 (2), and propose a model for ethical decision making in the context of conducting examinations of a major national university.
6. Read the article by Banaji, M. R., Bazerman, M. H. and Chugh, D. (2003): "How (Un)ethical are you?", in *Harvard Business Review*, December, Volume 81 (12), and discuss the impact of bias in ethical decision making by managers. You may wish to draw examples from the media on local companies to support your point of view.

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CHAPTER 4

GLOBALISATION AND DIVERSITY MANAGEMENT

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Describe the impact of globalisation and diversity management on how they affect the work of managers.
2. Describe the forces in the global environment, including the task and general environment, and how they affect organisations and the work of managers.
3. Describe the linkage between human resource management and globalisation.
4. Describe the relationship between culture and globalisation and its effect on the work of managers.
5. Explain the concept of globality and the role of the global manager in the context of globalisation.
6. Distinguish the different types of diversity in today's workplace.
7. Describe how organisational plurality can be developed and how diversity can be encouraged in the workplace, including effective diversity management.

The Globalisation Revolution

1 LEARNING OBJECTIVE
Describe the impact of globalisation and diversity management on how they affect the work of managers.

No one in the 21st century can ignore a phenomena that emerged in the last few decades of the 20th century – globalisation – and has become dominant in this century. **Globalisation** can best be described as a growing interdependency between countries, organisations and people at a global level through international trade, mobility of people across borders and interaction internationally. In fact, one can perceive globalisation as one huge global market which has resulted in a tremendous increase in international trade, sharing of social and cultural values and a general intensifying of relationships socially, business-wise and between people of different nationalities, ethnicity, religions and political beliefs. The process of globalisation has its effects on the environment, culture, political systems, economic development and prosperity, and on human physical well-being in societies around the world.

This current wave of globalisation has been driven by policies that have opened economies domestically and internationally. The adoption of free-market economic systems and the signing of free-trade agreements by many countries have vastly increased their productive and economic potential. This has also created a myriad of new opportunities for international trade and investment. Countries have also negotiated reductions in barriers to commerce and have established international agreements to promote trade in goods, services and investment. Taking advantage of new opportunities in foreign markets, organisations have built factories in foreign countries other than their home countries and established production and marketing arrangements with foreign partners. A defining feature of globalisation is an international industrial and financial business structure.

Technology has been the other principal driver of globalisation. Advances in information and communication technologies have transformed economic life. Information and communication technologies have given all sorts of individual economic actors, i.e. consumers, investors and businesses, valuable new tools for identifying and pursuing economic opportunities. This includes faster and more informed analyses of economic trends around the world, easy transfers of assets and collaboration with far-flung partners.

While most managers do indeed recognise the move towards globalisation and the need to think globally, many are unsure of the impact on their everyday jobs. In reality, the globalisation of business is affecting every phase of business and in many cases is changing the very nature of the way that work is being performed. In some cases, the changes are more subtle. It is therefore essential for the manager and the organisation that care is taken to ensure the trends are monitored. More importantly, managers must respond appropriately to ensure that their respective organisations remain efficient and effective in the wake of these trends. Managers must be proactive in incorporating global aspects into their jobs and their organisations' work processes and relationships with suppliers, distributors and customers.

The globalisation revolution has connected distant countries and opened up opportunities which were thought not possible just a few years ago. Organisations are striking strategic alliances and partnerships. Furthermore, with speedier transportation and communication, transactions and movement of goods which took much longer in the past, can now be moved at will with much rapidity. Managers today cannot ignore this changed business environment in their planning, organising, leading and controlling functions. An astute understanding of issues related to globalisation and globalisation acumen are critical skills for managers today.

Accompanying the increasing shift to globalisation is the growth of diversity of the workforce. Diversity is differences among people due to age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background, education, physical appearance, capabilities, disabilities and any other characteristic that is used to distinguish between people. Diversity presents a variety of demographic, cultural and personal differences among the organisation's employees and customers, not to mention suppliers, distributors and vendors who do business with organisations. The management of diversity if not handled well can easily cause mayhem and difficulties for the organisation. Diversity is also linked closely to the subject of ethicality and social responsibility of managers, discussed in the preceding chapters.

Each kind of diversity presents managers with a particular set of issues and challenges. They need to appreciate them well if they are to deal with the management of diversity in an efficient and effective manner. Few managers realise it but often they have unconscious biases and prejudices that may affect their judgement and cloud their decisions concerning diverse employees who are different from the main or local workforce. Managers must be sensitive to the effects of diversity in their organisation, take full advantage of the contribution from a diverse workforce and prevent diverse employees from being unfairly treated or discriminated against. Most importantly, managers should harness the power of diversity to contribute to the efficiency and effectiveness of the organisation.

The Global Environment

2 LEARNING OBJECTIVE
Describe the forces in the global environment, including the task and general environment; and how they affect organisations and the work of managers.

The **global environment** is a set of forces and conditions in the world outside an organisation's boundary that affects the way it operates and shapes its behaviour (Bourgeois, 1985). These forces change over time and therefore present managers with opportunities and threats. The quality of the manager's ability to understand the forces in the global and task environment and their ability to respond appropriately to these forces are critical factors affecting organisational performance. The forces are shown in Figure 4.1.

The Task Environment

The **task environment** is the set of forces and conditions that originate with global suppliers, distributors, customers and competitors. These forces affect the organisations' ability to obtain their inputs and 'dispose' of their outputs. The forces in the task environment affect and influence

Figure 4.1 Forces in the Global Environment

managers on a daily basis. They therefore have an immediate and direct impact on the managerial roles and affect their efficiency, effectiveness and performance.

Suppliers

Suppliers are the individuals and companies that provide organisations with input resources such as raw materials, contract workers and raw data. In exchange, suppliers get paid for the goods and services they deliver. A key responsibility of managers is to ensure a reliable and timely supply of inputs to ensure efficient and effective performance of their department. Changes in the suppliers' services and standards can impact the organisation's ability to prosper. Suppliers enjoy a stronger bargaining position if they are the sole supplier of a particular input or if the input is vital to the organisation and there are limited alternative suppliers. If the organisation has many suppliers, the organisation is likely to be in a better position to bargain for low cost and higher quality. With globalisation, the sourcing of suppliers provides a wider choice and therefore is a much more complex process for managers to select the 'optimal and best' supplier. Choosing 'optimal' suppliers can be highly beneficial to the organisation.

Distributors

Distributors are organisations that help other organisations sell their goods and services to customers or ultimate end users. The choices that managers may make about distributors and distribution methodology may have considerable effect on organisational performance. The changing nature of distributors and distribution methods can present opportunities and threats to managers. If distributors become powerful, they can control customers' access to a particular organisation's goods and services. They can dictate terms to distribute in terms of pricing or delivery of the goods and services. On the other hand, the power of the distributors may be weakened if there are alternatives, especially more options.

Customers

Customers are the individuals and groups that buy goods and services that an organisation produces. Changes in the type and number of customers can present opportunities and threats. An organisation's success often depends on its response to customers (Porter, 1985). A manager's ability to identify an organisation's key customers and produce goods and services they want are a critical factor in managerial and organisational success. Expanding into a global environment can attract new customers and fresh opportunities to organisational growth. A growing phenomenon in the increasing numbers of customers and sharper competition is globality, discussed later in this chapter.

Competitors

Competitors are organisations that produce goods and services similar to a particular organisation's goods and services. Competitors are vying for the same customers. Rivalry between competitors is potentially the most threatening force that managers must cope with. Fierce competition may sometimes lead to unethical practices, collusion among some of the competitors or unfair means of securing customers. It can also trigger price wars, while compromising quality may be another approach. Besides rivalry among existing players, there is the threat of new entrants too (Porter, 1985).

Other Threats

In general, new entrants may encounter barriers to entry. Barriers to entry are factors that make it difficult and costly for an organisation to enter a particular task environment or industry (Phatak, Bhagat & Kashlak, 2005; Porter, 1980 and 2008). Barriers to entry often arise from three sources: economies of scale, brand loyalty and government regulations. Economies of scale are the cost advantages derived from either large operation, right-sizing the production facility and/or strategically locating the facility. Savings can arise from production of large quantities, buying inputs at bulk rates or optimising use of resources. Brand loyalty arises from customers' preferences for products of organisations currently in the task environment. In some cases, government regulations may act as a barrier to entry either at the industry or country level.

The General Environment

The **general environment** includes wide-ranging global, political, economic, sociocultural, technological, legal, environmental and demographic (easily remembered by the acronym PEST-LED) forces that affect both the organisation and the task environment. For managers, threats and opportunities arising from the general environment can be even more difficult and challenging to identify, and responding appropriately requires much thought and energy. Changes especially in the general environment can have far-reaching impact on the organisation's efficiency and effectiveness.

Economic Forces

Economic forces include interest rates, inflation, unemployment, economic growth and a host of other factors that affect the well-being and general economic 'health' of a country or region within which the organisation operates, secures its inputs or markets its outputs. The vagaries of the economy can make the job of managers more complex, demanding and difficult. Managers as a consequence have to actively and appropriately manage the four functions of management – planning, organising, leading and controlling – to ensure the organisation continues to perform efficiently and effectively in the context of the economic forces. Managers need to have a good awareness of the economic forces affecting their organisation through reading newspapers, business magazines and articles on the Internet, besides watching news and business and industry reports on television.

Technological Forces

Technology today includes a combination of technology driven or operated 'tools' including computers, software, high-tech machines, information-communication skills, information and data and knowledge that managers use in the production of goods and provision of services. **Technological forces** are outcomes of the changes or advances in technology. The overall pace of technological change has accelerated so rapidly, managers are hard-pressed to keep up with it. Technological change is altering the very nature of work and in the process the work of managers. New models of work from videoconferencing to telecommuting, Internet connectivity and mobile phones are requiring managers to work in tighter time frames and expanding the work time to the ubiquitous 24/7. This requires managers to be available 24 hours every day. Efficiency and effectiveness are given new interpretations in the light of technological change.

Sociocultural Forces

Sociocultural forces are pressures emanating from the social structure of a society, or from national cultures, or from a combination of both. National culture is the set of values that a society considers important and norms of behaviour that are approved or sanctioned in that society. Societies differ in how they are structured. As the world increasingly becomes more globalised and the workforces more diverse, effective managers are sensitive to national and societal differences. They make a concerted effort to understand their work colleagues, associates and business partners, and to adjust their behaviour and response taking into account the societal background and culture of those they deal with.

Demographic Forces

Demographic forces are the outcomes of changes in, or changes in attitude towards, the characteristics of a population, such as age, gender, ethnic origin, race, sexual orientation and social class. Key demographic changes currently sweeping the world are a growing number of older people in especially developed countries; and a burgeoning middle class in countries like India, China and Vietnam. In many countries, the emancipation of women has resulted in more women entering the workforce. These demographic changes provide both opportunities and threats for managers depending on the country, industry and location where they operate. Harnessing the power of demographic forces can be advantageous if appropriately addressed.

Political and Legal Forces

Political and legal forces are the outcomes of changes in laws, regulations and politics of the country or countries that organisation deals with through business transactions. Deregulation, privatisation and environmental protection are typical issues that arise in this arena. The collapse of the Berlin Wall in 1989 and the increasing shift towards capitalistic economy by the People's Republic of China have resulted in increasing flow of people, goods and services across borders. This, is turn, has raised political and legal issues that impact businesses worldwide. Managers need to be aware of the consequences of these forces on their respective work areas.

Globalisation and Human Resources

3 LEARNING OBJECTIVE
Describe the linkage between human resource management and globalisation.

Human resource is perhaps the most easily recognised area being impacted by the global nature of business today. Yet, managers are still having a difficult time adapting to a number of related issues. Nearly everyone in today's workforce is well aware of cultural diversity. The demographic changes in local workforces clearly reflect the move to a global marketplace and this includes a global workforce in most of the world's international cities including Shanghai, Mumbai, Singapore, Kuala Lumpur, Dubai, Sydney, New York, Toronto, Rio de Janeiro, Hamburg and Tokyo.

Choices for selecting employees are much broader, with more immigrants and 'transients' joining the ranks of local workforces than ever. Managers are learning how to truly value diversity and to celebrate the differences among all employees. It is no longer acceptable to just tolerate differences. Organisations benefit in numerous ways from diversity. With diversity, businesses experience more creative and innovative ideas, as opposed to limited ideas by a homogeneous workforce.

This also requires managers to become skilled at working with those who are different from themselves. Managers must create diverse work teams and encourage others to enhance their interpersonal skills in working with others. Managers themselves must acquire cross-cultural management skills. Managers must have an understanding of how culture influences the behaviours of employees. To understand other cultures, the manager must first and foremost understand his or her own culture; and how it affects and interacts with other cultures, especially the dominant national and organisational culture in the workplace and the location of the workplace.

Communication across cultures is also critical for managers today (Phatak, Bhagat & Kashlak, 2005; Matsumoto & Juang, 2004). The way in which communication is accomplished varies from culture to culture. Managers must adapt to and accommodate, employees from other cultures to communicate effectively. Failing to adapt and demonstrate flexibility in communicating across cultures can become a barrier to communication. These communication barriers go beyond just language to include style, time, gestures, stance, eye movement and other body language traits. Upward and downward communication is also handled differently from culture to culture.

Motivating employees is very culture specific (Phatak, Bhagat & Kashlak, 2005; Matsumoto & Juang, 2004). The key to effective motivation is identifying individual needs and these will vary with people from different cultures. Collectivist cultures are more comfortable with team rewards than individualist cultures. It is the responsibility of the manager to determine what makes each of their employees tick and what factors would best motivate them in response to their individual needs.

Managers must also recognise the importance of benchmarking management practices from other countries. But there is also a major danger here that must be addressed. Management practices from around the world cannot be strictly and simply transplanted into a local business without a match with the local culture. Management processes basically have changed little over time, and this will remain so. They differ less from period to period and more from part of the world to part of the world, and even from country to country. Management is always about people; its essence is dealing with human nature (Matsumoto & Juang, 2004). Too often managers try to transplant management practices without a close examination of what makes the practice successful. Many times, the very success of the practice is due to the close integration with the societal culture and balancing two opposing cultures to thrive in harmony.

The Changing Global Environment

With the transformation of the world economy from a traditional industrial, manufacturing and production economy to a technology-based and knowledge-driven service and support economy at the beginning of the 21st century, the characteristics of how organisations function have dramatically changed. The economic rise of China, India and parts of Southeast Asia (e.g. South Korea and Vietnam), the former Eastern Europe and the former Soviet Socialist Empire as new economic powers are creating opportunities and threats for many organisations. The growth of free trade globally and between a host of trading blocs like the European Union (EU), the Association of Southeast Asian Nations (ASEAN), resulting from Free Trade Agreements (FTAs); and the growth of off-shoring and outsourcing can also create both opportunities and threats. Managers therefore need to be aware of the implications and consequences of these changes on their industries and organisations.

Globalisation and Culture

4 LEARNING OBJECTIVE
Describe the relationship between culture and globalisation and its effect on the work of managers.

Culture is the human-made part of the environment (Herskovits, 1955). It comprises both objective and subjective culture:

1. **Objective culture** is defined by the infrastructure of roads, architecture, patterns of music, food and dress habits.
2. **Subjective culture** components include the way people categorise experience, associations, beliefs, attitudes, self-definitions, role definitions, norms and values.

Triandis (1972) suggested these two components of culture and their distinctions provide a helpful way of understanding cultural differences. Managers today working in a globalised world therefore need to be familiar with subjective culture. An understanding of subjective culture-related differences and the way they influence attitudes and values in different parts of the world are critical for the success of organisational performance. This is especially important if the organisation's operations straddle a number of national boundaries.

Cultural variables like shared beliefs, values and beliefs affect how managers in global organisations develop their policies and execute various tasks. The clash of culture and technology is often one challenge that managers face despite the advantage of technological improvement in work processes. Some new technological changes are not readily embraced in certain cultures. Managers must understand the response to new technology within the organisational and dominant national culture. And in spite of globalisation, managers need to recognise that the leading and control functions are not culture-blind. In the planning and organising stages of management, managers should proactively understand the impact of culture in the execution of plans, directives and policies. In essence dominant national culture needs to be incorporated into the four elements of management, i.e. planning, organising, leading and controlling.

There are several environmental layers that affect the management function of managers working in a globalised environment (Phatak, Bhagat & Kashlak, 2005). The cultural layer is very important. Cultural variables determine basic attitudes towards time, work, materialism and norms concerning how relationships are maintained and sustained over time. The cultural orientation and value patterns that exert environmental influence, particularly on international management functions, are **country-specific influences**, e.g. economic and political systems, technological level and important historical events, and the **customs and traditions of the country**, e.g. religion, dialects and languages and educational level of the general population.

These will influence attitudes towards work, money, time, family, authority, change, risk and equality. These will, in turn, influence management functions, such as:

- Organising and controlling.
- Managing technological change.
- Motivating employees.
- Communicating styles.
- Decision-making processes.
- Negotiations.
- Ethical and social responsibility.

It is imperative that today's manager develops cultural sensitivity or a heightened awareness of the values and frame of reference of the local or host culture. Some managers tend to take a parochial approach. Parochialism is a belief that there is no way of doing things other than found within one's own culture, i.e. there are no better alternatives. Parochialism is sometimes termed as 'ethnocentrism' and tends to reflect a sense of superiority.

Managers who are ethnocentric believe that their ways of doing things are the best, no matter which cultures are involved. The consequence is that organisational performance may be negatively affected. On the other hand, some managers may be geocentric. It reflects a belief that being responsive to local culture and markets is necessary. Managers and organisational cultures that exhibit geocentricism may find organisational performance can be improved or enhanced by adopting a geocentric approach.

In summary, an appreciation of cultural diversity and exhibiting cultural sensitivity together with developing effective relationships across cultures are important goals for today's managers functioning in the context of globalisation with an increasingly global marketplace and workforce. Similarly, managers need to take account of the culture of their diverse workforce. It ultimately requires managers to develop a workplace culture that incorporates an understanding of the organisational and national cultures as well as the cultures of their diverse workforce, their own culture and other relevant cultures that may prevail in the workforce and employment landscape.

Globality

5 LEARNING OBJECTIVE
Explain the concept of globality and the role of the global manager in the context of globalisation.

According to Hal Sirkin, Senior Partner and Managing Director at The Boston Consulting Group (BCG): 'The age of globalisation is over.' In its place is a new reality called globality, which Sirkin and his BCG colleagues Jim Hemerling and Arindam Bhattacharya define in *Globality: Competing with Everyone from Everywhere for Everything*. In the book, Sirkin et al. (2008) describe how rapidly developing economies like India and China have changed global business from a "one-way street" that benefits Western multinationals to a two-way competition in which "blending the best of the East with the best of the West is most likely the winning formula".

According to them, the rise of Brazil, Russia, India, China (often described as the 'BRIC countries') and Eastern Europe has seen the emergence of a two-way street. They elaborate in their book that we are no longer just seeing companies from the West coming to India and China, but companies from the BRIC countries becoming real companies that are not just operating in their local markets, but are actually taking a position on the global stage. In doing so, they are starting to challenge the traditional multinational and transnational companies. Consequently, it becomes a two-way street and competition is created. Companies from India, such as Tata, or those from China, like Baosteel, Haier, Li, Fung and Goodbaby participate on the global stage and compete with the Western companies. In some cases, they form strategic alliances or partnerships, such as Goodbaby of China and Mothercare from United Kingdom.

The implication for management and managers is that with the rise of globality, they need to become more global in their outlook but also learn to appreciate national cultures, trends and practices of other cultures, and most importantly appreciate diversity in all its different forms and adapt corporate culture to suit the local situation and circumstances. In short, it is about the need to compete with everyone, from everywhere, for everything according to Sirkin and his colleagues. If management and managers are not taking a global perspective, competitors from other countries may come into your market and take your position and market share. Sirkin and his colleagues add that the world is going to get much more competitive. To compete, managers must know how to balance things. For example, as Sirkin explains, low cost may not be enough to win, because at this point in time just about anybody can access low cost by setting up facilities in China, India or Brazil.

Strategies to Deal with Globalisation

Writing in the *Harvard Business Review*, Bhattacharya and Michael (2008) of BCG state that to win in the world's fastest-growing markets, transnational giants have to compete with increasingly sophisticated home grown champions. It is not easy. They propose a six-part strategy to succeed. These are to:

1. Create customised products or services.
2. Develop business models to overcome key obstacles.
3. Deploy the latest technologies.
4. Take advantage of low-cost labour and train staff in-house.
5. Scale up quickly.
6. Invest in talent to sustain rapid growth.

Managers also need to have an astute understanding of differences in cultural values and cultural orientations, (discussed in Chapter 2), if they are to deal with issues in a globalised world of business and management where managers must interact with people from a diverse background on a daily basis.

Globalisation and the Global Manager

Barlett and Ghoshal (1992) writing about the global manager in a *Harvard Business Review* classic article stated that despite the deep political divisions, business operations continue to span the globe and executives still have to figure out how to run them efficiently and effectively. In the volatile world of transnational corporations, there is no such thing as a 'universal' global manager. Rather, as they state, there are three groups of specialists – business managers, country managers and functional managers. Barlett and Ghoshal go on to add that there are the top executives at corporate headquarters who manage the complex interactions between the three and can identify and develop the talented executives that a successful transnational organisation requires. They are the corporate managers. Barlett and Ghoshal's description of the four different types of global managers are summarised here.

Business Manager

These individuals serve as the strategist for the organisation, the architect of its worldwide asset and resource configuration and the coordinator of transactions across national borders. Their responsibility for the distribution of crucial assets and resources is closely tied to shaping an integrated strategy. The global **business manager** focuses on the most efficient distribution of assets and resources while protecting and leveraging the competencies available in the organisation.

Country Manager

Country managers play the pivotal role not only in meeting local customer needs but also in satisfying the host government's requirements and defending their company's market positions against local and external competitors. Effective country managers play three vital roles: the sensor and interpreter of local opportunities and threats, the builder of local resources and capabilities, and the contributor to and active participant in global strategy. The country managers are also responsible for maintaining good, healthy and diplomatic relationships with leading local personalities and opinion movers in government, business, general society and the unions.

Functional Manager

Functional managers are often relegated to support-staff roles, excluded from important meetings and even dismissed as unnecessary overhead. Functional managers are often given little chance to participate in, let alone contribute to, the corporate mainstream's global activity. Functional managers generally scan for specialised information worldwide, 'cross-pollinate' leading-edge knowledge and best practice, and champion innovations that may offer transnational opportunities and applications.

Corporate Manager

Clearly, there is no single model for the global manager. Responsibility for worldwide operations belongs to senior business, country and functional executives who focus on the intense interchanges and subtle negotiations required. The **corporate manager** not only leads in the broadest sense; he or she also identifies and develops talented business, country and functional managers, and balances the negotiations among the three. It is up to corporate managers to promote strong managerial specialists who can translate company strategy into effective operations around the world.

The descriptions by Barlett and Ghoshal clearly demonstrate that any individual planning to succeed as a global manager needs to have an astute understanding not just of the four management pillars, i.e. planning, organising, leading and controlling but a clear comprehension of how to manage globalisation and diversity in a highly competitive and challenging business environment.

Living with Globalisation

Understanding globalisation is best described by Adler with Gundersen (2008) when she states that the world of organisations is no longer defined by national boundaries. Adler goes on to add that managers no longer have the luxury of reducing global complexity to the simplicity of assumed universality. Managers can no longer assume that there is only one best way to manage. Therefore, management is not only a science but also an art, where managers must learn to plan, organise, lead and control while taking into account the environmental complexity caused by globalisation and globality, ethical and social responsibility and diversity of the workforce.

Diversity

6 LEARNING OBJECTIVE
Distinguish the different types of diversity in today's workplace.

In today's work world, diversity exists through demographic, cultural and personal differences among the employees, customers, suppliers, distributors and management. Diversity makes good business sense in several ways including attracting and retaining talent from diverse origins, backgrounds, situations and circumstances; as well as driving business growth by attracting a diverse range of customers (Robinson & Dechant, 1997).

Research shows that companies with acclaimed diversity programmes also have higher stock market performance (Wright & Ferris, 1995). Diversity also drives business growth through a better understanding of today's marketplace which is increasing in diversity, resulting from global environmental forces, especially globalisation, technology and speedier communication. Companies with a diverse workforce are able to better understand their diverse customer base.

Diversity also helps companies grow through higher-quality problem solving. Though diverse groups initially have more difficulty working together than homogeneous groups, after several months diverse groups do a better job of identifying problems and generating alternatives, the two most important steps in problem solving (Watson, Kumar & Michaelson, 1993; Jehn, Northcraft & Neale, 1999).

Types of Diversity

Diversity is manifested at two levels (Figure 4.2). Surface level diversity is viewed from a perspective where it is evident at a sensory level in which the distinction is visible (e.g. observation of skin colour, dressing, mannerism), can be heard (e.g. the tone of voice and style of speaking) or through smell (e.g. body odour). Surface-level diversity is usually easily observable, typically unchangeable and easy to measure (Harrison, Price & Bell, 1998). Deep-level diversity is often reflected in psychological and behavioural characteristics such as personality and attitude (Harrison, Price, Gavin & Florey, 2002). These are communicated either through verbal or non-verbal behaviours and are learned through extended interaction with others (Harrison, Price & Bell, 1998). Dimensions of surface-level diversity pose special challenges for managers who are trying to create positive work environments where everyone feels comfortable and no one is advantaged or disadvantaged. By moving to understand deep-level diversity, it can result in less prejudice, discrimination and bias in the workplace.

In conclusion, when people get to know each other better and have a better appreciation of deep-level diversity, they are able to have a

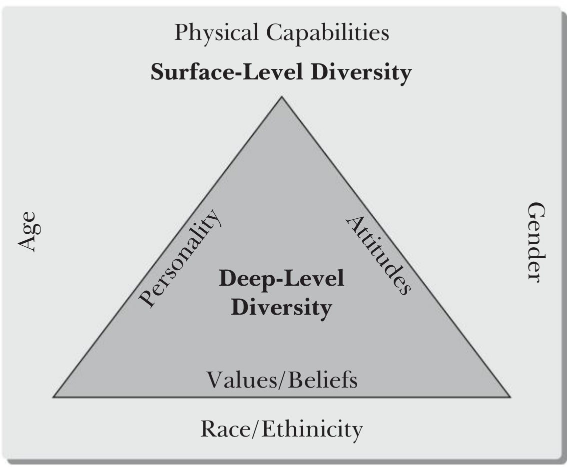

Figure 4.2 Different Types of Diversity

more accurate knowledge of the other person. An informed decision on the relationship with the other person can then be made. For managers to be effective in their various roles, they need to develop the competency to understand their subordinates and customers from diverse backgrounds at the deep level of diversity.

If managed well, the shift from understanding surface-level diversity to deep-level diversity can assist in getting co-workers to know and understand each other better (Harrison, Price & Bell, 1998). This in turn can result in reduced prejudice and conflict and subsequently to stronger social integration, i.e. the degree to which group members are psychologically attracted to working with each other to accomplish a common objective. The ultimate consequence of this is increased efficiency and effectiveness in the workplace and an improvement or enhancement in productivity, performance and output.

Organisational Plurality

7 LEARNING OBJECTIVE
Describe how organisational plurality can be developed and how diversity can be encouraged in the workplace, including effective diversity management.

Forward-looking progressive organisations are meeting the challenge of growing diversity by focusing on organisational plurality. Organisational plurality is a work environment where (Norton & Fox, 1997):

- All members empowered to contribute in a way that maximises the benefits to the organisation, customers and themselves.
- The individuality of each member is respected by not segmenting or polarising people on the basis of their membership in a particular group.

In order to encourage organisational plurality, the organisation needs to create a learning and effectiveness paradigm within the organisation. This can be achieved through effective leadership and organisational culture (Thomas & Ely, 1996). A prerequisite is a leadership that understands a diverse workforce will embody different perspectives and approaches to work and must truly value variety of opinion and insight. The leadership must also recognise the learning opportunities and the challenges that the expression of different perspectives presents for an organisation.

Equally important, the organisational culture must create an expectation of high standards of performance for everyone; and stimulate personal development. A key feature of the organisational culture must be to encourage openness and a high tolerance of debate, and support constructive conflict on work related matters. Besides this, the culture must make employees feel valued. To achieve this goal, the organisation must have a well articulated and widely understood mission. This keeps discussion about work differences from degenerating into debates about the validity of people's perspectives. The organisation therefore should have a relatively egalitarian non-bureaucratic structure. This structure must generate a belief that everyone is equal and should have the same rights and opportunities.

In essence, it must promote equal opportunities for all individuals, and acknowledge cultural differences among people and recognise the value in those differences (Thomas & Ely, 1996). This approach for managing diversity would enable the organisation to internalise differences among employees so that the organisation learns and grows because of the diversity among employees. The approach would encourage learning and effectiveness by focusing on bringing different talents and perspectives together to make the best organisational decisions and to produce innovative, competitive products and services.

Promoting diversity in the workplace requires managers to adopt diversity principles. These diversity principles would include carefully and faithfully following and enforcing laws regarding equal and fair employment opportunities to avoid any problems with appropriate agencies and authorities (Gottfredson, 1992). This could be achieved by treating group differences as important but not special. There would be a need to maintain objectivity at all times with a view to find common ground. Opportunities should be tailored for all individuals, and not for selective groups. This would also require a constant review and re-examination of issues while maintaining high standards.

Active action must be taken to solicit negative as well as positive feedback. Diversity is one of the most challenging and divisive issues that managers will face. Therefore listening to both sides of an argument will give balance and objectivity. Though diversity is a difficult issue, organisations and managers should endeavour to do as much as possible to achieve efficiency and effectiveness while still being supportive of diversity.

Effective Diversity Management

Achieving effective diversity management in the workplace is not easy. But it can be achieved through various initiatives.

Awareness Training

Introduce training programmes and activities to increase employees' awareness of diversity issues and to challenge the underlying assumptions or stereotypes they may hold about others.

Skills-based Diversity Training

This form of training teaches employees the practical skills they need for managing a diverse workforce or addressing others in the context of diversity issues. This would include developing flexibility and flexible attitudes towards others; becoming more adaptable and demonstrating adaptability at work; skills in negotiation, problem solving and conflict resolution where there may be diversity issues or diversity may underlie the issue.

Diversity Audits

This would include formal assessment by independent and fair-minded auditors that measure employee and management attitudes through organisational climate studies; investigate the extent to which people are advantaged or disadvantaged with respect to hiring and promotions and other opportunities in the organisation; and review the organisation's diversity-related policies and procedures.

Diversity Pairing

This is a mentoring programme in which people of different cultural backgrounds, gender, religions, races, or ethnicities are paired to get to know each other and promote changes to stereotypical beliefs and attitudes.

By using their formal authority to support diversity, managers can influence other members of the organisation to make the same commitment. Managerial commitment to diversity legitimises the diversity management efforts of others. Seeing managers express confidence in the abilities and talents of diverse employees causes other organisational members to adopt similar attitudes and helps reduce misconceptions rooted in ignorance or stereotypes. Managers can also achieve effective diversity management by certain actions in their managerial roles. They could achieve this through actions described in Table 4.1:

Type of Role	Specific Role	Illustration
Interpersonal	Figurehead	Communicate that diversity is a valued goal and objective in the organisation; mention the importance of diversity at corporate meetings and emphasise the need for managers to actively practise diversity.
	Leader	Be a role model and ensure minorities and diverse employees are fairly treated; practise diversity friendly action which are clearly visible.
Informational	Liaison	Coordinate the efforts of diverse employees and ensure cooperation with one another.
	Monitor	Evaluate constantly that diverse employees are treated fairly; collate data and information on diversity-related issues.
	Disseminator	Inform employees of diversity policies and procedures;
	Spokesperson	Support diversity initiatives at work and in the community; attend cultural events and festivals in the community as well as work.
Decisional	Entrepreneur	Commit resources to promote diversity and eliminate biases and discrimination.
	Disturbance Handler	Take prompt action to correct inequalities and curtail discriminatory behaviour; periodically discuss sensitively and discreetly issues of diversity concerns with selected employees who may be at risk of bias or prejudice at work;
	Resource Allocator	Allocate resources to support and promote effective management of diversity.
	Negotiator	Work with others to support diversity initiatives.

Table 4.1 Managerial Roles

Conclusion

Globalisation and diversity are two very important issues in management. Managing globalisation and diversity well are critical to efficiency and effectiveness in the management of organisations and ensuring that the organisation performs well and thrives. Managers must proactively engage in globalisation and diversity issues to help the organisation thrive.

EXPERIENTIAL EXERCISE

Interview four friends in your lecture or tutorial group who originate from countries other than your own. Ask them specific questions about what they find different in their experiences in the city where your learning institution is located. Your interviews could focus on experiences at learning institutions, eateries, shopping malls, watching television and listening to radio programmes, travelling on buses and taxis and the underground system. Focus then on asking questions about how they adapted and adjusted to the local situation compared to their home country or city. Check with them their level of satisfaction and happiness compared to the situation in their home country or city. After the interview, form a group of five persons and discuss how you can make their experiences better if you were the manager of an eatery, a shopping mall, a transport service provider or a media service provider.

This exercise is aimed at helping you in your role as a manager to recognise that making changes to suit people from demographically different backgrounds is a challenging task that requires information sharing and adaptation.

Discussion Question

You are required to research in the library and on the Internet, different frameworks about culture before engaging in this discussion exercise. Your research of cultural frameworks should cover as many of the following as possible:

1. Kluckhohn and Stodtbeck's Framework
2. Hoftstede's Framework
3. Trompenaars' Framework
4. Ronen and Shenkar's Framework
5. Schwartz's Framework
6. Hall's Framework
7. Triandis's Framework

You should then have a class or small group discussion, decided by your instructor, to present your finding and discuss the implications of these findings on the four management functions of planning, organizing, leading and controlling. Your discussion may focus on the management practices of specific national cultures in Asia, e.g. Chinese, Japanese and Indian, or in Europe, e.g. British, French and German.

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PART THREE

PLANNING

The McGraw-Hill Companies

CHAPTER 5

DECISION MAKING

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Explain the nature of managerial decision making.
2. Differentiate between programmed and non-programmed decisions and explain why non-programmed decision making is a complex and uncertain process.
3. Describe the steps that managers should take to make the best decisions, besides recognising inherent biases and weaknesses in rational decision making, and the strategies to overcome these weaknesses.
4. Describe the typical decisions that managers have to make in their management functions and the implications of their decision making.
5. Describe groupthink, devil's advocacy and the need for diversity among decision making to achieve better outcomes.

Decision Making

Decision making is the process of making choices from several choices. In a management context, decision making is a process by which managers respond to opportunities and threats by analysing options about specific organisational goals and courses of action. The outcome of their decision making is the degree of efficiency and effectiveness experienced in the business and in the performance of the activity. Decisions can lead an organisation to success or failure. Managers are always seeking ways to make better decisions to improve or enhance organisational performance. Concurrently, they do their best to avoid mistakes that would hurt organisational performance.

The Nature of Managerial Decision Making

1 LEARNING OBJECTIVE
Explain the nature of managerial decision making.

Decision making is the process by which managers respond to the opportunities and threats that confront them by analysing the options and making determinations, or decisions about specific organisational goals and courses of action. A good decision results in the selection of appropriate goals and courses of action that increase organisational performance. Bad decisions result in lower performance.

Decision making in response to opportunities occurs when managers search for ways to improve organisational performance. Decision making in response to threats occurs when events are adversely affecting organisational performance and managers are searching for ways to improve performance. Decision making is central to being a manager and whenever managers engage in planning, organising, leading and controlling, they are constantly making decisions. Managers are always searching for ways to improve their decision making in order to improve organisational performance.

2 LEARNING OBJECTIVE
Differentiate between programmed and non-programmed decisions and explain why non-programmed decision making is a complex and uncertain process.

Programmed and Non-programmed Decision Making

Regardless of the specific decisions that managers make, the decision-making process is either programmed or non-programmed (Simon, 1977). **Programmed decision making** is a routine, virtually automatic process. These decisions have been made so many times in the past that managers have been able to develop rules or guidelines to be applied when certain situations inevitably occur. Most decision making that relates to day-to-day running of an organisation is programmed decision making. Programmed decision making is possible when managers have the information they need to create rules that will guide decision-making. Programmed decisions are often driven by standard operating procedure or well documented instructions on how to respond to different situations. Managers often delegate these decisions to their subordinates.

Non-programmed decision making is required for non-routine decisions. Non-programmed decisions are decisions made in response to unusual or novel opportunities or threats in the absence of ready-made decision rules. In this situation, managers may rely upon their intuition or make reasoned judgements. When making decisions intuitively, managers rely upon feelings, beliefs and hunches that come readily to mind, require little effort and information gathering, and result in on-the-spot decisions (Kahneman, 2002; Jaffe, 2004). Reasoned judgements are decisions that take time and effort and may result from careful information gathering, generation of alternatives and evaluation of alternatives.

Although exercising one's judgement is a more rational process than 'going' with one's intuition, both processes are often flawed and can result in poor decision making. Thus, the likelihood of error is much greater in non-programmed decision making than in programmed decision making. When managers need to make rapid decisions, they do not have the time for a more careful consideration of the issues involved, but in less pressing situations, they do have the time available to make reasoned judgements.

The Classical Model

This has led to the development of the classical decision making model. The classical model is **prescriptive**, that is, it specifies how decisions should be made. Managers using this model make a series of simplifying assumptions about the nature of the decision-making process. The model's premise is that managers have access to all the information they need to make the optimum decision. It also assumes that managers can easily list and rank each alternative from most to least preferred in order to reach an optimum decision.

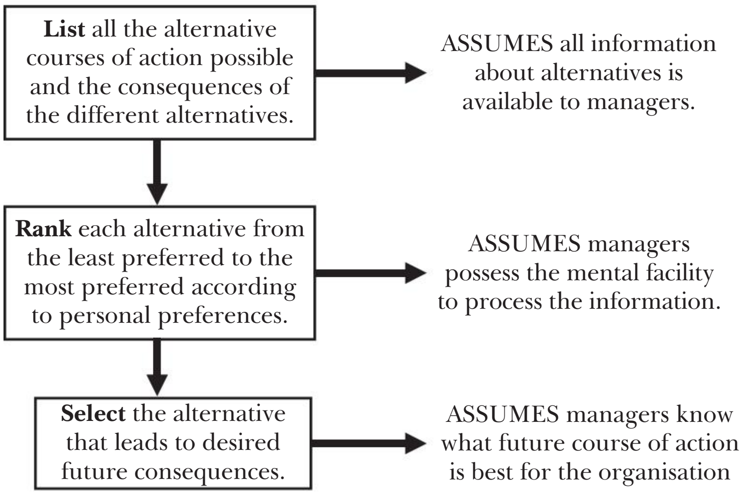

Figure 5.1 The Classical Model of Decision Making

However, the weakness of the model lies in the fact that it makes certain assumptions. It assumes that managers had all the information and that managers can list their preferences and rank them. All this would enable managers to make an optimum decision, i.e. the most appropriate decision in light of what managers believe to be the most desirable future consequence for the organisation. The classical model of decision making is illustrated in Figure 5.1.

The Administrative Model

March and Simon (1958) disagreed with the underlying assumptions of the classical model of decision making. As a result, March and Simon developed the administrative model of decision making to explain why decision making is inherently uncertain and risky; and managers usually make satisfactory rather than optimum decisions (Simon, 1947, 1957, 1977 and 1997; March & Simon, 1958). The administrative model is based on three important concepts: bounded rationality, incomplete information and satisficing.

3 LEARNING OBJECTIVE
Describe the steps that managers should take to make the best decisions, besides recognising inherent biases and weaknesses in rational decision making, and the strategies to overcome these weaknesses.

March and Simon pointed out that human decision-making capabilities are bounded by people's cognitive ability, i.e. limitation in their ability to interpret, process and act on information (Simon, 1947). This constrained their ability to make optimum decisions. They called this **bounded rationality**. They further argued that the full range of alternatives is unknowable in most cases and the consequences associated with the known alternatives were uncertain. In other words, information is incomplete because of risk and uncertainty, ambiguity and time constraints.

Simon's pioneering research into the decision-making process within economic organisations has resulted in the development of the bounded rationality model. The model emphasises the limitation of rationality and thus provides a better picture of the day-to-day decision-making processes used by managers and others. The bounded rationality model recognises the role of decision biases, inadequate problem definition, limited search for alternatives and the availability of limited information.

In addition, information is often incomplete because in most cases the full range of decision making alternatives is unknown and the consequences associated with known alternatives are uncertain. In other words, information is incomplete because of risk and uncertainty, ambiguity and time constraints. Risk is present when managers know the possible outcomes of a particular course of action and can assign probabilities to them. Uncertainty exists when the probabilities of alternative outcomes cannot be determined and future outcomes are unknown. Much of the information that managers have at their disposal is ambiguous and therefore can be interpreted in multiple and often confusing ways.

March and Simon further argued that managers do not attempt to discover every alternative when faced with bounded rationality, an uncertain future, unquantifiable risks, considerable ambiguity, time constraints and high information costs. Rather, they use a strategy known as **satisficing**, which involves searching for and choosing an acceptable or satisfactory response to problems and opportunities, rather than trying to make the best decision. March and Simon pointed out that managerial decision making is more often an art than a science. In a real world, managers often rely on intuition and judgement (Simon, 1987). The outcome of this is satisficing. Satisficing is the practice of selecting an acceptable goal or alternative solution rather than searching extensively for the best goal or the most optimal solution (Simon, 1997).

Curbing Overconfidence

Decades of research indicate that managers tend to be overconfident in the decisions that they make, and with overconfidence comes the failure to evaluate and rethink the wisdom of those decisions and learn from one's mistakes. A distinction is made by researchers between the decision-making skills of true experts with extensive experience and managers who have some expertise. Those managers with some experience in their content area but are not true experts tend to be overly confident of their intuition and their reasoned judgements, often do not learn from their mistakes, and are too sure about their abilities and their influence over unpredictable events. While the intuition of experts can also be faulty, it is less likely to be. To avoid the perils of over-confidence, managers should critically evaluate their decisions and their outcomes, admit when they have made a mistake and learn from their mistakes.

Steps in the Rational Decision-making Process

In the light of March and Simon's work (March & Simon, 1958; Simon, 1947, 1957, 1977 and 1997), various authors and researchers have proposed decision making as a rational process. The rational decision-making process generally prescribes a set of phases that individuals or teams should follow to ensure their decisions will be logical or optimal. The rational decision-making process focuses on the means, i.e. how to best achieve one or more goals. The rational decision-making process may be used to assist in identifying, evaluating and selecting the goals to be pursued (Dawes & Hastie, 2001).

The rational process presents a linear process in decision making. Several researchers and authors present variations of the rational decision-making process. Very broadly, these steps are key to the rational decision-making process.

1. Diagnose and define the problem.
2. Identify the criteria or objective of the decision; some authors may describe this as goal setting.
3. Weigh the criteria or prioritise the objectives.
4. Generate alternative solutions or ways to deal with the problem.
5. Compare and evaluate each of the solutions or ways to deal with the problem against each criterion or objective.
6. Identify the optimal solution or ways to deal with the problem.
7. Implement the solution or decision.
8. Follow up and control the results; if the solution or decision does not produce the results, either make appropriate adjustments or carry out the decision-making process again.

Weaknesses of the Rational Decision-making Process

The key weakness in the rational decision-making model is that it assumes an ideal world where the decision maker has access to complete and comprehensive information and knowledge. But if management and all stakeholders had complete and comprehensive information, then the Asian financial crisis of 1997 and the financial tsunami and the financial crisis of 2008–2009 would never have happened. Unfortunately, the reality is that risk and uncertainty prevail in the business world and in many areas of management, and will continue to affect all decisions.

The rational decision-making process also assumes objectivity and utility maximisation when in reality decision makers and other stakeholders often settle for a 'good enough' outcome rather than maximisation of the outcome. Decision-making processes in the real world are restricted by limited resources, incomplete and imperfect information and manager's limited decision-making capabilities. In conclusion, decision making is often 'satisficing'.

Biases in Decision-making Processes

Biases in decision making are not uncommon. This bias can often lead to sub-optimal or even wrong decisions. In some cases, decision makers may even persist in implementing a wrong decision though knowing full well that the decision is wrong. Biases can also arise from incorrect interpretation of the problem, inadequate problem definition, insufficient or limited search for alternatives and a host of other possibilities where the concept of decision making is not properly understood in the context of the problem or situation.

The original research on biases in management and economics is mainly attributed to the works of Daniel Kahneman and Amos Tversky about the psychology of how people manage risk and uncertainty and described as the Prospect Theory (Kahneman & Tversky, 1972, 1979, 1984 and 2000; Kahneman, Slovic & Tversky, 1982; Kahneman, 2003). These are some forms of biases that have been studied (Klein & Weick, 2000; Gilovich, Griffin & Kahneman, 2002; Muramatsu & Honoch, 2005; Beach & Connolly, 2005; Gino, 2006).

1. The availability bias refers to easy recall of specific instances of an event that may lead to overestimation on how frequently the event occurs and thus becomes a problem.
2. The selective perception bias refers to people choosing to see what they wish to see. Decision makers therefore seek information consistent with their own views and downplay or avoid conflicting information or perceptions, consequently affecting the perception of the problem.
3. The concrete information bias refers to the recollection of a vivid, direct experience usually prevailing over more objective and complete information. In short, a single personal experience may far outweigh statistical or other researched or supported evidence.
4. The law of small numbers bias refers to the tendency to view a few incidents or cases as representative of a larger population when that is not so.

Post-Decisional Justification

Managers who are also decision makers are not totally honest with themselves when they evaluate the effectiveness of their decisions. After making a decision, there is a tendency to support their choices by conveniently overlooking, forgetting or downplaying the negative features of the selected alternatives or decisions. Emphasis is often put on the positive and strong points of the alternative or decision. This is often referred to a post-decisional justification (Taylor, 1984).

Escalation of Commitment

Another post-decision problem often arising when evaluating decision outcomes is escalation of commitment. It is a tendency of decision makers, including managers, to repeat or persist in a bad decision or allocate more resources to a failing course of action (Whyte, 1986; Brockner, 1992). There are several reasons leading to escalation of commitment: self justification, prospect theory effect, perceptual blinders and closing costs.

Self Justification

Decision makers are motivated to maintain their course of action when they have a high need to justify their decision. This is especially evident when decision makers are personally identified with the project or decision. They may have even staked part of their personal and professional reputations on the project's success or the successful outcome of a decision. Admitting to a sub-optimal or wrong decision is therefore not an option open to them (Schoorman & Holahan, 1996).

Prospect Theory Effect

Individuals dislike losing $100 as much as they would like to receive $100. This is not so. In fact, we dislike losing a particular amount more than we like gaining the same amount. In short, we often take fewer risks to gain and take more risk to avoid losses. This is called the Prospect Theory and attributed to Daniel Kahneman and Amos Tversky (1972, 1979, 1984 and 2000; Kahneman, Solvic & Tversky, 1982; Kahneman, 2003). For example, stopping or abandoning a project that is a certain loss is more painful to most people than the uncertainty of success associated with continuing to fund the project (Whyte, 1993; Sharp & Salter, 1997).

Perceptual Blinders

Escalation of commitment can sometimes occur because the decision maker does not see the problem soon enough. They may unconsciously screen out or explain away negative information to protect their self-esteem. Serious problems initially look like random errors along the trend line to success. Even when they see something is wrong, the information is sufficiently ambiguous that it is misinterpreted or justified.

Closing Costs

Even if a project's success is in doubt, the decision makers will persist because the costs of ending the project are high or unknown. Terminating a major project may involve large financial penalties, a bad public image or personal political costs.

The four conditions described above may cause an escalation of commitment to be viewed as irrational behaviour. However, there are exceptions. Recent studies (Bragger, Hantula, Bragger, Kirnan & Kutcher, 2003) suggest investing more into a failing project is sometimes a logical attempt to understand an ambiguous situation. This strategy is essentially about testing unknown or uncharted territory. By investing further, the decision maker gains new information about the situation and also obtains feedback about the project's future success. This strategy, in exceptional cases, may be adopted where the closing costs are very high and the decision maker has access to deep pockets, e.g. a very large corporation, a major multinational corporation or very rich governments to back them.

Strategies to Overcome Biases

One way to overcome biases, minimise escalation of commitment or post-decisional justification is to separate decision choosers from decision evaluators. Another strategy may be to openly or publicly establish a preset level where a decision will be made to abandon the project or re-evaluate whether to continue.

A third strategy may be to find a source of systematic and clear feedback. Fourth, projects may have less risk of biases, post-decisional justification or escalation of commitment where several individuals who are equal in ranking or power position are decision makers. However, each of these strategies suffers from inherent weaknesses based on the nature of the decision, the decision process, source of decision knowledge, commitment to the decision and the structure of the decision.

Employee involvement or participative management is another strategy to adopt for overcoming biases. Involving employees at the level closest to the activity or the outcome of the decision can to some extent ensure the effectiveness and optimisation of the decision. In today's work world of rapid change and pervasive complexity, no one can really claim to have comprehensive and complete knowledge or information to make effective and optimal decisions.

Managers who adopt participative management styles will find decision making somewhat easier with appropriate employee involvement. Participative management also improves the quality of decisions and enhances employee commitment in the decision. Employees nearest to the activity often recognise problems more quickly and define them more accurately.

Employee involvement also improves the likelihood of choosing the best alternative and making better decisions. Involvement of many employees brings about synergy from the pooling of knowledge. This is attributable to the input of diverse perspectives and ideas and a broader representation of interests and values. Employee involvement in the decision making process brings about increased employee motivation and satisfaction.

Many of the concepts described above are supported by research published in books, and professional and academic journals (e.g. Robinson & Schroeder, 2004; Kleingeld, Van Tuijl & Algera, 2004).

To overcome biases, post-decision justification and escalation of commitment, Nutt (2002) and MacDuffie (1997) suggest the following strategies.

1. Employ multiple perspectives by taking into account multiple social and political perspectives. Set the direction to take cognisance of the multiple stakeholders and practise it in the decision-making process.
2. Avoid the urge to impose ideas for the sake of pragmatism and urgency of decision.
3. Pay attention during the decision-making process to the context as well as the sociopolitical influences of oneself or the decision maker.
4. Ensure the problem and the decision is correctly framed and stated.
5. Adopt a common communication approach so that all stakeholders clearly understand the issues and the decision situation.

Decisions in the Management Functions

4 LEARNING OBJECTIVE
Describe the typical decisions that managers have to make in their management functions and the implications of their decision making.

Managers at all levels and all management functions frequently need to make decisions.

1. The function of planning
   - What are the organisation's long-term objectives?
   - What strategies will best achieve these objectives?
   - What should the organisation's short-term objectives be?
2. The function of organising
   - How many subordinates should I have report directly to me?
   - How much centralisation should there be in the organisation?
   - How should jobs be designed?
   - When should the organisation implement a different structure?
3. The function of leading
   - How do I handle employees who appear to be low in motivation?
   - What is the most effective leadership style in a given situation?
   - How will a specific change affect worker productivity?
   - When is the right time to stimulate 'productive' conflict?

4. The function of controlling
   - What activities in the organisation need to be controlled?
   - How should these activities be controlled?
   - When is a performance deviation significant?
   - What type of management information system should the organisation have?

Implications for Managers

The implications of bias, uncertainty and intuition have consequences on managerial decision making. Here are some examples.

1. Managers must know the strengths and weaknesses, particularly inherent biases, of different decision processes in order to match the most suitable decision processes to a decision situation (Das & Teng, 1999).
2. Simple procedures or intuition are not appropriate for solving complex problems. Instead, complex problems require rigorous analysis and expert problem-solving skills.
3. A complex decision process is rife with political, social and economic agendas, individual and group biases and changing patterns of relationships.
4. Regardless of the type of decision process used, the defined problem is only a representation of the true nature of a problem. Therefore, when the problem is complex, it is difficult to define it accurately or completely (Gause & Weinberg, 1990). Therefore, managers must be receptive to the possibility of change and adaptation.
5. Making correct decisions can be a great challenge in situations where there are conflicting arguments and contradictory evidence. To overcome this challenge is to increase the likelihood of making quality decisions by choosing an appropriate decision process that suits the decision situation, finding ways to reduce biases underlying that process and explicitly examining and challenging hidden assumptions. Assumptions can range from implicit philosophical beliefs to simpler cause-effect beliefs.
6. The use of heuristics or 'rules of thumb' in complex and ill-structured situations can inject systematic biases that increase the risk of decision failure. These biases may stem from individual orientations and the methods of information gathering and processing. Thus, minimising biases should be a major source of concern for managers wishing to engage in effective problem solving.

7. Managers must be on a continuous lookout for aberrant decision-making processes and put in place a system that minimises informational distortions by encouraging the timely disclosure and sharing of unbiased information (Wheelen & Hunger, 2002).

Groupthink

5 LEARNING OBJECTIVE
Describe groupthink, devil's advocacy and the need for diversity among decision making to achieve better outcomes.

Groupthink is a pattern of faulty and biased decision making that occurs in groups whose members strive for agreement within the group at the expense of accurately assessing information. When managers are subject to groupthink, they collectively embark on a course of action without developing appropriate criteria to evaluate alternatives. Typically, the group rallies around one central manager and becomes blindly committed to that manager's preferred course of action without evaluating its merits. Pressures for harmony and agreement have the unintended impact of discouraging individuals from raising dissenting opinions.

Devil's Advocacy

Devil's advocacy is a technique used to counteract groupthink. It involves a critical analysis of the group's preferred alternative in order to ascertain its strengths and weaknesses before implementation. One member of the decision making group plays the role of devil's advocate by critiquing and challenging the way in which the group has evaluated alternatives and selected one alternative over the other.

Diversity among Decision Makers

Promoting diversity within decision making groups also improves group decision making by broadening the range of experiences and opinions that the group members can draw from as they generate, assess and choose among alternatives. Groups containing members from diverse backgrounds are less prone to groupthink because of the differences that exist.

EXPERIENTIAL EXERCISE

Are Decisions Rational?

Form teams of four or five persons to do this exercise.

You and your team members have decided that there is a need for 'specialist economically priced' restaurants in the city. There are already many restaurants, but none seems to fit into the concept of specialist economically priced restaurants. Collectively, carry out the following exercise to set up a specialist economically priced restaurant.

1. Brainstorm to identify the specific menu or dish(es) you will sell.
2. Discuss the unique proposition you would offer customers in your specialist economically priced restaurant. (Team members must state what they define as 'specialist economically priced restaurant'.)
3. Forecast the anticipated daily clientele you expect at the main mealtimes: breakfast, lunch and dinner.
4. Based on the decisions made, outline the details of the restaurant you will set up including its location, an outline menu, the pricing and other details, such as opening hours, financing of the business and how you will promote your business.

Now review your decision making by addressing these questions:

1. Did you use any kind of structured or systematic approach or criteria in your decision-making process?
2. Why did you, or did you not, adopt the rational decision-making process? If you did use the rational decision-making process, did you find it useful or not helpful?
3. What were the biases that your team experienced?
4. Were there any post-decisional justification? Why did you have to have post-decisional justification?
5. Was there any escalation of commitment after you made certain decisions? Why was this so?
6. How can you improve your decision-making process?

The teams may wish to share their analysis with others in the class if directed by your instructor.

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CHAPTER 6

PLANNING AND STRATEGY

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Describe the planning process, its linkage with strategy and its importance and the role of managers in planning.
2. Differentiate between corporate-level, business-level and functional-level strategies.
3. Describe the successful managing of strategy and its execution.
4. Describe Porter's five competitive forces that shape strategy.
5. Describe the formulation of corporate-level, business-level and functional-level strategies.

Planning

1 LEARNING OBJECTIVE
Describe the planning process, its linkage with strategy and its importance and the role of managers in planning.

As we noted in Chapter 1, planning is a process for identifying and selecting appropriate goals and courses of action for an organisation. The planning function requires decisions on three important matters: determining the organisation's goals and objectives, formulating a strategy and implementing the strategy through plans.

Determining Goals and Objectives

The organisation needs to determine its direction, desired future state and future conditions for business success to pursue. The key in determining the organisation's goals is the mission statement. The mission statement is a broad declaration of an organisation's purpose that identifies the organisation's products, services and customers; and distinguishes the organisation from its competitors.

Formulating a Strategy

The organisation needs to decide what major courses of action to take and how to use resources to achieve the goals.

Implementing the Strategy through Plans

The organisation needs to decide how to best allocate its resources, including assets such people, machinery, raw materials, information, skills and financial capital to achieve the strategies.

In the planning process, managers must:

- Discover and establish where the organisation is at the present time.
- Determine where it should be in the future, i.e. the future desired state.
- Decide how to move the organisation forward to reach the future state.

In essence, managers need to forecast and anticipate the future. The better their predictions, the more effective will be their planning and strategies to take advantage of the opportunities and counter the threats in the environment. As the external environment is uncertain and complex, managers typically must deal with incomplete information and bounded rationality. Consequently, planning and strategies have risk associated with them. If managers' predictions are inaccurate or wrong, efficiency and effectiveness will be affected and the organisational performance will not be achieved and may even fail.

Why Planning is Important

Planning is an important function within the management for various reasons. Most importantly, planning is necessary to give the organisation a sense of purpose and direction. It is also a useful way for managers to participate in the decision-making process about the appropriate goals and strategies for the organisation.

A plan helps to coordinate the efforts of managers in charge of different functions and divisions of an organisation to ensure that they all pull in the same direction and work to achieve its desired future state. A plan can also be used as a device for controlling managers within an organisation. It is a yardstick to measure their actual performance in comparison to the planned expectation. Plans can also be used for measuring the performance of employees and managers.

Effective plans should comprise four key qualities of unity, continuity, accuracy and flexibility.

- **Unity:** At any given time, there should be one central guiding plan. It is put into operation to achieve specific organisational objectives and goals. More than one plan in operation will cause confusion, disorder and chaos. The single plan may have sub-plans within it, but these are elaborations of specific items in the single plan.
- **Continuity:** Planning is an ongoing continuous process in which managers build and refine previous plans and continually modify plans at all levels so that they fit together coherently into one broad framework. Plans need to be constantly updated to ensure that changes in circumstances, situations and the environment are recognised and addressed appropriately.
- **Accuracy:** Managers need to make every attempt to collect and utilise all available information at their disposal in the planning process. However, managers also need to recognise that uncertainty exists and information is almost always incomplete.

- **Flexibility:** There must be enough flexibility in the plan to be altered and changed if the situation changes or demands it. Managers must never be bound by a plan that is cast in stone. There must be enough flexibility to address changes in the environment and the demands and needs of customers.

The Role of Managers in Planning

Every manager in the organisation plays an important role in the planning process. Planning leads to persistence in achieving objectives and goals by setting a clear direction for managers. Planning also will encourage managers to develop task strategies and work harder, which are behaviours that are likely to lead to goal accomplishment. Each level of manager from the Chief Executive Officer (CEO) to the first-line manager will have a specific responsibility in the planning process.

Different levels of managers have different roles to play in planning, as illustrated in Figure 6.1. CEOs focus on the organisation's vision, an inspirational statement of an organisation's enduring purpose. They work with top managers and long-serving middle managers to translate the vision into actionable plans. CEOs and top managers are often involved in executing the mission of the organisation and high-level tactical plans.

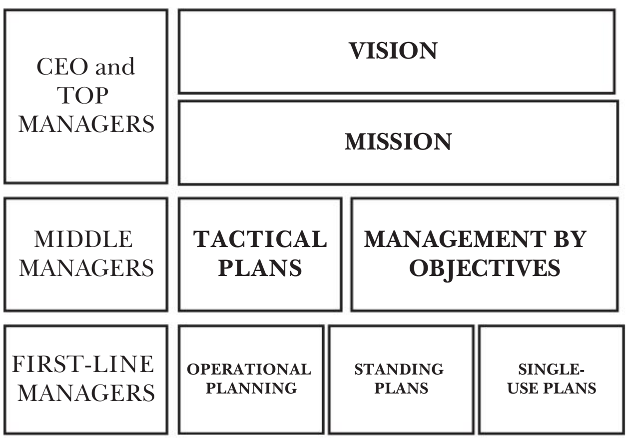

Figure 6.1 The Role of Managers in Planning

The mission is a statement of the company's overall goal that unifies company-wide efforts towards its vision, stretches and challenges the organisation, and possesses a finish line and time frame. The organisation's mission is the overriding reason the organisation exists. To define it, the managers need to define the business so that they can identify what kind of value customers will receive. In order to define the business, managers need to ask three key questions about the company's products.

1. Who are our customers?
2. What customer needs are being satisfied?
3. How are we satisfying customer needs?

Once the mission is defined, managers are then able to define the key goals.

Management by Objectives (MBO) is a four-step process in which managers and employees discuss and select goals, develop tactical plans and meet regularly to review progress towards goal accomplishment.

Tactical plans, created and implemented by middle managers, specify how the company will use resources, budgets and people over the next six months and up to two years to accomplish specific goals within its mission.

Operational plans are day-to-day plans, developed and implemented by lower-level managers for producing or delivering the organisation's products and services over a 30-day to six-month period. **Single-use plans** are plans that cover unique, one-time only events. **Standing plans**, on the other hand, are plans used repeatedly to handle frequently recurring events.

Developing an effective plan that works is a challenge for many freshly appointed managers. Developing an effective plan is broadly a five-step process as illustrated in Figure 6.2. Critical in any plan is getting commitment to achieve the goal. Once commitment is secured, the next challenge is developing the strategy and to implement the plan. During the implementation of the plan, it is important to ensure that the activities comply with the plan especially in resource usage and ensure there is no over-run of the resource cost and quantity. Maintaining sufficient flexibility in the plan is therefore important to enable adjustment.

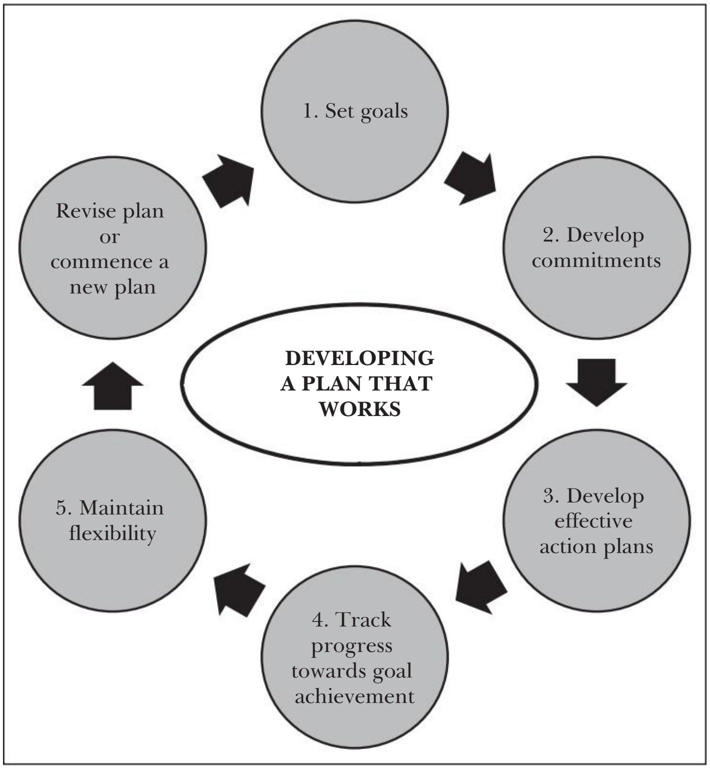

Figure 6.2 Developing an Effective Plan

Levels of Planning

In large organisations, planning generally takes place at three levels: corporate, business or divisional, and functional. The three levels of an organisation are illustrated in Figure 6.3, which shows the structure of a typical organisation in the food and catering industry.

2 LEARNING OBJECTIVE
Differentiate between corporate-level, business-level and functional-level strategies.

Figure 6.4 shows the links between the different levels of planning. The **corporate-level plan** focuses on the top management's decisions concerning the organisation's mission, overall strategy and structure. The corporate strategy would also specify the industries and national markets the organisation intends to compete in and why.

The business-level plan focuses on the manager's decisions concerning the division's long-term goals, overall strategy and structure. The business-level strategy is a plan that defines how the division intends to compete against its rivals in the industry or market, depending on what

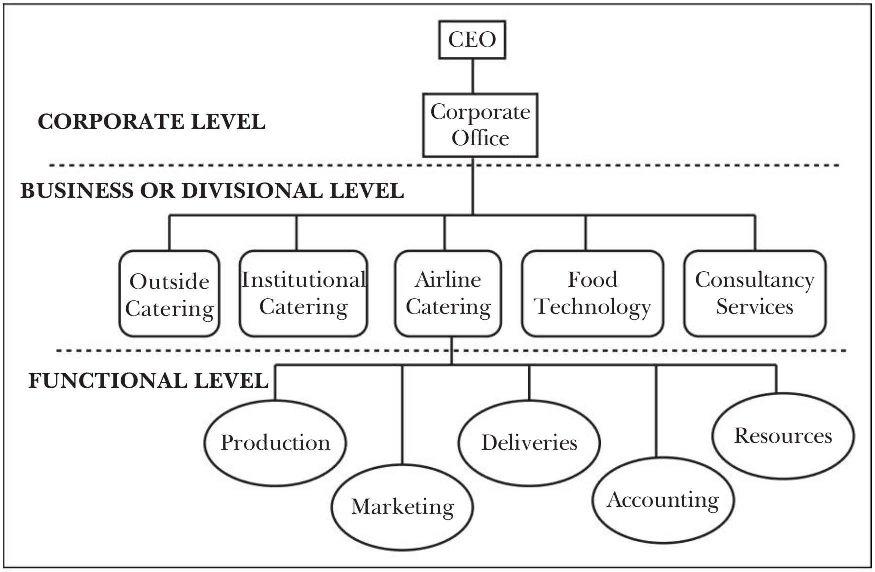

Figure 6.3 Levels of Planning in a Typical Organisation

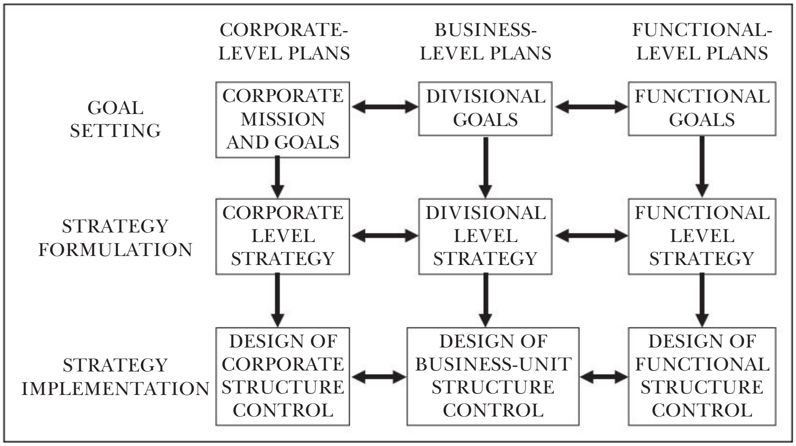

Figure 6.4 Levels and Types of Planning

the division is responsible for. Business-level planning and strategy must be aligned with the corporate-level planning and strategy. It should be done in consultation with the other divisions to take advantage of opportunities and economies of scale.

The functional-level plan focuses on functional-level managers' decisions pertaining to the goals that they propose to pursue to help the division attain its business-level goals. Functional-level strategy is a plan that indicates how functional managers intend to increase the value of the organisation's goods and services.

The plans also have a time horizon. **Long-term plans** usually focus on a time horizon of five years or more. **Intermediate plans** are addressed at activities between one to five years. **Short-term plans** are up to one year. Corporate- and business-level plans that extend over several years are usually updated or amended on a six-monthly or an annual basis to take account of changing conditions and external environment. These plans are referred to as rolling plans. Rolling plans allow managers flexibility and ability to adapt to the changing circumstances and still remain on course to achieve efficiency and effectiveness as well as optimise performance.

Managing Strategy

In an increasingly competitive business climate, managers need to ensure that they manage their tasks strategically. The strategic management process is a rational approach adopted by most if not all organisations to achieve strategic competitiveness and earn above average returns by using all their resources optimally. Organisational resources includes assets, capabilities, process, information and knowledge that an organisation uses to improve its effectiveness and efficiency, create and sustain competitive advantage, and fulfil a need or solve a problem.

Organisations achieve competitive advantage by providing greater value for customers than their competitors can. For an organisation to gain sustainable competitive advantages, it needs resources that will improve efficiency and effectiveness, as well as ensure the resources are not controlled or possessed by competing organisations. The output, i.e. the product produced or service provided, must also be impossible or extremely costly or difficult for other organisations to duplicate or replicate.

Managers therefore must actively engage in the strategy formulation process. The three common steps in the strategy development process are assessment, analysis and selection.

Assess a Need for Strategic Change

The manager may need to overcome competitive inertia, i.e. a reluctance to change strategies or competitive practices that have been successful in the past; as well as assess strategic dissonance, i.e. a discrepancy between an organisation's intended strategy and the strategic actions the manager may take when implementing the strategy.

Conduct a Situational Analysis

This is also called the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The manager should examine the distinctive competences and core capabilities in the organisation. He should also examine the external environment by engaging in environmental scanning, examining what competitors are doing and trends for the future.

Choose the Right Strategic Alternative

At this stage a decision should be made. This may need an assessment of the risk associated with the strategic move and the likely outcomes.

Secrets to Successful Strategy Execution

3 LEARNING OBJECTIVE
Describe the successful managing of strategy and its execution.

In a recent *Harvard Business Review* article based on a database of 125,000 profiles representing more than 1,000 companies, government agencies and not-for-profits in over 50 countries, Neilson, Martin and Powers (2008) reported that three out five companies were rated by their employees as being weak on execution of strategy. The majority even agreed that important strategic and operational decisions were not quickly translated into action. Failing to have an effective strategy could be the undoing of many organisations.

According to Neilson, Martin and Powers (2008), strategy execution is the result of thousands of decisions made every day by employees acting according to the information they have and in their own self-interest. They identified four fundamental building blocks executives can use to influence those actions. These included ensuring clear decision rights and making sure that information flowed freely to those who needed to make decisions. They also identified that it was important to align motivators and to make adjustments or changes to the organisational structure.

They added that in efforts to improve performance, most organisations focus on organisational structural measures because moving lines around the organisation chart seems the most obvious solution and the changes are visible and concrete. Such steps generally reap some short-term efficiency quickly, but in so doing address only the symptoms of dysfunction, not its root causes. In fact, their research shows that actions related to clarifying decision rights and designing information flows are far more important and about twice as effective as improvements made to the other two building blocks, aligning motivators and making changes to structure.

Neilson and colleagues set out to gather empirical data to identify the actions that were most effective in enabling an organisation to implement strategy. Their results identified these fundamental traits to organisational effectiveness.

- Everyone in the organisation must have a good idea of the decisions and actions for which he or she is responsible. Failure in awareness of the person's responsibility would inevitably lead to failure to act on the part of the person who was responsible. While this is very basic and fundamental, managers sometimes fail to have a clear idea of the boundaries between their area of responsibility and that of others.
- Important information about the competitive environment must get to the headquarters, and of course to the top management, quickly. This is vital as the top management being at the apex of the organisation has a global picture of not just the immediate environment but a firm understanding and grip of the goals and the general environment. This will enable the top management to make appropriate adjustment.
- Once decisions are made, they are rarely second-guessed. Changing decisions frequently will often confuse managers lower in the hierarchy. If this is done too often, those lower in the hierarchy will not take top management seriously when they seek any adjustment in the strategy or plan.
- Information must flow freely across organisational boundaries. The free flow of information is critical if everyone is to work in tandem. Managers must also ensure that field and line employees have the information they need to understand the bottom-line impact of their day-to-day choices. In summary, information is a critical factor in distinguishing organisation performance. Information must be harnessed well and exploited appropriately to achieve goals.

Strategy is therefore everybody's business and everyone should be aware of it. The flow of information about strategy should not be hampered and once decided, strategy should not be changed. Neilson and colleagues also point out that the four building blocks that managers can use to improve strategy execution—decision rights, information, structure and motivators—are inextricably linked. Unclear decision rights not only paralyse decision making but also impede information flow, divorce performance from rewards and prompt work-arounds that subvert formal reporting lines. They add that blocking information resulted in poor decisions, limited career development and a reinforced structural silos.

Neilson et al. conclude that strategy execution is a challenge. Strategy failures can almost always be fixed by ensuring that people truly understand what they are responsible for and who makes which decisions, and then giving them the information they need to fulfil their responsibilities. With these two building blocks in place, making changes to the structure of the organisation and aligning motivational elements will follow.

Porter's Five Competitive Forces

4 LEARNING OBJECTIVE
Describe Porter's five competitive forces that shape strategy.

According to Porter (1980, 2008), there are five competitive forces that shape strategy. They are:

- The nature and character of rivalry among the existing competitors.
- The threat of new entrants who could become competitors.
- The threat of substitute products or services to the organisation's products or services.
- The threat arising from the power of suppliers.
- The threat arising from the bargaining power of buyers.

In order to meet the challenge of competitive forces, organisations use a variety of strategies. Organisations can use positioning strategies like differentiation and cost leadership or even focus strategy, or they can adopt adaptive strategies to deal with competitive forces. While the aim of the different positioning strategies is to minimise the effects of industry competition and build a sustainable competitive advantage, the purpose of appropriate adaptive strategies is to choose an industry level strategy that is best suited to changes in the organisation's environment.

There are four types of adaptive strategies (Miles & Snow, 1978), which are differentiated by the approach taken.

- **Defenders:** This strategy seeks to achieve moderate, steady growth by offering a limited range of products and services to a well defined set of customers.
- **Prospectors:** This strategy seeks fast growth by searching for new market opportunities, encouraging risk taking and being the first to bring innovative new products to the market.
- **Analysers:** This strategy is a blend of the defender and prospector strategies. Analysers seek moderate, steady growth and limited opportunities for fast growth. Analysers rarely are the first to market with new products or services. Instead, they simultaneously minimise risk and maximise profits by following or imitating the proven success of prospectors.
- **Reactors:** Those who adopt this strategy do not follow a consistent strategy. Organisations that adopt this strategy react to the change in the environment. Reactors generally show poor organisational performance.

According to Porter (2008), the job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurs only among today's direct competitors. Yet competition for profits goes beyond established industry rivals to include the four competitive forces: customers, suppliers, potential entrants and substitute products. The extended rivalry that results from all five forces defines an industry's structure and shapes the nature of competitive interaction within an industry.

Following the determination of positioning and adaptive strategies to adopt, the organisation must also determine its own strategy to address the issue of how to compete with particular rivals. Organisations do not generally compete by taking on all the players in the industry. Most compete directly with just a few players. Organisations therefore adopt specific strategies. Managers are therefore tasked to determine the details of the specific strategies they will adopt to deal with the competition. They are also tasked with its detailed implementation and execution.

Everyday Decisions by Managers Impact Strategy

According to Bower and Gilbert (2007), the cumulative impact of the allocation of resources by managers at any level has more real-world effect on strategy than any plans developed at headquarters. Senior executives, divisional managers and operational managers all play a role in deciding which opportunities a company will pursue and which it will pass over.

Strategy is crafted, step by step, as managers at all levels of a company, be it a small firm or a large multinational, commit resources to policies, programmes, people and facilities. At any company, responsibility is divided up among various individuals and units and has vital consequences for how strategy is formed. Knowledge may be dispersed. For any given strategic question, relevant expertise resides in scattered, sometimes unexpected parts of the organisation. Similarly, power is dispersed in most organisations. Also the role of the manager plays a part in determining his or her perspectives.

Just as important, the way decisions are made throughout an organisation has vital consequences for strategy. Crafting strategy is an iterative, real-time process in which commitments must be made, then either revised or stepped up as new realities emerge. A leader can announce a strategy to become global, change core technologies, or open new markets, but that strategy will only be realised if the pattern of resource allocation decisions made at every level of the organisation is consistent with it.

Because knowledge and power spans at different organisational levels, managers at each level are likely to have an impact on strategy. External forces can also have a strong effect on how resources are allocated, and, in turn, how strategy evolves. The most powerful of these forces are the company's best customers and the capital markets. Strategic decisions are critically affected not just by senior corporate managers, but also by mid-level general managers, their teams and the operating managers who report to them.

Since strategy is a critical element in defining efficiency and effectiveness for organisational performance, it is a lever that should be used in a tactical manner to achieve organisational objectives and attain specific organisational goals.

5 LEARNING OBJECTIVE
Describe the formulation of corporate-level, business-level and functional-level strategies.

Formulating Corporate-level Strategies

Corporate-level strategy is a plan of action that determines the industries and countries an organisation should invest its resources in to achieve its mission and goals. Most managers aim to grow their companies by seeking out new opportunities to use organisational resources to satisfy customer needs. Also, some managers must help their organisation respond to threats from changing forces in the task (competitors, customers, suppliers and distributors) or general environment (technological forces, sociocultural forces, demographic forces, political and legal forces and economic forces).

The principal corporate-level strategies that managers use are concentration on a single business, diversification, international expansion and vertical integration.

An organisation benefits from pursuing any of these only when the strategy helps increase the value of the organisation's goods for customers.

Concentration on a Single Business

A corporate-level strategy aimed at concentrating resources in one business or industry is used by most organisations as they are beginning to grow and develop. Also, concentration on a single business can be an appropriate strategy when managers see the need to reduce the size of their organisation, in order to improve performance.

Diversification

Diversification is the strategy of expanding operations into a new business or industry and producing new goods or services. There are two main types of diversification: related and unrelated.

- **Related diversification** is the strategy of entering a new business or industry to create a competitive advantage in one or more of an organisation's existing divisions or businesses. Synergy is obtained when the value created by two divisions cooperating is greater than the value that would be created if the two divisions operated separately. In pursuing related diversification, managers seek new businesses in which existing skills and resources can be used to create synergies.
- **Unrelated diversification** is pursued when managers enter new industries or buy companies in new industries that are not related to their current businesses or industries. By pursuing unrelated diversification, managers can buy a poorly performing company and use their management skills to turn the business around, thereby increasing its performance. Managers also engage in unrelated diversification to pursue portfolio strategy,

which is the practice of apportioning financial resources among divisions in order to increase financial returns and decrease risks. Many companies have abandoned the strategy of unrelated diversification because of evidence indicating that too much diversification can cause managers to lose control of their organisation's core business.

International Expansion

Corporate-level managers must decide on an appropriate way to compete internationally. If competing in more than one national market, managers must ask themselves to what extent their company should customise its product's features and marketing plans to suit differing national conditions.

- **Global strategy.** This strategy involves selling the same standardised product and using the same basic marketing approach in each national market. If managers decide to customise products to specific national conditions, they adopt a multi-domestic strategy. Both strategies have their advantages and disadvantages. The major advantage of a global strategy is the significant cost savings associated with not having to customise products and marketing approaches to differing national conditions. Its disadvantage is that by ignoring national differences, managers may leave themselves vulnerable to local competitors that do differentiate their products. The advantages and disadvantages of a multi-domestic strategy are the opposite of those of a global strategy.
- **Choosing a way to expand internationally.** A more competitive global environment has proven to be both an opportunity and a threat to organisations. Before setting up foreign operations, managers must analyse the forces in the environment of a particular country and choose the best method to expand and respond to those forces in the most appropriate way. There are four basic ways of operating in the global environment.
  (a) **Importing and exporting:** This method is least complex, has fewer risks and has been made easier by the Internet.
  (b) **Licensing and franchising:** In licensing, a company allows a foreign organisation to take charge of both manufacturing and distributing one or more of its products

in the licensee's country or region of the world in return for a negotiated fee. In franchising, a company sells to a foreign organisation the rights to use its brand name and operating know-how in return for a lump sum payment and a share of the franchiser's profits. Manufacturers primarily pursue licensing, whereas franchising is used primarily by service organisations.

(c) **Strategic alliances:** In a strategic alliance, managers pool or share their organisation's resources and know-how with those of a foreign company and the two organisations share the rewards and risks of starting a new venture in a foreign company. A joint venture is a strategic alliance among two or more companies that agree to jointly establish and share the ownership of a new business. Risk is reduced and a capital investment is generally involved.

(d) **Wholly-owned foreign subsidiaries:** When managers decide to establish a wholly-owned foreign subsidiary, they invest in establishing production operations in a foreign country, independent of any local investments. This method is much more expensive than others but it also offers the highest potential returns.

Vertical Integration

Vertical integration is the corporate-level strategy through which an organisation becomes involved in producing its own inputs (backward vertical integration) or distributing and selling its own outputs (forward vertical integration).

Managers pursue vertical integration because it allows them to either add value to their products by making them special or unique or lower the costs associated with the creation of value creation. Vertical integration can help an organisation to grow rapidly, but it can be a problem because it can reduce an organisation's flexibility to respond to changing environmental conditions.

Formulating Business-level Strategies

Michael Porter (1980) also formulated a theory of how managers can select a business-level strategy to give them a competitive advantage in a particular market or industry. According to Porter, managers must choose between two basic ways of increasing the value of an organisation's products: differentiating the product to add value or lowering the costs of value creation. Porter also argued that managers must choose between serving the whole market and serving just one segment. Based upon those choices, one of four strategies must be selected: low-cost, differentiation, 'stuck in the middle' and focused low-cost and focused differentiation strategies.

Low-cost Strategy

With a low-cost strategy, managers try to gain a competitive advantage by focusing the energy of all the organisation's departments on driving the organisation's costs down. Organisations pursuing a low-cost strategy can sell a product for less than their rivals and still make a profit.

Differentiation Strategy

With a differentiation strategy, managers try to gain a competitive advantage by focusing all the energies of the organisation's departments on distinguishing the organisation's products from those of competitors. Because the process of making products unique and different is expensive, organisations that successfully pursue a differentiation strategy often charge a premium price for their products.

'Stuck in the Middle'

According to Porter, a company cannot pursue a low-cost and differentiation strategy at the same time. He refers to managers who select one or more approaches and then fail to achieve them, with the result that their organisation gets stuck in the middle without a competitive advantage. Exceptions to this rule, however, do exist.

Focused Low-Cost and Focused Differentiation Strategies

Porter identified two other strategies used by companies wishing to specialise by serving the needs of customers in only one or a few segments of the market.

A company pursuing a focused low-cost strategy serves one or a few segments of the market and aims to be the lowest-cost company serving that segment. A company pursuing a focused differentiation strategy serves just a few segments and aims to be the most differentiated firm serving that market segment.

Formulating Functional-level Strategies

Functional-level strategy is a plan of action to improve the ability of an organisation's departments to create value. It is concerned with the actions of managers of individual departments to add value to an organisation's goods and services. The more customers value a product, the more they are willing to pay for it. There are two ways to add value to an organisation's products.

- Managers can lower the costs of creating value so that an organisation can attract customers by keeping its prices lower.
- Managers can add value to a product by finding ways to differentiate it from the products of competitors.

This leads to the low-cost strategy, differentiation strategy, focused low-cost strategy and focused differentiation strategy.

However, there must be a fit between functional- and business-level strategies if an organisation is to achieve its mission and goals. Each organisational function has a role to play in the process of lowering costs or adding value.

Planning and Implementing Strategy

After identifying the appropriate strategies, managers confront the challenge of putting those strategies into action for the purpose of changing the organisation. Strategy implementation is a five-step process:

1. Allocating responsibility for implementation to the appropriate individuals or groups.
2. Drafting detailed action plans that specify how a strategy is to be implemented.
3. Establishing a timetable for implementation that includes precise, measurable goals linked to the attainment of the action plan.

4. Allocating appropriate resources to the responsible individuals or groups responsible for the attainment of corporate, divisional and functional goals.
5. Holding specific individuals or groups responsible for the attainment of corporate, divisional and functional goals.

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PART FOUR

ORGANISING AND CONTROLLING

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CHAPTER 7

ORGANISATIONAL STRUCTURE AND DESIGN

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Identify the factors that influence the choice of an organisational structure.
2. Describe the purpose and importance of organisation in contributing to organisational performance.
3. Describe how tasks are grouped into jobs, the concept of job design, job enrichment and job enlargement for organisational performance.
4. Describe the job characteristic model.
5. Describe the role of departmentalisation in organisational structures.
6. Describe the different types of organisational structures and their respective advantages and disadvantages.
7. Describe the integrating mechanisms to improve organisational performance.

Organisational Structure

1 LEARNING OBJECTIVE
Identify the factors that influence the choice of an organisational structure.

In order for an organisation to achieve its vision, mission, goals and objectives, the work of the organisation must be distributed and divided appropriately among its managers, leaders, supervisors and employees. This process of structuring the organisation is critical to ensure organisational performance and attain efficiency and effectiveness within the organisation. The organisation therefore needs to recognise the importance of an effective organisational structure and design. Organisational structure defines the pattern of relationships among positions within the organisation and among the members of the organisation. A major influencing determinant of an organisation's structure is also the organisation's culture.

Structure makes it possible for the management processes to work and creates a framework of order, command and control. It is through organisational structure that the work of the organisation can be planned, organised and controlled to ensure employees can be led to perform efficiently and effectively. Organisational structure also defines tasks and responsibilities, work roles and relationships, and channels of communication. Organisational structure is a means to improve organisational efficiency and effectiveness.

It is important when discussing an organisation's structure to sketch the structure so that it is depicted as an organisational chart. This will show clearly the chain of command, the hierarchy and span of control of individuals, groups and roles, the level of authority and formal organisational relationships. Weaknesses in the organisation's structure will often easily surface if the visual depiction has insufficient details and information.

Managers need to establish the structure of working relationships among employees to allow them to achieve organisational goals efficiently and effectively. This process is defined as organising. Managers are therefore involved in organisational design. This is a process by which managers make specific choices on how to organise tasks and relationships that will result in the construction of a specific organisational structure (Child, 1977). According to the contingency theory, managers design organisational structures to fit the factors or circumstances that are affecting the company the most and causing them the most uncertainty (Lawrence & Lorsch, 1967).

In essence, a good organisational structure will accomplish two key goals:

1. It will provide a clear framework of responsibilities and reporting relationships and forms groups appropriate to the tasks and work.
2. It will provide a template for linking and coordinating all the 'parts' of an organisation (departments, divisions, units and sections) into a coherent and complete whole organisation.

In recent years, there has been a growing shift towards horizontal and flatter organisations rather than tall and vertical organisations. In order to cope with one-stop service centres and focus on customer-centricity, many organisations are moving towards organisational structures that incorporate cross-functional teams and fewer layers of hierarchy, i.e. a more flat organisation. The advantage of such structures is that it is structured around core business and work processes. This enables an increase in interaction between different departments resulting in closer working relations, better communication and most importantly teamwork camaraderie. The outcome includes better productivity, creativity and innovation. This contributes to the efficiency and effectiveness of the organisation.

Factors in Organisational Design

These are four often quoted important determinants of organisational design.

1. The organisational environment.
2. The strategy the organisation adopts.
3. The technology the organisation uses, especially information and communication technology.
4. The characteristics of the organisation's human resources.

Organisational Environment

In general, the more quickly the external environment is changing and the greater the uncertainty within it, the greater are the problems facing managers in trying to gain access to scarce resources. In such situations, the organisation's structure should allow for faster communication and enable easier acquisition of resources. The structure should therefore have flexibility. This flexibility may range from decentralisation of authority to empowerment of lower-level employees to make important decisions. In essence a more organic structure is preferable.

On the other hand, if the external environment is stable, resources are easily available and uncertainty is low, then less communication and coordination are needed among employees. There can be more formality and stability in the organisational structure. However, in today's business world where much uncertainty prevails and change is very rapid, even stable and formal organisations inject a certain degree of flexibility through empowerment and self-managed work teams (see "Groups and Teams" in Chapter 12).

Environmental factors would include not only the ecological environment but also considerations about the economy, socioeconomic factors, and demographics, educational and legal considerations. Other factors may include variables about customers, clients, suppliers, distributors, competitors and sociopolitical factors. In short, in designing the organisational structure, comprehensive consideration should be given to the environment. In summary, some writers describe this approach to organisational structuring as a contingency approach because the organisation is being structured to address those factors or circumstances that are affecting the organisation the most or causing the most uncertainty.

Strategy

Different strategies call for different types of organisational structures. Differentiation strategy requires flexibility in the structure to enable managers to rapidly develop innovative and new products and services. Low-cost strategy works well in more formal structures where rigidity is desired. If managers are aiming for vertical integration or a diversification strategy, designing a flexible structure will provide sufficient coordination among the different business area. If a company is going global and wants to operate in many countries, injecting flexibility in the organisation is highly desirable. This will enable managers to respond promptly to local market and business demands.

Understanding the strategy of the organisation as well as its departments and divisions will help in identifying the core activities. Departments and divisions should focus on core activities. Peripheral activities should be included in small units or sections with their own sets of responsibilities and authority. This will help in the measurement of the performance of the peripheral activities.

When designing the organisational structure, consideration should also be given to how the organisation's work will be carried out. For example, it may make more sense to separate logistics activities from marketing activities even if the total operation of the organisation may be small. This may be applicable especially if the organisation is launching a new product or service, or starting operations in another country. On the other hand, for some other businesses, it may appear unwise to split the two activities. When the work is divided among two units or sections, the respective units or sections are able to focus on its core activity, i.e. logistics or marketing. Combining the two may result in loss of focus. Operating logistics and marketing separately may contribute to both efficiency and effectiveness. Similar examples include separating the delivery function from the production function.

Technology

By definition, technology incorporates a combination of knowledge, skills, tools, machines, computers (both hardware and software) and other equipment and technological devices that are used in the conceptualisation, design, production, manufacture and distribution of goods and services. The more complicated or complex the technology, the greater is the need for flexibility in control processes and regulation to ensure efficiency and effectiveness. Numerous studies have shown that a new information technology system by itself does not produce improvement or sustainable gains in organisational performance. The implementation of new technology may require a realignment of, or even major changes or adjustments in, organisational structure (Child & McGrath, 2001). The implementation of new technology, systems and procedure may require the merging of departments or divisions, or even the 'demise' of departments or divisions.

When implementing information technology or technological change, a flexible structure also enables managers to respond promptly, efficiently and effectively to unexpected and unanticipated situation. Two factors determine the complexity of technology (Perrow, 1970): task variability and task analysability.

- **Task variability:** The number of new or unexpected situations that a person encounters while performing a task; this is low when a task is standardised or repetitious.
- **Task analysability:** The degree to which search activity is needed to solve a problem; this is high when the task is routine.

A flexible structure will also provide managers the freedom to develop new and innovative solutions to problems and challenges they encounter.

For more routine and standard goods and services, a fairly simple and straightforward formal structure will suffice.

Human Resources

The characteristics of the human resources within an organisation also influence the organisation's structure. The more highly skilled a workforce and when more people are required to work in teams, the more likely the organisation will adopt a flexible and decentralised organisation. Highly-skilled employees and employees who have internalised strong professional values and norms of behaviour are more likely to prefer freedom and autonomy and dislike close supervision and micro-management by their senior managers and Chief Executive Officer. Flexible structures are characterised by decentralised authority and highly empowered employees.

Importance of Organisational Structuring

In the study of management, the importance of **organisational structuring** is often overlooked by many. A poorly conceived organisation can often result in inefficiencies and ineffectiveness. A well-designed organisational structure ensures the optimal and appropriate utilisation and application of the organisation's resources. By enabling the monitoring of activities within the organisation and with its environment, including customers, suppliers, distributors, government, regulatory bodies and others, there will be better control. It will also ensure accountability for work undertaken by managers, employees, groups and teams. Further, if jobs need to be broken down to narrower areas of work (specialisation), it will become evident in a well-structured organisation. Managers should easily see this need, as they are accountable.

2 LEARNING OBJECTIVE
Describe the purpose and importance of organisation in contributing to organisational performance.

Another aspect of the importance of organisational structuring is that it will enable coordination of different parts of the organisation and different areas of work. This will therefore provide sufficient flexibility to respond to opportunities and challenges as well as future demands and developments. The net consequence of a well designed organisation is that it will be able to respond and adapt to changes in the environment and any other variation in influencing factors.

Organisational structuring also results in the arrangement of clusters of jobs and human resources in appropriate and meaningful units, sections, divisions and departments. This provides social and job satisfaction to managers and employees of the organisation as well as enable their efficient and effective performance.

According to Drucker (1989), the correct design of an organisation's structure is very significant in determining organisational performance. Drucker (1989) even adds that poor organisational structure makes good performance impossible, no matter how good the individual managers may be. The structure of the organisation affects not only the productivity and economic efficiency but also the morale and job satisfaction of the workforce.

Child (2005) points out that deficiency in an organisation's structure can lead to low motivation and low morale arising from insufficient delegation of decision making, lack of clarity of job definition, competing pressures within a role and work overload from inadequate support functions and systems. Further, late and inappropriate decisions can also result from poor coordination or deficiency in defining responsibilities of functions or roles in the organisational structure. Also, conflicting roles and lack of coordination in a poorly structured organisation may generate ill-defined goals or goals that may be at cross-purposes between divisions or functions.

Furthermore, Child (2005) adds that poor response to new opportunities and external change may arise from inappropriate structuring. Rising costs may arise due to a too tall hierarchy or too wide span of control, e.g. there may be redundancies in the organisation structure or a shortage of managers, supervisors or team leaders. Rising costs can also arise from a control process that is not well aligned with the organisation's structure.

In short, one can safely conclude from Drucker's observation and Child's findings that more than low motivation and low morale can result from poor organisational structure. Correct structure leads to significant on-target organisational performance. Therefore, designing the organisational structure is an important task for management if efficiency and effectiveness are to be attained for high organisational performance.

3 LEARNING OBJECTIVE
Describe how tasks are grouped into jobs, the concept of job design, job enrichment and job enlargement for organisational performance.

Job Design

Jobs are essentially a collection of tasks. Grouped into functions and divisions, jobs are then coordinated and integrated into departments linked into an organisational structure. Managers therefore must divide the tasks and combine different tasks to form specific jobs. This process is called **job design**. This process is the division of labour to achieve a combination of tasks that lead to efficient and effective jobs. Establishing appropriate division of labour among employees is a critical part of the organising process and vital to increasing efficiency and effectiveness. To attain efficiency and effectiveness, the manager may reduce the number of tasks that each worker performs. This process is called job simplification. However, over simplifying can lead to inefficiencies and also ineffectiveness. Therefore, the manager has to pay special attention to job design to ensure the optimum numbers of the right tasks are combined to create a job. Over simplification can also lead to a boring and monotonous job resulting in a demotivated and unhappy worker.

In order to enable workers to perform at a higher level, be more motivated and satisfied with their jobs, managers can also engage in job enrichment and job enlargement. Job enrichment is a vertical expansion of the job as opposed to the horizontal expansion of a job, which is called job enlargement.

Job Enrichment

Job enrichment is increasing the degree of responsibility that employees have over a job. This may be achieved by empowering them and encouraging them to develop new skills, allowing them to decide how to do the work and giving the responsibility to deal with unexpected situations. It may also include allowing employees to monitor and measure their own performance. The principle behind job enrichment is that by increasing employee responsibility, it would also raise the level of their involvement with the work. This would prompt their interest in the quality and quantity of the goods and services they provide. This initiative would increase the efficiency and effectiveness of the employee. These are the direct consequences of empowerment on employees.

- **Self-determination:** Employees would feel they have freedom and discretion on the way work gets done.
- **Meaning:** Employees would recognise meaning in their work with the outcome that employees will believe their work is important.
- **Competence:** Empowerment will increase employees' feelings of self-efficacy.
- **Impact:** Employees will feel their actions influence success.

Job Enlargement

Job enlargement is increasing the number of different tasks in a specific job by changing the division of labour. The rationale behind job enlargement is to reduce monotony, boredom and fatigue but increase motivation and job satisfaction by offering 'challenge' in the job. This leads to higher performance, i.e. improving the quantity and quality of the goods and services provided. Once again, it would lead to an increase in the employee's efficiency and effectiveness.

The Job Characteristics Model

4 LEARNING OBJECTIVE
Describe the job characteristic model.

J. R. Hackman and G. R. Oldham's (1980) Job Characteristics Model explains how managers can make jobs more interesting and motivating. According to Hackman and Oldham, every job has five characteristics that determine how motivating the job is: skill variety, task identity, task significance, autonomy and feedback.

1. **Skill variety:** Examines the extent to which a job requires an employee to use a wide range of different skills, abilities or knowledge.
2. **Task identity:** Examines the extent to which a job requires a worker to perform all the tasks from the beginning to the end of the production process.
3. **Task significance:** Examines the degree to which a worker feels his or her job is meaningful because of its effect on people outside of the organisation.
4. **Autonomy:** Examines the degree to which a job gives an employee the freedom and discretion needed to schedule different tasks and decide how to carry them out.
5. **Feedback:** The extent to which a worker receives clear and direct information regarding how well he or she has performed the job.

These five job characteristics affect an employee's motivation by impacting three critical psychological states: feeling that one's work is meaningful, experiencing responsibility for work outcomes and responsibility for knowing how those outcomes affect others.

The Job Characteristics Model proposed by Hackman and Oldham (1980) is in Figure 7.1. By incorporating flexibility in the organisational

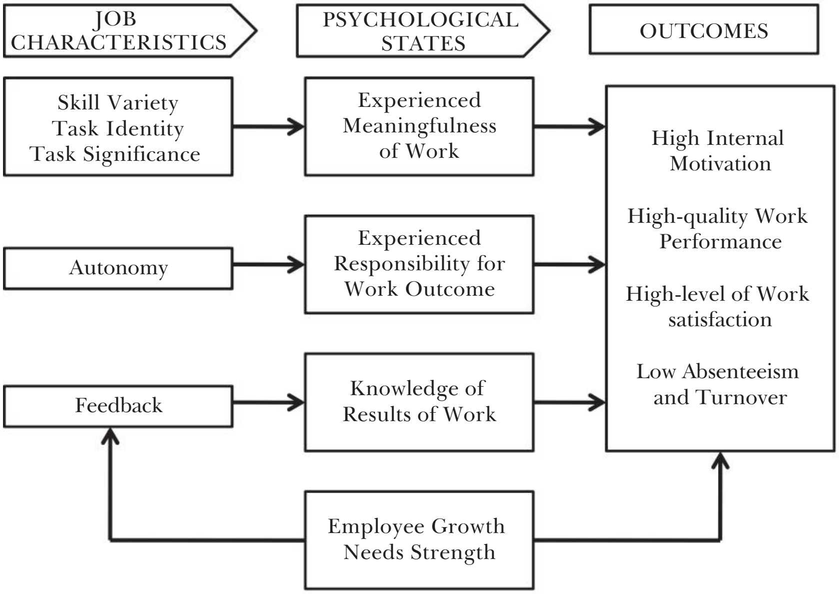


Figure 7.1 Hackman and Oldham's Job Characteristics Model

structure, the job characteristics as proposed by Hackman and Oldham can be incorporated into the jobs.

Departments in Organisational Structures

5 LEARNING OBJECTIVE
Describe the role of departmentalisation in organisational structures.

In any organisational structure, units, sections, departments and divisions are defined as either line or staff functions. A wide variety of positions exist within an organisation. Some units, sections, departments and divisions are primary to the company's mission, whereas others are secondary, in the form of support and indirect contribution. Although units, sections, departments and divisions within an organisation can be differentiated in several ways, the simplest approach classifies them as being either line or staff.

Line Functions

A role in the **line function** is directly involved in the day-to-day operations of the organisation, such as producing or selling certain specific or group of goods or services. Line functions are carried out by line employees and line managers. Line employees carry out the primary activities of a business and are considered essential to the basic functioning of the organisation. Line managers make the majority of the decisions and direct line employees to achieve company goals. Line positions, whether they are employees or managers, engage in activities that are functionally and directly related to the principal workflow or business of an organisation. A typical position described in many organisations as a line function is that of marketing executive. Although marketing executives do not actually produce the goods or services, they directly contribute to the firm's overall objectives through market forecasting and generating product or service demand.

Staff Functions

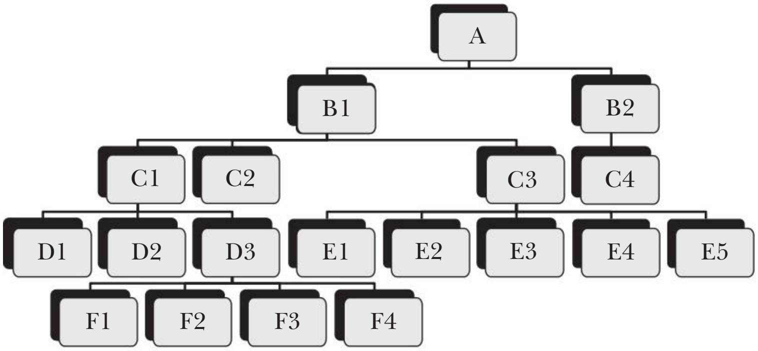
Those in **staff function** roles provide indirect support to those in line function roles. Positions in staff function consist of employees and managers who provide their technical expertise to assist managers in line divisions and aid top management in various business activities. Typical examples include employees and managers in human resources and accounting and finance. Staff managers provide support, advice and knowledge to other individuals in the chain of command. Although staff managers are not part of the chain of command related to direct production of goods or services, they provide many of the advisory and support services the line managers need. A specific example of a staff manager is a legal adviser. He or she does not actively engage in business activities of a line function, but provides legal support to those in the organisation who need it. Therefore, staff positions, whether employees or managers, engage in activities that support the work of line managers and employees.

Line & Staff Managers

A **line manager** is someone who is in the direct line or chain of command and has formal authority over people and resources below him. A **staff manager** is responsible for managing a specialist function. Managers at each level of the hierarchy confer upon managers below them in the chain of command the authority to make decisions. By accepting this authority, those lower-level managers then become responsible for their decisions and are accountable for how well they make them.

Chain of Command and Span of Control

In order to coordinate the activities of people, functions and divisions and to allow them to work together, managers must develop a clear hierarchy of authority. Authority is the power vested in a manager to make decisions and use resources to achieve organisational goals by virtue of his or her position in an organisation. The hierarchy of authority is an organisation's chain of command. Every manager, at every level of the hierarchy, supervises one or more subordinates. The term 'span of control' refers to the number of subordinates who report directly to them (Figure 7.2).



SPAN OF CONTROL

A's span of control includes 2 subordinates [B1 and B2].
B1's span of control includes 3 subordinates [C1 to C4].
C1's and C3's span includes 3 [D1 to D3] and 5 [E1 to E5] subordinates respectively.
D3's span of control includes 4 subordinates [F1 to F4].

Figure 7.2 Span of Control

Tall and Flat Organisation

As an organisation grows in size, its hierarchy of authority normally increases, making the organisational structure taller. A **tall organisation** has many levels of authority relative to company size (Figure 7.3). A **flat organisation** has fewer levels relative to company size. As a hierarchy becomes taller, effective communication becomes difficult and expenses rise. The principle of the minimum chain of command states that top managers should always construct a hierarchy with the fewest levels of authority necessary to efficiently and effectively use organisational resources. To ward off the problems associated with tall organisations,

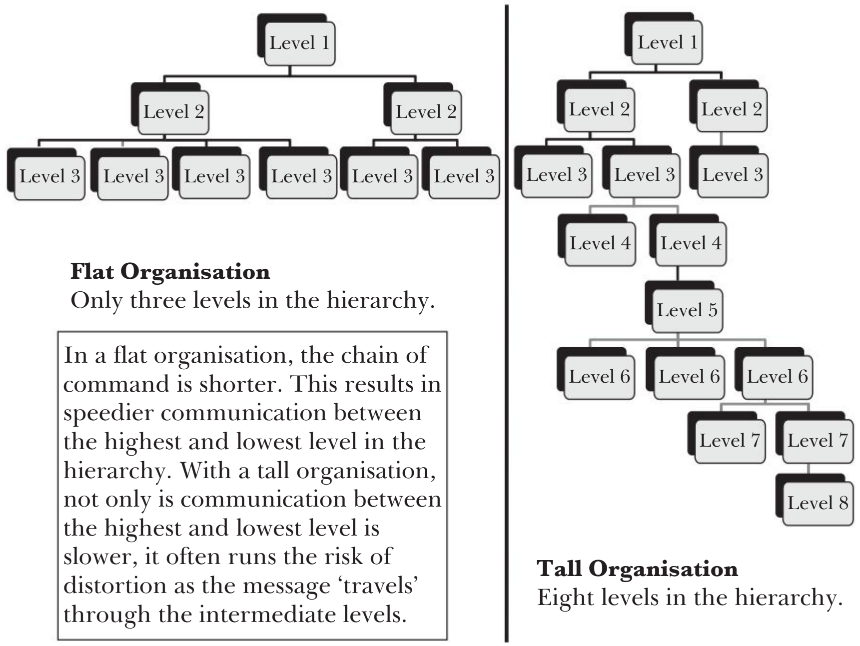


Figure 7.3 Tall vs Flat Organisations

top managers must ensure that they are employing the right number of middle and first-line managers. Effective managers constantly scrutinise their hierarchies to see if the number of levels can be reduced.

Centralisation and Decentralisation of Authority

Another way that managers keep the organisational hierarchy flat is to decentralise authority to lower-level managers and non-managerial employees. Advantages of decentralisation include fewer communication problems, a need for fewer managers and an improved ability of employees to recognise and respond to customer needs. Another advantage is that the organisation continues to behave in a flexible way as it grows and becomes taller.

However, too much decentralisation has its disadvantages, including managers who may begin to pursue their own goals at the expense of organisational goals and a lack of communication among functions or divisions that may prevent possible synergies. Top managers must seek a balance between centralisation and decentralisation of authority that best responds to the likely work situations that the organisation may face in its efficient and effective functioning. If the organisation is in a stable environment, then there is no need to decentralize authority. In uncertain or changing environments, however, top managers must empower employees and allow teams to make important strategic decisions.

Different Types of Organisational Structures

6 LEARNING OBJECTIVE
Describe the different types of organisational structures and their respective advantages and disadvantages.

Once the managers have decided to group tasks into jobs, the next step is to group the jobs to form units, sections, divisions and departments. The grouping of jobs must best match the needs of the organisation's environment, strategy, technology and human resources. As a general practice, most top management initially starts off by grouping jobs very simply by functions. This develops the functional structure.

As the organisation grows, the top management may develop the divisional structure either based on product or service, geographic distribution of the business or by the type of markets served. As the organisation becomes more complex, the top management may develop the matrix structure or product team structure. As the organisation grows even more complex, the top management may move to a hybrid structure using a mix of different types of structures that best suit the business situation.

Advantages and Disadvantages of Different Types of Organisational Structures

The design of any organisation structure must take cognisance of the merit and functionality of the structure with respect to the organisation's objectives, goals, strategy, technology, business environment and the roles of employees. Choosing and designing an appropriate organisational structure is therefore a critical function of management. Here is a guide on the merits of the different types of organisational structures.

Simple Structure

Simple structures are an organisational design with very little departmentalisation, a wide span of control, highly centralised authority and little formalisation. Simple structures are common in small businesses and little developed family businesses. This kind of structure could easily lose effectiveness and efficiency as it grows. It should therefore move to functional and divisional structure as the organisation starts growing.

- Advantages: They are fast, nimble, flexible and inexpensive to maintain with clear accountability.
- Disadvantages: Inappropriate as the organisation grows; reliance on one or two persons could be risky; not open to fresh ideas; may resist innovation and creativity that may be especially necessary in changing times.

Functional Structure

The **functional structure** is an organisational design that groups similar or related occupational specialists together, e.g. work organised around functions such as human resources, accounts and finance, and production and transport. While the functional structure is good up to a point for large organisations, switching to a divisional structure may be wise at some point of organisational growth, retaining common functions, such as human resources or accounting and finance, as staff functions rather than line functions. Production and transport would then become typical line functions.

- Advantages: Cost savings arising from specialisation, i.e. economies of scale, minimal duplication; employees doing similar or identical tasks are grouped together; motivation and morale may be higher as employees are working with colleagues who 'talk the same language'. When people working in similar or identical tasks work together, they can learn from observing each other; and they then become more specialised and perform at a higher level. When people doing the same or similar work are grouped together, managers will find it easier to monitor, appraise and evaluate their jobs and performance. All this contributes to efficiency and effectiveness.
- Disadvantages: Pursuing functional goals can cause managers and employees to lose sight of the overall interest of the organisation in preference to goals which further functional objectives; functional specialists become insulated and have little understanding of the work of other functions and how they collectively contribute to overall goals. As the organisation

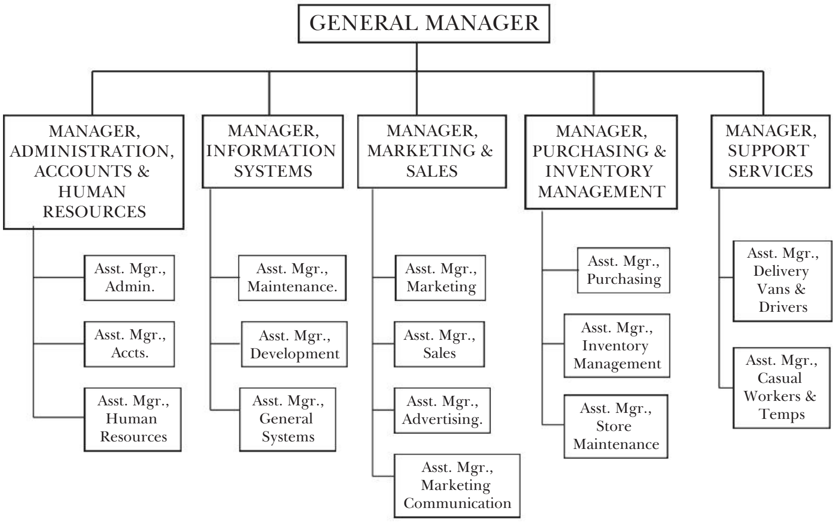


Figure 7.4 A Functional Structure

grows, its task environment and strategy will inevitably change because it is producing a wider range of goods and services and expanding its market territory and geographic reach. This will consequently make the functional structure progressively ineffective and inefficient. If not managed well, the departments and division will become 'silos' with little interactivity between departments and divisions. A typical functional structure is illustrated in Figure 7.4.

Divisional Structure

As problems associated with growth and diversification increase over time, most top management will shift to reorganising the company by adopting the divisional structure. A **divisional structure** is an organisational structure made up of separate semi-autonomous units or divisions. They even have internally within the unit or division staff functions besides the usual line functions. A central body (headquarters or parent organisation) oversees the various divisions to ensure coordination and control. The three forms of divisional structures are:

1. **Product structure.** Divisions are organised around the type of goods or services they provide.
2. **Geographic structure.** Divisions are organised around the area or region where they operate.

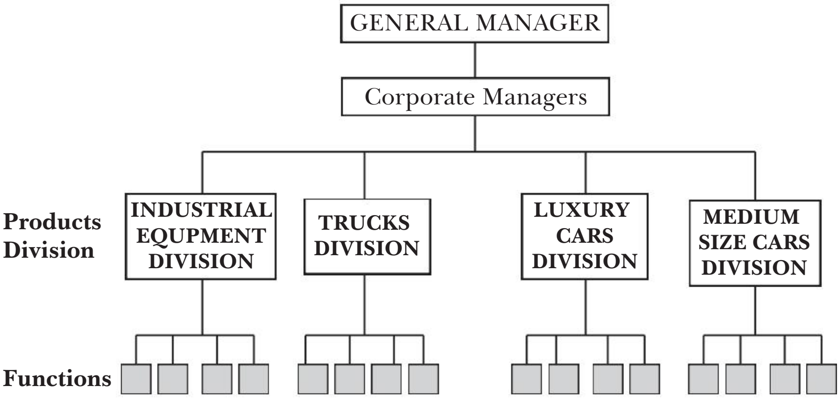


Figure 7.5 A Typical Product Structure

3. **Market structure.** Divisions are organised around the customers or market served.

The three types of structures are illustrated in Figures 7.5, 7.6 and 7.7. Divisions are generally self-contained with their respective functional units. However, the company may maintain some functions, such as corporate communication and organisational development, at the central level and report directly to the chief executive officer or one of the senior managers within the top management.

- Advantages: Focus of each division is on results; the managers within the division are responsible for what happens to their products and services. The divisional structure enables managers to respond more quickly and flexibly to a particular set of circumstances confronting them.

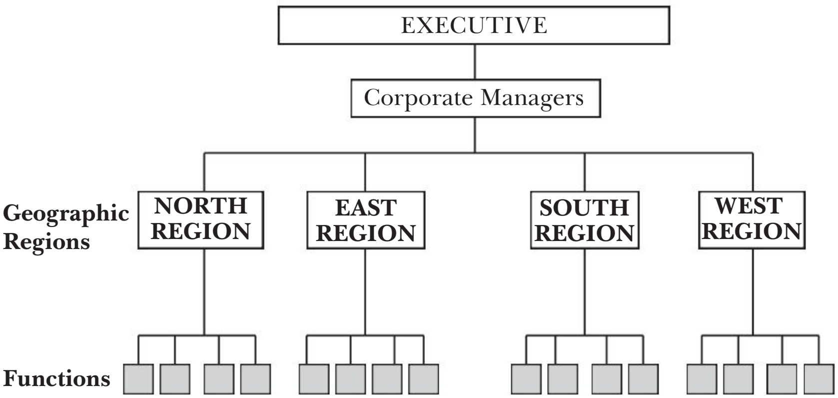


Figure 7.6 A Typical Geographic Structure

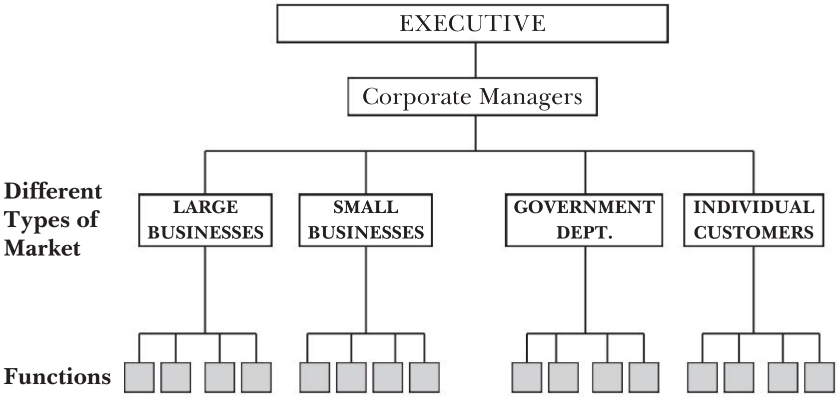


Figure 7.7 A Typical Market Structure

- Disadvantages: There is duplication of activities and resources; consequently there is an increase in cost and a reduction in efficiency.

Matrix Structure

As the environment becomes more dynamic, changing rapidly, and uncertainty becomes increasingly higher, the need for more flexibility arises; the organisation may shift to a **matrix structure.** The matrix structure is a structure that assigns specialists from different functional areas in the production of specific or group of goods or services, or work on specific projects, but return to their functional area when they are no longer needed in the production of specific or group of goods or services, or when the projects are completed. Many of the world's largest and leading companies use this structure.

In a matrix structure, managers group people in two ways simultaneously: by function and by product (Figure 7.8). The result is a complex network of reporting relationships that makes the matrix structure very flexible. Each person heading a product or service team reports to two managers: a functional manager and the manager of the product team.

- A **functional manager** assigns individuals to a team and evaluates their performance.
- The **manager of the product team** guides the team members on product or service matters and also evaluates their performance on the team.

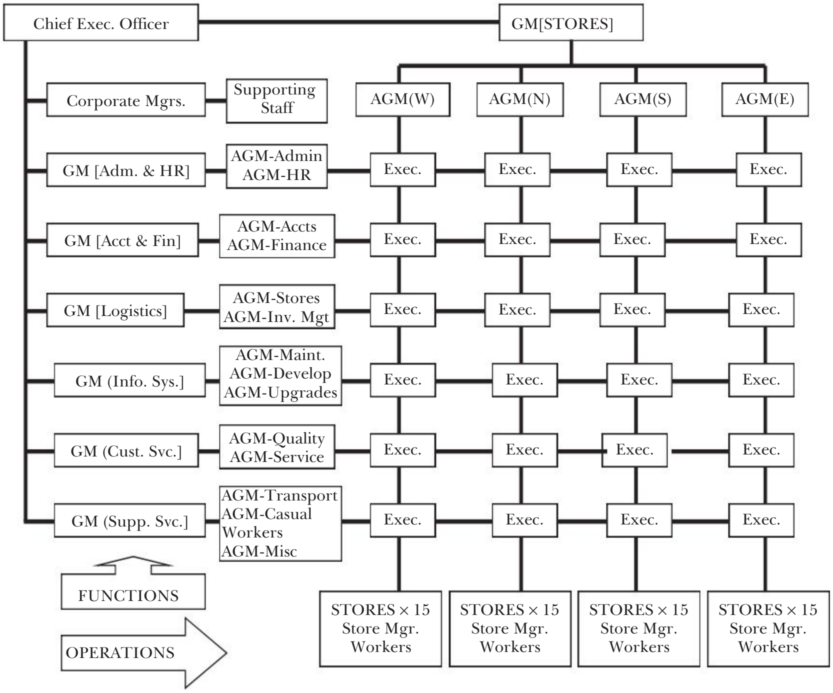


Figure 7.8 A Typical Matrix Structure

Evaluation of the employees' performance is often done jointly or in consultation by the two managers.

Product teams are empowered and team members are responsible for making important decisions to keep the matrix structure flexible. Matrix structures have been successfully used for years at high-tech and major global companies where new product development takes place frequently and the need to innovate quickly, as well as respond promptly to market demands is vital to the organisation's survival.

- Advantages: The fluidity and flexibility of the design of the organisation's structure enables rapid responses to environment changes, including shifts in strategy, dealing with competition. Dual chain of command may violate the principle of unity of command, but optimises the achievements of the organisation's mission and goals. Decision making and taking action is generally speedier. Specific skills and expertise are often available on immediate basis. Managers in such structures often play roles of leaders, facilitators, mentors and coaches, thereby improving motivation, team performance and overall organisational performance by paying attention to efficiency and effectiveness at all levels. There is often much collegiality among all the managers. Rivalry and office politics are kept to the minimum through team building, developing healthy work relationships and other strategically planned training programmes and business meetings.

- Disadvantages: Complexity of assigning and deployment of people. Task and personality conflicts may arise if employees and managers are not adept or trained in interpersonal relationship management skills. Reporting to two bosses – the specialist and the functional – can raise issues of priority and loyalty. The organisations adopting a matrix structure often invest heavily in training and counselling to ensure team bonding and cohesiveness. This ensures that employees including managers do not lose sight of the organisation's mission and goals (Figure 7.8).

Product Team Structure

The dual reporting relationships of a matrix structure have always been difficult for managers and employees to deal with. To avoid these problems, managers have devised another way of organising people and resources: a **product team structure**. In the product team, the entire organisation is made up of work groups or teams. This form of structure is often seen as an alternative to the matrix structure. However, some organisations use the team structure to complement divisional and functional structures for the production of specific goods and services or handling special projects, such as the trial launch of a new product or service, or dealing with an unexpected emergency or crisis (Figure 7.9).

The product team structure differs from a matrix in two distinct ways:

- It does away with dual reporting relationships and two managers.
- Functional employees are permanently assigned to cross-functional teams.

A **cross-functional team** is a group of managers brought together from different departments to perform organisational tasks. They report only to the product team manager. Increasingly, organisations are making empowered cross-functional teams an essential part of their

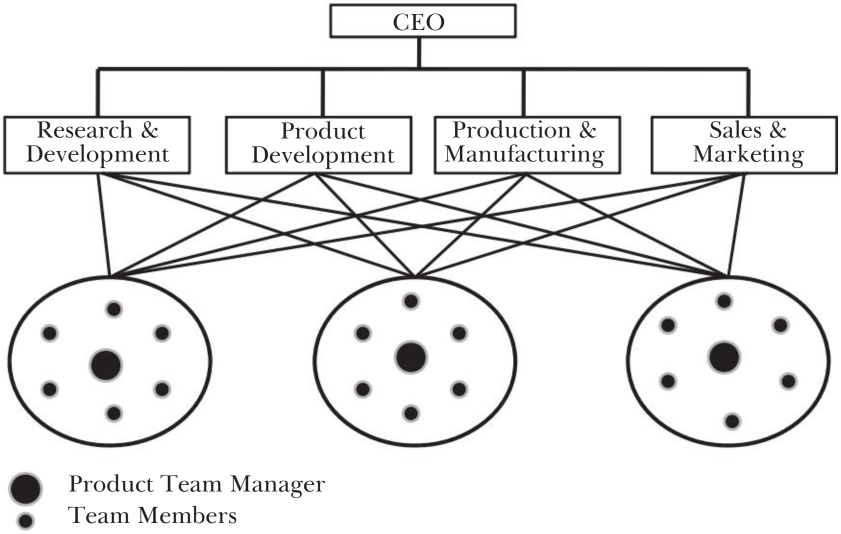


Figure 7.9 Product Team Structure

organisational architecture to help them gain a competitive advantage in fast-changing organisational environments. Cross-functional teams often work with an existing functional, divisional or matrix structure.

- Advantages: Employees and managers are more involved and empowered. There is also a reduction in barriers among functional areas. Team structures are generally expedient in carrying out tasks if well planned and organised, have well placed control systems and led by well trained and experienced managers and leaders.
- Disadvantages: There is often no clear chain of command. There is pressure on teams to perform. Conflicts and coordination problem may arise. If effective control systems are not in place, control issues may easily surface. Product team structures often require more attention to performance issues from senior and top management.

Hybrid Structure

A large organisation with many divisions may simultaneously use a combination of different structures, called a **hybrid structure**. This may include a combination of functional, division, matrix and product team structures in a simple or complex combination. For example, most large organisations use product division structures to create self-contained divisions. Then, each division manager selects the structure that best meets the needs of the particular environment or strategy. The merits of the hybrid structure would depend on the efficiency and effectiveness achieved through its use. As an organisation becomes increasingly large, e.g. multinational corporations and transnational organisations, management and managers must keep a sharp eye on the organisational structure, otherwise inefficiencies and ineffectiveness may easily set in. These may include slower chain of command and communication, poorer coordination and less integration of activities to ensure customer-centric focus and approaches to business, production and service.

Boundary-less Structure

A **boundary-less structure** is one that is not defined or limited to artificial horizontal, vertical or external boundaries. These types of organisational structures emerged mainly in the 1990s and the 21st century in tandem with the rise of information-communication technologies and the Internet, globalization, growth of knowledge industries and intense competition in the market. However, they should be used selectively and sparingly, and only if the circumstances merit it. Boundary-less structures are still in their infancy. The variety of structures described as boundary-less include virtual, networked and modular types of organisation.

- **Virtual organisations** consist of a small core of full-time employees and temporarily hired external specialists to work on opportunities that may arise.
- **Networked organisations** are small core organisations that outsource major business functions.
- **Modular organisations** include those that use outside suppliers to provide product or service components or modules that are assembled into final products or services.
  - Advantages: They are highly expedient, flexible and responsive to situation changes and address situations which may not be adequately addressed by other forms of structure.
  - Disadvantages: Control may be lacking and communication difficulties may be experienced due to absence of formal chain of command, hierarchy and inadequate span of control.

Integrating Mechanisms to Improve Organisational Efficiency and Effectiveness

7 LEARNING OBJECTIVE
Describe the integrating mechanisms to improve organisational performance.

Managers can use various integrating mechanisms to increase communication and coordination among functions and divisions (Figure 7.10). The greater the complexity of an organisation's structure, the greater is the need to increase communication and coordination among functions and divisions. Six integrating mechanisms are available to managers to increase communication and coordination. Listed in increasing complexity, the mechanisms are: direct contact, liaison roles, task forces, cross-functional teams, integrating roles and matrix structures.

Direct Contact

Direct contact creates a context within which managers from different functions or divisions can work together to solve mutual problems. However, if managers of equal authority have differing views, a problem is created, since no mechanism exists to resolve the conflict apart from the authority of top management. The need to solve everyday conflicts, however, wastes top management's time and slows decision making.

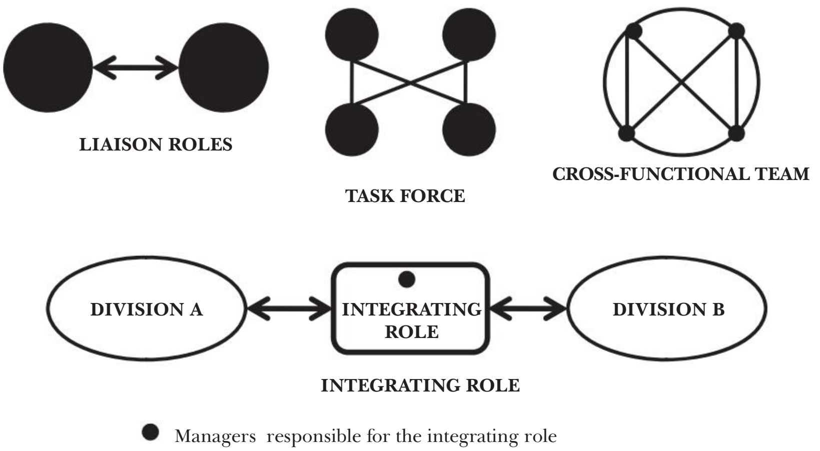


Figure 7.10 Integrating Mechanisms

Liaison Roles

When the volume of contacts between two functions increases, one way to improve coordination is to give one manager in each function or division the responsibility for coordinating with the other. The responsibility for coordination is a part of the liaison's full-time job. Usually an informal relationship forms between the people involved, greatly easing strains between functions. Collegiality is often developed by the manager carrying out the liaison role in resolving conflicts.

Task Forces

If two or more functions share common problems and direct contact and liaison roles do not provide sufficient coordination, a task force may be appropriate. One manager from each relevant function or division is assigned to a task force that meets to solve the specific, mutual problem. Members of the task force are responsible for reporting back to their own departments on issues addressed and solutions recommended. Task forces are often called ad hoc committees because they are temporary. Once the problem is resolved, the task force is disbanded.

Cross-Functional Teams

To address recurring problems effectively, managers are increasingly using permanent integrating mechanisms such as cross-functional teams. An example of a cross-functional team is a new product development committee that is responsible for the choice, design, manufacturing and marketing of a new product. The more complex an organisation, the more important cross-functional teams become.

Integrating Roles

An **integrating role** is a role whose only function is to increase coordination and integration among functions or divisions to achieve performance gains from synergies. Usually, senior managers who can envision how to use the resources of the functions or divisions to obtain new synergies are chosen to perform such roles. Once again, the more complex an organisation, the more important integrating roles become.

Matrix Structures

Managers often use a **matrix structure** when they have to respond quickly to the task and general environments. Because the matrix structure contains many integrating mechanisms (already discussed), it offers maximum flexibility, communication and coordination among functions and divisions. The matrix structure remains the structure of choice in many large and complex organisations including banks, petroleum companies, supermarkets and departmental store chains.

Strategic Alliances and Network Structures

Recently, increasing globalisation and the use of new information technology (IT) has brought about innovations in organisational architecture (Galunic & Eisenhardt, 2001; Schilling & Steensma, 2001). They include strategic alliances and network structures.

A **strategic alliance** is a formal agreement that commits two or more companies to exchange or share their resources in order to produce and market a product. Strategic alliances are usually formed because the companies involved have similar interests and believe that they can benefit by cooperating with each other.

In the aviation industry, examples of strategic alliances are Star Alliance and OneWorld. These alliances are a partnership of some of the leading global carriers who have code-sharing that enables through flights with minimum disruption on transfers and transits for passengers. Member airlines gain access to each other's schedule and fare databases and even offer attractive travel packages to travellers.

A **network structure** is a series of global strategic alliances that one or several organisations create with suppliers, manufacturers and/or distributors to produce and market a product. Network structures allow an organisation to manage its global value chain in order to find new ways to reduce costs and increase the quality of products, without incurring the high costs of hiring managers to complete these tasks. One of the more well known examples is Hong Kong-based Li & Fung Limited. Starting out nearly 100 years ago from a traditional trading company, it is today a leading global consumer goods export trading giant and a manager of customers' supply chains.

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The McGraw-Hill Companies

CHAPTER 8

ORGANISATIONAL CULTURE

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Define organisational culture and understand the importance of organisational culture in an organisational context.
2. Explain how managers both create and are influenced by organisational culture.
3. Describe the role of organisational values and norms in organisational culture.
4. Describe the influence of organisational culture in managerial action in the four functions of management.
5. Describe the different types of organisational cultures.
6. Define corporate cultures and describe the influences that determine corporate cultures.
7. Distinguish between adaptive and inert organisational cultures.
8. Describe generic organisational cultures.
9. Distinguish between organisational and national cultures; and the compatibility between the two cultures.

Organisational Culture

Culture may be simplistically defined as 'how things are done around here'. However, organisational culture may be better described as the collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything that members of an organisation think and do within an organisation (McLean & Marshall, 1993).

1 LEARNING OBJECTIVE
Define organisational culture and understand the importance of organisational culture in an organisational context.

When members share an intense commitment to an organisation's cultural values, beliefs and routines and use them to achieve their goals, a strong organisational culture exists. When the opposite is true, the organisation's culture is weak. When an organisation's culture is very strong, it is often referred to as the organisation's 'personality' because it influences the way its members behave. When organisational culture is accepted by employees, cultural values increase the power and authority of managers in three ways (Cartwright, 1999):

1. By leading them to identify themselves with their organisation and accept its rules when it is the right thing to do.
2. By enabling them to internalise the organisation's values when they believe they are right.
3. By motivating them to achieve the organisation's objectives.

Importance of Organisational Culture

Various authors highlight the importance of organisational culture in the context of the four tasks of management: planning, organising, leading and controlling. In fact, organisational culture has a pervasive effect on decision making, structure of the organisation, group behaviour and organisation of work, motivation, job satisfaction and management control. In fact, organisational culture imposes pressure on the organisation as well as stress on managers and employees (Oliver, Cheyne, Tomás & Cox S, 1998).

Culture is clearly an important ingredient of effective organisational performance. In a landmark study of 62 American companies with outstanding successful performance, Peters and Waterman (1982) drew attention to the importance of corporate culture. They noted that the stronger the organisational culture and the more it was market directed, the less was there a need for policy manuals, organisation charts or detailed procedures and rules. In these companies, people throughout the organisation knew what they were supposed to do in most situations because the guiding values were very clear.

Harrison and Stokes (1992) stated that organisational culture has an influence on the behaviour of all individuals and groups within an organisation. They add that culture impacts most aspects of organisational life, including how decisions are made, who makes them, how rewards are distributed, who is promoted, how people are treated and how the organisation responds to its environment, challenges and crisis.

Egan (1993 and 1994) refers to culture as the largest organisational control system that dictates how crazy or idiosyncratic people can be. He observes that organisations can have overt and covert cultures too. The covert culture can be quite dysfunctional and costly. Culture also lays down the norms for the social system within an organisation. Culture may also determine what kinds of politics are allowed within the organisation and just how members of an organisation are allowed to play the political game. Egan even points out that there may be a 'preferred culture' or a daily 'culture-in-use'. All these factors influence and impact the control system within the organisation.

Heller (1997) commenting in a study of successful companies in Europe, states that European companies rely on remarkable corporate culture. He adds there is nothing accidental about cultural strength and asserts that there is a relationship between an organisation's culture and performance.

Goldsmith and Clutterbuck (1998) in their study of the world's top companies identified that a key characteristic of high-performing companies is a challenging culture. All such companies are very demanding of the people who work for them but this is balanced by a nurturing culture that guarantees that they care for their employees in numerous ways. Reigle (2001) refers to culture as an important factor in successful technology implementation, innovation, mergers, acquisition, job satisfaction, organisational success and team effectiveness.

According to Chatman and Cha (2002), in order for organisational culture to aid long-term performance, there are three main criteria needed to develop a suitable climate.

- It must be strategically relevant.
- It must be sufficiently strong so that employees are influenced to care about what is important in the context of the organisation's vision and mission.
- It must have an intrinsic ability to adapt to changing circumstances.

Cummings and Worley (2005) state that there is a growing body of research that shows that culture can affect strategy formulation and implementation as well as a firm's ability to achieve high levels of excellence.

Managers and Organisational Culture

2 LEARNING OBJECTIVE
Explain how managers both create and are influenced by organisational culture.

Playing their multiple roles, managers are particularly important in influencing organisational culture. This is most evident in the start up of new companies. Schneider developed a model called **Attraction-Socialisation-Attrition (ASA)**, which states that entrepreneurs tend to hire employees whose personalities are similar to their own (Schneider & Barsoux, 2003; Smith, 2008). Therefore, many employees in the organisation tend to have similar personalities, resulting in a dominant personality profile that shapes the organisation's culture. While ASA processes are most evident in small firms, this tendency can also occur in large organisations. This tendency can impair organisational effectiveness, if not controlled. Similar people tend to view conditions and events in similar ways and thus, can be resistant to change. Also, organisations benefit from diversity rather than similarity in perspectives and approaches.

In addition to personality, managers' values, attitudes, moods, emotions and emotional intelligence shape organisational culture. Both terminal and instrumental values of managers, discussed in Chapter 2, play a role in determining organisational culture. Managers who are satisfied with their jobs, committed to their organisations, experience positive moods and emotions might also encourage these attitudes and feelings in others. Research suggests that attitudes such as job satisfaction and organisational commitment can be affected by the influence of others. Managers are in a strong position to engage in such social influence, given their multiple roles (Schein, 1990 and 1992).

The Role of Values and Norms in Organisational Culture

3 LEARNING OBJECTIVE
Describe the role of organisational values and norms in organisational culture.

Shared terminal and instrumental values as well as shared norms, play a particularly important role in organisational culture. The kinds of values and norms that managers promote within an organisation determine and shape its culture. Managers in different kinds of organisations deliberately cultivate and shape organisational values and norms that are best suited to their task and general environments, strategy or technology (Schein, 1990 and 1992).

Organisational culture is maintained and transmitted to organisational members through the values of the founder, the process of socialisation, ceremonies and rites, and stories and language. From the ASA model discussed earlier, it is clear that founders can have a profound and long-lasting effect on organisational culture. Further, organisational socialisation, the process by which newcomers learn an organisation's values and norms and acquire the work behaviours necessary to perform jobs effectively result in organisational values and norms being internalised.

Ceremonies and rites are formal events that recognise incidents of importance to the organisation as a whole and to specific groups of employees. The most common rites that organisations use to transmit cultural norms and values to their members are rites of passage, of integration and enhancement. These too influence organisational culture. Influences like rites of passage determine how individuals enter, advance within, or leave an organisation, and rites of integration determine how organisational members build and reinforce common bonds among themselves. Rites of enhancement let organisations publicly recognise and reward employee contributions and thus strengthen their commitment to organisational values.

Stories and language are another way organisational culture is developed. Stories frequently told within an organisation, either fact or fiction, provide important clues about values and norms. The slang or jargon that people within an organisation use to frame and describe events also provides important clues about norms and values.

Culture and Managerial Action

4 LEARNING OBJECTIVE
Describe the influence of organisational culture in managerial action in the four functions of management.

Culture influences the way in which managers perform their four main functions. Consider the contrast between innovative and conservative cultures in the four functions of management: planning, organising, leading and controlling.

Planning

In an innovative organisational culture, top managers are likely to develop a flexible approach to planning and encourage participation by subordinates. In contrast, managers in a conservative organisational culture are likely to emphasise top-down planning.

Organising

Because they value creativity, managers in an innovative culture are likely to create an organic structure that is flat and in which authority is decentralised. In contrast, managers in a conservative culture are likely to create a well-defined hierarchy of authority and establish clear reporting relationships.

Leading

In an innovative culture, managers are likely to lead by example, encouraging employees to take risks and experiment, and to be supportive regardless of success or failure. In a conservative culture, they are likely to use management by objectives, constantly monitor progress towards goals and oversee their every move.

Controlling

Managers in innovative cultures tend to recognise that there are multiple, potential paths to success and that failure must be accepted in order for creativity to thrive. Therefore, they are more concerned that employees are flexible and take risks and are less concerned about their adherence to predetermined routines and goals. In contrast, managers in more conservative cultures emphasise caution and maintenance of the status quo.

However, the choice between an innovative and conservative culture is sometimes determined by the size of the organisation, the nature of the business of the organisation and strategy adopted by the organisation in relation to its business. In organisations where strict organisational control must be maintained, such as in the police force or the army, a conservative culture may prevail in the rank and file. However, innovative culture may be encouraged among the senior managers and those involved in strategic work or areas focused on developmental work to improve organisational efficiency and effectiveness. In essence, the chief executive officer and top managers must play an active role in promoting the right culture suited to the work and circumstance encountered by different departments of the organisation.

Types of Organisational Culture

5 LEARNING OBJECTIVE
Describe the different types of organisational cultures.

Different organisations promote different types of culture. The culture must suit the general and task environment besides other considerations and circumstances. In this respect, Charles Handy (1993) describes four common types of organisational culture: power, role, task and person cultures.

Power Culture

Power culture depends on a central power source and influence from the central figure throughout the organisation. It relies on trust, empathy and personal communication of the central power source for its effectiveness. Such culture is often seen in organisations with strong charismatic leaders or managers with strong dominant personality.

Role Culture

Role culture is often stereotyped as a bureaucracy and works by logic and rationality. It thrives on the strength of strong organisational pillars, such as function specialists in finance, logistics, etc. Work is controlled by procedures and rules and driven by a band of senior managers. The main source of power is in the role or job description of the position rather than an individual. The culture drives a regimented style of work. Risk taking is often minimised. In fact, decision making is often based on specified guidelines or after much consultation with appropriate managers with the relevant authority.

Task Culture

Task culture is either job oriented or project oriented. Task culture aims to bring together the right resources and people and utilise the unifying power of the group influence. Influence is widespread and based on expert power rather than position or personal power.

Person Culture

Person culture is a very individual-centric culture. The individuals have almost total autonomy and influence is through the use of personal power. Examples of such culture prevail in small professional or independent consultancies or areas where experts or specialists are engaged. In fact, the culture is generally sometimes driven by a very autocratic culture.

Handy's list of different types of culture is by no means comprehensive. In fact, organisations often have hybrid type of culture which may develop through a process of evolution brought about by different top managers and the challenges faced by the organisation in the past.

Corporate Cultures

6 LEARNING OBJECTIVE
Define corporate cultures and describe the influences that determine corporate cultures.

While similar to organisational culture, **corporate culture** can be very specific to an organisation and is practised throughout the organisation. Corporate culture is a wider and deeper concept that may be described as something that an organisation 'is' rather than what it 'has'. Corporate culture may be interpreted as a total sum of the values, customs, traditions and meanings that make an organisation unique. The values of a corporate culture influence the ethical standards within a corporation, as well as managerial behaviour. A number of influences, listed below, play a key role in the development of corporate cultures of organisations (McLean & Marshall, 1988; Handy, 1993).

- **History of the organisation.** The origins and development of the organisation can be a strong influencing factor.
- **Primary functions and technology.** The nature of the business and the kind of technology used or work methods can impact the culture too.
- **Goals and objectives.** The combination of business objectives and resultant strategies influences organisational culture and structure.
- **Size.** The larger organisations generally adopt more formal and structured cultures, besides determining organisational structure.
- **Location.** The geographical location and its physical characteristics can have a major influence on organisational culture, rendering a distinctive identity for the organisation.
- **People.** The population of the organisation ranging from the top executives to the lowly employees also exerts influence on the organisational culture and can create a dominant culture.
- **Environment.** As organisations are responsive to their environment, the environment can also exert an influence on the organisational culture.

Cultural Web

Johnson, Scholes and Whittington (2005) present a cultural web which brings together yet another set of different aspects of culture for analysing organisational culture.

- **Routine behaviours.** The ways in which employees behave towards each other and with those outside the organisation, which result in how things are done.
- **Rituals.** Particular activities or special events that are emphasised in the organisation's formal or informal processes.
- **Stories.** Stories that are often told by members of the organisation and embedded in conversations and presentations which have to do with successes, failures, heroes, mavericks and villains associated with the organisation, its process or interactions.
- **Symbols.** Represented by logos, fonts in letters, advertisement and masthead on newsletters and printed generic communication; formatting and style of titles, the type of language used, short-hand representations, abbreviations used in the organisation.
- **Power structures.** Reflected in the organisational structure, power vested in individuals based on positions, roles or seniority.
- **Control systems.** The measurement and reward systems that emphasise what is important or focuses on certain quality or events.
- **Organisational structure.** Reflects culture through structure, job titles, relations and chain of command.
- **Paradigm.** Encapsulates and reinforces behaviour observed in other elements of the cultural web.

Organisational culture can also be analysed using the parameters described in the following dimensions:

- **People orientation:** Management decisions that take into account the effects of people in the organisation.
- **Team orientation:** The impact of how work is around teams rather than individuals.
- **Attention to detail:** The degree to which employees are expected to exhibit precision, analysis and attention to detail.

- **Outcome of orientation:** The level of managerial focus on results and outcomes rather than how these outcomes are achieved.
- **Innovation and risk taking:** The amount innovation and risk that employees are encouraged to take.
- **Cooperation:** The level of cooperation and harmonious relationship among employees relative to competitiveness and rivalry.
- **Stability:** The extent to which decision making focuses on the status quo versus change and conflict.

In summary, the analysis of organisational and corporate cultures often needs much in-depth study. However, a good understanding of an organisation's culture can often shed light on the efficiencies as well as inefficiencies in the organisation besides providing a good insight into the success factors of the organisation. In a globalised customer-centric marketplace where diversity prevails, having the right organisational culture can contribute tremendously to organisational performance. Often organisations incorporate effective organisational culture as part of their corporate organisational strategy.

Adaptive and Inert Cultures

7 LEARNING OBJECTIVE
Distinguish between adaptive and inert organisational cultures.

Many researchers and managers believe that employees of organisations go out of their way to help their organisation because the organisation has a strong and cohesive organisational culture, i.e. an adaptive culture. **Adaptive cultures** are those whose values and norms help an organisation to build momentum, grow and change as needed to achieve its goals and be effective. In essence, adaptive cultures inspire and motivate members of the organisation.

In contrast, **inert cultures** result in values and norms that fail to motivate or inspire employees. They lead to stagnation and often failure over time. Organisations with an inert culture are generally not successful. Even if they are successful, it will be only to a limited extent.

Researchers have found that organisations with strong adaptive cultures invest in their employees and demonstrate their commitment to them. An example of such investment and commitment is emphasising the long-term nature of the employment relationship, trying to avoid layoffs, developing long-term career paths for employees, and investing heavily in training and development to increase employee value to the organisation. Also, employee rewards are linked directly to employee and organisational performance.

Other organisations, however, develop cultures with values that do not reflect a commitment to protecting and increasing the worth of their human resources. In a company with an inert culture, poor working relationships frequently develop between the organisation and its employees. Instrumental values of non-cooperation, laziness and loafing are prevalent and work norms of output restriction are common.

An adaptive culture develops an emphasis on entrepreneurship, respect for employees and uses an organisational structure that empowers employees and motivates them to succeed. In contrast, in an inert culture, employees are content to be told what to do and have little incentive or motivation to perform beyond minimum work requirements.

Generic Types of Culture

8 LEARNING OBJECTIVE
Describe generic organisational cultures.

Based on Deal and Kennedy's (1982 and 2000) study of hundreds of business organisations and their environments, there are two determining factors of corporate cultures:

1. The degree of risk associated with an organisation's activities.
2. The speed at which organisations and their employees receive feedback on success of decisions or strategies.

This gives rise to four generic types of culture: the work-hard/play-hard; tough guy macho; process and bet-your-company cultures.

- The **work-hard/play-hard culture** (low degree of risk/high degree of feedback) is often associated with highly dynamic customer-centric organisations.
- The **tough guy macho culture** is characterised by a high degree of risk and high speed of feedback, and it is usually associated with organisations where focus is on speed, e.g. police departments.
- The **process culture** is characterised by a low degree of risk and low speed of feedback, and it is commonly found in bureaucracies, e.g. government department, where focus is on minor details and following rules.

- The **bet-your-company culture** has a high degree of risk and low speed of feedback, and it is generally found in organisations with long-term goals and the future, e.g. the military and oil companies.

Organisational Cultures and National Cultures

9 LEARNING OBJECTIVE
Distinguish between organisational and national cultures; and the compatibility between the two cultures.

Adler (2002) states that organisational culture does not erase or diminish national culture in the context of behaviour within an organisation. In fact, she cites researcher André Laurent's finding that cultural differences were significantly greater among managers working within the same multinational corporation than they were among managers working for companies in their own native country. The reasons are not well-understood, but it appears that employees may be resisting a company's corporate culture if it is counter to the beliefs of their own national one.

Adler's (2002) observations support the conclusion that national culture outweighs organisational culture. However, one factor may offset this; at some multinationals, a combination of targeted hiring processes and employee self-selection increasingly establishes foreign workforces that are more in harmony with the respective corporate culture. Those who fit well stay with the company, those who do not either do not get hired in the first place or leave within a few years. This appears to have intensified in recent years. Companies strongly nurturing the trend may be able to maintain a fairly homogenous culture across their foreign locations.

Schneider and Barsoux (2003) suggest that cultural values and beliefs influence the meaning of management and also show up conceptions of organisations. National differences and cultural reasons raise concerns about transferability of organisational structures, systems and processes and question the logic of universal 'best practices'. They recognise the power of national culture over organisational culture and the difficulty associated with developing universal 'best practices'.

Cheng, Sculli and Chan (2001) also question the universality of theories of management as studies have not factored in national culture. With globalisation, growth of Chinese, Indian, Brazilian, Russian, Middle Eastern and other emerging economies, research on the impact and influence of national cultures on organisational culture is work-in-progress.

Conflict between Organisational and National Cultures

Managers in MNCs or when working across borders must bear several points in mind.

- One cannot safely assume that even a very powerful organisational culture will render national influences insignificant. Employees facing actual conflicts between the two are likely to respond in ways typical of their national culture, not their organisational one. Seeking to employ only those in a country who are 'sufficiently compatible' comes with its own set of drawbacks.
- It is in a company's best interest to carefully assess its organisational culture against the local cultures in all countries and regions it is engaged in.
- When recognising potential conflicts between organisational and foreign national cultures, managers should strive to take preventive action to keep local employees motivated and committed. This may require changing or toning down aspects of the organisation's culture, even if they work well elsewhere.
- Similarly, the manager must develop ways to resolve actual conflicts to keep its foreign employees at ease. Again, this may require some compromise between the cultures.

EXPERIENTIAL EXERCISE

Organisational Culture Metaphors

If my university hall of residence were an animal, it would be a(an) ________________ ____________________________ because ________________________________

If the bus I travel to my college were an animal, it would be a(an) ________________ ____________________________ because ________________________________

If this textbook was a member of my family, it would be my ____________________ because ____

If I am a location or site, I would be ____________________________________ because ____

Write a short paragraph about the overall organisational culture of your university.

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CHAPTER 9

ORGANISATIONAL CONTROL, CHANGE AND LEARNING

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Define organisational control and the purpose why organisational control is needed.
2. Describe the levels and areas of control in an organisation.
3. Describe the application of information technology in organisational control.
4. Describe the control process and the three organisational control systems.
5. Describe the main output controls and their purpose.
6. Describe the main behaviour controls and their purpose.
7. Explain the role of organisational culture and clan control.
8. Describe effective control and the characteristics of an effective control system.
9. Describe organisational change and the forces driving organisational change, as well as the four steps in the organisational change process.

10. Explain why employees resist change and how managerial action can reduce resistance to change.
11. Describe what a learning organisation is and the role managers can play in developing a learning organisational culture.

Organisational Control

1 LEARNING OBJECTIVE
Define organisational control and the purpose why organisational control is needed.

Organisational control is the process through which managers monitor and regulate how efficiently and effectively an organisation and its members are performing the activities necessary to achieve organisational goals. In controlling, managers monitor and evaluate whether their organisation's strategy and structure are working as intended, how they could be improved and how they might be changed if they are not working. Control involves keeping an organisation on track and anticipating events that might occur. It is also involved with keeping employees motivated, focused upon important problems facing the organisation and working together to take advantage of opportunities.

The key reasons why control is needed in any organisation include the need to adapt to change and uncertainty, to discover irregularities and errors; and to reduce costs, increase productivity, or add value. Control also helps organisations to detect and identify opportunities as well as enables organisational members, i.e. managers and employees, to address and deal with issues related to complexity. If well managed, control also enables the decentralisation of decision making and facilitates teamwork. Good control also helps to identify weakness in the various processes in the organisation's operations. In view of the manifold benefits of control, the implementation of the control process must be well managed. Like the other three pillars of management, control is also an important pillar.

A control system contains the measures or yardsticks that allow managers to assess how efficiently the organisation is producing goods and services. Without a control system in place, managers have no idea how their organisation is performing and how its performance can be improved. Organisational control is important in determining the quality of goods and services because it gives managers feedback on product quality.

Effective managers create a control system that consistently monitors the quality of goods and services so that they can make continuous improvements to quality.

By developing a control system to evaluate how well customer-contact employees are performing their jobs, managers can make their organisations more responsive to customers. Monitoring employee behaviour can help managers find ways to increase employees' performance levels. Controlling can also raise the level of innovation in an organisation by deciding on the appropriate control systems to encourage risk taking.

In summary, an efficient and effective control system is determined by the establishment of clear standards of performance as part of the system. The system then involves a comparison of the different outputs with the standards set. If the outputs do not meet the standards, corrective action is needed to overcome shortcomings or deficiencies. Organisational control essentially comprises three key processes – feedback control, concurrent control and feedforward control. **Feedback control** is a mechanism for gathering data and information usually about performance deficiencies after they occur. **Concurrent control** is a mechanism for gathering data and information about performance deficiencies as they occur. The advantage is the elimination or reduction of delay between performance and feedback. **Feedforward control** monitors the inputs rather than the outputs thereby minimising or even preventing performance deficiencies before they occur.

Levels and Areas of Control

2 LEARNING OBJECTIVE
Describe the levels and areas of control in an organisation.

In applying the different steps and types of control in an organisation, managers need to consider:

- The level of management at which they operate.
- The areas they can draw on for resources.
- The style of control philosophy within the organisation.

There are three levels of control, corresponding to the three principal managerial levels. These are strategic control, tactical control and operational control.

- **Strategic control**, usually carried out by top managers, is monitoring performance to ensure that strategic plans are being implemented. The more senior and experienced middle managers in some organisations may also be involved as they are more familiar with the details.

- **Tactical control**, done by middle managers, is monitoring performance to ensure that tactical plans are being implemented. Tactical plans are often the mainstay that determines the success of organisations. Tactical plans also often cross-linked to different functions and geographic areas the organisation operates within.
- **Operational control**, done by first-level or supervisory managers, is monitoring performance to ensure that day-to-day goals are being implemented. These may include simple procedures to keep track of the operations not just on a daily basis but on an hourly basis. These are common in high-speed production or where spoilage or deterioration of output is likely or possible, e.g. prepared meals in a catering operation.

Most organisations have several areas (listed below) that they can draw on for resources to manage their control processes.

- The **physical area** includes buildings, equipment and tangible products that use equipment control, inventory-management control and quality controls, respectively. For example, in a production facility, it is necessary to ensure that equipment is well serviced and operationally efficient. For a transportation organisation, vehicles should be well maintained and operationally functional within the duty period.
- The **human resources area** uses attendance records, personality tests, performance appraisals, employee surveys and the like as controls to monitor people. On a daily basis, human control processes focus on staffing levels and service levels. For example, in a customer service centre, first-line and middle managers often focus on ensuring that calls are promptly picked up and responses are correctly given with brevity, in the shortest possible time with minimum loss in quality of the response.
- The **informational area** uses production schedules, sales forecasts, environmental impact statements and the like to monitor the organisation's various resources. Control is achieved through scrutinising informational reports and data generated by systems and procedures developed by management. These reports range from hourly reports to monthly and yearly reports. The control processes associated with production output, production quality and service levels are often vital areas which are vigilantly controlled.

- The **financial area** uses various kinds of financial controls. This is probably the most tightly managed area of control. The key focus is often on cash-flow to ensure liquidity to carry on the business and operations of an organisation on a daily basis. Other areas that demand close scrutiny are the profit margin and whether unit costs are within tolerable variances.
- The **structural area** uses hierarchical or other arrangements such as bureaucratic control, which is characterised by the use of rules, regulations and formal authority to guide performance, or decentralised control, which is characterised by informal and organic structural arrangements.
- The **cultural area** influences the work process and levels of performance through the set of norms that develop as a result of the values and beliefs that constitute an organisation's culture. Organisational culture is controlled through a variety of actions initiated by managers at different levels.

Control Systems and Information Technology

3 LEARNING OBJECTIVE
Describe the application of information technology in organisational control.

New forms of information technology (IT) have revolutionised control systems because they facilitate the flow of accurate and timely information up and down the organisational hierarchy and between functions and divisions. In fact, many control systems are on real time often generating data, information and reports on practically instantaneous basis. Control systems are developed to measure performance at each stage in the conversion of inputs into finished goods and services. The three types of control described earlier, feedforward control, concurrent control and feedback control, are described in greater detail.

At the **input stage**, managers use **feedforward control** to anticipate problems before they arise so that problems do not occur later during the conversion process. At this stage, IT can be used to keep in contact with suppliers, monitor their progress and control the quality of inputs received from them. Organisations may also track deliveries especially if they are using just-in-time inventory management.

At the **conversion stage**, **concurrent control** gives managers immediate feedback on how efficiently inputs are being transformed into outputs. Concurrent control through IT alerts managers to the need to react quickly to the source of the problem. Concurrent control is the key control process when goods are being produced or service is being provided. Concurrent control is at the heart of total quality management programmes.

At the **output stage**, managers use **feedback control** to provide information about customers' reactions to goods and services so that corrective action can be taken if necessary.

The Control Process

4 LEARNING OBJECTIVE
Describe the control process and the three organisational control systems.

The **control system**, whether at the input, conversion or output stage, can be broken down into four steps.

- Step 1: Establish the standard of performance, goals or targets against which performance is to be evaluated.
- Step 2: Measure actual performance.
- Step 3: Compare actual performance against chosen standards of performance.
- Step 4: Evaluate the result and initiate corrective action if the standard is not being achieved.

The three most important organisational control systems used by most managers to coordinate and motivate employees to ensure they pursue superior efficiency, quality, innovation and responsiveness to customers are presented in Table 9.1.

Type of Control	Mechanism of Control
Output Control	Financial measures of performance Organisational goals Operating budgets [The focus essentially is on the quantitative aspects reflected by measuring 'numbers' to ensure efficiency, effectiveness and performance are achieved as desired.]
Behaviour Control	Direct supervision Management by objectives Rules and standard operating procedures [The focus essentially is on the qualitative aspects reflected by measuring service quality, adherence to rules and behaviour of employees to ensure efficiency, effectiveness and performance are achieved as desired.]
Organisational Culture/Clan Control	Values Norms Socialisation

Table 9.1 Organisational Control Systems

Output Control

5 LEARNING OBJECTIVE
Describe the main output controls and their purpose.

All managers develop a system of output control for their organisations. The three main mechanisms that managers use to assess output or performance are financial measures, performance standards and operating budgets.

Financial Measures of Performance

Top managers use various financial measures to evaluate performance. The most common financial measures are profit ratios, liquidity ratios, leverage ratios and activity ratios.

- **Profit ratios** measure how efficiently managers are using the organisation's resources to generate profits. Return on investment (ROI), which is an organisation's net income before taxes divided by its total assets, is the most commonly used financial profit ratio. Gross profit margin is the difference between the amount of revenue generated and the resources used to produce the product. It provides information about how efficiently an organisation is using its resources. Both of these profit ratios allow managers to assess its competitive advantage.
- **Liquidity ratios** measure how well managers have protected organisational resources so as to be able to meet short-term obligations. The current ratio (current assets divided by current liabilities) tells managers whether they have the resources to meet claims for short-term creditors. The quick ratio tells whether they can pay these claims without selling inventory.
- **Leverage ratios**, such as the debt-to-assets ratio and the times-covered ratio, measure the degree to which managers use debt or equity to finance ongoing operations.
- **Activity ratios** provide measures of how well managers are creating value from assets. Inventory turnover measures how efficiently managers are turning over inventory. Days sales outstanding provide information on how efficiently managers are collecting revenue from customers.

Managers like to use financial measures of performance because of the objectivity. However, financial information by itself does not provide managers with all the information they need. Financial information helps managers to evaluate past decisions, but does not tell them how to find new opportunities to build competitive advantage. This is why organisational goals are important.

Performance Standards

After **top managers** have set the organisation's overall goals, they then establish performance standards for the various divisions and functions. These standards specify for divisional and functional managers the level at which their units must perform if the organisation is to achieve its overall goals.

Divisional managers then develop a business-level strategy that they hope will allow them to achieve that goal. In consultation with functional managers, they specify the functional goals that managers of different functions need to achieve to allow the division to achieve its goals. In turn, **functional managers** establish goals that first-line managers and non-managerial employees need to achieve to allow the function to achieve its goals.

It is vital that the goals set at each level harmonise with the goals set at other levels. Also, goals should be set appropriately so that managers are motivated to accomplish them. The best goals are specific difficult goals, often called stretch goals, which will challenge managers' ability but are not out of reach.

Operating Budgets

The next step in developing an output control system is to establish operating budgets. An **operating budget** is a blueprint that states how managers intend to use organisational resources to achieve organisational goals efficiently. Managers at one level allocate to subordinate managers a specific amount of resources to use to produce goods and services. These lower-level managers are evaluated on their ability to stay within the budget and to make the best use of resources.

Large organisations often treat each division as a standalone responsibility centre, then evaluate each division's contribution to corporate performance. Managers may be given a fixed budget and evaluated for the amount of goods or services they can produce from it (a cost or expense budget approach.) Managers may be asked to maximise the revenues from the sales of goods and services produced (a revenue budget approach.) They may be evaluated on the difference between the revenues generated and the budgeted cost of making those goods and services (a profit budget approach.)

Problems with Output Control

Managers must be careful that the output standards they create do not cause managers at lower levels to behave in inappropriate ways to achieve organisational goals. Output standards should encourage managers to be most concerned about the long term. When designing an output control system, managers must be sure that the output standards they create motivate managers at all levels and do not encourage inappropriate behaviour as a way to achieve organisational goals.

Managers' primary concern should be long-term effectiveness. Therefore, if conditions change, it is probably better that top managers communicate to those lower in the hierarchy that they are aware of the changes taking place and are willing to revise and adjust goals and standards. Managers must be sensitive to how they use output control and constantly monitor its effects at all levels in the organisation. Output controls should serve as a guide to appropriate action.

Behaviour Control

6 LEARNING OBJECTIVE
Describe the main behaviour controls and their purpose.

Behaviour control, along with output control, is a method of motivating employees. There are three mechanisms of behaviour control that managers can use: direct supervision, management by objectives and bureaucratic control.

Direct Supervision

The most immediate and potent form of behaviour control is **direct supervision** by managers. Under direct supervision, managers actively monitor and observe, teach and correct subordinates. Direct supervision requires that managers lead by example and can be a very effective way of motivating employees. However, there are problems associated with direct supervision. 'Standing' direct supervision is very expensive because a manager can personally manage only a small number of subordinates effectively. For this reason, output control is usually preferred over behaviour control. Direct supervision can also demotivate subordinates if they feel that they are not free to make their own decisions. For many jobs, direct supervision is not feasible. The more complex a job, the more difficult it is for a manager to determine how well an employee is performing.

Management by Objectives

To provide a framework for evaluating subordinates' behaviour, many organisations implement some version of **management by objectives (MBO)**. MBO is a system of evaluating subordinates for their ability to achieve specific organisational goals or performance standards and to meet operating budgets. It involves three steps.

- Step 1: Specific goals and objectives are established at each level of the organisation.
- Step 2: Managers and their subordinates together determine the subordinates' goals.
- Step 3: Managers and their subordinates periodically review the subordinates' progress towards meeting goals.

In companies in which responsibilities have been decentralised to empower teams, MBO works somewhat differently. Managers ask each team to develop a set of goals and performance targets that the team hopes to achieve. Managers then negotiate with each team to establish its final goals and the budget the team will need to achieve them. Rewards are linked to team performance, not to the performance of any one team member.

Bureaucratic Control

When direct supervision is too expensive and MBO is inappropriate, managers may use bureaucratic control. **Bureaucratic control** is control of behaviour by means of a comprehensive system of rules and standard operating procedures (SOPs) that shape and regulate the behaviour of divisions, functions and individuals.

Rules and SOPs guide behaviour and specify what employees should do when they confront a problem. It is the responsibility of a manager to develop rules that allow employees to perform their activities efficiently and effectively.

When employees follow the rules, their behaviour is standardised and actions are performed in the same way time and time again. There is no need to monitor the outputs of behaviour because standardised behaviour leads to standardised outputs.

Problems with Bureaucratic Control

With a bureaucratic control system in place, managers can manage by exception and intervene and take corrective action only when necessary. However, some problems that have been associated with bureaucratic control, which can reduce organisational effectiveness, are discussed below. Establishing rules is always easier than discarding them. If the amount of 'red tape' or rules becomes onerous on employees and managers, sluggishness can set in and affect an organisation's survival.

Because rules constrain and standardise behaviour, there is a danger that people become so used to automatically following rules that they stop thinking for themselves. Innovation is incompatible with the use of extensive bureaucratic control. Organisations often stagnate, if rules and SOPs are not reviewed periodically to take cognisance of changes in the task and general environment, trends in behaviour of employees or developments in production or service methodology.

Bureaucratic control is most useful when organisational activities are routine and when employees are making programmed decisions. It is less useful where non-programmed decisions need to be made and managers must react quickly to changes. For many of the most significant organisational activities and knowledge-based industries and services, output control and behaviour control can be inappropriate.

Firstly, a manager cannot evaluate the performance of workers such as doctors, research scientists, or engineers by observing their behaviour on a day-to-day basis. Secondly, rules and SOPs are of little use in telling a doctor how to respond to an emergency situation or a scientist how to discover something new. Output controls such as the amount of time a surgeon takes for each operation or the costs of making a discovery are very crude measures of the quality of performance. Therefore, in organisations and work areas where the emphasis is on knowledge-intensive work, high technology work, innovation and creativity, output control and behaviour control are unsuitable.

Organisational Culture and Clan Control

7 LEARNING OBJECTIVE
Explain the role of organisational culture and clan control.

Organisational culture is another control system that regulates and governs employee attitudes and behaviour. It is the shared set of beliefs, expectations, values, norms and work routines that influence how members of an organisation relate to each other and work together to achieve organisational goals. **Clan control** is the control exerted on individuals and groups in an organisation by shared values, norms, standards of behaviour and expectations. Organisational culture is not an externally imposed system. Rather, employees internalise organisational values and norms, then let these guide their decisions and actions.

Organisational culture is an important source of control because it makes control possible in situations where managers cannot use output or behaviour control, and when a strong and cohesive set of organisational values and norms is in place, employees focus on thinking about what is best for the organisation in the long run. Organisational culture was extensively described and discussed in the previous chapter.

Managing Control Effectively

8 LEARNING OBJECTIVE
Describe effective control and the characteristics of an effective control system.

Successful control systems have four common characteristics.

- They are strategic and results oriented.
- They are timely, accurate and objective.
- They are realistic, positive and understandable and they encourage self-control.
- They are flexible enough to allow managers to respond appropriately to unexpected events.

Among the barriers to a successful control system are the following:

- Organisations may exert too much control.
- There may be too little employee participation.
- The organisation may overemphasise means instead of ends.
- There may be an overemphasis on paperwork.
- There may be an overemphasis on one approach instead of multiple approaches.

Qualities of an Effective Control System

Effective control systems have inherent qualities and characteristics that make them effective from a management perspective. This includes its accuracy reflected by its reliability and the generation of valid data. Another characteristic is its timeliness so that it generates data and information in a timely manner that meets the user's needs. An effective control must also be economical to operate.

A characteristic embedded in an effective control system is its flexibility. The system must be flexible to adjust to changes and opportunities. The system must also be easy to understand by all the users of the control system. The standards used in the control system must be reasonable and attainable with fair effort. As managers generally cannot control everything under their charge, the control system should incorporate only factors that are strategic to the organisation's performance. Also as managers cannot control all the activities, the control devices, mechanism and reports should draw attention only to the exceptions.

Incorporating multiple criteria into the control system ensures wider coverage and narrows the area of attention. The control system must be designed in such a manner that it only indicates significant deviations and fluctuation so that appropriate corrective action can be taken.

Organisational Change

9 LEARNING OBJECTIVE
Describe organisational change and the forces driving organisational change, as well as the four steps in the organisational change process.

Organisational change can be purposely initiated by management or managers or thrust upon an organisation due to forces in the environment, volatility of the environment; or brought upon by competition, new technology and change in availability of resources, political interests, government intervention or globalisation. Change is a pervasive influence in the 21st century. It is an inescapable part of both organisational and social life and we are all subject to its force. Many researchers believe that the highest performing organisations are those that are constantly changing and thus have become experienced at it. For this reason, it is vital that managers develop the skills necessary to manage change effectively.

Other forces driving change include:

1. Increasing demands for quality and higher levels of customer service and satisfaction.
2. Greater flexibility in the structure of work organisation and patterns of management.
3. The changing nature and composition of the workforce, especially due to diversity and migration.
4. Conflict within the organisation as it grows larger, arising from differing interests and priorities in different parts of the organisation.
5. Outsourcing and the continual redefinition of what constitutes an organisation's core business.
6. The distribution of work across different people, organisations and locations and the extent to which this makes work fragmented.

7. Changing demographics and expectations of stakeholders (suppliers, distributors, employers, employees, customers, shareholders).
8. Increasing pressure and demand on managers due to imposition of targets and performance.

In the drive to achieve efficiency and effectiveness in organisational performance, change is a daily demand and the expectation to continual change and re-invent business is a prerequisite of management aiming for success.

Organisational Change Process

The following tabulates the four steps that managers can take to effect change (Table 9.2).

Assessing the Need for Change

Organisational change can affect practically all aspects of organisational functioning, including organisational structure, culture, strategies, control systems, groups and teams, human resource management system, as well as critical organisational processes such as communication, motivation and leadership. It can also bring alterations in the way that managers carry out the critical tasks of planning, organising, leading and controlling, and the ways they perform their managerial roles.

1. Assess the need for change	• Recognise there is a problem. • Identify the source of the problem.
2. Decide on the changes to make	• Decide what the organisation's ideal future state would be. • Identify the obstacles to change.
3. Implement the change	• Decide whether change will occur from top down or from bottom up. • Introduce and manage change.
4. Evaluate the change	• Compare pre-change performance with post-change performance. • Use benchmarking.

Table 9.2 Four Steps for Effecting Change

(Adapted from Jones & George, 2009)

Deciding how to change an organisation is a complex matter because change disrupts the status quo and poses a threat to many, prompting some employees to resist attempts to alter work relationships and procedures. Organisational learning can be an important impetus for change. Organisational change is often the process through which managers try to increase the ability of organisational members to understand and appropriately respond to changing conditions.

Assessing the need for change requires two important activities to be carried out: recognising that there is a problem and identifying its source. Sometimes the need for change is obvious, but at other times, problems develop gradually, making it more difficult to recognise that change is needed. To discover the source of organisational problems, managers need to look both within and outside of the organisation.

Deciding on the Changes to Make

Once managers have identified the source of the problem, they must decide what they think the organisation's ideal future state would be and begin planning how they are going to attain the organisation's future state. This step also includes identifying obstacles or sources of resistance to change. Obstacles to change are found at the corporate, divisional, departmental and individual levels of the organisation.

Corporate-level changes, even seemingly trivial ones, may significantly affect how divisional and departmental managers behave. For this reason, an organisation's present strategy and structure can be powerful obstacles to change. Whether a company's culture is adaptive or inert can also facilitate or obstruct change. Organisations with entrepreneurial, flexible cultures are much easier to change than organisations with more rigid cultures.

The same obstacles to change exist at the **divisional level** and **departmental level** as well. Division managers may differ in their attitudes towards changes proposed by top managers and if their interests and power seem threatened, the will resist those changes. Managers at all levels usually fight to protect their power and control over resources.

At the **individual level**, people are often resistant to change because it brings uncertainty and stress. Managers must recognise and take into consideration potential obstacles that can make change a slow process. Improving communication and empowering employees by inviting them to participate in the planning for change can help to overcome resistance and allay fears. In addition, managers can sometimes overcome resistance by emphasising group or shared goals such as organisational efficiency and effectiveness. The larger and more complex an organisation, the more complex the change process is.

Implementing the Change

Generally managers introduce and manage change from the top-down or from bottom-up. **Top-down change** is implemented quickly. Top managers identify the need for change, decide what to do and then move quickly to implement the changes throughout the organisation. **Bottom-up change** is typically more gradual. Top managers consult with middle and first-line managers, and over time, managers at all levels work to develop a detailed plan for change. A major advantage of bottom-up change is that it can overcome resistance to change from employees because their participation in the change process makes them more supportive.

Evaluating the Change

The last step in the change process is to evaluate how successful the change effort has been in improving organisational performance. Using such measures as market share, profits, or the ability of managers to meet their goals, managers can compare how well an organisation is performing after the change with its performance prior to the change. Managers also can use benchmarking, which is the comparison of their performance on specific dimensions with the performance of high performing organisations, to decide how successful a change effort has been. Benchmarking is a key tool in total quality management.

Planned Change

Lewin (1951) developed a three-phase process of effecting a change in an organisation. The three stages are unfreezing, movement and refreezing.

1. **Unfreezing** recognises the need for change and improvement to occur and reduces the forces that maintain the present processes and systems.
2. **Movement** develops and implements the new processes and systems, i.e. the change.

3. **Refreezing** stabilises the change at the new level and reinforcement through supporting mechanism, e.g. policies, structure and norms.

French, Kast and Rosenzweig (1985) describe the specific stages of the planned change effort as follows:

1. Initial problem identification.
2. Obtaining data.
3. Problem diagnosis.
4. Action planning.
5. Implementation.
6. Follow-up and stabilisation.
7. Assessment of consequences (evaluation).
8. Learning from the process.

French, Kast and Rosenzweig (1985) described stages 1 to 3 as unfreezing, 3 to 7 as changes and stages 7 and 8 as freezing, with some degree of overlap in the transition from unfreezing to change and similarly from change to refreezing.

Kotter (1996) proposed an eight-step process to lead change.

1. **Establish a sense of urgency.** Unfreeze the organisation by creating a compelling reason for why change is needed.
2. **Create the guiding coalition.** Create a cross-functional, cross-level group of people with enough power to lead the change.
3. **Develop a vision and strategy.** Create a vision and strategic plan to guide the change process.
4. **Communicate the change-vision.** Create and implement a communication strategy that consistently communicates the new vision and strategic plan.
5. **Empower broad-based action.** Eliminate barriers to change and use target elements of change to transform the organisation.
6. **Generate short-term wins.** Plan for and create short-term 'wins' or improvements.
7. **Consolidate gains and produce more change.** The guiding coalition uses credibility from short-terms wins to create change. Additional people are brought into the change process as change cascades throughout the organisation.
8. **Anchor new approaches in the culture.** Reinforce the changes by highlighting connections between new behaviours and processes and organisational success.

Why Employees Resist Change

The most frequently quoted reasons for resisting change by employees are:

10 LEARNING OBJECTIVE
Explain why employees resist change and how managerial action can reduce resistance to change.

1. Individuals' predisposition towards change: This is often personal and deeply ingrained.
2. Surprise and fear of the unknown: Employees are often fearful of implications and consequences of change; rumours and myths often take on larger-than-life dimensions.
3. Climate of mistrust: If this exists in an organisation, it can aggravate the situation.
4. Fear of failure: Self doubt often erodes self-confidence, hampering personal growth and development.
5. Loss of status or job security, or both: In a world where the psychological employment contract has changed, fear of status or job loss appears more real in the light of organisational change.
6. Peer pressure: Co-workers often pressurise colleagues to resist the change in order to remain in their comfort zone.
7. Disruption of cultural traditions or group relationships, or both: Fear of organisational change disrupting group dynamics and relationships and resulting in disequilibrium.
8. Personality conflicts: Hearing news of organisational change from 'adversaries', disliked managers or someone who is a 'prophet of doom' can breed resistance.
9. Lack of tact and/or poor timing: Changes may be introduced in an insensitive manner or an awkward time, may increase resistance.
10. Non-reinforcing reward systems: Employees generally resist change when they do not see any immediate direct benefit or positive outcome to themselves.

Managerial Actions to Reduce Resistance to Change

1. Through education and communication
    - Create a sense of urgency and emphasise the importance of change to remain relevant with changing times.
    - Create a vision which is sensible, clear and uplifting and a set of strategies which relates well to the change.

- Communicate with employees the vision and strategy in order to induce understanding and commitment.
- Communicate with employees to help them see the logic of change.
- Educate employees through one-on-one discussions, memos, group meetings or reports.
- Address issue of poor communication or misinformation.
- Build mutual trust and creditability between managers and subordinates.

2. Encourage participation
   - Build a guiding team with credibility skills, connections, reputation and formal authority to lead the change.
   - Allow those who oppose change to participate in the decision-making process.
   - Enable those who may have expertise to contribute to the decision-making process.
   - Involvement can reduce resistance by obtaining commitment to seeing change succeed and increase quality of change decision.
   - Team management, a cooperative spirit among staff and a genuine feeling of shared involvement will create a greater willingness to accept change.
3. Facilitation and support
   - Empower action and remove obstacles which may be hampering the implementation of the change.
   - Provide supportive effort including employee counselling or therapy, new skills training or even paid leave to adapt and adjust. Can be time consuming and expensive, although there may be intrinsic benefits, e.g. change mindset and attitude.
   - Produce short term and quick gains and wins to gain credibility, resources and momentum to the overall effort as well as overcome the resistance of doubters.
   - Do not let up but maintain momentum, consolidate early changes and create wave after wave of change.
   - Make change stick by a new organisational culture and create group norms, behaviour and shared values consistent with the change being introduced.
   - Create an environment of trust and shared commitment by involving subordinates in decisions and actions that affect them.
   - Careful attention must be paid to job design, methods of work organisation, the development of cohesive groups and

relationships between the nature and content of jobs and their task function.

4. Negotiate
   - Exchange some benefit or increase remuneration to reduce resistance.
   - May be necessary when resistance is too powerful or resistance is led by a powerful force (e.g. a strong union).
   - Potentially high cost and strong likelihood that negotiations may be necessary with other resisters including passive ones.
5. Manipulation and co-optation (not recommended as there are negative consequences).
   - Manipulation is an covert attempt to influence, such as by twisting or distorting facts, withholding damaging information, being economical with the truth or reality, or creating false rumours.
   - Co-optation is a form of manipulation and participation.
   - Inexpensive and easy ways to gain support of resisters.
   - Can fail miserably if targets feel they have been tricked.
   - A highly unethical practice and may lead to punitive action on those who adopt such tactics or strategy. Actions may be in breach of prevailing national laws or accepted norms generally accepted by society.
6. Coercion (may be illegal or unethical. Also not recommended.)
   1. Using direct threats or force.
   2. Inexpensive and easy way to get support.
   3. May be unethical and/or illegal.
   4. Even legal coercion can perceived or interpreted as bullying or threatening.

The Learning Organisation

According to Peter Senge (2006), learning organisations are organisations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole picture together. The basic rationale for such organisations is that in situations of rapid change only those that are flexible, adaptive and productive will excel. For this to happen, it is argued, organisations need to 'discover how to tap people's commitment and capacity to learn at all levels'.

11 LEARNING OBJECTIVE
Describe what a learning organisation is and the role managers can play in developing a learning organisational culture.

For a learning organisation, it is not enough to survive. 'Survival learning' or what is more often termed 'adaptive learning' is important. Indeed, it is necessary. But for a learning organisation, 'adaptive learning' must be joined by 'generative learning', learning that enhances the capacity to create (Senge, 2006). The dimension that distinguishes learning from more traditional organisations is the mastery of certain basic disciplines or 'component technologies'. The five disciplines that Senge (2006) identified are systems thinking, personal mastery, mental models, building of a shared vision and team learning.

1. **Systems thinking.** The ability to see interrelationships rather than linear cause-effect; the ability to think in context and appreciate the consequences of actions on other parts of the system.
2. **Personal mastery.** The ability to honestly and openly see reality as it exists; to clarify one's personal vision.
3. **Mental models.** The ability to compare reality or personal vision with perceptions and reconciling both into a coherent understanding.
4. **Building shared vision.** The ability of a group of individuals to hold a shared picture of a mutually desirable future.
5. **Team learning.** The ability of a group of individuals to suspend personal assumptions about each other and engage in 'dialogue' rather than 'discussion'.

The key to the success of a learning organisation is communication and openness involving both self-reflection (i.e. being honest with oneself about a situation) and participatory reflection (i.e. pushing the group to clarify and evaluate the assumptions underlying how work gets done within the organisation). It also involves communication that flows as much from the bottom of a hierarchy to the top as vice versa. Inquiry allows individuals to become adept at questioning things as a normal course of their work. It encourages people to take risks in improving aspects of their work.

Another important issue within a learning organisation is positive feedback which involves activities that are designed to let people learn from their inquiries, to build a personal knowledge base that is defined by proactive rather than reactive or defensive thinking. It involves those with more experience helping those with less experience understand not just the 'right' way to do things, but what can be learned from doing things the 'wrong' way.

Communication, reflection, feedback, flexibility and inquiry all depend upon individuals having adequate time to engage themselves and others in meaningful dialogue and brainstorming. Finally, in a learning organisation, mutual respect and support involves treating co-workers, supervisors and employees equally and consistently with respect to one's ability to contribute positively to the organisation, regardless of where that person is located in the organisational hierarchy.

Developing a Learning Organisational Culture

In a **learning organisational culture**, managers can actively encourage employees to prepare individual development plans quarterly. The manager's plans may include cross-training, skill stretching assignments and representing the department at organisation-wide meetings, as well as education. Managers can also put each employee in charge of contacting customers personally. When each employee personally knows customer needs, the employee is enabled to make better decisions to satisfy the customer.

Learning organisational culture also promotes visits to other organisations. Even organisations in different industries can provide opportunities for learning. Employees can see and learn what others are doing about the challenges they may be similarly experiencing in their organisation. Another way that managers can encourage a learning culture is to arrange regular meetings across departments, or in a smaller organisation, as a whole company. Even in larger organisations, bringing the whole company together, at least quarterly can be helpful in the journey to become a learning organisation.

Effective managers also ensure employees understand the entire work processes and systems; otherwise employees are able to make only small improvements in the process or system. While these small improvements are important, they do not necessarily optimise the success of the entire system. However, it provides an opportunity to understand how improvements in one area may have an adverse effect elsewhere in the organisation.

In a diverse organisation, the learning culture actively promotes the formation of cross-functional teams to solve problems, scout for new opportunities and cross-fertilise units with new ideas. This greatly enhances the organisational performance. Progressive companies are increasingly paying more attention to education for all employees. In fact, some forward thinking organisations have determined learning is so important that they pay for any educational pursuit, not just those related exclusively to the individual's current job. The goal is to foster learning and they presume that any investments in learning translate into more effective work performance over time.

In a learning culture, managers generally coach their employees to improve performance. Managers also work constantly to enable people to set and achieve their next goals. Spending time with people thinking about and planning their next objective can greatly contribute to organisational effectiveness and efficiency. The formation of study groups can also contribute to the development of a learning organisational culture. Internally, and even externally, these groups can focus on creating a learning organisation or any other topic that interests them.

Effective managers also encourage employees to take time to read, think and talk about new ideas and work. These managers put in considerable effort to create discussion areas, conference rooms and breakout areas that foster people communicating. Holding brainstorming (idea generation) sessions on specific topics could be helpful too. Bringing 'experts' in to help the work team is useful. In essence, managers wanting to promote a learning culture environment generally foster an environment of collegiality. They also use the performance management system effectively. In addition to the development plan, these managers also provide 360-degree feedback to employees from peers, reporting staff members, customers and the managers.

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PART FIVE

LEADING

CHAPTER 10

MOTIVATION THEORIES AND PRACTICES

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Explain what motivation is and distinguish between content and process theories of motivation.
2. Describe four frequently mentioned content theories of motivation and their similarities.
3. Describe four frequently mentioned process theories of motivation.
4. Explain the role of pay as a motivator.

Motivation Theories

Motivation refers to the psychological forces that determine a person's behaviour. Motivation is central to management because it explains why people behave the way they do. Motivation has three aspects:

1. The direction of a person's behaviour refers to the objectives the person is striking towards.
2. Effort refers to how the person works and the energy devoted to the task.
3. Persistence refers to whether the person keeps trying or gives up when he or she encounters 'roadblocks'.

Motivation theories may be classified into two main categories: content theories and process theories.

1 LEARNING OBJECTIVE
Explain what motivation is and distinguish between content and process theories of motivation.

Content Theories

These theories concern what factors motivate people to work hard. In other words, content theories focus on what motivate people to perform at work. There are four frequently and commonly described content theories:

1. Hierarchy of Needs (Maslow's Theory of Needs)
2. Existence, Relatedness and Growth Needs (ERG Theory also known as Alderfer's Theory)
3. Achievement Motivation or Acquired Needs (McClelland's Theory)
4. Motivator-hygiene Factors (Herzberg's Theory)

2 LEARNING OBJECTIVE
Describe four frequently mentioned content theories of motivation and their similarities.

Maslow's Hierarchy of Needs Theory

Psychologist Abraham Maslow's framework is probably the most well-known theory of motivation. The theory proposes that all people seek to satisfy five categories of needs: physiological, safety, belongingness, esteem and self-actualisation needs, ranging from the most basic to the highest. Thus, they constitute a hierarchy of needs. Figure 10.1 illustrates Maslow's Hierarchy of Needs Theory.

There are four mechanisms for the operation of the theory.

- **Deficit principle.** An unsatisfied need would be motivational. Once a need is satisfied, it ceases to function as a source of motivation.

	NEEDS	DESCRIPTION	EXAMPLES
HIGHEST LEVEL NEEDS	**Self-Actualisation**	Realise one's full potential	Using abilities to the fullest, being acknowledged as an expert
	Esteem	Feel good about oneself	Promotions, career advancement, recognition
	Belongingness	Social interaction, love	Interpersonal relations, networking with peers
	Safety	Security, stability	Job security, medical and old-age insurance
LOWEST LEVEL NEEDS	**Physiological**	Food, water, shelter, clothes	Basic pay to full immediate and daily needs
	Lower needs must be satisfied to a substantial level, before an individual level will seek higher level needs.		

Figure 10.1 Maslow's Hierarchy of Needs Theory

- **Single source of motivation.** People would generally strive to satisfy one particular category of needs at a time.
- **Basic needs first.** The lowest level of unmet needs is the prime motivator of behaviour.
- **Progressive principle.** If and when one level is substantially satisfied, needs at the next higher level will become motivational.

One of Maslow's key conclusions that people try to satisfy different needs, is valuable advice for all practising managers. This is especially true in today's global economy. However, it is important for managers to understand that people in different countries and cultures often differ in the needs they seek to satisfy through work.

Alderfer's ERG Theory

The **Existence, Relatedness and Growth Needs Theory**, or **ERG Theory**, was developed by organisational behaviourist, Clayton Alderfer. The ERG theory assumes that all human activity is motivated by needs. Needs can be divided into three groups of related needs and these need-groups can be rated according to their importance. The assumption is that humans must meet the needs of the most important group before significant attention and energy can be devoted to the needs in the second group and must meet the needs of the first and second groups before much energy can be expended on the needs in the third group. In essence, the ERG theory is a development from Maslow's theory. The three need groups are existence needs, relatedness needs and growth needs.

- **Existence needs** include a person's physiological and physically related safety needs, such as the need for food, shelter and safe working conditions.
- **Relatedness needs** include a person's need to interact with other people, receive public recognition and feel secure around people (i.e. interpersonal safety).
- **Growth needs** consist of a person's self-esteem through personal achievement as well as the concept of self-actualisation presented in Maslow's model.

Unlike Maslow's model, however, ERG theory includes a frustration-regression process whereby those who are unable to satisfy a higher need become frustrated and regress to the next lower need level. For example, if existence and relatedness needs have been satisfied, but growth need fulfilment has been blocked, the individual will become frustrated and relatedness needs will again emerge as the dominant source of motivation.

McClelland's Acquired Needs Theory

According to David McClelland, a psychologist, the need for achievement, affiliation and power are important drivers of performance.

- **Achievement.** The need for achievement is the extent to which an individual has a desire to perform challenging tasks well and to meet personal standards of excellence. People with a high need for achievement often set clear goals for themselves and like to receive performance feedback frequently.
- **Affiliation.** The need for affiliation is the extent to which an individual is concerned about establishing and maintaining good interpersonal relationships, being liked and having people around him or her who get along well with each other.
- **Power.** This need is the extent to which an individual desires to control or influence others.

From the description of this theory, it would be evident about its applicability especially to managers. The need for power generally is strongest in top managers. The need for achievement is desired by all levels of managers. The need for affiliation is more frequently sought by first line and middle managers especially if they are responsible for large work teams or have to supervise subordinates often.

Herzberg's Motivator–Hygiene Theory

Frederick Herzberg's Motivator-Hygiene Theory suggests that people are influenced by two distinct factors of needs; and the factors function in different ways. The first one is called a **'motivator'**. Its positive outcome can lead to high levels of motivation and job satisfaction. The second one is called a **'hygiene factor'**. Its positive outcome can prevent people from being dissatisfied.

Motivator needs are related to the nature of the work itself. For example, is the task challenging? Is the work interesting? Does the job carry responsibility and have autonomy? Motivators help to satisfy motivational needs. **Hygiene needs** are related to the physical and psychological context of a job. Examples include working environment, pay, relationship, supervision and job security. Although satisfying hygiene needs helps minimise workers' dissatisfaction, it alone does not result in high levels of motivation or job satisfaction. For motivation and job satisfaction to be high, motivator needs must also be met.

Herzberg's propositions are not supported empirically. Nevertheless, the theory is popular among practising managers because it has contributed to the understanding of motivation by focusing management attention on the distinction between intrinsic motivation and extrinsic motivation. Hygiene needs are often intrinsic. The theory is useful because it assists management in designing an effective reward system that motivates high performance and a proper benefit system that minimises dissatisfaction in the organisation.

All the content motivational theories described are very similar and their applicability is often determined by the type of employees, the work situation and the challenge of the task. The similarities are illustrated in Figure 10.2.

Process Theories

3 LEARNING OBJECTIVE
Describe four frequently mentioned process theories of motivation.

These theories concern the psychological process through which people are motivated. In other words, process theories focus on how people are motivated. There are four often-quoted process theories.

1. Equity Theory
2. Expectancy Theory
3. Goal Setting Theory

4. Social Learning Theory; also called Behaviour Modification or 'OB Mod' (reinforcement strategies)

Equity Theory

John Stacey Adams, a workplace and behavioural psychologist, proposed the Equity Theory on job motivation. Equity theory proposes that all individuals compare their level of job inputs and outcomes with those of others and then actively seek to eliminate any inequities. In other words, if we believe that we are being correctly rewarded for our efforts in relation to others, a state of justice exists. However, if we perceive ourselves as being unjustly treated in relation to others, we experience 'equity tension'. When people feel fairly or advantageously treated they are more likely to be motivated; when they feel unfairly treated they are highly prone to feelings of disaffection and demotivation. The way that people measure this sense of fairness is at the heart of Equity Theory.

Adams used the phrase 'referent others' to describe the reference points or people with whom we compare our own situation, which is the pivotal part of the theory. Equity theory helps explain why pay and conditions alone do not determine motivation. Crucially this means that equity does not depend on our input (our effort) to output (the rewards we receive) ratio alone. It also depends on our comparison between our ratio (the ratio of our input effort to our output represented by the rewards) and the ratio of others. Table 10.1 summarises the theory.

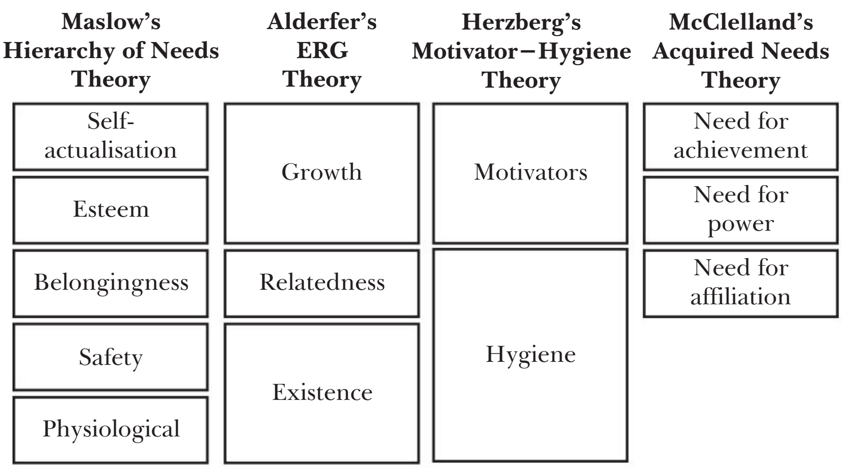

Figure 10.2 Similarities between Content Theories of Motivation

Input	Equity	Output
Inputs, typically, consist of the following: effort, loyalty, hard work, commitment, skill, ability, adaptability, flexibility, tolerance, determination, heart and soul, enthusiasm, trust in our manager and superiors, support of colleagues and subordinates, personal sacrifice.	This is dependent on comparing own ratio of input/output with ratios of 'referent others'. People need to feel that there is a fair balance between inputs and outputs. Crucially, fairness is measured by comparing one's own balance or ratio between inputs and outputs, with the ratio enjoyed or endured by relevant ('referent') others.	Outputs are typically often financial rewards: pay, salary, expenses, perks, benefits, pension arrangements, bonus and commission – and intangibles – recognition, reputation, praise and thanks, interest, responsibility, stimulus, travel, training, development, sense of achievement and advancement, promotion.

Table 10.1 The Equity Theory

In practice, this theory helps to explain why people are so strongly affected by the perception of the work situations (and views and gossip) of peers, colleagues, friends and partners, in establishing their own personal sense of fairness or equity in their work situations.

Expectancy Theory

Expectancy theory states that motivation will be high when workers believe that high levels of effort will lead to high performance and high performance will lead to the attainment of desired outcomes. Expectancy theory identifies three major factors, listed in Figure 10.3, that determine a person's motivation level: expectancy, instrumentality and valence.

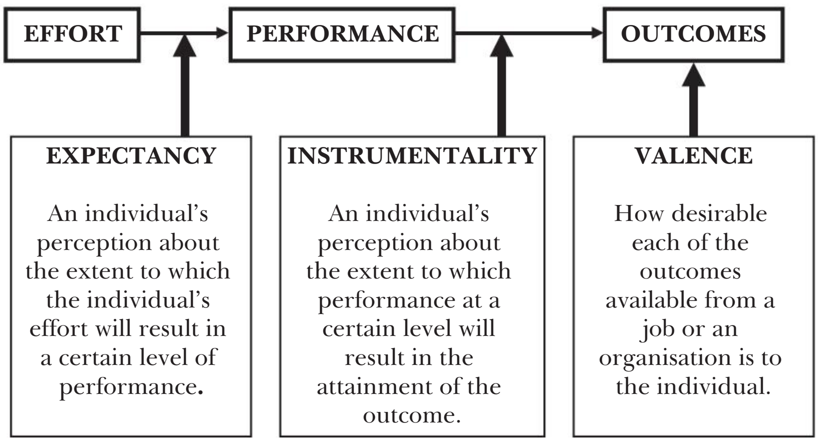

Figure 10.3 Expectancy Theory

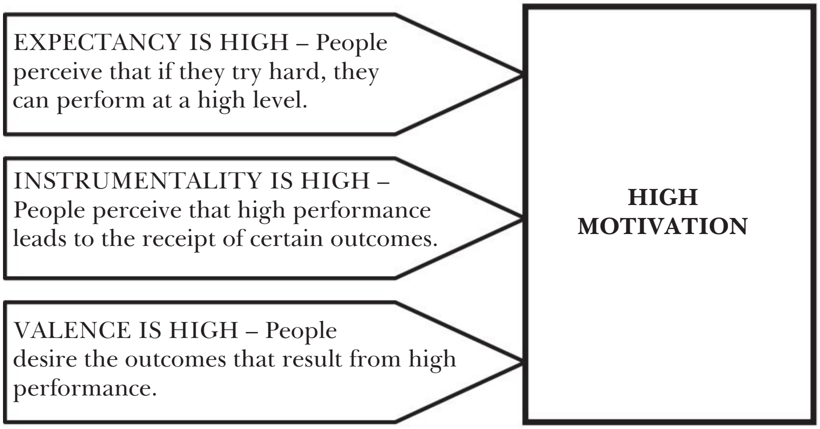

Figure 10.4 Expectancy Theory: High Motivation

- **Expectancy** is a person's perceived likelihood that a given level of effort will result in a certain level of performance.
- **Instrumentality** is a person's perceived likelihood that a certain level of performance will result in the attainment of outcomes.
- **Valence** refers to how desirable the outcomes obtained are to a person.

Expectancy theory suggests that **high motivation** results from high levels of all three factors of expectancy, instrumentality and valence (Figure 10.4). If any one of them is low, motivation is likely to be low. Therefore, to boost employees' motivation, managers should strive to help them to achieve higher level of:

- Expectancy, through improved job-person fit and adequate training;
- Instrumentality, through secured performance-rewards linkages; and
- Valence, through ensuring the rewards are truly desired by the employees.

Goal Setting Theory

Goal setting is a powerful way of motivating people. The value of goal setting is so well recognised that the entire management systems have goal setting basics incorporated within them. In fact, goal setting theory is generally accepted as among the most valid and useful motivation theories in industrial and organisational psychology, human resource management and organisational behaviour.

One of the most ambitious types of goals is the **stretch goal**. The purpose of stretch goals is to achieve extraordinary improvements in the organisation's goals. Stretch goals are so demanding that they force managers and their subordinates to move out of their comfort zone and adopt radical and revolutionary methods. Stretch goals may encourage large improvements, thinking outside the box and attempting targets which may seem impossible to achieve. However, effective managers instead of demanding unobtainable results should set realistic stretch goals. Stretch goals often require new ways of thinking and exploring fresh methods of problem solving. Stretch goals may also require a change in organisational culture and reinvention of work processes and methods of working. Stretch goals can motivate or demotivate depending on how managers and subordinates meet the challenge and cope with it.

Much of the research and ideas in goal setting is attributed to Drs. Edwin Locke and Gary Latham. According to Dr. Edwin Locke's pioneering research on goal setting and motivation in the late 1960s and reported in his 1968 article, 'Towards a Theory of Task Motivation and Incentives', he stated that employees were motivated by clear goals and appropriate feedback. Locke went on to say that working towards a goal provided a major source of motivation to actually reach the goal which, in turn, improved performance.

Locke's research showed that there was a relationship between how difficult and specific a goal was and people's performance of a task. He found that specific and difficult goals led to better task performance than vague or easy goals. A few years after Locke published his article, another researcher, Dr. Gary Latham, studied the effect of goal setting in the workplace. His results supported exactly what Locke had found and the inseparable link between goal setting and workplace performance was formed. In 1990, Locke and Latham published their seminal work, *A Theory of Goal Setting and Task Performance*. In this book, they reinforced the need to set specific and difficult goals and they outlined characteristics of successful goal setting.

To motivate, goals must take into consideration the degree to which each of the following aspects exists: clarity, challenge, commitment, feedback and task complexity.

- **Clarity:** Clear goals are measurable, unambiguous and behavioural. When a goal is clear and specific, with a definite time set for completion, there is less misunderstanding about what behaviours will be rewarded.

- **Challenge:** One of the most important characteristics of goals is the level of challenge. People are often motivated by achievement and they will judge a goal based on the significance of the anticipated accomplishment. When you know that what you do will be well received, there is a natural motivation to do a good job. Rewards typically increase for more difficult goals. If you believe you will be well compensated or otherwise rewarded for achieving a challenging goal, which will boost your enthusiasm and your drive to get it done.
- **Commitment:** Goals must be understood and agreed upon if they are to be effective. Employees are more likely to 'buy into' a goal if they feel they were part of creating that goal. The notion of participative management rests on this idea of involving employees in setting goals and making decisions. Interestingly, goal commitment and difficulty often work together. The harder the goal, the higher the level of commitment required.
- **Feedback:** In addition to selecting the right type of goal, an effective goal programme must also include feedback. Feedback provides opportunities to clarify expectations, adjust goal difficulty and gain recognition. It is important to provide benchmark opportunities or targets, so individuals can determine for themselves how they are doing.
- **Task Complexity:** Task complexity in goal setting theory introduces two more requirements for success. For goals or assignments that are highly complex, individuals need to take special care to ensure that the work does not become too overwhelming. People who work in complicated and demanding roles probably have a high level of motivation already. However, they can often push themselves too hard if measures are not built into the goal expectations to account for the complexity of the task. It is therefore important to give the person sufficient time to meet the goal or improve performance and also to provide enough time for the person to practise or learn what is expected and required for success.

Feedback

Whether one considers the Job Characteristics Model proposed by Hackman and Oldham (1980) (described in Chapter 7) or the Goal Setting Theory proposed by Latham and Locke (2002), the key to motivation, job satisfaction and performance is in receiving feedback.

Feedback provides opportunities to clarify expectations, adjust goal difficulty and gain recognition. It is important to provide benchmark opportunities or targets, so individuals can determine for themselves how they are doing. These regular progress reports, which measure specific success along the way, are particularly important when it is going to take a long time to reach a goal. In these cases, it enables the individual to break down the goals into smaller chunks and link feedback to these intermediate milestones. Feedback can be constructive or destructive.

Constructive Feedback

Constructive feedback is helpful, corrective and encouraging. It is immediate, focused on specific behaviours and problem oriented. Immediate feedback is important while the incident, event or situation is fairly fresh in the minds of the employee and manager. Recalling the specifics of an incident is easier and therefore feedback can easily be related.

Specific Feedback

Specific feedback focuses on particular acts or incidents that are clearly under the control of the subordinate. Specific feedback is not very helpful unless the subordinate or individual has control over the problem that the feedback addresses.

Problem-oriented Feedback

Problem-oriented feedback focuses on the problems or an incident associated with poor performance of the subordinate or individual rather than on the personality of the subordinate or individual. Feedback must not be an attack on the personality of subordinate or individual, or a personal attack on the subordinate or individual. Destructive feedback is disapproving without any intention of being helpful and always almost causes negative or defensive reaction in the subordinate.

360-degree Feedback

In general, people want to know how well they are doing. Managers and employees are generally never satisfied with feedback that is given by their bosses at appraisal. The development of the **360-degree feedback** system has enabled managers and employees to get an all-round feedback. This system is a tool that provides each employee the opportunity to receive performance feedback from his or her supervisor and between four to eight peers, reporting staff members, co-workers and customers. The recipient understands how his or her effectiveness as an employee, co-worker, or staff member is viewed by others. The most effective 360-degree feedback processes provide feedback that is based on behaviours that other employees can see. This feedback can immensely contribute to organisational performance.

The feedback provides insight about the skills and behaviours desired in the organisation to accomplish the mission, vision and goals, and to practise the values. The feedback is firmly planted in behaviours needed to exceed customer expectations. In essence, it is a useful instrument and tool to tweak workplace behaviours so that it contributes not just to the manager's or employee's performance and advancement but help in improving efficiency and effectiveness of the workforce.

However, implementation of the 360-degree feedback has it challenges and pitfalls. If implemented with care and training to enable managers and employees to better serve customers and develop their own careers, 360-degree feedback is a positive addition to the performance management system in an organisation. If implemented haphazardly without proper planning and organisation, it can be a recipe for disaster; it will generate mistrust and suspicion among the rank and file.

The benefits accruing from a well implemented 360-degree feedback system would include better team development, more camaraderie and cohesiveness among teams besides better individual and organisational performance. Managers and employees are also more likely to take increased responsibility for their personal and career development. The training department in the organisation will also be able to develop better and focused training programmes which are more suited to individual and organisational needs.

Rewards

It is generally believed that people are motivated solely by money or what money can buy. However, two studies published by Stajkovic and Luthans in 1997 and 2003, indicate that rewarding people with non-financial and social rewards can also motivate people. Non-financial rewards may include performance feedback while social rewards may include recognition, e.g. employee of the month, or attention e.g. being invited to lunch with the chief executive. Based on their studies, it is noted that on the average, there is a higher probability that employees whose behaviour is reinforced with financial rewards will outperform employees whose behaviour is not reinforced. But it was also noted that on the average, there is a good chance that employees whose behaviour is reinforced with non-financial rewards will outperform employees whose behaviour is not reinforced. Their studies also revealed that there is a higher chance that employees whose behaviour is reinforced with social rewards will outperform employees whose behaviour is not reinforced. In fact, based on their studies, it can clearly be inferred that money is not the only motivator for individual and organisational performance.

Clearly, by using a combination of different rewards in rewarding and reinforcing employee behaviour, employee motivation and performance will be greatly enhanced. Ideally, managers should use a combination of financial, non-financial and social rewards as appropriate for the situation and the employee concerned.

Learning Theories

Learning theories focus on increasing employee motivation and performance by linking the outcomes that employees receive to the performance of desired behaviours and the attainment of goals. Learning can be defined as a relatively permanent change in a person's knowledge or behaviour that results from practice or experience. Learning takes place when people learn to perform certain behaviours to receive certain outcomes. Of the different learning theories, operant conditioning theory and social learning theory provide the most guidance to managers in their efforts to develop a highly motivated workforce.

Operant Conditioning Theory

According to **operant conditioning theory**, developed by psychologist B. F. Skinner, people learn to perform behaviours that lead to desired consequences and learn not to perform behaviours that lead to undesired consequences. According to Skinner, managers can motivate organisational members to perform in ways that help an organisation achieve its goals by linking the performance of specific behaviours to specific outcomes. Operant conditioning theory provides four tools that managers can use to motivate high levels of performance and prevent workers from engaging in behaviours that detract from organisational effectiveness, such as absenteeism. These tools are positive reinforcement, negative reinforcement, punishment and extinction.

1. **Positive reinforcement** gives people outcomes they desire when they perform organisationally functional behaviours. Desired outcomes, called positive reinforcers, include any outcomes that a person desires, such as pay, a promotion, or praise. Organisationally functional behaviours are behaviours that contribute to organisational effectiveness.
2. **Negative reinforcement** is the elimination or removal of undesired outcomes when people perform organisationally functional behaviours. Undesired outcomes are called negative reinforcers. When negative reinforcement is used, people are motivated to perform behaviours because they want to avoid undesired outcomes such as criticism, unpleasant assignments, or the threat of losing their job. Whenever possible, managers should try to use positive reinforcement, since the use of negative reinforcement can create an unpleasant work environment and a negative culture in the organisation.
   Identifying the right behaviours for reinforcement is important and managers must identify the right behaviours for reinforcement. Managers must be sure to reinforce only those behaviours over which subordinates have control and that contribute to organisational effectiveness.
3. The use of **punishment** can eliminate certain types of behaviours. Punishment is administering an undesired or negative consequence when dysfunctional behaviour occurs. When employees are performing dangerous behaviours or behaviours that are illegal or unethical, their behaviour must be eliminated immediately. Punishments used by organisations can include verbal reprimands, pay cuts or firings. Sometimes punishment can have unintended side effects, such as resentment, loss of self-respect or a desire for retaliation. Therefore, it should be used only when necessary. To avoid unintended side effects of punishment, managers should downplay its emotional aspects, try to punish dysfunctional behaviours after they occur as soon as possible and try to avoid punishment in front of others.
4. Managers can curtail dysfunctional behaviours of organisational members by eliminating whatever is reinforcing those dysfunctional behaviours. This is called **extinction**. However, managers cannot always use extinction as a means of eliminating dysfunctional behaviours. Sometimes they do not have control over whatever is reinforcing the undesired

behaviour or they cannot afford the time needed for extinction to work. In such cases, punishment may be required.

Operant Conditioning Theory

Often negative reinforcement and punishment are confused with each other. There are major differences between the two:

- Negative reinforcement is used to promote the performance of functional behaviours while punishment is used to stop the performance of dysfunctional behaviours.
- Negative reinforcement entails the removal of a negative consequence while punishment entails the administration of negative consequences.

Social Learning Theory

Social learning theory extends operant conditioning's contribution to the understanding of motivation by explaining vicarious learning, self-reinforcement and self-efficacy.

1. **Vicarious Learning:** Also called **observational learning**, **vicarious learning** occurs when the learner becomes motivated to perform a specific behaviour by watching another person perform it. It is a powerful source of motivation on many jobs in which people learn to perform functional behaviours by watching others. People are more likely to be motivated to imitate the behaviour of models that are highly competent, receive attractive reinforcers and are friendly. To promote vicarious learning, managers should ensure that the learner:
    - Observes the model performing the behaviour.
    - Accurately perceives the model's behaviour.
    - Remembers the behaviour.
    - Has the skills and abilities needed to perform the behaviour.
    - Sees or knows that the model is positively reinforced for the behaviour.
2. **Self-reinforcement.** Sometimes organisational members motivate themselves through self-reinforcement. Self-reinforcement occurs when people control their own behaviour by setting goals for themselves and then reinforcing themselves when the goal is achieved. Self-reinforcers are any desired

or attractive outcomes or rewards that people can give to themselves for good performance, such as a dinner out or taking time out for a golf game. When members of an organisation manage their own behaviour, managers do not need to spend as much time trying to motivate and control behaviour.

3. **Self-efficacy.** Self-efficacy is a person's belief about his or her ability to perform a specific behaviour successfully. People are not motivated if they do not think that they actually can perform at a high level. The greater the level of self-efficacy, the greater is the level of motivation and likelihood of high performance.

Pay and Motivation

4 LEARNING OBJECTIVE
Explain the role of pay as a motivator.

Managers often use pay to motivate employees to perform at a high level and attain their work goals. Pay is used to motivate workers at all levels within the organisation. It can also be used to motivate people to join the organisation and remain with the organisation. Each of the theories previously discussed in this chapter alludes to the importance of pay. As these theories suggest, pay should be distributed so that high performers receive more pay than low performers. However, not all managers and employees are motivated purely by money. As explained earlier in this chapter, different forms of motivators, especially non-financial, and social rewards should also be considered for motivating managers and employees.

Another method of motivation is the **merit pay plan**. Merit plan is a compensation plan that bases pay on performance. Once managers have decided to use a merit pay plan, they face two important choices:

- Whether to base pay on individual, group or organisational performance.
- Whether to use salary increases or bonuses.

Effective managers use a combination of different types of pay to encourage motivation. Basing merit pay on individual, group or organisational performance can lead to a variety of outcomes depending on how it is perceived by the recipients. Managers can base pay on individual, group, organisational performance or a combination. However, it is must be considered fair by the recipient in relation to effort. When individual performance can be accurately determined, individual motivation is likely to be highest when pay is based on individual performance. When the attainment of organisational goals hinges on members working closely together, group or organisation-based plans may be more appropriate than individual-based plans. It is possible to combine elements of an individual-based plan with a group or organisation-based plan so that each individual is motivated, while also motivating all individuals to work well together. Managers can distribute merit pay in the form of a salary increase or a bonus on top of salary.

Bonuses, however, tend to have greater motivational impact, because:

- The absolute level of salaries are typically based on factors unrelated to current performance.
- A salary increase may be affected by other factors in addition to performance.
- Salary levels tend to vary less than performance levels.

Bonuses give managers more flexibility because unlike salary increases, bonus levels can be reduced when organisational performance sags. Bonus plans have a greater motivational impact than salary increases because the amount of a bonus can be directly linked to performance and can vary from year to year and from employee to employee. In addition to pay raises and bonuses, high-level managers and executives are sometimes granted employee stock options. Employee stock options are financial instruments that entitle the bearer to buy shares of an organisation's stock during a certain period of time or under certain conditions at a 'privileged' price.

Merit Pay Plans

Managers can choose among several merit pay plans, depending on the work that employees perform and other considerations.

- When using **piece-rate pay**, a manager may base employees' pay on the number of units each employee produces.
- When using **commission pay**, managers base pay on a percentage of sales.
- The **Scanlon plan** focuses on reducing expenses. Organisational members are encouraged to develop and implement cost cutting strategies, and a percentage of the cost savings achieved is distributed back to employees.
- Under **profit sharing**, employees receive a share of an organisation's profits.

CASE ANALYSIS

If Not for the House . . .

Xiao Wang successfully found a managerial job soon after he graduated from Renmin University, Beijing, in 1995. He joined a government organisation together with a batch of newly employed administrative staff recruited from universities and a group of non-administrative staff recruited from the existing workforce.

The fresh graduates found themselves picking up their job responsibilities easily and became specialists in their jobs in a few years, compared to their non-administrative counterparts. This was because the fresh graduates were knowledgeable in their job responsibilities and were more competent to carry out their work effectively. Besides a better job fit, they were hardworking, enjoyed challenges and were willing to learn.

In contrast, their senior counterparts were older, came into the organisation without any economics background and were mostly married. The only advantage they enjoyed over the fresh graduates was the experience they had from their previous jobs. But, even that was a small margin lead. As a result, the management preferred the fresh graduates over them.

The graduates could easily complete good analytical reports due to their knowledge in their respective field of specialisation. In addition, these youngsters were energetic, running in and out of the organisation to arrange meetings and activities. Due to their lack of experience and the fact that they were still unmarried, it was also easy for them to work overtime. Xiao Wang and his friends held very positive work attitudes, being very willing to learn and highly motivated. Although their jobs were tough and they were paid lower salaries, they did not complain and took the work as opportunities to accumulate experience and sharpen their abilities.

After five years into their work, the government decided to provide houses at a large percentage below the market price, as part of staff welfare. This was a significant incentive to Xiao Wang and all his other colleagues working in the government organisation because the administrative staff were paid salaries much lower than the market rate. Being able to purchase a house at such a low price was a very attractive welfare benefit. Everyone was guessing how each employee would be evaluated in order to get the privilege.

It appeared to be the last time the government would be providing such housing welfare. Hence, the opportunity was also extended to non-administrative staff, including the batch of senior non-administrative staff recruited along with Xiao Wang five years ago. The irony was that their age, seniority and marital status actually boosted their eligibility for getting the housing welfare. Based on these evaluation criteria, Xiao Wang and his friends were pale in comparison and lost out in the fight for the low-priced houses.

They thought of their classmates, working in other organisations, who possessed similar competency level but receive higher pay and had already bought houses and cars. For the same amount of hard work and effort, they were rewarded a lot more than Xiao Wang and his colleagues who were graduates. Xiao Wang and his graduate colleagues were truly disappointed with the outcome.

Xiao Wang soon found a new job and left the organisation. Some of his graduate friends who were recruited along with him also left before long. Those who remained, unfortunately, lost the drive and motivation they once had for their work. Work performance decreased drastically.

Discussion Questions

1. Use the different motivation theories to analyse the case. Focus on these questions in your analysis:
   a. What was the motivation of Xiao Wang and his cohort during the five years before the allocation of housing was announced?
   b. What caused the change of attitude among Xiao Wang and his graduate colleagues?
2. Using the motivational theories, explain how the management could have better handled the situation?
3. What should the management do now? Justify your answer using motivational theories to support your recommendation.

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CHAPTER 11

LEADERS AND LEADERSHIP

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Describe what leadership is and the nature of leadership.
2. Describe the qualities, styles, skills and traits of good leadership.
3. Distinguish between behaviour and contingency model of leadership.
4. Explain how appreciation of the contingency models of leadership enhances our understanding of effective leadership and management in organisations.
5. Describe the relationship between leadership, emotional intelligence and gender.
6. Distinguish between transformational, transactional and charismatic leadership.
7. Distinguish between Type A and Type B managers.

Leadership

While management is about getting work done through others, leadership is the process of influencing others to achieve group or organisational goals. According to Bennis (1989) and Zaleznik (1977 and 1983), managers are more focused on doing things right, generally maintaining status quo and concerned about the means, i.e. how to get things done. They are 'builders' with control and able to limit the choices of others. In contrast, leaders are more concerned with expanding people's choices and options and may be described as architects (Zaleznik, 1977 and 1983). Consequently managers tend to be problem solvers, while leaders are inspirational and motivational to their followers. This is a key difference between managers and leaders. Organisations therefore seek managers who possess leadership skills and competencies as these facilitate work.

The changing nature of organisations in the last couple of decades has placed increasing importance on leadership. In the 21st century, the nature of management is moving away from an emphasis on getting results by close control of subordinates, towards an environment of coaching, support, delegation and empowerment. Consequently, there is a shift in many organisations from 'managership' to leadership. Leadership is increasingly being related to encouragement and motivation of subordinates, good interpersonal behaviour and the efficient and effective process of communication.

The Nature of Leadership

1 LEARNING OBJECTIVE
Describe what leadership is and the nature of leadership.

Leadership is the process by which a person exerts influence over other people and inspires, motivates and directs their activities to help achieve group or organisational goals. When leaders are effective, the influence they exert helps a group achieve its performance goals. When leaders are ineffective, their influence often detracts from goal attainment. Effective leadership increases an organisation's ability to meet all challenges, including the need to obtain a competitive advantage, foster ethical behaviour and manage a diverse workforce fairly and equitably. In short, good and effective leadership becomes the dynamo for organisational performance.

To understand leadership, we must understand authority and power. **Authority** is the right to perform or command; it comes with the manager's job. **Power** is the extent to which a person is able to influence others so they respond to orders. People may pursue personalised power, i.e. power directed at helping oneself, or, better, they may pursue socialised power, i.e. power directed at helping others.

Within an organisation, there are typically five sources of power leaders may draw on (French & Raven, 1960), and all managers generally have the first three listed below.

1. **Legitimate power** is power that results from the manager's formal position within the organisation.
2. **Reward power** is power that results from the manager's authority to reward subordinates. Effective managers use their reward power to ensure subordinates understand that their reward is an acknowledgement that they are doing a good job. Ineffective managers use rewards in a more controlling manner that signals to subordinates that the manager has the upper hand. This latter use of reward power is inappropriate.
3. **Coercive power** results from the manager's authority to punish subordinates. Managers who rely heavily on coercive power tend to be ineffective as leaders and sometimes even get themselves dismissed.
4. **Expert power** is power resulting from one's specialised knowledge or expertise. Effective leaders take steps to ensure that they have an adequate amount of expert power to perform their leadership roles. Expert power tends to be best used in a guiding or coaching manner rather than in an arrogant, high-handed manner.
5. **Referent power** is power deriving from one's personal attraction. Because referent power is a function of the personal characteristics of a leader, managers can increase their referent power by taking time to get to know their subordinates and showing interest in them.

Leaders use a variety of tactics and influence to exercise their power. The nine most frequently-used influence tactics for trying to get others to do something, ranging from most used to least used tactics, are listed in descending order.

- Rational persuasion.
- Inspirational appeals
- Consultation
- Ingratiating tactics.
- Personal appeals.
- Exchange tactics.
- Coalition tactics.
- Pressure tactics.
- Legitimating tactics.

Leaders and Managers

It is important to distinguish between managers and leaders in the study of management. **Managers** are appointed to their positions. **Leaders** may be appointed or may emerge from the workgroup. Managers can only influence others to the formal authority of their position. Leaders can influence others and may have managerial authority. Managers may not have the skills and competencies to be leaders. Similarly, leaders may not necessarily have the skills and competencies to be managers. In today's work world, managers must have some leadership competencies if they hope to succeed.

Management is about coping with complexity, whereas leadership is about coping with change. Companies manage complexity by planning and budgeting, organising and staffing, and controlling and problem solving. Leadership copes with change by setting a direction, aligning people to accomplish an agenda and motivating and inspiring people.

Personal Leadership Style and Managerial Tasks

2 LEARNING OBJECTIVE
Describe the qualities, styles, skills and traits of good leadership.

Managers at all levels and in all kinds of organisations have their own personal leadership styles that determine not only how they lead their subordinates but also how they perform the other management tasks.

While leading is one of the four principal tasks of managing, a distinction is often made between managers and leaders. When this distinction is made, managers are thought of as those who establish and implement procedures and processes to ensure smooth functioning and who are accountable for goal accomplishment. Leaders look to the future, chart the course for the organisation and impassion employees to work together to achieve the leader's vision.

Leadership and Culture

Some evidence suggests that leadership styles vary not only among individuals, but also among countries and cultures. Some research suggests that European managers tend to be more humanistic than Japanese and American managers. Japan's collectivistic culture places its primary emphasis on the group rather than the individual, so the importance of the individual's needs, desires and personality is minimised. In the United States, organisations tend to be very profit oriented and thus downplay the needs and desires of individual employees (Jones & George, 2009).

Another noted cross-cultural difference is in time horizons. Managers in the United States of America tend to have a personal style that reflects the short-run profit orientation of their companies, while Japanese managers tend to have personal styles that reflect a long-run growth orientation. Managers in Europe's large international firms have a philosophy that lies in between the long-term approach of the Japanese and the short-term approach of the Americans.

The existence of cultural differences between people and the impact of these differences on behaviour have resulted in numerous studies on the influence of culture on management's conduct at work. Research on the global aspects of leadership may be in its infancy, but more cultural differences in managers' leadership styles may be discovered eventually. The most well-known of this research is the GLOBE (Global Leadership and Organisational Behaviour Effectiveness) Study. It is an analysis of the cultural, societal, organisational and leadership differences between 62 different societies around the world. Conducted by the Wharton Business School of the University of Pennsylvania, the objective of the study is to determine the extent to which the practices and values of business leadership are universal (i.e. similar globally) and the extent to which they are specific to just a few societies. The GLOBE Study breaks down the 62 societies into:

- **Nine cultural dimensions:** Performance orientation, uncertainty avoidance, humane orientation, institutional collectivism, in-group collectivism, assertiveness, gender egalitarianism, future orientation and power distance.
- **Six culturally-endorsed leadership theory dimensions:** Charismatic/value based, team oriented, self-protective, participative, humane oriented and autonomous.
- **Twenty-one primary leadership dimensions:** Administratively competent, autocratic, autonomous, charismatic/visionary, charismatic/inspirational, charismatic/self-sacrificial, conflict inducer, decisive, diplomatic, face saver, humane orientation, integrity, malevolent, modesty, non-participative, performance oriented, procedural, self-centric, status consciousness, team collaborative and team integrator.

The GLOBE Study is still work-in-progress. But its findings have tremendous impact on how managers and leaders should behave in different work situations. Initial observations clearly seem to indicate that there are universal qualities of leadership effectiveness that facilitate the development of leaders in most if not all cultures. This includes qualities associated with integrity, i.e. the need to be trustworthy, just and honest. Good leaders in all cultures have a charismatic and visionary approach demonstrated by foresight and planning ahead. Good leaders in most cultures are also effective communicators and well informed. Besides this, they are good team builders through coordination and take a team integrator approach to work.

The *Art of War*

With the emergence of China as a global business and economic power, there is great interest in the study of Chinese management practices. One of the frequently studied works is the *Art of War* written by Sunzi (Sun Tzu) 2,500 years ago especially in the context of leadership. The ancient wisdom has been widely used by modern military strategists and corporate decision makers to gain advantage. *Art of War* identifies five fundamental factors crucial to a victory: *dao* (mission and moral cause), *tian* (heaven, or general environment), *di* (field, or operational environment), *jiang* (leadership) and *fa* (system and methods).

Jiang refers to command and leadership. Leadership is always crucial to an organisation's success. What makes a great leader? Sunzi specified five qualities for a commander: wisdom (*zhi*), sincerity (*xin*), benevolence (*ren*), courage (*yong*) and strictness (*yan*). Fang, Chan and Zhang (1999) discussed the implications of these Sunzi leadership qualities in today's management.

Wisdom

Wisdom comprises the elements of vision, knowledge and ability in conceptual and strategic thinking. This wisdom is the first and foremost virtue required of a commander or a manager.

Sincerity

Sincerity may mean genuine intentions, one with openness and trust towards employees. A manager's behaviour towards employees will influence the latter's perception about whether the manager is sincere in his actions.

Benevolence

Benevolence is kindness, to care for and sympathise with the employees, not just paying lip-service but taking positive action. Sunzi strongly advocates that 'in battle, those who capture more than ten chariots from the enemy must be rewarded' (Chapter 2) and that '[w]hen plundering the countryside and capturing new lands, divide the profits among your men.' The type of the reward that may be paid out depends on the expectations of the employee and on the ability of management to pay. In this regard, understanding both sides (*zhibi zhiji*) is important to show this aspect of Sunzi's philosophy.

Sunzi has suggested a strong linkage between the well-being of the employees and the success of the company: '. . . with well-fed troops, await hungry ones'; 'nourish your soldiers to build up their internal strength so that they are free of hundreds of diseases, and this will ensure victory.' In the human resource context, this can be translated to mean the practice of enlightened self-interest through the provision of good healthcare and welfare for the employees. The rational is sound: healthy employees mean less absenteeism and better productivity. While government labour legislations specify minimal employee welfare, benevolent organisations are expected to exceed these standards.

Courage

Courage means a manager should not hesitate to act decisively. Courage is needed when decisions and actions are at odds with industrial practice or trend (for example, a decision concerning expanding versus downsizing an organisation), or are unpopular with employees (such as imposing discipline). Such courage have to be built on powerful *dao* (moral law, mission), the thorough understanding of *tian* and *di* (environment) and with *ren* (strong sincerity and benevolence). Courage is one of the favoured aptitudes of a leader, highly sought after in recruitment and selection of good managers. Courage to speak up when an issue is treated wrongly is a virtue appreciated by Chief Executive Officers who detest 'yes' men.

Strictness

Strictness is part of discipline. The right to punish is one of the common power bases a manager possesses (the other four are legitimate, reward, expert and referent powers; see Chapter 13). Managers use legitimate power to command and to lead. When called upon, a manager should not hesitate to resort to disciplinary measures to punish any violation of rules and regulations, as well as dispositional underperformance. *Yan* creates a strong propensity and momentum (*shi*) to encourage desired behaviour and discourage undesired behaviour. It also refers to managers' self-discipline and leadership by example. Sunzi advocated that 'the good commander seeks virtues and disciplines himself according to the laws so as to affect control over his own self to ensure success.'

The ancient Chinese placed great emphasis on the leadership qualities of moral influence and moral authority to command the respect and loyalty of their followers. Moral authority can only be achieved through the fair exercise of policies and of their own deeds. Consequently, the employees will have strong faith and trust in management, its vision and judgment, to faithfully implement its decisions. Only then will the employees rally round their leaders to achieve common goals and objectives.

Empowerment

An increasing number of managers and leaders are incorporating empowerment in their leadership style. Empowerment is the process of giving employees at all levels in the organisation the authority to make decisions, be responsible for their outcomes, improve quality and cut costs. It is becoming increasingly popular in organisations and can contribute to effective leadership for several reasons.

- It increases a manager's ability to get things done.
- It often increases workers' involvement, motivation and commitment.
- It gives managers more time to concentrate on their pressing concerns because they spend less time on day-to-day supervisory responsibilities.
- Managers who practise empowerment will often invest time in developing the subordinates' decision-making abilities, as well as in being their guide, coach and source of inspiration.

Leadership Traits

According to the trait theory, effective leaders possess a similar set of traits or characteristics. Traits are relatively stable characteristics, such as abilities, psychological motives or consistent patterns of behaviour. Researchers have identified this list of leadership traits.

- **Drive:** High level of effort that is characterised by achievement, motivation, initiative, energy, ambition and tenacity. These individuals have physical, mental and emotional vitality. They are also more tenacious and better at overcoming obstacles and problem which would deter non-leaders.
- **Honesty and integrity:** Integrity is the extent to which leaders do what they say will do. Leaders who are honest and have good intentions, but consistently fail in delivering what they promise will not be trusted.
- **Self-confidence:** Leaders have belief in their abilities. They are generally more decisive and assertive. They are also more likely to admit mistakes because these are viewed as learning opportunities and genuinely make an effort to take corrective or remedial action.
- **Emotional stability:** Leaders show very low neuroticism. They remain even-tempered when stressed or faced with an adverse situation or circumstances.
- **Cognitive ability:** Leaders are generally intelligent and have a good base of different intelligences. Although they may not be geniuses, they are capable of analysing complex unrelated information and data. They are capable of spotting patterns, opportunities and threats. They also have a good knowledge of the business and organisation. This will facilitate intuitive decision making.
- **Dominance:** Leaders who are dominant are more influential on their subordinates to achieve organisational goals.
- **High energy level:** This enables many managers to deal with the fast pace of work in the modern-day workplace.
- **Tolerance for stress:** Given the need to deal with increasing uncertainty and complexity in managing businesses, a high tolerance for stress is a definite advantage for leaders and managers in demanding roles.
- **Maturity:** This trait contributes much to a manager to avoid behaving in a selfish manner, controlling their feelings and emotions, and most importantly admitting their mistakes, omissions or oversights.

Recent reviews suggest that:

- People high in openness, conscientiousness and extroversion and low in neuroticism are more likely to emerge as leaders than their counterparts (Judge et al., 2002).

- High self-monitors, i.e. people who adapt their behaviour to social situations, emerge as leaders more often than low self-monitors (Buchanan & Foti, 1996; Day, Schleicher, Unckless & Hiller, 2002; Kolb, 1998).
- More intelligent people are more likely to emerge as leaders than less intelligent people (Judge, Colbert & Ilies, 2004).

According to research by Fuller et al. (1996) and Lord, De Vader and Alliger (1986), based on 54 studies involving more than 6,000 people, it was clearly indicated that the leadership traits of successful leaders are different from that of other people. They will not only demonstrate many of the traits described earlier in this chapter, but also blend these traits optimally to function as more effective leaders. Research findings (Fuller et al. 1996; Lord, De Vader & Alliger, 1986) showed that on an average there is a high probability that intelligent leaders will be seen as better leaders than less intelligent leaders. In fact, another observation of the research was that generally leaders with highly dominant personalities will often be seen as better leaders than those with less dominant personalities. Research also indicated that charismatic leaders will have better performing followers and followers of charismatic leaders tend to be more satisfied. Research into leadership traits of excellent leaders is continuous work-in-progress due to the dynamic nature of the world of work and business.

Specific Leadership Skills

Numerous studies of many leaders in different industries have been conducted by academics and researchers (Yukl, 1982; Carter, 1952; Hemphill & Coons, 1950; & Gibbs, 1969). Most of these academics and researchers note that typical behaviour of leaders include some of the behaviours or ability listed here. While the list is not exhaustive, all academics and researchers clearly agree that leadership skills are not purely scientific or technical but also incorporate humanistic qualities.

- Communicating formally with subordinates
- Developing a group atmosphere
- Generating enthusiasm
- Informally interacting with employees
- Initiating ideas
- Make decisions
- Organising and structuring work for organisational performance

- Rewarding and punishing subordinates
- Setting goals
- Solving problems
- Standing up and supporting subordinates
- Taking responsibility
- Training and developing employees in a variety of skills to perform well at work

Motivation to Lead

Chan and Drasgow (2001), using a large international sample, found that motivation to lead has three aspects.

- People with an **affective identity motivation**, or the motivation to lead as a result of desire to be in charge and lead others, become leaders because they enjoy being in charge and leading others. People with high affective identity motivation tend to have the most leadership experience and are rated by others as having high leadership potential.
- People with **non-calculative motivation** seek leadership positions when they perceive such positions will result in personal gain.
- People with **social-normative motivation** become leaders out of duty.

Chan and Drasgow (2001) also noted that individuals with high leadership motivation tend to obtain leadership experience and are confident of their leadership skills.

The Behaviour Model of Leadership

3 LEARNING OBJECTIVE
Distinguish between behaviour and contingency model of leadership.

Researchers at Ohio State University in the 1940s and 1950s identified two types of basic leader behaviours that many managers engage in to influence their subordinates. They are consideration and initiating structure.

Leaders engage in **consideration** when they show their subordinates that they trust, respect and care about them. Managers who truly look out for the well-being of their subordinates and do what they can to help subordinates feel good enjoy performing consideration behaviours. This is a very humanistic approach to leadership.

Leaders engage in **initiating structure** when they make sure that work gets done and the organisation is effective and efficient. Assigning tasks to individuals or work groups, making schedules and encouraging adherence to rules are examples of initiating structure. While achieving efficiency and effectiveness, this style of leadership is very task oriented. Such leadership is also very controlling in nature.

Initiating structure and consideration are independent leader behaviour. Leaders can be high on both, low on both, or high on one and low on the other or some combination of the two. A good leader will generally adopt a balance of the two styles and adjust appropriately to the situation at hand, and the attitude and behaviour of subordinates.

Contingency Models of Leadership

Contingency models of leadership take into account the situation or context within which leadership occurs. Contingency models of leaderships propose that whether or not a manager is an effective leader is the result of the interplay between what the manager is like, what he or she does, and the situation in which leadership takes place. Four prominent contingency models are Fiedler's Contingency Model, House's Path-Goal Theory, the leader substitute model and Hersey-Blanchard Situational Leadership Model.

4 LEARNING OBJECTIVE
Explain how appreciation of the contingency models of leadership enhances our understanding of effective leadership and management in organisations.

Fiedler's Contingency Model

Fiedler's Contingency Model helps explain why a manager may be an effective leader in one situation and ineffective in another. It also suggests which kinds of managers are likely to be most effective in which situations. Under Fiedler's Contingency Model, the ability of a manager to lead is determined by the leader's style and situational characteristics.

Fiedler stated that personal characteristics can influence leader effectiveness. He uses the term leader style to refer to a manager's characteristic approach to leadership and identified two basic leader styles: relationship-oriented and task-oriented. All managers can be described as having one style or the other or some combination of it.

Relationship-oriented leaders are primarily concerned with developing good relationships with their subordinates and being liked by them. They get the job done while focusing on maintaining high-quality interpersonal relationships with subordinates. On the other hand, **task-oriented leaders** are primarily concerned with ensuring that subordinates perform at a high level. Task-oriented managers focus on task accomplishment and making sure the job gets done.

According to Fielder, leadership style is an enduring characteristic. Managers cannot change their style, nor can they adopt different styles in different kinds of situations.

Fielder also identified three situational characteristics that are important determinants of how favourable a situation is for leading. They are: leader-member relations, task structure and position power. According to Fielder, if a situation is favourable for leading, it is relatively easy for a manager to influence subordinates so that they perform at a high level. In a situation that is unfavourable for leading, it is much more difficult for a manager to exert influence.

- **Leader-member relations** are the extent to which followers like, trust and are loyal to their leader. Situations are more favourable for leading when leader-member relationships are good.
- **Task structure** is the extent to which the work to be performed is clear-cut so that the leader's subordinates know what needs to be accomplished and how to go about doing it. When task structure is high, i.e. the work to be done is very clear-cut, the situation is favourable for leading. When task structure is low, the situation is unfavourable for leading.
- **Position power** is the amount of legitimate, reward and coercive power a leader has by virtue of his or her position in an organisation. Leadership situations are more favourable for leading when position power is strong.

By taking all possible combinations of these factors, Fiedler identified eight leadership situations that vary in their favourability for leading. Based on extensive research, he determined that relationship-oriented leaders are most effective in moderately favourable situations and task-oriented leaders are most effective in very favourable or very unfavourable situations. According to Fiedler, managers must be placed in leadership situations that fit their style or the situation must be changed to suit the manager's style, if he or she is to be effective. Research studies support some aspects of Fiedler's model but also suggest that it needs some modifications.

Fielder's finding are summarised in Figure 11.1.

SITUATIONAL CHARACTERISTICS

Leader-Member Relations	GOOD				POOR			
Task Structure	HIGH		LOW		HIGH		LOW	
Position Power	S	W	S	W	S	W	S	W
	I	II	III	IV	V	VI	VII	VIII
Kind of Leadership Situations	Very Favourable Situation	→						Very Unfavourable Situation

Relationship-oriented leaders are most effective in moderately favourable situations for leading (IV, V, VI & VII). Task-oriented leaders are most effective in very favourable situations (I, II & III) or very unfavourable situations (VIII).

Figure 11.1 Fielder's Contingency Theory of Leadership

House's Path-Goal Theory

In his path-goal theory, researcher Robert House focused on what leaders can do to motivate their subordinates to achieve group or organisational goals. The premise is that effective leaders motivate subordinates to achieve goals in three ways.

1. Clearly identifying the outcomes that subordinates are trying to obtain in the workplace.
2. Rewarding subordinates with these outcomes for high performance and the attainment of work goals.
3. Clarifying for subordinates the paths leading to the attainment of work goals.

House's path-goal leadership theory, in its revised form, states that the effective leader clarifies paths through which subordinates can achieve goals and provides them with support. Two variables, employee characteristics and environmental factors, cause one or more leadership behaviours to be more effective than the other. Path-goal theory identifies four kinds of behaviours that leaders can engage in to motivate subordinates. The behaviours that managers should use to lead effectively depends upon the nature of the subordinates and the kind of work they do.

- **Directive behaviours** are similar to initiating structure and include showing subordinates how to complete tasks.
- **Supportive behaviours** are similar to consideration and include looking out for subordinates' best interests.

- **Participative behaviours** give subordinates a say in matters and decisions that affect them.
- **Achievement-oriented behaviours** motivate subordinates to perform at the highest level possible by setting very challenging goals and believing in subordinates' capabilities.

The Leader Substitute Model

This model suggests that leadership is sometimes unnecessary because substitutes for leadership are present. A leadership substitute is something that acts in place of the influence of a leader and makes leadership unnecessary. Characteristics of subordinates, such as skills, abilities, experience, knowledge and motivation, can be substitutes for leadership.

Characteristics of the situation or context, such as the extent to which the work is interesting, can also be substitutes. When managers empower their subordinates or use self-managed teams, the need for leadership influence is decreased because team members manage themselves. Substitutes for leadership can increase organisational efficiency and effectiveness because they free up some of the leader's valuable time.

Hersey-Blanchard Situational Leadership Theory

As one of the contingency theories, the Hersey-Blanchard Situational Leadership Theory suggests that successful leaders adjust their styles depending on the readiness of followers to perform in a given situation.

The theory depicts four types of alternative leadership styles, as illustrated in Figure 11.2.

1. **Telling:** Giving specific task directions and closely supervising work; a high task, low relationship style.
2. **Selling:** Explaining task directions in a supportive and persuasive way; a high task, high relationship style.
3. **Participating:** Emphasising shared ideas and participative decisions on task directions; a low task, high relationship style.
4. **Delegating:** Allowing the group to make and take responsibility for task decisions; a low task, low relationship style.

The effectiveness of each particular style depends on the readiness of the followers. The word **'readiness'** refers to how able, willing and

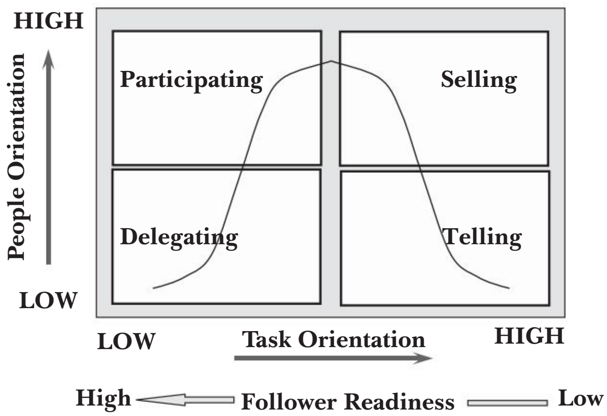

Figure 11.2 Situational Leadership Model

confident followers are in performing required tasks. The contingent relationship between leadership style and follower readiness is as described.

- The delegating style works best in high readiness situations.
- The telling style works best in low readiness situations.
- The participating style is recommended for low to moderate readiness situations.
- The selling style is recommended for moderate to high readiness situations.

The university student football team may be used as a good example to illustrate the four levels of follower readiness. When they first join the team, most of them are essentially low readiness subordinates who require a 'telling' style of leadership. After basic training, they are willing to assume more responsibility, but lack some of the skills; they respond well to a 'selling' style. After more training and practice, they are able to handle more responsibility, but may lack confidence; they respond well to a 'participating' style. Finally, when they accumulate more experiences, they become able, willing and confident, so they respond best to the 'delegating' style.

If the appropriate leadership styles are used in lower readiness situations, followers will 'mature' and grow in ability, willingness and confidence. A leader's style can and should be changed as followers mature over time.

It should be pointed out that when task and other factors change dramatically, for example, new technology is introduced, a follower's readiness may regress back to a lower level. Consequently, the leader's leadership behaviour needs to be adjusted and the leader needs to adopt a style corresponding to a 'lower' level of readiness.

Contingency Leadership in *Art of War*

Sunzi suggested the different emphases of leadership in various battle ground situations. Let's call it battle ground psychology ("Jiu-di" in *Art of War*).

> *Generally, when invading a hostile territory, the deeper the troops penetrate, the more cohesive they will be; penetrating only a short way causes dispersion. Therefore,*
>
> – *In dispersive ground, I would unify the determination of the army.*
> – *In frontier ground, I would keep my forces closely linked.*
> – *In desperate ground, I would make it evident that there is no chance of survival. For it is the nature of soldiers to resist when surrounded, to fight hard when there is no alternative, and to follow commands implicitly when they have fallen into danger.*

凡为客之道：深入则专，浅则散。去国越境而师者…
入浅者，轻地也…背固前隘者，围地也；无所往者，
死地也。是故散地，吾将一其志；轻地，吾将使其
属；争地，吾将趋其后…死地，吾将示之以不活。
《孙子兵法—九地篇》

Leadership and Emotional Intelligence

5 LEARNING OBJECTIVE
Describe the relationship between leadership, emotional intelligence and gender.

A leader's singular job is to get results. But even with all the leadership training programmes and 'expert' advice available, effective leadership still elude many people and organisations. One reason, Goleman (2000) identifies is that such experts offer advice based on inference, experience and instinct, not on quantitative data. Drawing on research of more than 3,000 executives, Goleman explored which precise leadership behaviours yield positive results. He identified six distinct leadership styles, each one springing from different components of emotional intelligence: coercive, authoritative, affiliative, democratic, pacesetting and coaching. Each style has a distinct effect on the working atmosphere of a company, division or team, and, in turn, on its financial performance. The styles, by name and brief description alone, will resonate with anyone who leads, is led, or, in most cases, does both.

1. **Coercive leaders** demand immediate compliance.
2. **Authoritative leaders** mobilise people towards a vision.
3. **Affiliative leaders** create emotional bonds and harmony.
4. **Democratic leaders** build consensus through participation.
5. **Pacesetting leaders** expect excellence and self-direction.
6. **Coaching leaders** develop people for the future.

The research indicates that leaders who get the best results do not rely on just one leadership style; they use most of the styles in some combination to suit the challenge. He maintains that with practice leaders can switch among leadership styles to produce powerful results, thus turning the art of leadership into a science.

Distributed Leadership

According to Pearce and Conger (2003), there is an increasing shift to **shared** or **distributed leadership** which is described as a dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organisational goals or both. Unlike traditional leadership, which emphasises downward influence, shared leadership emphasises lateral and upward influence.

Shared leadership is driven by the need for cross-functional teams, the formation of strategic alliances and complex situations requiring complex leadership skills. Increasingly, organisations are using cross-functional teams to deal with the complexity and challenges of today's business. Since a single individual may not possess all the competencies, behaviours and skills set required to deal with the complex situation, leadership may be shared among those with the expertise. Each leader with special knowledge may take charge when their expertise is warranted for the task at hand. In strategic alliances for collaborative purposes, leadership may be jointly held by two or more members. In such situations, the degree of collaboration and coordination is so high that the performance of the team and the conduct of the leaders appear seamless.

Types of Leadership

6 LEARNING OBJECTIVE
Distinguish between transformational, transactional and charismatic leadership.

The three common types of leadership are transformational leadership, transactional leadership and charismatic leadership. Each type has its unique characteristics and traits.

Transformational Leadership

Transformational leadership strives to make subordinates aware of the importance of their jobs and their performance to the organisation by providing feedback to them. **Transformational leaders** also make subordinates aware of their own needs for personal growth and development besides motivating them to work for the good of the organisation, not just themselves. These leaders can be identified by several characteristics.

- **Idealised influence:** They provide vision and sense of mission, instil pride thereby gaining respect and trust.
- **Inspiration:** They communicate high expectations, use symbols to focus efforts and express important purposes in simple ways.
- **Intellectual stimulation.** They promote intelligence, rationality and careful problem solving.
- **Individualised consideration:** They give personal attention, treat each employee individually, coach and advise them appropriately.

Increasingly, more organisations are encouraging the development of transformational leadership among their managers. The promotion of transformational leadership behaviour will often lead to more creativity and innovativeness among employees. It also stimulates employees to be more confident in their abilities.

Comparatively, transformational leaders lead by changing the organisation to fit the environment and are change agents. Transformational leadership leads to higher employee satisfaction, performance, organisational citizenship and creativity. Transformational leaders are recognised by their successes.

Transformational leadership transforms employees to pursue goals over self-interests. Transformational leaders are influenced by two key factors: their personalities tend to be more extroverted, agreeable and proactive, and the organisational cultures they work within are apt to be more adaptive and flexible for transformational leaders to thrive. Transformational leadership has three implications.

1. It can improve results for both individuals and groups.
2. It can be used to train employees at any level.
3. It can be used by both ethical and unethical leaders.

Transactional Leadership

Transactional leaders generally motivate subordinates by rewarding them for high performance and reprimanding them for low performance. **Transactional leadership** focuses on clarifying employees' roles and task requirements and providing rewards and punishments contingent on performance. Transactional leaders essentially manage by linking job performance to rewards, ensure employees have necessary resources and apply contingency leadership approaches. Their characteristics are:

- **Contingent reward:** Transactional leaders contract exchange of rewards for effort, promise rewards for good performance and recognise accomplishments.
- **Management by exception:** In an active way, transactional leaders watch and search for deviations from rules and standards, take corrective action and passively, intervene only if standards are not met.

The best leaders use an appropriate style combining both transactional and transformational leadership to suit the situation, the nature of employees and task, and the organisational culture.

Charismatic Leadership

Charismatic leaders are enthusiastic, self-confident transformational individuals who are able to clearly communicate their vision of how good things could be. Characteristics of charismatic leaders are:

- **Vision and articulation:** They have a vision – expressed as an idealised goal – that proposes a future better than the status quo; and are able to clarify the importance of the vision in terms that are understandable to others.
- **Personal risk:** They are willing to take on high personal risk, incur high costs and engage in self-sacrifice to achieve the vision.
- **Environmental sensitivity:** They are able to make realistic assessments of the environmental constraints and resources needed to bring about change.
- **Sensitivity to followers' needs:** They are perceptive of others' abilities and responsive to their needs and feelings.
- **Unconventional behaviour:** They sometimes engage in behaviours that are perceived as novel and counter to norms.

Other Perspectives on Leadership

Other kinds of leadership styles and models include leader–member exchange leadership model, shared leadership, servant leadership, loyalty leadership, Level 5 leadership and e-leadership.

- The **leader–member exchange leadership model (LMX)** emphasises that leaders have different sorts of relationships with different subordinates.
- **Shared leadership** is a simultaneous, ongoing, mutual influence process in which people share responsibility for leading. It is based on the idea that people need to share information and collaborate to get things done.
- **Servant leadership** focuses on providing increased service to others, as opposed to self, meeting the goals of both followers and the organisation.
- **Loyalty leadership** is embodied in six principles for generating faithful employees, customers and investors: preach what you practise, play to win-win, be picky, keep it simple, reward the right results and listen hard and talk straight.
- **Level 5 leadership** means an organisation is led by a person, a Level 5 executive, who possesses the paradoxical characteristics of humility and a fearless will to succeed, as well as the capabilities associated with levels 4, 3, 2 and 1 of being an effective leader, a competent manager, a contributing team member and a highly capable individual respectively.
- **E-leadership** involves leader interactions with others via the Internet and other forms of advanced information technology, which have made possible new ways for interacting within and between organisations (e-business) and with customers and suppliers (e-commerce). E-leadership can involve one-to-one, one-to-many, within- and between-group and collective interactions via information technology.

In fact, the study of leadership is a continuing work-in-progress with numerous articles and opinions being published in a variety of journals. Students of management and managers wishing to exhibit excellence and professionalism should constantly scour professional magazines and journals (e.g. *Sloan Management Review*, *Harvard Business Review*) for innovative and fresh ideas on leadership. Effective managers engage in continuous personal development to improve competencies, behaviours and skills sets with the purpose of becoming outstanding leaders.

Gender and Leadership

5 LEARNING OBJECTIVE
Describe the relationship between leadership, emotional intelligence and gender.

Although there are relatively more women in management positions today compared to a decade ago, there are still relatively few women in top management, and, in some organisations, even in middle management. A widespread stereotyping of women in management is that they are nurturing, supportive and concerned with interpersonal relations. Such stereotypes suggest that women tend to be more relationship oriented as managers and engage in more consideration behaviours, while men are more task oriented and engage in more initiating structure behaviours.

Research suggests that male and female managers in leadership positions often behave in similar ways. Women do not engage in more consideration than men, and men do not engage in more initiating structure than women. Also, recent profiles in the media and anecdotal reports of leading women who head large corporations or hold high political office clearly show that the stereotype of women managers may not be totally valid.

Some of these leaders, both male and female, are able to balance both 'feminine' and 'masculine' qualities of leadership to deal with a variety of scenarios and challenges. This is influenced by a variety of reasons including the growing importance of service industries in the 21st century and the increasing shift to customer-centricity and developing service-oriented cultures within organisations. In fact, successful leaders often are able to balance their hard skills with soft skills and thus demonstrate strong positive and desirable leadership behaviour, traits and conduct.

However, research also does suggest that men and women may differ in certain aspects of leadership style. Women tend to be more participative than men, involving subordinates in decision making and seeking input. Also, research suggests that men tend to be harsher when they punish their subordinates. However, it is individual personality, organisational culture, the workplace situation, nature of tasks and employees that influence the specific behaviours and style of leadership of managers.

There are at least two reasons, often identified by behaviourists and occupational psychologists, for why women leaders are more participative than male leaders. First, women must sometimes work harder to overcome resistance to their leadership and engender subordinate trust and respect. Second, they sometimes possess stronger interpersonal skills. The key finding from research is that male and female managers do not differ significantly in their propensities to perform different leadership behaviours, and that across different kinds of organisational settings, male and female managers tend to be equally effective as leaders.

Global Leadership

According to Project GLOBE researchers, the six culturally distinct styles are charismatic, self-protective, humane oriented, team oriented, participative and autonomous (Den Hartog et al., 1999).

1. A **charismatic style** is characterised by vision, inspiration, integrity and a performance orientation.
2. A **self-protective style** is focused on following a procedure, emphasising status difference, being self-centred and saving face.
3. A **humane oriented style** is typified by modesty and the desire to help others.
4. A **team-oriented style** is focused on being collaborative, building teams and being diplomatic.
5. A **participative style** involves getting the opinion and help of others.
6. An **autonomous style** is defined by independent and individualistic behaviour and unilateral decision making.

Type A and Type B Managers

7 LEARNING OBJECTIVE
Distinguish between Type A and Type B managers.

Managers do exhibit varying degrees of hostile behaviour that, at the extreme, work against the best interests of their own companies. The behaviour exhibited by these managers is called **Type A Behaviour (TAB)**. TAB personalities are compulsive work-oriented overachievers. The reverse is **Type B Behaviour (TBB)**, which is a more laid-back style of leadership. TAB is characterised by impatience, irritation, anger and aggression when working under certain levels of work-related or personally triggered pressure. Extreme TAB executives and managers may even be hostile to the employee involvement being used by firms as a means to improve worker morale and to increase productivity. TAB is one possible reason why more companies have not made a successful transition to effective employee involvement despite widespread attention devoted to work teams, quality circles and other cooperative work place measures.

TAB managers are involved in a constant struggle to achieve more and more in less and less time. They see the clock and other people as their enemies and they typically try to measure their accomplishments in terms of numbers and speed. Managers with extreme TAB frequently, if not constantly, experience stress at work. In its extreme, TAB is addictive. Managers who exhibit this TAB are at increased risk of heart disease and other stress-related illnesses and so are the people who work for them. The fuel for the addiction, in this case, is the body's own adrenaline. The individual gets a bio-chemical 'high' by creating crisis or stress situations and then putting out the fires.

With their aggressive, action-oriented, impatient TAB, these personalities are often viewed as the ideal management types. But, they do not always possess the edge in management success. When the job involves complex judgement, accuracy rather than speed, and working as part of a team, the more relaxed Type Bs tend to outperform them. This may be one reason why more Type Bs surface at the top levels of management, while the Type As dominate the ranks of middle management. Other reasons have also been advanced.

First, it is likely that Type As, because of increased risk of heart attacks and other disabilities, just do not last long enough to rise to the highest levels. Another possibility is that the impatience and irritation that accompany extreme TAB are often incompatible with the long-term decision-making strategies of top management. A third factor is that the hostile behaviour of Type As may make them enemies along the way, which can count against the manager concerned when promotion time comes. Another alternative is that Type As are more likely to quit organisational life and become entrepreneurs.

Research also suggests that TAB personalities are more likely to die of heart disease than Type B. Research has found that the poison ingredient is hostility. Chronic anger and hostility are harmful because they cause physical stress, which can lead to illness. Hostile managers get angry more often and with greater intensity than others. Every time anger occurs it hits the heart. While specialists in personality believe hostility is a difficult trait to change, it is not impossible.

GROUP DISCUSSION

One of the major success factors for any business is the quality of the people managing it. They must enjoy what they do, be technical experts in their respective area of work and have leadership qualities to manage their subordinates. They also need a good grasp of all four pillars of management: planning, organising, controlling and leading. Based on your understanding of leadership, discuss within your group what sort of people you would recruit as supervisors, managers and senior managers to manage a large self-service food court in the city centre or a large departmental store selling clothing for people of all ages.

Your discussion should address issues of traits, personality, abilities, competencies, experience and expertise, efficiency and effectiveness, and organisational performance. It should draw, especially, on your knowledge of leadership. Justify your choice or description of the qualities or styles of the leaders. [Your discussion may draw on issues of planning and organising, controlling and other issues pertaining to leading.]

1. A self-service food court in the city centre that caters mainly to a clientele of mid-level or senior executives and managers as an alternative to eating at a cafeteria, a quick service food outlet or restaurant, where the food is competitively priced in all instances to the food court's pricing. (Note that due to limited break time for lunch and demand for a 'quick lunch', customers are often in a hurry to get their meal rather than enjoy a leisurely lunch.)
2. A large international global airline based in the capital city of a country.
3. A large departmental store located in the main shopping belt of a major city, serving both the local population as well as tourists. The store employs about 150 employees.
4. A regional hospital comprising about 400 beds and 15 specialist clinics and with limited facilities for operations and surgery. It serves a local community of half a million people, of whom about 10 percent are elderly people with chronic recurrent medical problems. The total staff strength is about 700 permanent employees supported by volunteers, interns completing their trainings and part-timers on a need basis.
5. The main hub of a courier company that is located in a city of about a million people, a medium-sized business centre and some service industries. These industries and businesses have regular mails and parcels to be sent and received. The courier company employs about 100 staff.

CASE ANALYSIS

ShenHua Law Firm

ShenHua is a highly reputable law firm in Shanghai. Its operations are ranked among the top five of Shanghai's few hundred law firms. Among its 130 high-calibre lawyers, more than 20 possess training and background in finance and the stock market. Besides engaging in commercial lawsuits for their corporate clients, they provide consultancy services on Initial Public Offerings (IPOs), issue of corporate bonds, all forms of contract design and business law.

Song Jie is an outstanding lawyer and has worked in ShenHua for almost 10 years. He is one of the few lawyers who is trained and qualified in corporate and commercial law. The leaders and management of ShenHua recognise him as a talent because of his rich professional knowledge, commitment to his work and ability to produce outstanding results. Consequently, he was promoted to head the commercial contract department after three years in ShenHua. He was then the youngest departmental head.

Over the following seven years, Song Jie carried out every task required of middle-level managers and performed excellently in law cases as well as corporate consultancy work. His department performed well and benefited the company greatly. When asked, he often said that his performance was better than other middle managers because he adopted a hands-on approach in every task, which allowed him to obtain first-hand information that was critical for his analysis and helped him draw accurate conclusions.

His colleagues were impressed with his ambition, performance as well as his humble and trustworthy yet firm character. The employees in his department commented that he was so easy-going that it was hard to believe he was their boss. They added that Song Jie gave a lot of encouragement and support in their work. They further added that he usually took a consultative approach to discuss problems with his subordinates to formulate strategies and solutions.

Due to his outstanding performance, Song Jie was appointed by all the partners in ShenHua as the Deputy Director. He was also ranked among the top 10 lawyers in Shanghai. It was a major feat for a young 35-year-old lawyer. When his friend in Beijing, Shao Ying, heard about the news, she sent him an email to congratulate him on his career success. Song Jie replied immediately, which was his style. However, what surprised Shao Ying was that there was no satisfaction expressed in Song Jie's reply. There was also no mention on how he was going to expand his career. In fact, the reply sounded disappointed, unstable, anxious and even distraught. Shao Ying was puzzled and read the message again from the beginning:

"I had discussed with Director Yuan about job responsibilities. The decision was that I would handle and be responsible for the stock and bonds department, commercial contract department, building and estate department and legal rights and property department. I am responsible for a large part of the operations activities. Well, almost the 'Director on Duty'. I felt honoured and also recognised the challenge. I felt that I am rather young and lacked the experience to handle these departments . . . so I put in more hours and worked side by side with my colleagues in all those departments.

"Recently, my career isn't as smooth as it was in the past. It seems that my promotion had caused a change in my colleagues' attitude towards me. I used to enjoy good working relationships with the heads of the department, but they have begun to reject my suggestions and opinions during all the meetings of department heads. I noticed a sense of hostility towards me. But I have always been using the usual approach to handle the projects and tasks.

"Before I was promoted, I was heading the team that handled the Internet proprietary case. Not long ago, some of the team members complained that they were not used to the leadership style of their new team leader – who used to be the most senior and experienced member of the team. It appeared that he wanted to empower the members and left everything to them after task delegation. The members received no guidance and were not sure on how to proceed with their work.

"In addition, the director was not pleased with my work performance recently. During our lunch meetings, he often advised me not to be distracted with the nitty-gritty operations and re-align my focus to see ShenHua in the big picture. I felt it was indeed good advice. However, I just could not let go of the departments I am responsible for. Perhaps this is my character: I must be committed to every task I am responsible for. More than ever, I want to fix all the problems and present the best results. But, I felt that I have lost my direction and am now really stressed by all these heavy work burdens."

Shao Ying was deeply concerned after reading Song Jie's reply. She really wanted to provide him with some ideas. But what could be the reasons behind the problems?

Discussion Questions

1. "But, what could be the reasons behind these problems?" Analyse the case from a perspective of management as well as leadership.
2. Use the different leadership styles to diagnose:
   a. Song Jie's leadership style
   b. The director's leadership style
3. Suggest ways to improve their leadership effectiveness.

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CHAPTER 12

GROUP AND TEAM BEHAVIOUR

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Distinguish between groups and teams, and explain why they are contributors to organisational effectiveness.
2. Describe the factors for team effectiveness.
3. Explain how teams learn for team performance.
4. Describe the different types of groups and teams.
5. Describe virtual team effectiveness and leading of global virtual teams.
6. Describe team dynamics.
7. Describe Belbin's team roles.
8. Describe managing teams for high performance.

Introduction

Groups do not become teams just because that is what someone calls them. Nor do teamwork values alone ensure team performance. According to Katzenbach and Smith (1993), the essence of a team is shared commitment. Without it, groups perform as 'individuals'; with shared commitment, they become a powerful unit of collective performance. The best teams invest a tremendous amount of time shaping a purpose that they can own. They also translate their purpose into specific performance goals. Members of successful teams pitch in and become accountable with and to their team mates.

A working group relies on the individual contributions of its members for collective performance. But a team strives for something greater than its members can achieve individually. An effective team is always worth more than the sum of its parts. Katzenbach and Smith (1993) mention three kinds of teams in their article.

1. Task forces or project teams are those that recommend things.
2. Those that make or do things such as manufacturing, operations or marketing teams.
3. Teams that oversee some significant functional activity or manage an event.

Effective managers know which teams in the organisation should be encouraged. Managers who can foster team development in the right place at the right time prime their organisations for top performance.

Groups and Teams

A **group** may be defined as two or more people who interact with each other to accomplish certain goals or meet certain needs. A **team** is a group whose members work intensely with each other to achieve a specific common goal or objective. All teams are groups, but not all groups are teams. The two characteristics that distinguish teams from groups are:

1. The intensity with which team members work together and
2. The presence of a specific, overriding team goal or objective.

Because members of teams do work intensely together, teams can be difficult to form and it may take time for team members to learn how to effectively work together.

1 LEARNING OBJECTIVE
Distinguish between groups and teams, and explain why they are contributors to organisational effectiveness.

Groups and teams can help an organisation gain a competitive advantage in several ways.

- Enhancing organisational performance.
- Increasing speed and efficiency when designing or manufacturing products.
- Improving quality of products and services.
- Increasing responsiveness to customers.
- Increasing customer satisfaction.
- Increasing innovation.
- Increasing levels of employee motivation and job satisfaction.

In short, the pay-off for an organisation can be superb and contribute not only to its bottom line but also its brand and image. This is especially so if the teams are well managed, planned, organised, led and controlled.

Groups may be either formally established to do something productive for the organisation and headed by a leader, or informally constituted by people seeking friendship with no officially appointed leader.

Teams are of various types, but one of the most important features about teams is that the team engages in collective work requiring coordinated effort. A team is usually made up of people with complementary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable. **Work teams** may be usually of four different types, identified according to their basic purpose: advisory, production oriented, project focused or action oriented. A **project team** may also be a cross-functional team, staffed with specialists pursuing a common objective.

One of the main advantages of using groups and teams is the opportunity to obtain synergy. People working in a group or team are able to produce more than if each person had worked separately. Synergy is described as 'the whole is more than the sum of its parts'.

To take advantage of the potential for synergy in groups and teams, managers need to make sure that groups and teams are composed of members with complementary skills and knowledge. To promote synergy, managers also need to influence their subordinates to work towards well-defined goals and empower them and be coaches, guides and resources for groups and team while refraining from playing a directive or supervisory role. When tasks are complex and involve highly sophisticated and rapidly changing technologies, achieving synergies in teams often hinges on having the appropriate mix of backgrounds and areas of expertise represented on the team. They must also work towards.

Gaining Competitive Advantage

One of the advantages of forming groups and teams within an organisational context is to gain competitive advantage for efficiency and effectiveness. One of the key advantages of forming teams in organisations is to be responsive to customers. Being responsive to customers often requires a wide variety of skills found in different departments. Therefore to serve customers well, cross-functional teams are often formed. In a cross-functional team, the expertise and knowledge of different organisational departments are brought together into a team environment in order to enhance responsiveness to customers, the single commitment being to satisfy the customer.

Another competitive advantage that organisations today are seeking is innovation and creative thinking. Innovation, the creative development of new products, new services or even new organisational structures or methodology of work, can be better managed by creating teams of diverse individuals who, together have the necessary knowledge for innovation. In addition, team members can often uncover each other's errors or false assumptions, critique each other's approaches and complement each other's strengths while compensating for weaknesses.

To further promote innovation, managers could empower teams by making their members fully responsible and accountable for the innovation process. To speed innovation, managers forming teams should ensure each member brings a unique resource or resources to the team. Successful innovation sometimes requires that managers form teams with members from different countries and cultures especially in the wake of globalisation and the rise of global trade and business.

Groups and teams can also be great motivators within the organisation. Research shows that members of groups and teams are likely to be more highly motivated and satisfied than they would have been if they were working on their own. This is because working alongside other highly charged people can be stimulating, which allows team members to more readily see how their efforts contribute to the achievement of organisational goals. This increased motivation and satisfaction can also lead to other outcomes, such as lower employee turnover, satisfaction of team members' need for social interaction and improved ability of team members to cope with work stress. Effectively managed groups and teams who are well motivated can help managers in their quest for high performance, responsiveness to customers and overall employee motivation.

Team Effectiveness

2 LEARNING OBJECTIVE
Describe the factors for team effectiveness.

Creating effective teams for organisational efficiency and effectiveness does not happen by accident. Successful team effectiveness is often determined by the factors listed here.

Clear Expectations

The manager or leader must clearly communicate to the team the expectations, especially the desired outcome, and the targets to meet. This may include addressing some of the following questions. Do team members understand why the team was created? Is the organisation demonstrating constancy of purpose in supporting the team with resources of people, time and money? Do team members understand the exact scope, dimension and specifics of the goals?

Context

The manager or leader must inform team members why they have been selected and why they are participating in the team. This includes addressing some of the following questions: Do they understand how the strategy of using teams will help the organisation attain its business goals? Can team members define their team's importance to the accomplishment of corporate goals? Does the team understand where its work fits in the total context of the organisation's goals, principles, vision and values?

Commitment

One of the most common reasons for ineffectiveness of teams is the lack of or inadequate commitment by the respective team members. In this context, managers and leaders should give thought to the following: Are members committed to accomplishing the team mission and expected outcomes? Do team members perceive their service as valuable to the organisation and to their own careers? Do team members anticipate recognition for their contributions? Do team members expect their skills to grow and develop the abilities of the team? Are team members excited and challenged by the opportunities available to the team?

Competence

Competence is another important consideration that defines effective teams. Team members must have the knowledge, skill and capability to address the issues for which the team was formed. When in a hurry to form teams, managers and leaders can sometimes overlook the details of the skills and abilities of individual team members, resulting in poor selection of team members.

Team Charter

To ensure team effectiveness, it is important to facilitate the team to develop a team charter. This would help team members to acknowledge their assigned area of responsibility and design their own mission, vision and strategies to accomplish the outcomes set by management. This will also help the team to define and communicate their goals, their anticipated outcomes and contributions, its timelines and how it will measure both the outcomes of its work and the process the team will follow to accomplish their task. Teams may also define the milestones to track their progress.

Control

Effectiveness of the team is also influenced by whether the team has enough autonomy and empowerment to feel the ownership necessary to accomplish its charter. At the same time, it is important for team members to clearly understand their boundaries and how far members may go in pursuit of solutions. The team's reporting relationship and accountability must also be understood by all members of the organisation who are likely to be affected by the team's work or outcome. The organisation should also define the team's authority to make recommendations or to implement its plan.

Team Composition

Team composition is an important consideration in effectiveness. Teams can either be homogeneous or heterogeneous. Homogeneous teams are those in which members have similar values and attributes. They have the advantage of cohesion which can translate into high productivity and goal accomplishment. But excessive cohesion can turn into groupthink and poor decision making that do not respond to situational changes and contingencies. Heterogeneous teams are those whose members have diverse orientations. Agreements in such teams may be difficult, but the need to reconcile diverse viewpoints may lead to more innovative solutions. Heterogeneous teams also take generally longer to bond. In situations where creativity is important, as in strategic planning, complex research or advertisement teams, heterogeneous teams should have an advantage over homogeneous teams. With globalisation, forward thinking managers often choose to have heterogeneous teams to achieve efficiency and effectiveness. Another consideration in whether to have a homogeneous or heterogeneous team depends on the tasks that the team has to perform. However, with the rise of diversity and globalisation, heterogeneous teams are increasingly becoming more popular.

In order to achieve these goals, it important for managers and every member of the team to satisfy several factors.

- **Appropriate leadership:** Irrespective of whether the team is lead by the manager or a member in the team, it is critical that the leader is chosen on merit and has the necessary skills and competencies relevant for facilitating the achievement of the objectives by the team collectively.
- **Negotiating skills:** Members in the team must be well equipped in negotiating to achieve win-win outcomes; team members not only must negotiate among themselves but also with external parties.
- **Good communication skills:** These are absolutely critical especially in a context where the team is working virtually or is culturally diverse; sometimes the language and semantics may be misinterpreted if not effectively expressed.
- **A unified commitment:** Without this unified commitment to work collectively, the team may not successfully achieve its goals.
- **Mutual trust among team members:** Without trust in each other, the team's progress will be severely hindered.
- **Possess relevant skills:** Efficient and effective performance requires the relevant skills as well as the appropriate level of competencies to carry out the tasks.
- **A clear understanding of the goals and desired outcome:** This is an essential requirement for the team to be successful.
- Both **internal and external support**, i.e. from within and outside the organisation, is an ultimate requirement if the team is to succeed.

Team Performance

3 LEARNING OBJECTIVE
Explain how teams learn for team performance.

The challenge of team management these days is not simply to execute existing processes efficiently. It is to implement new processes as quickly as possible. But adopting new technologies or new business processes is highly disruptive, regardless of the industry.

Cardiac surgery is one of medicine's modern miracles. In an operating room no larger than many household kitchens, a patient is often rendered functionally dead while a surgical team repairs or replaces damaged arteries or valves. Each operation requires incredible teamwork; a single error can have disastrous consequences. In other words, surgical teams are not all that different from the cross-functional teams that have become crucial to business success. Surgical teams today include not just surgeons and specialist doctors but also a team of general and specialist nurses, medical equipment technologist and technicians besides a team to support them in the pre-operation and post-operation stages.

Edmonson, Bohmer and Pisano (2001) studied how surgical teams at 16 major medical centres implemented a difficult new procedure for performing cardiac surgery. The setting was ideal for rigorously focusing on how teams learn and why some learn faster than others. The authors found that the most successful teams had leaders who actively managed the teams' learning efforts. Teams that most successfully implemented the new technology shared three essential characteristics.

1. The teams were designed for learning.
2. Their leaders framed the challenge so that team members were highly motivated to learn.
3. An environment of psychological safety fostered communication and innovation.

The finding that teams learn more quickly if they are explicitly managed for learning, poses a challenge in many areas of business. Team leaders in business or any other organisational situation often tend to be chosen more for their technical expertise than for their management skills. Team leaders need to become adept at creating learning environments and senior managers need to look beyond technical competence and identify leaders who can motivate and manage teams of disparate specialists. A learning organisation culture (Chapter 9) can be extremely helpful.

How Teams Learn

David Clutterbuck (2002) observed that managers and academics view the learning team as the critical link between the learning organisation and the learning individual. He and his associates found that job demands focused attention primarily on task achievement. The leaner the team, the fewer the opportunities for learning, particularly away from work. Reflective time, when and if it is available, is used to solve urgent issues, rather than learning for tomorrow's needs. Many teams found practical ways to redress the balance. Clutterbuck (2002) and associates' observations, findings and analysis summarised in the following paragraphs are helpful in understanding the mechanics of how teams learn.

It is an interesting observation that in many cases, it is only under crisis circumstances or situations which sometimes are externally generated, do teams put great effort into learning. Students will clearly recognise that especially when they are 'pressurised', they are likely to team up with their mates to find solutions to the challenges they face.

Furthermore, teams with a good track record of learning have leaders who, rather than act as managers, perform as coaches and thereby create a developmental climate. These leaders not only coach team members, but they also establish an environment and a culture in which team members coach each other. Such leaders also provide stretching assignments and collegial support, and collegiality among members is an important factor in a team's success.

To encourage team members to grow and develop networks of supportive peers, leaders with a coaching approach allow team members time to reflect and learn together. They also delegate tasks through providing briefings with a goal to develop individual confidence and capability. They legitimise spending time on learning by sharing their own learning goals and striving to become a role model for learning.

The team learning plan is at the heart of creating a learning environment. The team learning plan is an iterative process that focuses on what the organisation is likely to demand of the team in the foreseeable future. Such introspection leads to defining broad team competencies, some of which may be needed by every member, some by just a few. Grading competencies by urgency and importance is the next logical step. The team works together to link broad goals or team competencies to their personal development objectives which are drawn from the appraisal process.

As part of the team learning process the team also examines its learning resources. Harnessing the collective knowledge and enthusiasm of the team raises the learning potential and stimulates openness.

4 LEARNING OBJECTIVE
Describe the different types of groups and teams.

Groups and Teams

To achieve their goals, managers can form various types of groups and teams. The different types of teams found in organisations include those listed below.

Cross-functional Team

Cross-functional teams are informal groups composed of members from different departments and cultures or countries. Sometimes, organisation members form informal groups on their own because they feel that it helps them achieve their personal goals or needs.

Top-Management Team

A central concern of the chief executive officer (CEO) and president of a company is to form a **top-management team** to help the company achieve its mission and goals. This team, often comprising heads of important departments or divisions, is responsible for developing the strategies that result in an organisation's competitive advantage. Most top-management teams have between five and seven members and many are also cross-functional. Diversity within the top-management team helps guard against groupthink. Diversity also avoids faulty team decision making that result when team members strive for agreement at the expense of an accurate assessment of the situation.

Research and Development (R&D) Team

Managers in complex technology industries often create research and development teams to develop new products. Managers select R&D team members on the basis of their expertise and experience in a certain area. Sometimes R&D teams are cross-functional teams with members from many departments.

Command Group

A **command group** is a group composed of subordinates who report to the same supervisor. They are often called a department or unit. Command groups are created when top managers design an organisation's structure and establish reporting relationships and a chain of command. Some command groups may not exhibit team behaviour, especially if they comprise too many members, such as the larger departments and divisions of an organisation.

Task Force

Managers often form **task forces** to solve a specific problem or accomplish specific goals within a certain period of time. Task forces are also called ad hoc committees. Once the task force accomplishes its goal or resolves its problem, it usually disbands. They can be a valuable tool for busy managers who do not have the time to explore an important issue in depth. The choice of individuals for a task force is important to ensure team behaviour.

Self-Managed Work Team

The team members in **self-managed work teams** are empowered with the responsibility and autonomy to complete identifiable pieces of work. Team members decide what the team will do, how it will do it and which team members will perform the specific tasks. Managers provide the teams with overall goals but let the team members decide how to meet those goals. Managers usually form self-managed work teams to improve quality, increase motivation and satisfaction, and lower costs.

To ensure that self-managed work teams are effective, managers should give teams enough responsibility and autonomy to be truly self-managing. They should also make sure that a team's work is sufficiently complex and carefully select members of the work team. The manager's role is to provide guidance, coaching and support, not supervision. Also, the manager must analyse what type of training the team members need and provide it. Self-managed work teams can run into trouble if members are reluctant to discipline one another. The close personal relationships they sometimes develop with each other may be one explanation of this discomfort.

Virtual Team

Virtual teams are composed of members who rarely or do not meet face-to-face and interact by using various forms of information technology. As organisations are becoming increasingly global, virtual teams allow employees to solve problems and explore opportunities without being limited by geographic location. Virtual teams might even include members who are not part of the organisation, but who are part of an organisation used for outsourcing or for supplying resources. Virtual teams rely on two forms of information technology: synchronous and asynchronous technology. Synchronous technology enables virtual team members to communicate and interact with each other in real time and simultaneously through videoconferencing, teleconferencing and electronic meetings. Asynchronous technologies, such as email or Internet websites, delay communication.

One of the challenges virtual team members face is building a sense of camaraderie and trust among each other. To address this challenge, some organisations schedule opportunities for virtual team members to meet. Research suggests that while some virtual teams can be as effective as traditional teams, virtual team members might be less satisfied with teamwork efforts and have less feelings of camaraderie or cohesion. Research also suggests that it is important for managers to keep track of virtual teams and intervene when necessary.

Friendship Group

Friendship groups are informal groups composed of employees who enjoy each other's company and socialise with each other. Friendship groups help satisfy employees' needs for interpersonal interaction and can provide social support in times of stress. The informal relationship that managers build in these groups can often help them solve work-related problems, as the cohesiveness can lead to team-like behaviour.

Interest Group

Employees form informal **interest groups** when they seek to achieve a common goal related to their membership in an organisation. Interest groups can provide managers with insights into the issues and concerns that are important to employees. These groups can also signal the need for change. Some closely bonded interest groups do attain team status due to the shared goal.

Multicultural Team

With increasing globalisation and many companies going international, **multicultural teams** are increasingly becoming the norm in many organisations. Multicultural teams offer a number of advantages to both international and localised firms, including deep knowledge of different product markets and culturally sensitive customer service. But those advantages may be outweighed in some instances by problems stemming from cultural differences, which can seriously impair the effectiveness of a team or even bring it to a stalemate. Multicultural teams are examples of heterogeneous teams. Bonding among heterogeneous teams is not easy. But a determined manager should overcome the challenge of diversity management and achieve the goal of bonding among the heterogeneous team.

How can managers best cope with culture-based challenges? Based on in-depth interviews with managers and members of multicultural teams from all over the world, Brett, Behfar and Kern (2006) identified four problem categories that can create barriers to a team's success. This includes direct versus indirect communication, trouble with accents and fluency, differing attitudes towards hierarchy and authority, and conflicting norms for decision making. If a manager or a team member can pinpoint the root cause of the problem, he or she is likely to select an appropriate strategy for solving it. The most successful teams and managers, the authors found, dealt with multicultural challenges in one of four ways.

1. **Adaptation:** Acknowledging cultural gaps openly and working around them.
2. **Structural intervention:** Changing the shape or makeup of the team.
3. **Managerial intervention:** Setting norms early or bringing in a higher-level manager and his expertise.
4. **Exit:** Removing team members who are unable to adjust or adapt when other options have failed.

Which strategy is best depends on the particular circumstances and each has potential complications. In general, strategies to solve culture-based problems with good humour and creativity often help. Several other strategies can also be adopted.

- Involving managers who intervene early and set norms.
- Encouraging teams and managers who try to engage everyone on the team.
- Developing a culture in which teams can see challenges as stemming from culture, not personality.

With these strategies in place, organisations implementing these strategies are the likeliest ones to harvest the benefits inherent in multicultural teams.

Virtual Team Effectiveness

5 LEARNING OBJECTIVE
Describe virtual team effectiveness and leading of global virtual teams.

Drawing lessons from the virtual team success at Sabre, Inc., Kirkman and his team suggested some practices for better management of virtual teams (Kirkman et al., 2002).

- Building team trust within virtual teams through establishing and building trust. This can be achieved with ability-based or task-based attributes such as team members' reliability, consistency and responsiveness.

- Maximising process gains or minimising process losses in virtual teams. In virtual teams, it is possible to create synergies through reduced negative interpersonal problems including effective management of stereotyping, personality traits or divisive demographic differences. This requires the leader or manager to exercise considerable skill in managing interpersonal skills.
- Overcoming isolation and detachment associated with virtual teamwork is also important. This can be achieved through proper screening and training of prospective team members, as well as realistic job expectations. Engagement in a process of on-going communication and adoption of team building activities help minimise problems. Team learning can also play an important role here.
- There is a strong need to balance technical skills with interpersonal skills. In this instance, organisations and firms may have to employ more in-depth contemporary pre-employment assessment techniques, such as behavioural interviewing, panel interviews and simulations that do not rely on just traditional non-verbal cues or simple body language. This will enable them to achieve an appropriate balance if well handled.
- There is also a need for assessment and recognition of virtual team performance. There must be development of objective, quantifiable measures less susceptible to potential biases due to issues such as demographics or stereotyping that provide accurate information for decision making. However, intangible measures such as taking leadership roles or participation as a mentor also can provide valuable insights into individual and team effectiveness. Participatory input, timely constructive feedback and resolution of performance problems are important elements to effective assessment.

Virtual team effectiveness is a challenge for every organisation and the respective team leaders. In today's globalised world, virtual teams often consist of members from different cultures, ethnicity, religion and race. This requires considerable effort in integrating members to work not only collectively but also collaboratively. Virtual teams often comprise well qualified members who are experts in their respective fields. Getting them to work collaboratively is not easy.

Global Virtual Team

The advent of communication technology has enabled individuals to collaborate in a virtual team setting, regardless of whether they are all in the same office at the same time or in different buildings, states or even countries. Combs and Peacocke (2007) proposed strategies for effectively leading virtual teams particularly in a global context. A strategy they suggest is the creation of a virtual team charter.

Before launching a virtual team, the team must create a charter that explains the team's mission, the business problem the team is attempting to solve, and the team's objectives. The charter should clearly define the roles of each individual member, outline the decision-making process and establish ground rules. All team members should be able to raise issues and concerns directly. They also should expect that information will be shared openly and that all members will attend meetings on time, prepare in advance and maintain a responsive and proactive tone in all email. The charter should ensure that all members are in agreement with the group's long-term objectives. This is similar to the team charter for non-virtual teams.

Leading global virtual teams must also encourage the embracing of diversity. Individuals who are comfortable working in multicultural, diverse teams are generally able to discern differences in style without applying value judgements to those differences. Cultural knowledge can also be increased by providing information about the local customs, traditions, geography, government, economy and current events of a country. Not only does the team become more inclusive, but it also gains knowledge about one another, discovers areas of common ground and becomes more skilled in cross-cultural communication and adaptability. This is especially important when the teams come from widely different cultures.

The sharing of cultural information is important as a development activity. Team members of the virtual team can prepare and share information on their respective country and culture and entertain questions. This will foster respect for diversity. However, the team leader of the virtual team should be alert to negative behaviours, such as stereotyping, ethnocentrism or false assumptions that can negatively affect team dynamics.

Defining meeting blackout periods would really be helpful. With virtual team members working in multiple locations or in different countries, it is useful to create a matrix of the various time zones that team members operate in and designate blackout periods to ensure meetings are not scheduled during specific hours. This will ensure uninterrupted rest periods coincident with the period of night at the individual member's location. In essence, this is to create compatible work periods.

The establishment of communication etiquette to ensure a professional, efficient and inclusive team environment is essential especially among knowledge workers and highly qualified professionals. Communication etiquette that defines ideal behaviour concerning audio and video-conferencing, meeting facilitation, email usage and technology usage is vital for good interpersonal and healthy work relationships. This will ensure disciplined behaviour even though members are from different cultures where communication patterns may be different.

The creation of team profiles to build camaraderie is a useful tool in virtual team. This would require team members to post their personal interests, hobbies and areas of expertise on a dedicated website. Photographs are particularly useful in profiles since some members may not have met face to face. For global teams, profiles can promote better understanding among team members.

Team Dynamics

6 LEARNING OBJECTIVE
Describe team dynamics.

The way in which a team functions depends upon a number of characteristics and processes known as team dynamics. Team dynamics are factors such as team size and roles, team leadership, team development, team norms, conformity and device and team cohesiveness. Each of the team dynamics is described and discussed below.

Team Size

The number of members in a team can be an important determinant of members' motivation and commitment, as well as overall team performance. Members of small teams, between two and nine members, tend to interact more with each other, find it easier to coordinate their efforts and tend to be more motivated, satisfied and committed. They also find it easier to share information and to see the importance of their personal contributions for group success. A disadvantage of small teams is that the members have fewer resources available to accomplish their goals.

Large teams with 10 or more members offer some advantages. They have more resources at their disposal to achieve team goals, such as the knowledge, experience, skills and abilities of team members. They can also capitalise upon the advantages that stem from the division of labour. The disadvantages of large teams include problems of communication and coordination and lower levels of motivation, satisfaction and commitment.

When deciding upon the appropriate size for any group, managers should attempt to balance the advantages of small team size while forming teams with sufficient resources to accomplish their goals. As a general rule, teams should have no more members than necessary to achieve the required division of labour.

In R&D teams, the team size is too large when members spend more time communicating what they know to others than applying what they know to solve problems and create new products. An R&D team is clearly oversized when individual productivity decreases and team performance suffers.

Team Roles

A team role is a set of behaviours and tasks that a member of a group is expected to perform because of his or her position in the team. Members of cross-functional teams are expected to perform roles relevant to their special areas of expertise. Managers need to clearly communicate to team members the expectations for their roles in the group, what is expected of them, and how the different roles in the team fit together. Managers should encourage role making, taking the initiative to modify an assigned role by assuming additional responsibilities. Belbin's work on team roles is discussed later in this chapter. It illustrates the different roles that team members can play. In self-managed work teams, members are responsible for creating roles.

Team Leadership

All teams need leadership. Sometimes managers assume the leadership role or appoint a member of a team. In other cases, team members may choose their own leaders, or a leader may emerge naturally. Sometimes self-managed work teams rotate the leadership role among members. The role of leaders and leadership in different contexts was discussed in Chapter 11.

Team Development

It sometimes takes a self-managed work team between two or three years to perform up to its true capabilities. What a team is capable of achieving depends in part upon its stage of development. Researchers have identified five stages of team development that many groups seem to pass through.

In the first stage, **forming**, members try to get to know each other and reach a common understanding. In the second stage, **storming**, group members experience conflict and disagreements. During the third stage, **norming**, close ties between group members develop. In the fourth stage, **performing**, the real work of the group gets accomplished. The last stage, **adjourning**, applies only to groups that eventually are disbanded. Figure 12.1 illustrates the different stages of team development.

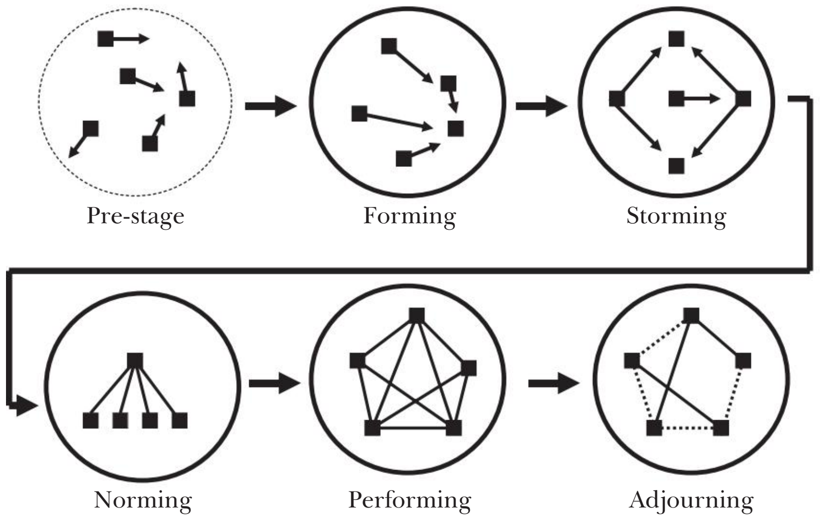

Figure 12.1 The Stages of Team Development

Team Norms

Team norms are shared guidelines or rules for behaviour that most team members follow. Teams develop norms concerning a wide variety of behaviours, including work hours, sharing information, how tasks are performed and how members should dress. Proactive managers should encourage members to develop norms that contribute to group performance and the attainment of team goals.

Conformity and Deviance

Team members **conform** to norms because they want to obtain rewards and avoid punishments, they will want to generally imitate team members whom they like and admire, and because they have internalised the norms and believe that these are the right and proper ways to behave. Failure to conform, or **deviance**, occurs when a member of a team violates a group norm. Deviance signals that the team is not controlling its members' behaviours. Teams generally respond to members who behave defiantly in one of three ways:

1. the team might try to get the member to change his or her deviant ways and conform;
2. the team might expel the member; or
3. the team might change the norm so that it is consistent with the member's behaviour.

The last alternative suggests that some deviant behaviour can be functional for a group. This may arise due to change in circumstances or situation with the passage of time. A typical example is where formal work attire in organisations is being abandoned on Fridays with employees being allowed to 'dress-down'.

In order for teams to be effective, they need to have the right balance of conformity and deviance. A team needs a certain level of conformity to control members' behaviour. A team also needs a certain level of deviance to ensure that dysfunctional norms are discarded. Managers can take steps to ensure that there is some tolerance of deviance in teams. They can be role models for the team or let employees know that there are always ways to improve team processes. Alternatively, managers can encourage members of groups and teams to assess existing norms.

Team Cohesiveness

Team cohesiveness is the degree to which members are attracted to or loyal to their team. When team cohesiveness is high, individuals strongly value their team membership. When team cohesiveness is low, team members have little desire to retain their team membership. Research indicates that managers should strive to have at least a moderate level of team cohesiveness.

There are three major consequences of team cohesiveness: (1) levels of participation within the team may change, (2) levels of conformity to team norms may change and (3) emphasis on team goal accomplishment may change. Managers therefore need to manage team cohesiveness.

- **Level of Participation Within a Team.** As team cohesiveness increases, the extent of team members' participation within the team increases. A moderate level of team cohesiveness helps to ensure that team members actively participate in the team. There is a possibility that too much cohesiveness can reduce efficiency.
- **Level of Conformity to Team Norms.** Increasing levels of team cohesiveness result in increasing levels of conformity to norms. Too much conformity may result in compliance with dysfunctional norms. Low cohesiveness can result in too much deviance and can undermine team control.
- **Emphasis on Team Goal Accomplishment.** As team cohesiveness increases, emphasis on team goal accomplishment increases within the team. For an organisation to be effective, the different teams need to cooperate with each other and to be motivated to achieve organisational goals. A moderate level of cohesiveness motivates team members to accomplish both team and organisational goals.

Factors Leading to Team Cohesiveness

Four factors contribute to the level of **team cohesiveness**: team size, effectively managed diversity, team identity and healthy competition, and success.

- **Team Size:** Members of small teams tend to be more motivated and committed. To promote cohesiveness in teams, managers should form groups that are small to medium in size.
- **Effectively Managed Diversity:** Although people tend to like and get along with others who are similar to them, diversity in teams and organisations can help an organisation gain a competitive advantage. Diverse teams often come up with more innovative and creative ideas. Diverse teams are examples of heterogeneous teams.
- **Team Identity and Healthy Competition:** Managers can increase team cohesion by encouraging teams to develop their own identities and engage in healthy competition. Healthy competition among teams is promoted by displaying measures of each team's performance and the extent to which they have met their goals. Conversely, managers can decrease cohesiveness

by promoting organisational identity rather than team identity, reducing or eliminating competition between teams, and rewarding cooperation between groups.

- **Success:** As teams become more successful, their cohesiveness tends to increase. Managers can increase cohesiveness by making sure that a group can achieve some visible success, especially in the early stages of a team's development.

Team dynamics is complex. It needs to be managed effectively and efficiently if the team is to deliver on its promise and targets. Good leadership and a manager who recognises the challenge of team efficiency and effectiveness makes the difference between an outstanding and a good team. Teamwork is as much about interpersonal skills as well as about technical skills. It is also about working in unison, collegially and collaboratively to attain set goals and objectives.

Belbin's Team Roles

7 LEARNING OBJECTIVE
Describe Belbin's team roles.

Belbin (1993) studied teamwork for many years and he famously observed that people in teams tend to assume different 'team roles'. He defines a 'team role' as 'a tendency to behave, contribute and interrelate with others in a particular way' and named nine such team roles that underlie team success. Belbin suggested that, by understanding the individual's team role within a particular team, we can develop the strengths and manage the weaknesses of each team member, and so improve their contribution to the team.

Belbin identified nine team roles and he categorised those roles into three groups: Action Oriented, People Oriented and Thought Oriented. Each team role is associated with typical behavioural and interpersonal strengths (Figure 12.2). Belbin also defined characteristic weaknesses that tend to accompany the team role. He called the characteristic weaknesses of team roles the 'allowable' weaknesses. For behavioural weaknesses, these are areas to be aware of and can potentially be improved. Teams can become unbalanced if all team members have similar styles of behaviour or team roles.

Managing Teams for High Performance

8 LEARNING OBJECTIVE
Describe managing teams for high performance.

Managers striving to have top performing teams must do three things.

1. Motivate team members to work towards the achievement of organisational goals.

2. Reduce social loafing.
3. Help teams to manage conflict effectively.

Motivating Group Members

When work is difficult, tedious or requires a high level of commitment, managers cannot assume that group and team members will always be motivated to work towards the organisational goals. Managers can motivate members by making sure that the team members themselves benefit when the team performs highly. Managers often rely on some combination of individual and team-based incentives to motivate members of the team. A major challenge is to develop a fair pay system that will lead to high individual motivation and high team performance. Other benefits that managers can use include providing extra resources, bestowing awards and recognition, and offering a choice of future work assignments.

Groups of Roles	Belbin's Roles	Description/Characteristics
Action Oriented [Doing/Acting]	Implementer	Well-organised and predictable. Takes basic ideas and makes them work in practice. Can be slow.
	Shaper	Lots of energy and action, and challenges others to move forward. Can be insensitive.
	Completer/ Finisher	Reliably sees things through to the end, ironing out the wrinkles and ensuring everything works well. Can worry too much and not trust others.
Thought Oriented [Thinking/ Problem-solving]	Plant	Solves difficult problems with original and creative ideas. Can be poor communicator and may ignore the details.
	Monitor/ Evaluator	Sees the big picture. Thinks carefully and accurately about things. May lack energy or ability to inspire others.
	Specialist	Has expert knowledge/skills in key areas and will solve many problems here. Can be disinterested in all other areas.
People Oriented [People/Feelings]	Coordinator	Respected leader who helps everyone focus on their task. Can be seen as excessively controlling.
	Team worker	Cares for individuals and the team. Good listener and works to resolve social problems. Can have problems making difficult decisions.
	Resource/ Investigator	Explores new ideas and possibilities with energy and with others. Good networker. Can be too optimistic and lose energy after the initial flush.

Figure 12.2 Belbin's Team Roles

Reducing Social Loafing

Social loafing is the tendency of individuals to put less effort when they work in teams than when they work alone. It can result in lower team performance and may even prevent the team from attaining its goals. To reduce or eliminate social loafing, managers can make individual contributions to a group or team clearly identifiable. Team members should perceive that low and high levels of effort will be noticed and individual contributions evaluated. Managers can assign specific tasks to team members and hold them accountable for their completion. Sometimes the members of a team can cooperate to eliminate social loafing by making individual contributions identifiable. However, in some teams, individual contributions cannot be made easily identifiable.

Emphasising the Contributions of Individuals

People sometimes think that their efforts are unnecessary or unimportant when they work in a team. When managers form teams, they should assign individuals to teams on the basis of the valuable contributions that each person can make. Managers should also aim to keep team size at an appropriate level. As size increases, members are increasingly likely to think that their individual contributions are not important. Managers should form teams with no more members than are needed to accomplish team goals. Managers and leaders should acknowledge the contribution of each team member visibly, transparently and frequently, whenever possible. This practice will not only keep team members encouraged but also motivated.

Practically all teams experience intragroup and intergroup conflict. The effective management of conflict is discussed in Chapter 13.

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CHAPTER 13

POWER, POLITICS AND CONFLICT MANAGEMENT

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Describe power and politics in an organisational context.
2. Describe the tactics for managing organisational politics and conflict within an organisation.
3. Describe the best alternative to a negotiated agreement.

Introduction

Organisational power and politics is about how individuals can achieve their objectives in organisational work groups. Office politics, or organisational politics, is a significant part of the life of everyone who works with others in formal or informal groups. These relationships are power-tinged and success can be attained only if we use power effectively.

All organisations comprise partnerships, teams, groups, alliances and coalitions. Various combinations of groups work together or against each other to compete for resources. The reality of most organisations is finite resources; if one group gets more another will automatically get less. In the workplace, these groups, partnerships and alliances use power in the effort to get what they want. Power distribution can have serious effects on organisational life. The effect of unequal distribution of power leads to some of the issues and concerns experienced in management. Work attitudes are influenced by power. If employees are allied with a powerful leader, their attitudes are affected by the concerns of the leader. Similarly the motivation of employees and managers can be influenced by the need to acquire power. If an employee or a manager wishes to acquire more power, he or she will be motivated to perform. Power also influences the communication style of an employee or manager. If a manager wields more power than a fellow manager, it is likely that the manager will communicate from a position of power.

Hence, understanding how power works in an organisational context is important. Awareness of power tactics can help managers use power effectively and respond appropriately to those attempting to use power against them. Concurrently, they can harness the force of power to the benefit of the organisation or their work group and even themselves.

Power

1 LEARNING OBJECTIVE
Describe power and politics in an organisational context.

Power is an interpersonal (or intergroup) relationship in which one individual (or group) can cause another individual (or group) to take an action that she (or it) would not otherwise take. Power involves changing the behaviour of another by using implied, not (almost never) actual force. Person A has power over person B only if B believes A can force B to comply. Power is closely related to leadership and authority. A manager must know where one starts and the other stops.

Power can arise from informal authority. This is the ability of one person or a group to secure compliance from another person or group. Power can also arise from authority, i.e. legitimate power. This is the right to seek compliance from others. Power also comes from leadership. This is the ability of an individual to exercise influence over and above the required mechanical compliance. The voluntary aspect sets it apart from power and authority. There is an interesting potential distinction between leadership and headship. A manager has the right to require certain actions from employees, but a leader has the ability to inspire these actions. The leader and the manager may be the same person or a different one. Often in organisational context it is a different one.

Typology of Power

The most commonly quoted description of power is French and Raven's (1959) description of the five bases of power.

1. **Coercive power:** This is the power to force someone to do something against their will. It includes one's ability to punish or to prevent others from achieving the desired or preferred goal.
2. **Reward power:** This power is based on one's ability to reward desirable or preferred behaviour or conduct. Reward power can also be used to punish, such as when rewards are withheld.
3. **Legitimate power.** Legitimate power is that which is vested in a role. It is based on one's formal authority by virtue of appointment to a specific position in an organisation. Most, if not all managers, rely on it to get their subordinates to carry out their duties.
4. **Referent power.** This is the power from another person liking you or wanting to be like you. It is the power of charisma and fame and is wielded by all celebrities (by definition) as well as local social leaders. In wanting to be like these people, we stand near them, hoping some of the charisma will rub off onto us.
5. **Expert power.** This is a very common form of power and is the basis for a very large proportion of human collaboration, including most companies where the principle of specialisation allows large and complex enterprises to be undertaken. Power is achieved by virtue of one's expertise.

Organisational Politics

Organisational politics are those activities taken within organisations to acquire, develop and use power and other resources to obtain one's preferred outcome in a situation where there is uncertainty of outcome. A store of political influence often uses power to affect events.

Organisational politics involves activities or behaviours through which power is developed and used in organisational settings. Political behaviour is initiated to overcome opposition. However, if there is no opposition, political activity may not be necessary.

In many organisations, organisational politics is often the most common reason for decision-making delays. It is estimated that business leaders may spend up to one-fifth of their time dealing with organisational politics. Also, employees who experience organisational politics tend to report higher stress and psychological withdrawal. Organisations with higher levels of politics also tend to have higher rates of employee turnover. However, power can be used ethically in organisational politics if managed well. The ethical use of organisational politics must satisfy three moral principles.

1. **Utilitarian rule:** Does the political tactic violate anyone's legal or moral rights?
2. **Individual rights rule:** Does the political tactic violate any individual's legal or moral rights?
3. **Distributive justice rule:** Does the political activity treat all parties fairly?

In an organisation, power and politics are applied through premeditation, i.e. strategy, or execution, i.e. using tactics or doing something.

Managing Organisational Politics

2 LEARNING OBJECTIVE
Describe the tactics for managing organisational politics and conflict within an organisation.

Yukl and Tracey (1992) identified this series of common influence tactics used by managers and leaders as part of politics and power in organisations.

- **Rational persuasion:** Logical arguments and factual evidence; this is the most ethical and socially responsible way to use power and politics at work.
- **Inspirational appeal:** Arousal of enthusiasm by appealing to values; managers and leaders who have a charismatic or transformational mindset, may use this technique.
- **Consultation:** Seeking participation in planning; this is another way ethical and socially responsible managers and leaders may use power to win arguments and debates.
- **Coalition:** Seeking the aid of others by building alliances and partnerships.
- **Legitimating:** Pointing to organisational policies, rules practices or traditions.

Managers and leaders who are unethical or socially irresponsible are likely to resort to unfair or unreasonable tactics.

- **Ingratiation:** To gain favour or favourable acceptance by deliberate effort.
- **Exchange:** To offer an exchange of favours.
- **Personal appeal:** To appeal to feelings of loyalty or friendship.
- **Pressure:** To demand, threaten or give persistent reminders.

In an organisational context, managers and leaders can adopt various strategies to check dysfunctional politics.

- Ensure a sufficient supply of critical resources in the organisation to meet the needs of most if not all. Often conflict among staff arises due to inequitable distribution of just enough resources.
- When resources are scarce, introduction of clear rules and regulations to specify the use of these resources is important. Rationing of resources should be done fairly. The system of rationing must be transparent so that fairness is easily seen.
- Establish a free flow of information so that the organisation is less dependent on a few people at the centre of a communications wheel. It also increases transparency in the organisation.
- When introducing organisational change, use effective organisational change management practices.
- Restructuring of teams and organisational norms should be implemented to reject political tactics that appear to interfere with the organisation's goals.
- Selecting people who have a moderately strong socialised need for power and a relatively low level of Machiavellianism would reduce political power tactics. Machiavellianism can be described as amoral and it is sometimes used as a tactic to secure outcomes by any means, however unscrupulous, to achieve political power.
- Provide opportunities and discussion channels for open and candid dialogue to resolve conflicts between employees and work units.
- Get employees to monitor the workplace and actively discourage co-workers who engage in political tactics.

Conflict

Conflict is an unavoidable part of organisational life. Conflict is a process in which one party perceives that its interests are being opposed or negatively affected by another party. Conflict is often perceived as negative. However, constructive conflict and functional conflict can benefit an organisation and serve its interests if planned and appropriately applied. Too little conflict can lead to attitudes of apathy, while too much conflict can lead to workplace 'wars'. Conflict if well managed and 'used' appropriately by managers in a constructive and functional manner can lead to a generation of better ideas and innovation as well improvements and enhancement of work processes in the organisation.

Managing conflict effectively maximises the benefits and minimises the dysfunctional consequences of conflict. Conflict is beneficial in the form of constructive controversy because it makes people think more fully about issues. Positive conflict also increases team cohesiveness when conflict is with another group. The main problem with conflict is that it may lead to job stress, dissatisfaction and employee turnover. Dysfunctional intergroup conflict may also undermine decision making.

People with a win-win orientation believe the parties will find a mutually beneficial solution to their disagreement. Those with a win-lose orientation adopt the belief that the parties are drawing from a fixed pie. The latter tends to escalate conflict. Among the five interpersonal conflict management styles (Figure 13.1), only 'problem solving' represents a purely win-win orientation. The four other styles – avoiding, forcing, yielding and compromising – adopt some variation of a win-lose orientation. Individuals with high collectivism tend to use a problem solving

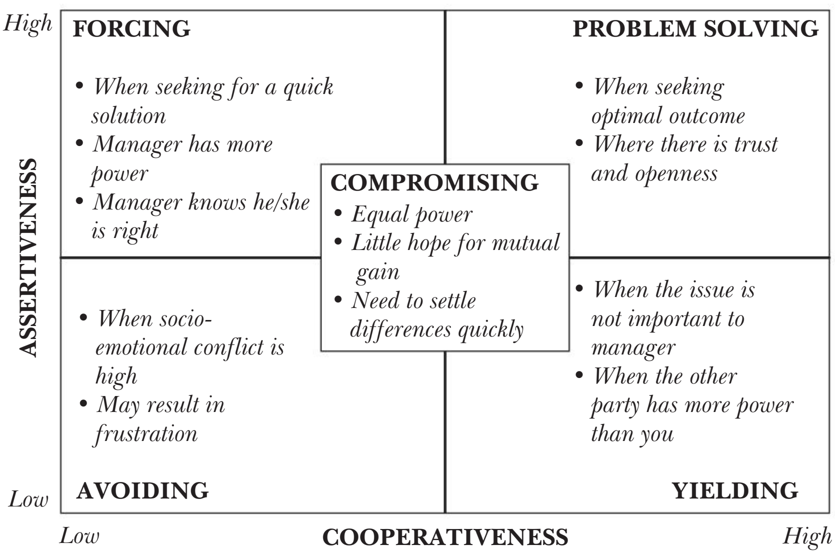

Figure 13.1 Conflict Management Styles

or compromising style. Managers and leaders who seemingly possess power often tend to adopt a forcing style.

The major trends in today's workplace often lead to conflict.

- Constant change arising from globalisation, technology and technological change, and a growing shift to customer-centricity often lead to conflict between managers and subordinates as well as between staff of the same rank because adaptation needs adjustment. Often this adaptation and adjustment may cause some conflict.
- Greater employee diversity in the workplace also leads to conflict until all the members adjust to each other.
- Increasing shift in the workplace to teams, especially virtual and self-managed teams, often requires adaptation and adjustment.
- The increase of electronic communication has led to a decline in face-to-face communication, resulting in misunderstandings and misinterpretation;
- The rise of the global economy has increased cross-cultural transactions and dealings, sometimes resulting in conflicts. This is often attributed to a failure to understand the culture of the other party.

In essence, the need to make adjustments and adaption in today's working world is a challenge for many managers and employees. Often this requires soft skills such as being able to communicate effectively and efficiently, empathising with the concerns of others and addressing the concerns appropriately. Other essential soft skills include the capacity to persuade and influence others, as well as skills to understand the needs of others and manage relationships.

In an organisational context, certain situations and circumstances inevitably produce more conflict than others. Triggers for conflict can arise from a variety of sources. These can include incompatible personalities or value systems, or overlapping or unclear work and job boundaries. Competition for limited resources, interdepartment or intergroup competition, rivalry or inadequate communication can also lead to conflict. Conflict can also be triggered by interdependent tasks that do not synchronise or flow smoothly, or organisation complexity arising from poor or inefficient organisational structure.

Unclear or ambiguous policies, standards or rules, and unreasonable deadlines or extreme time pressure are other sources of conflict. Decision-making processes that are not well defined or disagreement about the decision itself are additional sources of conflict. In fact, the list is endless. Therefore, managers need good soft skills. Soft skills are qualities, personality traits and social skills that enable us to be good team players or to get along well with others.

Managers can sometimes stimulate constructive conflict with an objective of spurring competition among employees or changing the organisation's culture and procedures. They can achieve this by bringing in outsiders for new perspectives and by using programmed conflict to elicit different opinions without inciting people's personal feelings. Two methods used in programmed conflict include (1) **devil's advocacy**, in which someone is assigned to play the role of critic to voice possible objections to a proposal, and (2) the **dialectic method**, in which two people or groups play opposing roles in a debate in order to better understand a proposal.

Inter-Group Conflict

Based on research evidence in Labianca, Brass and Gray (1998), the level of perceived intergroup conflict tends to increase when conflict within the group itself is high. Also, there are negative interactions between groups or between members of those groups; and influential third-party gossip about the group is negative. Labianca and colleagues suggest that to reduce conflict in organisations, managers can work to eliminate specific negative interactions between groups and members. Managers should also initiate or conduct team building activities to reduce intergroup conflict and prepare subordinates for cross-functional teamwork.

Intergroup conflict can be reduced by managers through encouraging socialisation, networking and development of personal friendships and good working relationships across groups and departments. Positive attitudes can be fostered among members of groups through empathy, compassion and sympathy when difficulty is experienced. Managers can also take action to neutralise negative gossip and rumours across groups or department.

Negotiation

Negotiation occurs whenever two or more conflicting parties attempt to resolve their divergent goals by redefining the terms of their interdependence. Negotiations are influenced by several situational factors, including location, physical setting, time passage, deadlines and audience. Important negotiator behaviours include preparation and goal setting, gathering information, communicating effectively and making concessions.

Best Alternative to a Negotiated Agreement (BATNA)

3 LEARNING OBJECTIVE
Describe the best alternative to a negotiated agreement.

Best Alternative to a Negotiated Agreement (BATNA) is a term originally coined by Roger Fisher and William Ury in their 1991 bestseller, *Getting to Yes: Negotiating Without Giving In*. BATNAs are critical to negotiation because you cannot make a wise decision about whether to accept a negotiated agreement unless you know what your alternatives are. Your BATNA is the only standard which can protect you both from accepting terms that are too unfavourable and from rejecting terms it would be in your interest to accept. In the simplest terms, if the proposed agreement is better than your BATNA, then you should accept it. If the agreement is no better than your BATNA, then you should reopen negotiations. If you cannot improve the agreement, then you should at least consider withdrawing from the negotiations and pursuing your alternative though the costs of doing that must be considered as well.

BATNAs are not always readily apparent. Fisher and Ury (1991) outline a simple process for determining your BATNA. The first step is to develop a list of actions you might conceivably take if no agreement is reached. The next step is to work towards improving some of the more promising ideas and convert them into practical options; and finally selecting, tentatively, the one option that seems best. BATNAs may be applied to any negotiation situation.

At the same time you are determining your BATNA, you should also consider the alternatives available to the other side. Sometimes they may be overly optimistic about what their options are. The more you can learn about their options, the better prepared you will be for negotiation. You will be able to develop a more realistic view of what the outcomes may be and what offers are reasonable. There are also a few things to keep in mind about revealing your BATNA to your adversary. Although Fisher and Ury (1991) do not advise secrecy in their discussions of BATNAs, according to McCarthy (1991), one should not reveal one's BATNA unless it is better than the other side thinks it is. But since you may not know what the other side thinks, you could reveal more than you should. If your BATNA turns out to be worse than the opponent thinks it is, then revealing it will weaken your stance.

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CHAPTER 14

COMMUNICATIONS AND INFORMATION TECHNOLOGY

LEARNING OBJECTIVES

After studying the chapter, you should be able to:

1. Explain the role of communication and information in an organisation and the manager's job.
2. Describe the attributes of useful information.
3. Explain the importance of good communication and describe the communication process.
4. Describe the dangers of ineffective communication, barriers to effective communication and how effective communication can be facilitated.
5. Define information richness and describe the information richness of communication media available to managers.
6. Describe the information-communication technology revolution and the tumbling price of information, communication and technology.
7. Describe management information systems.

Introduction

1 LEARNING OBJECTIVE
Explain the role of communication and information in an organisation and the manager's job.

Communication is one of the everyday activities of management in every organisation and its importance can hardly be overemphasised. It is a process of transmitting information, ideas, thoughts, opinions and plans between various parts of an organisation. Managers also have to communicate with customers, vendors, distributors and a whole host of other individuals, groups and organisations beyond their own organisation. Effective communication is required at various levels and for various aspects in an organisation. Similarly, effective communication is needed with parties outside the organisation.

Effective communication of information and related decisions are an essential component for management-employee relations. When communicating with subordinates, managers must know how to communicate clearly and what results can be expected from a particular communication. Most of management's problems arise because of inefficient and ineffective communication. Chances of misunderstanding and misrepresentation can be minimised with an efficient and proper communication system.

Communication is also a basic tool for motivation, which can improve the morale of the employees. Inappropriate or ineffective communication among employees or between the manager and his subordinates is one of the major causes of conflict and low morale at work. Managers should clarify to employees about what is to be done, how well they are doing and what can be done for better performance to improve their motivation. Managers can help their subordinates prepare a written statement, clearly outlining the relationship between company objectives and personal objectives and integrating the interests of the two.

With effective communication, good human relations can be maintained in the organisation and this enables management to encourage employees to submit ideas or suggestions and quickly implement useful ones. An organisation that supports good communication will ensure that managers respond to employee work reports, comments, grievances and suggestions. Implementing effective and speedy communication policy and procedures will avoid delays, misunderstandings, confusion or distortions of facts and serve to establish harmony in the organisation.

Communication may be in oral or written form. In oral communication, receipt of the message is always subject to the listener's absorption and perception. Given the fleeting nature of verbal communication, if the meaning is not grasped in that short time, or misinterpreted, undesirable or unintended consequences may result. In written communication, the text should be an accurate reflection of your thinking. So written communication, serving as a permanent record for future use, should be clear, purposeful and concise to avoid any misinterpretation of your message. Ultimately, effective communication is very important for successful working of an organisation. Without effective communication, achieving efficiency and effective organisational performance will always remain a challenge.

Information and the Manager's Job

Managers cannot plan, organise, lead and control efficiently and effectively unless they have access to information. Information is the source of the knowledge and intelligence they need to make the right decisions. Data is raw, not summarised and unanalysed facts. It is only when data is analysed and organised into meaningful and intelligible information that it becomes useful to the managers. One of the uses of information technology is therefore to help managers transform data into information in order to make better decisions. Information is raw data that has been 'processed' to make it intelligible and useful for decision making and other useful uses. However, there are instances in organisations where raw data may be 'processed' but not wholly useful or meaningful information. The usefulness of the information often depends on the effectiveness of the managers involved in the conversion process to make the raw data useful and meaningful.

Attributes of Useful Information

2 LEARNING OBJECTIVE
Describe the attributes of useful information.

Four factors determine the usefulness of information to a manager. They are quality, timeliness, completeness and relevance.

1. **Quality:** The greater the level of accuracy and reliability, the higher is the quality of information. Information systems that work well provide accurate and reliable information.
2. **Timeliness:** Information that is timely is available when it is needed, not after the decision has been made. In today's rapidly changing world, information must be available on a real-time basis. Real-time information is information that reflects current up-to-date conditions.
3. **Completeness:** Information that is complete gives managers all that they need to know to exercise control,

achieve coordination, or make an effective decision. One of the functions of information systems is to increase the completeness of the information that managers have. While it may be impossible to have complete information in all cases, information must be as nearly complete as possible.

4. **Relevance:** Information must also be relevant, useful and suit a manager's particular needs and circumstances. Irrelevant information is useless and may actually affect the performance of a busy manager. The people who design information systems need to make sure that managers receive only relevant information.

Information Systems and Technology

An information system is a system for acquiring, organising, storing, manipulating and transmitting information. More specifically, a management information system (MIS) is an information system that managers design to provide them with the specific information they need to perform their roles effectively. As long as there have been organisations, management information systems have existed. Before the computer age, most management information systems were paper based. Primitive as they may have been, they served as a useful tool for managers to make decisions. Managers need information for three key reasons.

1. To make effective decisions.
2. To control the activities of the organisation.
3. To coordinate the organisation's activities.

Information technology is the means by which information is acquired, organised, stored, manipulated and transmitted. A rapid advance in the power of information technology has made a large impact on information systems and on managers.

Communication, Information and Management

3 LEARNING OBJECTIVE
Explain the importance of good communication and describe the communication process.

Communication is the sharing of information between two or more individuals or groups to reach a common understanding. Communication, no matter how electronically based, is a human endeavour and involves individuals and groups. Communication does not take place unless a common understanding is reached.

Importance of Good Communication

Good communication is essential for obtaining and achieving efficiency, delivering quality products and services, and enabling responsiveness to customers and innovation. It is thus a necessity for gaining a competitive advantage. Good communication enables managers to increase efficiency by learning to take advantage of new and more efficient and effective technologies and by training workers to operate these new technologies.

Improving quality hinges on effective communication because managers need to communicate to employees the importance of high quality and the routes to attain it. Also, subordinates need to communicate quality issues and problems as well as suggestions for improving quality to their superiors. Likewise, self-managed teams must share their ideas for improving quality with fellow team members. Communication plays a vitally valuable role in all organisations.

Good communication can help increase responsiveness to customers. When the organisational members who are closest to customers are empowered to communicate customers' needs to managers, managers are better able to respond to these needs. Also, managers must communicate with other organisational members to determine how best to respond to changing customer preferences, and, ultimately, serve the customers well.

Innovation, often the responsibility of cross-functional teams, also requires effective communication. Team members must effectively communicate with each other to develop high quality products that customers want and that the organisation can produce efficiently. With collaboration and cooperation critical in innovation, communication among team members and even non-team members is absolutely vital.

In short, good communication is the mainstay of successful organisations.

The Communication Process

The communication process consists of two phases: the transmission phase and feedback phase (Figure 14.1). In the **transmission phase**, information is shared between two or more individuals or groups. In the **feedback phase**, a common understanding is reached.

To start the transmission stage, the sender, the person or group wishing to share information with some other person or group, decides on the message, and what information to communicate. The sender translates the message into symbols or language, a process called **encoding**. **Noise**

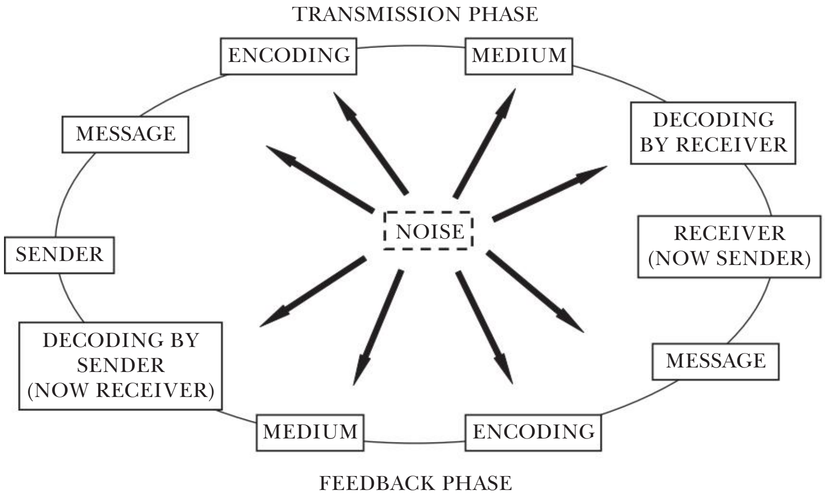

Figure 14.1 The Communication Process

refers to anything that hampers any stage of the communication process. Once encoded, a message is transmitted through a medium to the **receiver**, the person or group for which the message is intended. A **medium** is the pathway through which a message is transmitted to a receiver.

At the next stage, the receiver interprets and tries to make sense of the message, a process called **decoding**. The feedback phase is then commenced when the receiver decides what message to send to the original sender to inform the sender how the receiver has interpreted the message, encodes it and transmits it.

The original sender decodes the message and makes sure that a common understanding has been reached. If a common understanding has not been reached, the sender and receiver repeat this process as many times as needed to reach a common understanding.

The encoding of messages into words, written or spoken, as well as 'formatting' recordings, diagrams, plans and sketches is explicit communication. There is generally a very minimal chance of misinterpretation or misunderstanding if the explicit communication is well crafted, cognisance has been taken of the level of understanding and comprehension of the recipient, and attention paid to fine details. Non-verbal communication shares information by means of facial expressions, body language and even style of dress. Non-verbal communication can be used to reinforce verbal communication. People tend to have less control over non-verbal communication and can inadvertently send a message they did not intend to. Sometimes non-verbal communication is used to send messages that cannot be sent through verbal channels.

Dangers of Ineffective Communication

4 LEARNING OBJECTIVE
Describe the dangers of ineffective communication, barriers to effective communication and how effective communication can be facilitated.

As managers must communicate with others to perform their various roles and tasks, they devote a lot of time to communicating with others. Because effective communication is so important, managers also should help their subordinates become effective communicators. When all members of an organisation are able to communicate effectively, the organisation is more likely to perform highly and more efficiently. When managers are ineffective communicators, organisational performance suffers and any competitive advantage is likely to be lost. Poor communication can be dangerous and even lead to the loss of human life. In extreme cases, even outcomes from ineffective communication can result in inefficiencies and ineffectiveness in the organisation, leading to deterioration in performance.

An important consideration for managers is whether communication should be in writing, as a letter, memorandum, email, or verbal. Each form of communication has its merits as described in Table 14.1.

As a general guide, managers sometimes use both types of communication. Managers often follow-up verbal communications with written confirmation to ensure that the 'receiver' clearly understands an important instruction, policy or decision.

Barriers to Effective Communication

The root cause of a large number of organisational problems is often ineffective of poor communication. In a work setting, interactions involve people who often do not have years of experience communicating with each other. These interactions are further complicated by the complex

Written	Verbal
• Tangible • Verifiable • More permanent • More precise • More care is taken with the written word	• Less secure • Known receipt • Quicker response • Less time consuming • Quicker feedback • May lack permanent record • May lack clarity and prone to misunderstanding, misinterpretation

Table 14.1 Merits of Written and Verbal Communication

relationships that exist at work. It is critical to understand and be aware of the potential sources of communication barriers and constantly avoid these barriers by making a conscientious effort to ensure there is a minimal loss of meaning in the communication. Barriers to effective communication can be attributable to one or a combination of factors.

- The choice of words or language which a sender uses (called 'encoding the message') will influence the quality of communication. Because language is a symbolic representation of a phenomenon, room for interpretation and distortion of the meaning exists.
- Misreading body language, tone and other non-verbal forms of communication.
- Ignoring non-verbal language, i.e. failure to recognise body language or other 'signs or signal' and thereby ignoring inadvertently or intentionally.
- Selective hearing or choosing to hear or interpret what the receiver wants to hear.
- Poor listening skills.
- Interruptions or physical distractions.
- Lack of feedback on the communication.
- Hesitation to be candid and reluctance to be forthright.
- Distrust among peers or colleagues; or distrusting the supervisor or judgement.
- Value judgement, or being judgemental upon receiving the message.
- Power struggle, or conflict arising from office politics or rivalry.
- Unreliable transmission due to noise or inconsistent sending or a faulty or 'corrupted' software or hardware in device used for communication; or poor reception.
- Defensiveness, a typical barrier in a work situation, especially when negative information or criticism is involved.
- Distorted perception when how we perceive communication is affected by our respective experiences. Perception is also affected by organisational relationships. For example, communication from a superior may be perceived differently than from a subordinate or peer.
- Guilt on the part of the receiver or sender.
- Distortions from the past.
- Stereotyping (assuming the other person has certain characteristics based on the group to which they belong without validating that they in fact have these characteristics).

- Cultural differences: Effective communication requires deciphering the basic values, motives, aspirations and assumptions that operate across geographical lines. Given some dramatic differences across cultures, the opportunities for miscommunication in cross-cultural situations are enormous.

Effective communication is an essential component of organisational success whether it is at the interpersonal, intergroup, intragroup, organisational or external levels. However, the barriers to communication make it challenging for effective communication. Effective managers are aware of these barriers and take cognisance of them and respond appropriately.

Facilitating Effective Communication

Managers can facilitate effective communication with several strategies.

- Having a positive attitude towards the sender of the message and contents of the message; this is likely to generate a neutral and objective interpretation.
- Enhancing the manager's communication skills as a sender, receiver and listener of messages irrespective of the medium the message is transmitted; this can be achieved with a well-designed communication training and development programme which takes into account the organisational culture and prevailing limitations and constraints in the organisation, such as educational level of employees.
- Making communication a goal-oriented activity with a clear end objective and a definite purpose; this includes evaluating the possibilities of misinterpretation so that cognition and cognitive abilities are taken into account in the communication process.
- Acknowledging that communication is a creative effort and different strategies and medium are needed depending on the message, the receiver or audience and the desired outcome.
- Recognising that communication is likely to be misinterpreted or miscommunicated and therefore, reduce the possibility of that happening by taking appropriate precautionary steps.

Responsible managers desiring efficiency and effectiveness take extra precautions to ensure that they plan and strategise their communication and choose the right medium and process to ensure the recipient will receive the message as intended and the desired outcome will be fully achieved.

Information Richness and Communication Media

5 LEARNING OBJECTIVE
Define information richness and describe the information richness of communication media available to managers.

To be effective communicators, managers need to select an appropriate communication medium for each message they send. There is no one best communication medium for managers to rely upon. One of the key terms to bear in mind is information richness. Information richness is the amount of information a communication medium can carry and the extent to which the medium enables the sender and receiver to reach a common understanding. Media high in information richness are able to carry a lot of information.

When choosing a communication medium, managers need to consider three key factors.

1. The most important factor is the level of information richness that is needed.
2. The second factor is the time needed for communication.
3. The third factor is the need for a paper or electronic trail, or some form of written documentation that a message was sent and received.

A paper or electronic trail is an essential requirement to ensure management has secure record-keeping of all important and relevant communication. Should the need arise to verify or investigate an event, failure or accident at a future date, this ensures there are sufficient records to assist in the investigation.

The range of information richness in different types of communication is listed (Table 14.2).

Figure 14.2 illustrates the hierarchy of media richness.

Highest Information Richness	Least Information Richness
• Face-to-face communication • Spoken communication electronically transmitted, e.g. telephone conversation • Personally addressed written communication, e.g. letter to an individual	• Impersonal written communication, e.g. general circular or memorandum.

Table 14.2 Levels of Information Richness

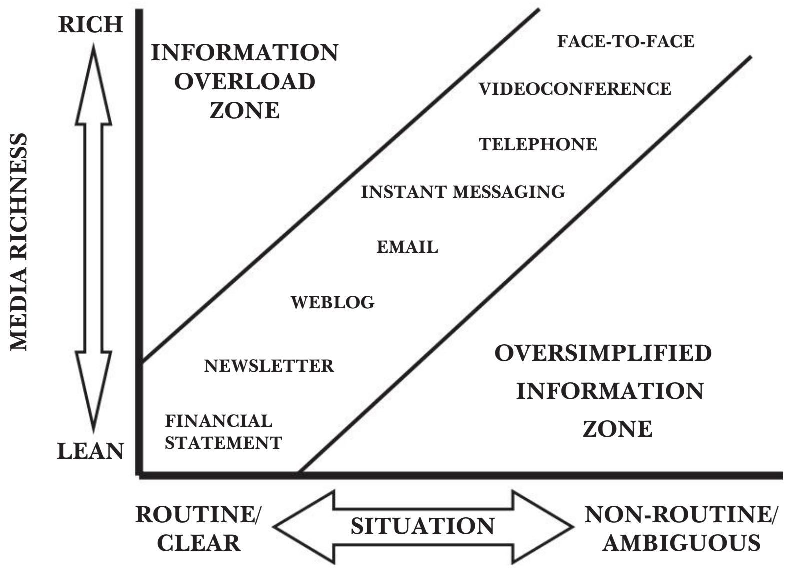

Figure 14.2 Hierarchy of Media Richness

Different Types of Communication

The merits of the different communication types – face-to-face communication, electronically transmitted personal communication, personally addressed written communication and impersonal written communication – are discussed below.

Face-to-Face Communication

Face-to-face communication is the medium with the highest information richness. When managers communicate face-to-face, they take advantage of verbal communication, interpret each other's non-verbal signs and signals and receive instant feedback.

Management by walking around the office is a face-to-face communication technique that many managers find effective at all levels in an organisation. Managers walk around work areas and talk informally with employees about issues and mutual concerns. These informal conversations provide managers with important information and foster the development of positive relationships.

Face-to-face communication may not always be the medium of choice for managers because of the large amount of time required and the lack of a paper or electronic trail. For messages that are important, personal, or likely to be misunderstood, managers should use face-to-face communication and supplement it with some form of written communication.

Many organisations use videoconferencing to capture some of the face-to-face communication while also saving time and money. This method allows managers in two or more locations to communicate with each other over video screens. Videoconferencing sometimes leads to shorter, more efficient meetings. Many of today's simple communication tools, e.g. the mobile telephone comes with features to take photographs, and short sound and video recordings can be used advantageously to supplement face-to-face interactions.

Electronically Transmitted Spoken Communication

Spoken communication electronically transmitted over telephone lines is second highest in information richness after face-to-face communication. Although telephone communication does not allow access to body language and facial expressions, managers do have access to the tone of voice, the parts of the message that the sender places emphasis on, and the actual words spoken. Managers also can get quick feedback over the telephone and answer questions. Voice mail systems also allow managers to send and receive verbal electronic messages. This is through digitisation of voice communication. Such systems are a necessity when managers are away from their desks or out of the office.

Personally Addressed Written Communication

Lower in information richness is **personally addressed written communication**. Personally addressed written communication, such as memos or letters, has the advantage of demanding attention, as does face-to-face communication and electronically submitted verbal communication.

Because personally addressed written communication is directed to a specific person, there is a good chance that the person will open and read it. Also, the sender can write the message in a way that the receiver is most likely to understand. Written communication does not enable a receiver to have his or her questions answered immediately. Even if managers use face-to-face communication, a follow-up in writing is often needed.

Email also fits into this category because senders and receivers are communicating through personally addressed written words. It is important to follow email etiquette. Guidelines include: messages in capital letters are often perceived as being shouted or screamed, always punctuate messages, do not ramble on and pay attention to spelling and format. Emails especially in the business and work context should not be abbreviated or written making use of acronyms or casual language. They should be in formal language.

Email has also enabled many workers and managers to become telecommuters. Telecommuters are people who are employed by organisations and work out of offices in their own homes or other locations. Many telecommuters say the flexibility of telecommuting enables them to be more productive while giving them a chance to be closer to their families.

The increasing use of email has been accompanied by the growing abuse of email. Some employees sexually harass co-workers through email. To avoid email abuse, managers need to develop a clear policy specifying what company email can and should be used for and what is out-of-bounds.

Impersonal Written Communication

This mode of communication is ranked lowest in information richness. It is suited for messages that need to reach a large number of receivers. Feedback is unlikely, so managers must make sure that messages are written clearly in language that all receivers will understand. Managers often find company newsletters useful vehicles for reaching a large number of employees. Managers can use impersonal written communication for conveying rules, regulations and policies, newsworthy information and the arrival of new organisational members.

The paper trail left by this communication medium can be invaluable. Also, impersonal written communication can be delivered and retrieved electronically. Unfortunately, the ease with which electronic messages can be spread has led to their proliferation, and electronic mailboxes of organisational members are often backlogged. The problem with such information overload is the possibility that important information will be overlooked and the loss of productivity due to time wasted on tangential information.

Information Communication Technology Revolution

Computer-based information and newer communication technologies are enabling technologies that have allowed managers to develop computer-based management information systems that provide timely, complete, relevant and high-quality information. The link between information systems, communication and competitive position is an important one. One of the consequences of the information communication technology revolution is the lowering of communication costs by telecommunication service providers.

6 LEARNING OBJECTIVE
Describe the information-communication technology revolution and the tumbling price of information, communication and technology.

Modern computers can read, process and store millions of instructions per second. This awesome power is the foundation of the current information technology revolution. Within the last two decades, the relative cost of acquiring, organising, storing and transmitting information has fallen dramatically. Together with increased accessibility to desktop computers and laptops, miniaturisation of communication devices, and reduced cost of communication between computers, the rise of the Internet, Intranet and other forms of communication networks, the price of communicating information has tumbled.

Wireless Communication

Another trend has been the rapid growth of **wireless communication** technologies, particularly cellular communications. Wireless communication facilitates the linking of computers, which greatly increases their power and adaptability. Because a computer no longer has to be plugged into a hard-wired telephone line, accessing a large computer-based information system is much easier than it used to be. Managers today are able to communicate instantaneously and remain constantly in touch with superiors, peers, subordinates, suppliers and customers through a variety of mobile communication devices. This greatly contributes to efficient and effective management within the organisation.

Computer Networks

Networking is the exchange of information through a group or network of **interlinked computers**. The most common arrangement now is a three-tier network consisting of clients, servers and a mainframe

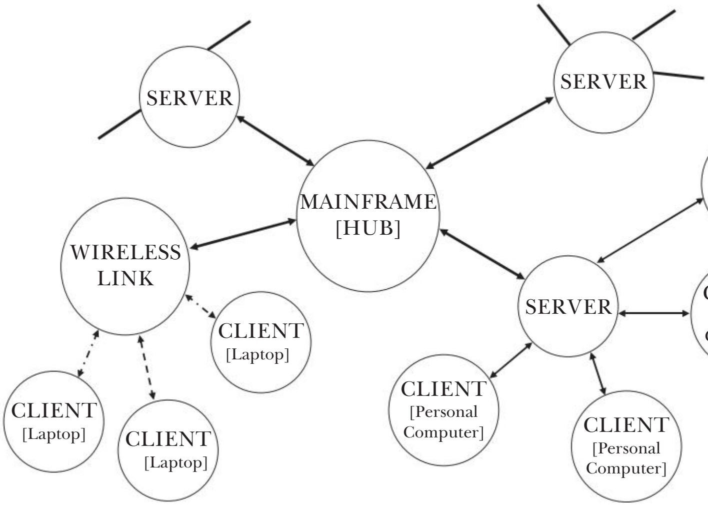

Figure 14.3 A Typical Simplified Three-Tier Network

(Figure 14.3). At the outer nodes are the personal computers on the desks of individual users or laptops for managers and employees working in the 'field', referred to as **clients**. These are linked to a **local server**, a high-powered mid-range computer that serves the client personal computers. The client computers are linked directly to a server constituting a **local area network (LAN)**, or linked through a **wide area network (WAN)** and other forms of wireless interconnectivity.

At the hub of a three-tier system are **mainframe computers**. Mainframes are large and powerful computers that can be used to store and process vast amounts of information. A mainframe may be connected to other mainframes in other organisations, and through them, to LANs in other organisations. Increasingly, the Internet, a worldwide network of interlinked computers, is used as the conduit for connecting the computer systems of different organisations. These worldwide networks are made up of overland and undersea communication cables. However, accidental damage to these cables can be highly disruptive to the efficiency and effectiveness of organisations. Astute managers generally would have designed strategies and plans to cope with such scenarios as part of their normal planning.

If a manager has a personal computer hooked into a three-tier system, he or she can access data or software stored in the local server, in the mainframe, on the Internet or in computers located in another organisation. A manager can also communicate electronically with other individuals connected into their system. Wireless communications allows a manager to connect with the system from any location in which a wireless communications link can be established.

Software Development

Computer software has also been developing rapidly. Operating system software tells the computer hardware how to run. Application software, such as programs for word processing or database management, is software developed for a specific task or use. The increase in the power of computer hardware has allowed software developers to write increasingly powerful programs. Application software has vastly increased the ability of managers to acquire, organise, manipulate and transmit information. It also has improved their coordination and control activities and decision-making abilities.

Artificial intelligence has been defined as behaviour by a machine that, if performed by a human being, would be called intelligent. Artificial intelligence has already made it possible to write programs that can solve problems and perform simple tasks. Speech recognition software is another development that is starting to impact the manager's job. Currently speech recognition software must be 'trained' to recognise and understand each individual's voice.

The development in software has given unprecedented power to the manager to be more efficient and effective. Any manager who is unable to function effectively in this advanced computer driven environment will be severely handicapped and could be a liability to the organisation. Today's manager needs to be sufficiently savvy with computer and communication technology if the manager plans to achieve efficiency and effectiveness in his or her respective work area.

Management Information Systems

Management Information Systems (MIS) are integral to organisational efficiencies and effectiveness in today's workplace. There are four types of computer-based MIS that can be helpful in providing managers with the information they need.

7 LEARNING OBJECTIVE
Describe management information systems.

1. Transaction-processing systems
2. Operations information systems
3. Decision support systems
4. Expert systems and artificial intelligence

Transaction-Processing Systems

A **transaction-processing system** is a system designed to handle large volumes of routine, recurring transactions. Transaction-processing systems began to appear in the early 1960s and were the first type of computer-based information system adopted by many organisations. Most managers in large organisations use a transaction-processing system to handle tasks such as payroll and customer billing.

Operations Information Systems

An **operations information system** is a system that gathers comprehensive data, organises it, and summarises it so that it has value for managers. They help managers to make non-programmed decisions. Most operations information systems are coupled with a transaction-processing system. Managers use operation information systems to get sales, inventory, accounting, and other performance-related information.

Decision Support Systems

A **decision support system** is an interactive computer-based system that provides models to help managers make better non-programmed decisions. Model-building capabilities provided managers with the ability to manipulate information in a variety of ways. Such systems are not meant to make decisions for managers. Rather, their function is to provide managers with information they can use to improve their decisions.

Expert Systems and Artificial Intelligence

An **expert system** employs human knowledge captured in a computer to solve problems that ordinarily require human expertise. Expert systems are a variant of artificial intelligence, and are the most advanced management information systems available. Mimicking human expertise requires a computer that can perform functions normally handled by humans.

- Recognize, formulate and solve problems.
- Explain the solution.
- Learn from experience.

Although artificial intelligence is still at a fairly early stage of development, an increasing number of business applications exist. Artificial intelligence is still in its developmental phase but managers should see advances and availability in the next decade.

The organisational hierarchy or the traditional information system, however, is the management information system that preceded them all.

Organisational Hierarchy: The Traditional Information System

In the second half of the 20th century, many of the large global organisations and even large national organisations faced unique problems of coordination and control. To deal with these problems, they perfected the use of the hierarchy as an information network to provide senior managers with the information they needed to achieve coordination, control and make decisions. Regular daily and monthly reports were fed up the chain so that top managers could make decisions. Decisions were then relayed back down the hierarchy so they could be carried out. This practice began to change when electronic information technologies became more reasonably priced between the late 1960s and 1980s. The hierarchy suffers from several drawbacks. In organisations with many layers of managers, it can take a long time for information to travel up and for decisions to travel down. Also, information can be distorted as it moves from one layer of management to another, and maintaining this system can become very expensive. The advances in information and communication technologies were to change all this. The arrival of cheaper, better and faster minicomputers and microcomputers, especially in the 1980s, started changing the way management information systems were structured and used. Further advances were achieved with desktop computers and laptops, and the advent of the Intranet, Internet and the wireless communication technologies in 1990s and the first decade of the 21st century.

Limitations of Information Systems

There is a concern that in all of the enthusiasm for MIS, a vital human element of communication might be lost. Very rich information is often required to coordinate and control an enterprise and to make informed decisions. Some kinds of information cannot be quantified and aggregated. Ultimately organisations thrive only if the people who populate it contribute efficiently and effectively to the mission, goals and objectives of the organisation.

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PART SIX

APPLICATIONS

CHAPTER 15

CASE STUDIES

Analysis and discussion of cases is a useful tool to learn the application of management concepts, theories and principles. The case studies presented in this chapter will reinforce your understanding of efficient and effective management for successful organisational performance. Essentially, students of management will realise the importance and need to be familiar with key functions of planning, organising, leading and controlling for the smooth running of organisations. To obtain the maximum benefit from the case studies, you must be familiar with the course content and review the lecture notes prior to the analysis and discussion session to ensure you benefit from the learning opportunities offered by the case studies. In fact, you should analyse and document your thoughts before attending the discussion, tutorial or seminar.

Your instructor will guide the discussion with contributions from you and your fellow students. However, the keys to a successful learning journey are research and preparation before attending the seminar or tutorial discussion of the case studies, and active participation in the form of contributing ideas and discussing different points of view. Passive learning by taking down notes of the discussion will not be helpful.

The discussions can be conducted in seminar style with a selected group presenting the key issues, their findings and suggestions, recommendations and conclusion. The seminar is then open for a debate style discussion. For a more interesting and effective discussion, students should come prepared with specific examples from the local business world.

CASE ONE

The Read and Write (RAW) Bookstore

PART 1 The Management Process and the Manager as a Person

When you were in primary school, you were fascinated by the neighbourhood stationery store in the Housing and Development Board (HDB) estate near your school. You watched the store grow and the owners expanded their business to sell toys, cassettes, CDs, school textbooks and assessment books. As you grew older, this fascination with book stores and stationery shops became a passion. You made the effort to visit book stores and stationery stores, this time to observe their operations. While studying at the university, you noted the presence of the university bookstore, which served the needs of most students at Nanyang Technological University (NTU) in terms of stationery, textbooks and a host of other things including greeting cards, trinkets, audio CDs and calculators. Occasionally, you spent time observing their operations and even spoke to the sales staff about the operation of the store.

While attending a management course at the university, you made friends with four other students with different specialisations. All five of you realised that none of you wished to pursue the traditional path of getting a job and progress up a career ladder in your respective chosen vocation. Your friends also have an interest in book stores and stationery shops but they are not as passionate as you. After some discussion, all five of you agree to start a stationery and book store called The Read and Write (RAW) Bookstore upon graduation. You see tremendous potential as Singapore aims to become a global schoolhouse. You also realise that the demand for books and stationery is perennial and at the start of each academic year, semester or term of schools, junior colleges, polytechnics and universities, there is peak demand. You envisage this as a profitable business to fulfil your occupational aspirations and earn a livelihood.

For a start, as you and your friends are just about to graduate, you are meeting to discuss your proposed business. Each of you has raised sufficient capital needed to start the business. All of you agree that each of you would hold equal stake in RAW. You have acquired a shop at the Bras Basah Complex with approximately 300 square metres (about the size of three four-room HDB apartments). As the shop was also previously a bookstore, it has an adequate number of bookshelves and other furniture needed for a bookstore operation.

Bras Basah Complex is a small shopping mall with shops that sell mainly stationery, books and a host of printing and associated services. Conveniently located between North Bridge Road and Victoria Street, it is within 5 to 10 minutes' walk from the

City Hall MRT, Raffles City, the National Library on Middle Road and Singapore Management University. Located relatively nearby are many other independent learning institutions. Numerous bus services stop just outside the complex. Above the Bras Basah Complex are HDB apartments. The basement of the complex also has a fairly large carpark. There is a food court within the complex, a fast food outlet in the neighbouring building and other restaurants within the complex and nearby.

The objective of your first meeting is to discuss the management process in setting up RAW operations.

The five of you will be discussing the management issues listed below. Prepare your notes for the discussion by addressing these questions.

1. What do you want to achieve? The mission, goals and objectives of the business are a good starting point for defining what you want to achieve.
2. What should be the performance objectives? How should they be measured in terms of efficiency and effectiveness? How should the two criteria be positioned? (You should be able to distinguish between efficiency and effectiveness in the context of the RAW Bookstore.)
3. What resources and logistics would you need for your business?
4. How would you design the four management functions, namely, planning, organising, leading and controlling?
5. What are the managerial positions to be created for the business (e.g. top level, middle level, first-line). What roles should these position holders play to ensure the achievement of organisational efficiency and effectiveness?
6. What knowledge, skills and competencies do they need? Discuss the three types of management skills in the context of RAW Bookstore.
7. How will you build competitive advantage and grow the business?
8. What sort of personality traits, values, attitudes, moods and emotions should the office holders (managers) and employees have?

PART 2 Values, Attitudes, Emotions and Culture; Managing Ethics and Diversity

You have now made a lot of plans for your dream business (RAW Bookstore). Your careful planning and hard work have paid off. The business is running so well that you and your staff can hardly cope with it.

Employees have to work very long hours and often give up weekends and holidays. Before long, some employees begin to complain that they do not have time for their families, especially those with young children and elderly parents. Moreover, many of them have to sacrifice their social lives.

"But we, the owners, are working even harder!" you hear your partner tell them, "Besides your salary and bonuses are good! And you may get a pay raise at the end of the year!"

Your business partner obviously swallows down that sentence he said to you many times before in private: "Jobs are so hard to find nowadays, people should feel lucky to even have a job!"

1. What would be the ethical implications of requiring employees to work long hours and weekends, and even on some public holidays? What if the job really requires them to do so?
2. Do you feel you and your colleagues have any obligations ensuring employees have a work-life balance? What would those be?
3. Could you the business owners achieve a win-win situation with your employees in work-life balance? If you can, explain how it will be achieved without hurting the business. If you cannot, explain why it cannot be achieved? What would be the consequence of each outcome for your business?
4. Review the applicability of rules for ethical decision making and generalise a principle for ethical decision making you would adopt for your business.
5. How relevant is organisational citizenship behaviours (OCBs) and organisational commitment among your employees and managers in your business? What do you think should be the roles of values and norms in your business?

Finally, your business grows so well that there is a real need to hire extra staff.

One of your friends, who is not your business partner, has obtained a first degree in psychology. She tells you that correct personality profiles of staff would be extremely important to the further development of your business. She suggests to you a list of available personality tests for screening job applicants. She also mentions that, since your employees are often entrusted to handle money and other resources, a paper-and-pencil honesty test should be used.

Research the relevance, importance and accuracy of personality and honesty tests in the recruitment of employees before attending the tutorial or seminar so you can share your findings.

1. How do you think the personalities and values of your staff would affect their work? To what extent would their work and your business (RAW Bookstore) be affected? Which personalities are desirable in your business (RAW Bookstore)?
2. You are also pondering on the ethical issues. Is it a fair practice to conduct an honesty test? What would be the implications for the various shareholders?
3. If you decide to go ahead with these personality and honesty tests, what are the measures you feel are necessary for safeguarding your ethical standards?

4. You really want to create a business with an ethical organisational culture. How will you succeed?

There is an increasing diversity in the national workforce and in the business environment. As owners of RAW Bookstore you are often faced with job applications and public pressure to employ young mothers (who often cannot put in long hours) and individuals in their 50s and 60s (who are limited in some of their abilities), as well as foreign nationals with specialist skills in library and book store management.

1. How will you address this issue without drawing adverse comments for your policies or action on diversity?
2. How should small businesses like yours address the issue of diversity, especially in relation to racial, ethnicity, religious and gender diversity, considering you have limited human resources and employing additional help may increase your operating costs?
3. Would you employ physically challenged people in your business? Give reasons to support your choice.
4. Would you consider employing foreign nationals who have specialist skills in library and book store management? Why?
5. What is the value add for your business in having a diverse workforce? How can it contribute to the efficiency and effectiveness of your business and overall organisational performance?

PART 3 Managing in a Global Environment and Decision Making

RAW Bookstore has been running very well for two years and is now a successful business. Your customers have been giving you feedback that they would like to see a RAW Bookstore in their neighbourhood, especially in Singapore's heartlands, i.e. the HDB estates. Polytechnic and university students have been giving you feedback that they would like to have a branch of RAW Bookstore at their respective institutions. Student unions and Parent-Teacher Associations have even suggested running the book and stationery business in partnership with you. Some students have even offered to link their personal website and your web portal.

Now you are pondering whether you can open new outlet(s) at other location(s). After studying more on management, you feel the need to conduct a systematic review before making a decision.

1. Analyse the major forces in the environment you are going to face if you proceed to expand RAW Bookstore locally and internationally.
2. How would you go about opening more outlets in Singapore so that it will be an economically viable proposition?

3. Could you use the Internet as a tool to grow your business? How would you do it?
4. What other options do you have to expand your business considering the feedback and offers you have been receiving?

International students from China, India, Vietnam, Indonesia, Malaysia and other countries studying in Singapore have suggested that opening an outlet in the capital or main cities of their respective countries would be good idea. As business owners, you and your friends are considering whether expanding your business overseas is a good idea.

1. Choose a country (e.g. China, Vietnam, India, Indonesia or Malaysia) and proceed to decide whether you should open an outlet in that country, and discuss how you would go about doing it.
2. Analyse your decision-making process. You may wish to use the following questions in your analysis.
   a. Identify the criteria you used, either consciously or unconsciously, to guide your decision making.
   b. List the alternatives that you considered. Were these all the possible alternatives? Did you unconsciously (or consciously) ignore some important alternatives?
   c. How much information did you have about each alternative? Did you base the decision on complete or incomplete information?
   d. Try to recall more details. Did you sit down and consciously think through the implications of each alternative, or did you make a decision on the basis of intuition? Did you use any rules of thumb to help you make the decision?
   e. Having answered the above questions, do you think in retrospect that you made a reasonable decision? What, if anything, might you do to improve your ability to make good decisions in the future?
   f. Do you feel that there might be any other important factor(s) that should also be considered? If yes, what are they?
   g. In the light of your analysis, discuss the usefulness of different decision models that you have learnt.

PART 4 Learning Organisations

You want to make your business (RAW Bookstore) a learning organisation.

1. What is organisational learning and how can you promote it in your business (RAW Bookstore)? Your discussion should include a description of actual activities you may consider engaging in to develop a culture of a learning organisation.

2. How do you keep yourself, fellow business owners and your staff (managers and employees) up to standard to better understand and respond to the book store's environment?
3. In what kinds of groups is groupthink most likely to be a problem? When is it least likely to be a problem? What steps can you take to ward off groupthink in your business (RAW Bookstore)?

PART 5 Strategy, Designing Organisational Structure and Motivation

The RAW Bookstore you and your four friends established has developed extremely quickly. Years have passed and the business has done well. RAW Bookstore has outlets of different sizes all over Singapore, from Changi Airport to Boon Lay MRT, and from North Point to Vivo City. In fact, nearly every major shopping mall in the neighbourhood has a RAW Bookstore. The store at Bras Basah Complex has been substantially expanded. Outlets are located at major learning institutions and the store also supplies books and stationery to some school clusters in Singapore. RAW Bookstore is now perceived by many Singaporeans as the top bookstore chain on the island.

You have also expanded the product lines. Books that appeal to specialist interests, such as archaeology, architecture, local, regional and cultural history, are retailed in RAW Bookstores. In addition to books and stationery, the bookstores also sell a limited range of branded computers as well as your own brand of computers and a variety of computer accessories and peripherals, calculators, CDs, VCDs and DVDs, a limited range of mobile phones, MP3 players and a small selection of souvenirs that appeal to teenagers and young adults, such as tokens, bracelets and other small items. The company also supplies stationery and other office supplies to big businesses, government departments and other organisations in Singapore.

In effect, the stores are progressing to appeal not just to students and adolescents but also middle-aged adults and older people, including retirees in search of recreational reading. The store's reach has also spread to the commercial and business sectors.

1. Describe the following strategies: cost leadership, focused cost leadership, differentiation and focused differentiation. Analyse the suitability of each strategy in the context of your business, i.e. RAW Bookstore.
2. What sort of strategies should your company (RAW Bookstore) adopt for the different areas that you operate in and the different products you sell, taking into account your suppliers, competitors, customers and resources.
3. What are vertical integration strategy and related diversification strategy? Is it a good move to sell your own brand of stationery, provide specialised stationery

for the big businesses and government departments, and even venture into publishing books? Should you also have a snack bar in selected stores? What other possibilities are there? Why or why not?

4. Diversifying to beyond your mainstream activity of being book sellers and stationery suppliers to students and educational institutions: has this been a wise move? Why or why not?
5. With the business becoming so large and with island-wide operations, discuss the merits of the different types of organisational structure, e.g. functional structure, divisional structure, matrix structure and team-based structure and their applicability to different activities that RAW Bookstore engages in.
6. Which type of organisational structure is most suitable for RAW Bookstore? Sketch the organisational structure and justify your choice explaining the merits of the structure you propose.
7. As the RAW Bookstore has grown, you and your business shareholders are concerned about productivity and performance. How would you describe the five job characteristics in the Job Characteristics Model (JCM) to enhance motivation, performance and productivity of employees and store managers in RAW Bookstores?
8. How can jobs be redesigned to enhance motivation, performance and productivity at RAW Bookstores? Give specific examples and detailed descriptions of specific tasks and jobs that can be redesigned.

PART 6 Control

As RAW Bookstore has expanded and is now an exceptionally large organisation, management must focus on control. The following questions are aimed at assisting you in understanding control.

1. How do output control and behaviour control differ?
2. How would you apply these concepts at different stages of the development of RAW Bookstore, i.e. from a single store in Bras Basah Complex to under a dozen stores, and subsequently to many stores island wide in Singapore and becoming a supplier of stationery and other office supplies to large organisations and government departments? Describe the progressive development of the control process as the company expands.
3. Should store managers involve subordinates in the control process? If yes, how? If no, why not?
4. What are the actual control processes that RAW Bookstore should introduce to ensure efficiency and effectiveness are achieved in all areas of the business and at different stages of business development?

5. What is organisational culture and how does it affect the way your employees behave? Why is managing organisational culture important in organisational success?
6. Describe what sort of organisational culture RAW Bookstore should develop. Justify your choice and the basis.
7. How does output control, behaviour control, the control process and organisational culture differ for a small single store business versus an organisation with a large number of stores?

PART 7 Leadership and Team Management

The success of RAW Bookstore also depends on its leadership and management of teams. Discuss the following questions in the context of RAW Bookstore.

1. Why might managers want to change the behaviours they engage in, given their situation, their subordinates and the nature of the work being done? Do you think managers are able to readily change their leadership behaviours? Why or why not?
2. Describe what transformational leadership is and explain how managers can engage in it. How can managers at RAW Bookstores engage in a transformational leadership? Cite specific actions they can take.
3. Why do all organisations need to rely on groups and teams to achieve their goals and gain a competitive advantage?
4. What kind of employees would prefer to work in a virtual team? What kind of employees would prefer to work in a team that meets face to face?

CASE TWO

Sound, Appliance & Vision Enterprises Pte. Ltd. (SAVE)

As you completed an introductory basic course in management, you have been approached by the Chief Executive Officer (CEO) to help improve the efficiency and effectiveness of the management of his electrical and electronic goods business. The business is called Sound, Appliances & Vision Enterprise Pte. Ltd. (SAVE).

SAVE has stores located at four shopping malls in Singapore:

1. Suntec City in the heart of the city.
2. AMK Hub at Ang Mo Kio in the North.
3. Tampines Mall in the East.
4. Boon Lay Shopping Centre in the West.

Each store has three departments selling audio-visual goods, home appliances and small electrical and electronic goods, respectively.

a. Audio-visual goods (e.g. TV sets, DVD players, home theatre systems)
b. Home appliances (e.g. washing machines, cookers and ovens)
c. Small electrical and electronic goods (e.g. mobile phones, MP3 players, digital cameras).

Each store employs 55 people, which include a Store General Manager who is supported by three Department Managers and two other managers, with one taking charge of Accounts, Finance, Credit, Human Resources and Administration and the other taking charges of miscellaneous matters.

All the four stores are managed from a central office and warehouse at Bukit Batok Industrial Park (BBIP) where a relative of yours has four senior managers assisting him. The total staff strength at the BBIP premises is 60 people. The four senior managers have responsibilities in four areas.

1. Store operations (for all four stores)
2. Accounts, Finance, Human Resources and Administration (for all four stores);
3. Miscellaneous matters (for all four stores).
4. Office management (for all matters at the BBIP premises, e.g. purchasing and warehousing)

Discussion Questions

1. The CEO of SAVE has asked you to craft a mission statement for his company. Explain what is a mission statement and why is it so important for an organisation. What points would you include in the mission statement for SAVE? Craft the actual mission statement for SAVE as you perceive it and explain the meaning and rationale for the mission statement.
2. Propose an appropriate organisational structure for SAVE based on the information provided in the case above and justify your choice based on the advantages and disadvantages of different types of organisational structures. You are required to draw the organisational structure for presentation and discussion during the tutorial or seminar.
3. As the electrical and electronic goods business is highly competitive, the CEO asked for improvements in behaviour control in his business. Explain what is behaviour control and describe briefly what action can be taken to improve behaviour control at SAVE.
4. How can self-managed work teams help SAVE employees to experience meaningfulness and responsibility for the outcomes of their work?
5. Discuss whether the managers in SAVE should be transformational or transactional leaders.
6. The CEO of SAVE had heard about Job Characteristics Model and self-managed work teams. He now wants more details. Draw and explain the Job Characteristics Model and its usefulness to managers in SAVE. Explain what self-managed work teams are. How can self-managed work teams help SAVE employees to experience meaningfulness and responsibility, as described in the Job Characteristics Model, for the outcomes of their work?
7. What is information richness? Compare and contrast two types of communications to illustrate the concept with examples of SAVE stores.

CASE THREE

The Holiday Hotel in Singapore (The Holihot)

The Holiday Hotel in Singapore (The Holihot) is a medium-sized hotel and part of the global chain of Holiday Hotels. The Holihot located in Singapore's tourist belt at Orchard Road is headed by a General Manager (GM) who is supported by three Senior Managers (SMs) who head their respective divisions. The hotel's mission is to provide affordable quality holiday accommodation to discerning independent travellers seeking outstanding service in a pleasant and comfortable environment. The Holihot's tagline is 'Excellent Accommodation at Affordable Prices'. Efficiency and effectiveness are paramount to all the hotels in the Holiday Hotels chain. Therefore, efficiency and effectiveness are integral to all areas of operations at the The HoliHot in Singapore. The GM and all the SMs and managers pursue goals consistent with the mission.

The operation of The HoliHot in Singapore is managed by SMs in three specific areas: Operations, Support Services and Administration. SM (Operations) has six Hotel Managers working on rotating shifts reporting to him. They are responsible for the 24/7 operation of The Holihot. SM (Support Services) has four managers under her charge taking care of Food and Beverage, Housekeeping, Maintenance and Security respectively. SM (Administration) takes care of Human Resources, Accounts and Finance, Corporate Communications and General Affairs. She has four Managers reporting to her and taking care of each area respectively under her charge. While Operations and Support Services are wholly 24/7 operations, Administration works 24/7 on a need basis. The GM, SMs and managers collectively make up the management team of The Holihot.

The HoliHot in Singapore has approximately 400 employees of both gender from diverse backgrounds, ethnicity and nationalities. They also employ five physically challenged individuals. Besides this, they employ part-time workers on a need basis to meet the demand for personnel when the hotel reaches full occupancy or when a large banquet or event is held at The Holihot. The educational level of employees at The Holihot ranges from Primary Six to university graduates and the professionally trained. The Holihot Hotel in Singapore maintains high standards of work performance through a variety of efforts including encouraging organisational learning, effective management of diversity, effective planning and control, good decision making and an operationally efficient organisational structure. In addition, the management team at The Holihot in Singapore adopts various other strategies, actions, control and plans to achieve its goal of being efficient and effective.

Discussion Questions

1. Depict an organisational structure for The Holihot in Singapore and describe the advantages and disadvantages of the suitability of the structure proposed for The Holihot. You are required to draw the organisational structure.
2. As part of a global chain of the Holiday Hotels, The Holihot in Singapore actively promotes diversity among its employees. Describe at least five roles that The Holihot's management team can play in effective management of diversity at The Holihot.
3. Justify why planning is important for the members of The Holihot management team in Singapore in the context of The Holihot's mission.
4. Decision making at The Holihot is inherently often uncertain and risky. Consequently the members of the management team at The Holihot sometimes make satisfactory rather than optimum decisions. Explain the concepts that attribute to this weakness at The Holihot.
5. What should be the qualities incorporated in The Holihot's control system to ensure it is effective? Describe these qualities to ensure effective control.
6. Describe how the management team can create a learning organisation at the The Holihot in Singapore? Support your answer with examples.
7. To ensure high organisational performance, describe how members of The Holihot's management team in Singapore can achieve high efficiency and effectiveness.

CASE FOUR

The Food and Drinks Supermarket (FADS)

Background

The Food And Drinks Supermarket (FADS) is a cooperative supermarket chain founded in 1997 during the Asian financial crisis through the collective effort of students' unions and associations of tertiary educational institution comprising universities and polytechnics to sell low-cost competitively priced food and drinks to Singaporeans. Essentially, they offered their products in small portions but at unit prices which were only available to bulk buyers of items at other supermarkets and mini-marts. Their outlets were generally small, often less than a 100 square metres (about the size of a four- or five-room HDB flat) and modestly furnished with inexpensive or makeshift furniture and ventilation provided by oscillating fans.

As a policy, FADS prohibited bulk buying. The first outlet was located at a MRT-bus interchange through a strategic alliance with the transport companies and the assistance of relevant government agencies. This alliance had been strengthened over the years and all their stores were located at MRT stations or bus interchanges. Over the years, FADS has grown but stuck to its mission of selling small portion items on the basis of value-for-money at the cheapest possible price, often cheaper than similar stores nationwide in Singapore. It was often perceived as a supermarket chain that really stretched the customers' dollar most.

Present

FADS today has 60 stores grouped in four regions – East, West, North and South – and operate from 6 am to midnight. Each region has 15 stores and has a regional support office made up of an assistant general manager (AGM) and about 30 employees to support the store operations in accounting, logistics, human resource, facilities, transport, IT, customer service and quality control for each region. The AGM's report to the general manager (store operations). Each store is staffed by a store manager, supported by between four or six store executives and five to 10 part-time hourly-rated store assistants (mainly made up of polytechnic and university students, senior citizens and housewives from the neighbourhood).

At the head office level, FADS has a chief executive officer (CEO) supported by General Managers in charge of administration and human resources, accounts and finance, logistics and transport, facilities and IT Support, customer service and quality control and store operations. Each general manager has a team of between 15 to 40 employees. Each general manager and his or her team is responsible to ensure the smooth operation of FADS stores and consistency and uniformity of business, accounting and administration processes and practices, operations, pricing, management of people and customer service.

All the stores have retained their organisational business practices and modest format. The clientele FADS attracts today are the lower and lower-middle income Singaporeans. During the recent economic downturn, the customer profile also included professionals, managers and executives who are making an effort to be thrifty and frugal to stretch their dollar. FADS has continually maintained a strategy of low-cost and focused low-cost to differentiate itself from other supermarkets and mini-mart stores in Singapore. Although the range of goods is limited to the basic daily essential food and drinks, it remains as convenience stores for many Singaporeans.

As you have recently completed an introductory course in management, the CEO has engaged you to assist him in the management of the FADS. Your task includes helping the managers and executives in FADS to learn about the fundamental concepts and principles of management.

Discussion Questions

1. Sketch an organisational structure for FADS based on the description in the case study. Justify the appropriateness of the organisational structure based on the factors affecting organisational structures and the advantages and disadvantages of the different types of organisational structures.
2. Organisational culture is clearly an important ingredient for effective organisational performance, i.e. achieving efficiency and effectiveness. The CEO has asked you to explain to the managers and executives in FADS the concept of organisational culture and the importance of developing the right culture in FADS.
3. The CEO has requested you to identify effective leaders from among the managers and executives. To enable you to do this task, describe leadership traits and personal characteristics related to effective leadership in FADS that you would adopt in your identification of leadership process. Your description must justify the relevance of the trait or personal characteristics to FADS operations.
4. What are low-cost and focused low-cost strategies? How would these strategies be applied in FADS?
5. Define what are efficiency and effectiveness in the context of organisational performance. What are the managerial competencies for the 21st century needed by the managers at FADS?
6. Explain why planning would be important to managers working at FADS and what are the qualities their plans would require to be effective?
7. Lately inefficiencies had started to appear at FADS stores due to poor decision making. Propose the introduction of an appropriate decision-making process for FADS.

CASE FIVE

Volunteers for the Beijing Olympics

An estimated 70,000 volunteers were needed for the 2008 Beijing Olympics, held on 8 August 2008. Most of those recruited included university students from Beijing and its vicinity. However, the organisers also had volunteers from further afield, including the rest of China, Hong Kong, Macau and Taiwan. In addition, people of Chinese origin residing in other countries were recruited as volunteers too. The volunteers' duties were primarily to assist in areas like reception, translation, transport, security, medical services, cultural activities and overall care of the visitors to Beijing and spectators of the Olympics.

Recruitment of these volunteers commenced about two years before the Olympics in August 2006 and continued till early 2008. Prerequisites for applicants were a minimum age of 18 years, expertise or knowledge in the areas for which assistance is needed, and knowledge in foreign languages. Applicants had to also possess personal competencies, such as social responsibility, support ethical standards, independence and experience in voluntary work.

While working at the Olympic Games 2008 in Beijing, the volunteers would be covered by insurance and provided with uniforms and clothing, travel expenses and meals. Volunteers from outside of Beijing would have to bear the costs of their travel and accommodation.

1. How would you manage (control) of the applications, from receiving the application to tracking the progress of the selection and notifying the candidates on the outcome?
2. What will be the organisational structure of the volunteers? Describe the hierarchy to facilitate planning, organising, leading and controlling. Describe the advantages and disadvantages of the structure you propose.
3. What will be the role of the volunteers appointed to leadership positions? Should they behave as transactional, transformational or charismatic leaders or some combination of these?
4. How will you track the performance of each volunteer including their attendance, and whether they are carrying out the duties and task assigned?
5. How would you ensure a uniform culture of helpfulness and service among the volunteers to ensure the visitors and spectators have a pleasant experience at the Beijing Olympics?
6. How would you ensure that this group of volunteers would remain highly motivated through the entire duration of the Olympics including two weeks prior to the opening of the Olympics and two weeks after the end of the Beijing Olympics?
7. Overall, how will you assess the organisational performance of the entire group of volunteers?

CASE SIX

The 2008 Beijing Olympic Games

Background

China organised the first great international sports event in 1990 when the People's Republic of China hosted the 11th Asian Games in Beijing. These Asian Games were considered a dress rehearsal for a possible application to become the host city of the Olympic Games in 2000. The application was decided in April 1991 and the 2000 Olympic Games Bidding Committee was founded.

Beijing's international competitors were Berlin, Brasilia, Buenos Aires, Manchester, Sydney, Milan and Toronto. Beijing was the most controversial candidate city. Because of China's human rights record and the violent suppression of the 1989 student protest, Western countries felt Beijing should be refused the opportunity to be considered as a possible venue. The election was lost to Sydney by only two votes.

On 6 September 1999, the Beijing 2008 Olympic Games Bidding Committee (BOBICO), which was supposed to organise Beijing's application, was founded with the approval of the Chinese state council. Beijing's mayor Liu Qi was appointed President of the BOBICO.

On 28 August 2000, Beijing was officially accepted Applicant City by the International Olympics Committee (IOC) Executive Board. Beijing's rivals to host the Games in 2008 were Istanbul (Turkey), Osaka (Japan), Paris (France) and Toronto (Canada).

On 15 May 2001, the Evaluation Commission entered the report on the Candidate Cities, which testified to Beijing's high quality application: "It is the Commission's belief that a Beijing Games would leave a unique legacy to China and to sport and the Commission is confident that Beijing could organise excellent Games."

On 13 July 2001, the International Olympics Committee (IOC) elected Beijing to be the host of the Olympic Games in 2008. The slogan of the games was "One World, One Dream". There were three main themes: Green Olympic Games, High-Tech Olympic Games and People's Olympic Games.

The Facilities

Altogether 37 stadiums and sports halls were used during the 2008 Beijing Olympics, of which 12 were built especially for the games. The Swimming Centre, the National Stadium, the racecourse in Hong Kong, the Olympic Centre in Qunhuangdao and the Sports Centre in Shenjang were some of the more headline-grabbing venues.

The National Stadium in Beijing became a symbol of the 2008 Beijing Olympics. It carried the nickname 'Bird's Nest' in many media reports and has since been widely regarded as an architectural masterpiece.

Development of the Transport System

Not only the Olympic sports facilities had to be built and renovated, but the traffic routes into and around Beijing also had to be adapted to cope with the huge volume of visitors expected during the Olympics. The goal to organise a green Olympiad was a daring statement considering the layer of smog that Beijing often lies under. To reach this goal, cars were banned in the period leading up to the Olympics and during the Olympics. The shutdown of pollutant-rich manufacturing plants and the driving ban reduced pollution over Beijing during the Games.

Bus fares were reduced to make public transport attractive for as many people as possible. The stops of the new Olympics underground line were made more attractive. Concerns about global transport access to Beijing were addressed throughout the development of the airport at Beijing. This was to ensure a smooth journey to and from Beijing for visitors. The new Beijing Airport became the third largest in the world. Another record size building built for the Olympics was the tunnel to connect the main station of Beijing with the west station. At 11.6 metres in diameter and 9.15 kilometres in overall length, it is the largest tunnel in China.

The Opening Ceremony

Fireworks blazed along the Great Wall and across Beijing on 8 August 2008, as Chinese President Hu Jintao opened the 29th Olympic Games at an opening ceremony built around an ancient Confucius saying 'friends have come from afar, how happy we are'. It has been nearly 2,000 years since philosopher Confucius wrote those words, but never have they been more apt for China, which invited the world to Beijing in an unashamed bid to win international respect. For more than four hours China used the opening ceremony to showcase all it had contributed to the world, from gunpowder, paper and calligraphy, to martial arts and silk. Some 15,000 performers and 29,000 fireworks gave the Games a sparkling start. A 16-tonne 'one world, one dream' globe soared above the Bird's Nest stadium to symbolise China's place in the modern world. Five orchestras symbolised the five continents, and East met West when Chinese singer Liu Huan and British opera star Sarah Brightman sang *You and Me*, the Olympic theme song. China had invested US$43 billion on the Games.

The Challenge

The organisation of the 2008 Beijing Olympics was a gargantuan task of mammoth proportions. Good management practices were key to its success by ensuring efficiency and effectiveness from winning the honour to host the 2008 Olympics, to constructing and upgrading the facilities to Olympics standards, ensuring an effective transportation system within the city as well as to and from Beijing and creating an excellent experience that many would remember for a long time to come. In essence, it was an superb execution of the four management functions of planning, organising, leading and controlling.

Case Analysis Requirements

You are required to research the organisation of the 2008 Beijing Olympics on the Internet, articles in publications, interviewing people associated with the organisation of the 2008 Beijing Olympics (if you know them) and those who visited Beijing before, during and after the 2008 Beijing Olympics; and prepare to discuss these questions in a seminar-style discussion from a management perspective led by your instructor.

1. The underlying mission of the 2008 Beijing Olympics was 'One World, One Dream' and there were three main themes: the Green Olympic Games, the High-Tech Olympic Games and the People's Olympic Games. Based on your research, how was this mission fulfilled?
2. How was organisational citizenship behaviour and organisational commitment achieved among these groups? Describe the actual activities which may have been or should have been undertaken.
   a. The members of the various committees responsible for the different tasks associated with the staging of the 2008 Beijing Olympics.
   b. The senior officials, engineers and workers responsible for the construction of the various facilities, the railway line, the tunnel and the airport to support the staging of the 2008 Beijing Olympics.
   c. The people associated with planning and organising the opening ceremony of the 2008 Beijing Olympics.
3. As this was the first time China was organising an event of this magnitude, suggest how you would propose the planning function should be undertaken by the different levels of management, i.e. top, middle and lower level of management?
4. Drawing on Mintzberg's description of the 10 managerial roles, give actual or suitable examples from 2008 Beijing Olympics that the various managers would have to play for each of the 10 roles.
5. In organising and controlling the activities at the Olympics, what are some of the innovative actions that managers could have taken to attain the objective of a high-tech 2008 Beijing Olympics?

6. How can managers use the control function to ensure that the arriving teams for the 2008 Beijing Olympics will be received at the Beijing Airport and guided to their accommodation?
7. How can the managers ensure that all events at the 2008 Beijing Olympics take place as scheduled?
8. It was estimated that at the four-hour opening ceremony, there were more than 100,000 people including the spectators, performers and other organisational personnel. The key consideration in such a mega event is the provision of food and refreshment for spectators, participants and people engaged in the organisation of the event. Describe, using the four management functions (planning, organising, leading and controlling), how you would ensure that there is adequate provision of food and refreshment. Spectators and participants may have arrived several hours before the commencement of the event; the organisers and their staff might have arrived much earlier.

Note: In doing this case study, students are strongly urged to research how major and mega events like National Day celebrations, air-shows, regattas are planned, organised, led and controlled, if they are unable to obtain comprehensive information on the organisation of the 2008 Beijing Olympics.

NOTE ON REFERENCES

While every effort has been made to list each and every reference or text referred to at the end of each chapter the authors will be glad to add any source, reference or text that may have been inadvertently not been identified in the text itself or in the list of references at the end of the respective chapters. If a reference or source has been inadvertently omitted or not been credited in the in-text referencing or inadvertently not listed in the references, the authors would appreciate your bringing it to their attention. Corrections will be incorporated in the next edition of the book. All communication may be sent by email to kkant@singnet.com.sg. Please include in the header, the title of the book and the specific page of omission or error and the nature of the omission or error.

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